Overview Report: British Columbia Lottery Corporation Annual Reports

I. Scope of Overview Report

1. This overview report attaches the annual reports of the British Lottery Corporation for the years 1986 – 2018/19.

II. Appendices

a. Appendix A – 1986:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1986,* (Kamloops: British Columbia Lottery Corporation, 1986).

b. Appendix B – 1987:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1987,* (Kamloops: British Columbia Lottery Corporation, 1987).

c. Appendix C – 1988:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1988,* (Kamloops: British Columbia Lottery Corporation, 1988).

d. Appendix D – 1989:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1989,* (Kamloops: British Columbia Lottery Corporation, 1989).

e. Appendix E – 1989/90:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1989-1990,* (Kamloops: British Columbia Lottery Corporation, 1990).

f. Appendix F – 1990/91:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1990-1991,* (Kamloops: British Columbia Lottery Corporation, 1991).

g. Appendix G – 1991/92:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1991-1992,* (Kamloops: British Columbia Lottery Corporation, 1992).

h. Appendix H – 1992/93:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1992-1993,* (Kamloops: British Columbia Lottery Corporation, 1993).

i. Appendix I – 1994:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1994,* (Kamloops: British Columbia Lottery Corporation, 1994).

j. Appendix J – 1994/95:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1994-1995,* (Kamloops: British Columbia Lottery Corporation, 1995).

k. Appendix K – 1995/96:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1995-1996,* (Kamloops: British Columbia Lottery Corporation, 1996).

l. Appendix l – 1996/97:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1996-1997,* (Kamloops: British Columbia Lottery Corporation, 1997).

m. Appendix M – 1997/98:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1997-1998,* (Kamloops: British Columbia Lottery Corporation, 1998).

n. Appendix N – 1998/99:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1998-1999,* (Kamloops: British Columbia Lottery Corporation, 1999).

o. Appendix O – 1999/2000:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1999-2000,* (Kamloops: British Columbia Lottery Corporation, 2000).

p. Appendix P – 2000/01:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2000-2001,* (Kamloops: British Columbia Lottery Corporation, 2001).

q. Appendix Q – 2001/02:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2001-2002,* (Kamloops: British Columbia Lottery Corporation, 2002).

r. Appendix R – 2002/03:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2002-2003,* (Kamloops: British Columbia Lottery Corporation, 2003).

s. Appendix S – 2003/04:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2003-2004,* (Kamloops: British Columbia Lottery Corporation, 2004).

t. Appendix T– 2005/06:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2005-2006,* (Kamloops: British Columbia Lottery Corporation, 2006).

u. Appendix U – 2006/07:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2006-2007,* (Kamloops: British Columbia Lottery Corporation, 2007).

v. Appendix V – 2007/08:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2007-2008,* (Kamloops: British Columbia Lottery Corporation, 2008).

w. Appendix W – 2008/09:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2008-2009,* (Kamloops: British Columbia Lottery Corporation, 2009).

x. Appendix X – 2009/10:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2009-2010,* (Kamloops: British Columbia Lottery Corporation, 2010).

y. Appendix Y – 2010/11:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2010-2011,* (Kamloops: British Columbia Lottery Corporation, 2011).

z. Appendix Z – 2011/12:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2011-2012,* (Kamloops: British Columbia Lottery Corporation, 2012).

aa. Appendix AA – 2012/13:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2012-2013,* (Kamloops: British Columbia Lottery Corporation, 2013).

bb. Appendix BB – 2013/14:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2013-2014,* (Kamloops: British Columbia Lottery Corporation, 2014).

cc. Appendix CC – 2014/15:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2014-2015,* (Kamloops: British Columbia Lottery Corporation, 2015).

dd. Appendix DD – 2015/16:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2015-2016,* (Kamloops: British Columbia Lottery Corporation, 2016).

ee. Appendix EE– 2016/17:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2016-2017,* (Kamloops: British Columbia Lottery Corporation, 2017).

ff. Appendix FF – 2017/18:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2017/2018*, (Kamloops: British Columbia Lottery Corporation, 2018).

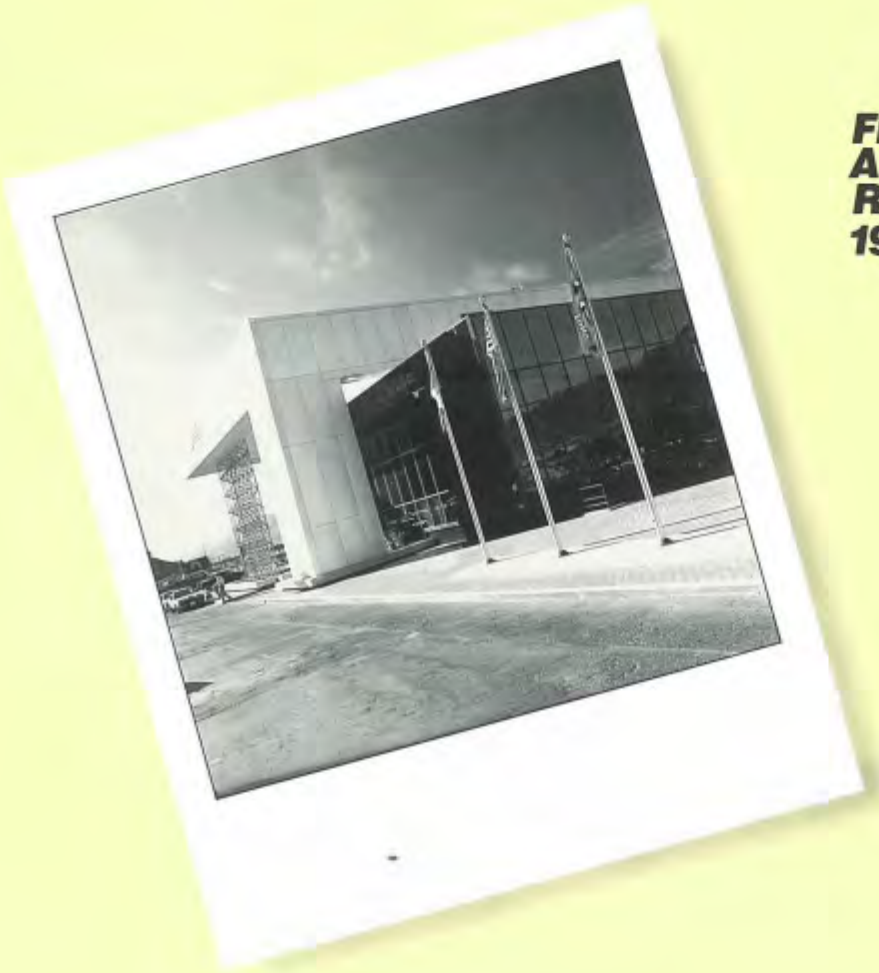
gg. Appendix GG – 2018/19:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2017-2018,* (Kamloops: British Columbia Lottery Corporation, 2018).

Appendix A – 1986:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1986,* (Kamloops: British Columbia Lottery Corporation, 1986).

British Columbia Lottery Corporation



First Annual Report 1986

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Cover Photo

The Corporation's headquarters in Kamloops. This impressive structure is a 20 year old building renovated for use as our head office.

Letter of Submission

The Honourable
Elwood N. Veitch
Provincial Secretary
and Minister of
Government Services

Sir:

I respectfully submit the Annual Report for the British Columbia Lottery Corporation for the fiscal year ended March 31, 1986.

James R. Chabot, Chairman

APPENDIX A

Chairman's Message

Whether you play a little, or a lot, or not at all, in British Columbia we all win.

In the fall of 1984, Premier Bennett announced that the newly formed British Columbia Lottery Corporation's headquarters would be located in Kamloops, British Columbia.

On December 1, 1985 the first workmen entered what was then a vacant medical clinic in Kamloops, British Columbia. The objective was to renovate a twenty year old building into a landmark head office for a multi-million dollar corporation.

Less than eighteen weeks later the Premier officially opened the British Columbia Lottery Corporation headquarters in Kamloops. Over 170 new jobs were created in the Kamloops community. Ninety percent of these positions were filled by residents of Kamloops and two-thirds were unemployed at the time they were hired.

Chairman of the British Columbia Lottery Corporation, James Chabot.

In addition to the Kamloops headquarters, and the Richmond and Victoria marketing offices, the Corporation employs forty-eight field representatives in twenty-six communities throughout British Columbia. In total the payroll is over $8 million, the bulk of which is in Kamloops, where a payroll of close to $5 million is injected into the local economy. Apart from the new jobs, disposable income and other spinoff benefits, Kamloops has become a centre of technological attention.

The state of the art Data Centre situated in Kamloops is capable of handling up to 25,000 transactions per minute. It can store five billion characters of information. The network of lottery terminals in the field supported by the central system is so large that if all the network lines were laid end to end they would circle the earth twenty times.

Security features include the Corporation's technologically advanced office buildings that are monitored around the clock. Even the telephone lines that transport information to the Data Centre are scrambled with new codes every few hours. These techniques ensure that the British Columbia Lottery Corporation's security is beyond reproach.

To date, visitors from Australia, Singapore, Sweden, Spain, Holland and many U.S. and Canadian lottery officials have toured the Kamloops facilities. The lottery world will come to British Columbia in the fall of 1987 when more than forty-two Lotto organizations world-wide will attend the bi-annual Intertoto Conference.

In the Corporation's first year of operation sales of $330 million exceeded all expectations. The British Columbia Lottery Corporation will continue expansion within the guidelines and policies acceptable to the majority of British Columbians.

However, the purpose of lotteries should not be forgotten. Through the Provincial Secretary's Office, profits realized from the sales of the British Columbia Lottery Corporation fund thousands of worthwhile projects such as sport, recreation, culture, heritage, medical research, and community projects. This year, $104 million was returned to the Province of British Columbia in revenue. In addition, another $9 million was returned to the Government of Canada. Hence, the Corporation's slogan: "Whether you play a little, or a lot, or not at all, in British Columbia we all win."

It has been extremely gratifying to see the hard work expended by the many dedicated people on our staff rewarded with such success.

Fiscal year 1986 marks the first year of operation for the British Columbia Lottery Corporation as a separate organization, and its inaugural year was one which was celebrated with record levels of sales and profits.

Sales for the year ending March 31, 1986 were $330 million, an increase of over 34.7 percent from the previous year, and well above predicted sales forecasts. British Columbia has achieved a current consumer spending level of $114 per capita.

The Canada-wide *Lotto 6/49* game continues to be the "flagship" game of the Corporation, representing more than 54 percent of total sales. *Lotto 6/49* sales increased 68 percent mainly due to the change in frequency of the game to two drawings per week. A further contributing factor to the overall successful growth of *Lotto 6/49* and the Corporation's other on-line lotto game, *Lotto West*, was the major expansion of the number of sales terminals in the field—more than doubling from 850 terminals at the beginning of the fiscal year to 1,800 at the end. Planned for this expansion is a 2,000 terminal network—or one terminal for every 1,450 population.

As for the balance of the Corporation's six game product line, the combined sales of the traditional games, *Pacific Express*, *Provincial* and *Super Loto* continued to face stiff competition from lottos and instants, decreasing 16 percent from the previous year to a total of $60.8 million. Instant games, however, continued their upward growth in sales and popularity, with sales increasing to over $71 million with year-round instant games.

Record levels of net revenue were generated in spite of one time start-up costs. In total, net revenue of $113 million was generated; $104 million for the Province of British Columbia and $9 million for the Government of Canada.

While many achievements were realized in its first year of operation, including record levels of sales and revenue, new facilities, including a state-of the art data centre, and the hiring and training of over 200 new administrative staff members, the Corporation is energetically looking forward to meeting the challenges of fiscal 1987.

Guy Simonis, the President of the British Columbia Lottery Corporation.

For fiscal 1987, continued sales growth is forecast, specifically in the area of on-line games. Fiscal 1987 will see the introduction of the Corporation's third on-line lotto game "*Lotto BC*", a weekly 5 out of 40 game only available for sale in British Columbia. Another innovation that will take place in fiscal 1987 is that *Pacific Express* tickets, currently a traditional "pouch" game, are to be printed directly at the retailers' counters through the on line terminals.

In summary, it has been extremely gratifying to see the hard work expended by the many dedicated people on our staff rewarded with such success. All signs point to the expectation that this increased revenue performance will continue in 1987 and beyond.

Lottery Sales

British Columbia Lottery Corporation

Balance Sheet

MARCH 31, 1986
(in thousands of dollars)

	1986	1985
Assets		
Cash		
Prize funds	$ 4,874	$ —
Other	4,074	321
Receivables (Note 3)	10,146	2,182
Prepaid expenses	2,202	877
Fixed assets (Note 4)	20,766	21,940
	$42,062	$25,320
Liabilities		
Prizes payable	$ 7,815	$ —
Payable to Interprovincial Lottery Corporation	5,451	—
Accounts payable and accrued charges	5,912	9,642
Deferred revenue	2,523	2,396
Due to Government of Canada	971	—
Due to Province of British Columbia		
Net income to be distributed	6,108	—
Lottery advances agreement (Note 5)	13,282	13,282
Share Capital (Note 6)	—	—
	$42,062	$25,320

Approved:

Director

Director

British Columbia Lottery Corporation

Statement of Changes in Amounts Due to Province of British Columbia

YEAR ENDED MARCH 31, 1986
(in thousands of dollars)

Net Income	$113,206
Payments to Province of British Columbia during the year	97,960
Allocation of income to Government of Canada	9,138
Due to Province of British Columbia, end of year	$ 6,108
Lottery Advances Agreement, beginning of year	$ 13,282
Lottery Advances Agreement, end of year	$ 13,282

Statement of Income

YEAR ENDED MARCH 31, 1986
(in thousands of dollars)

Lottery Sales (Note 7)	$330,061
Direct expenses	
Prizes	150,767
Retailer commissions	18,720
Sales less direct expenses	160,574
Operating expenses	
Data processing and network	13,966
Marketing, draws and promotions	7,927
Ticket printing	7,064
Administration	5,526
Sales and distribution	4,293
Depreciation	8,592
	47,368
Net Income	$113,206
Distribution of Net Income:	
Government of Canada (Note 8)	$ 9,138
Province of British Columbia	104,068
	$113,206

APPENDIX A

British Columbia Lottery Corporation

Statement of Changes in Financial Position

YEAR ENDED MARCH 31, 1986
(in thousands of dollars)

	1986	1985
SOURCE OF FUNDS		
Net Income	$113,206	$
Depreciation	8,592	—
Funds provided by operations	121,798	—
Lottery Advances Agreement	—	13,282
Increase in payables	1,721	9,642
Increase in prizes payable	7,815	—
Increase in deferred revenue	127	2,396
	131,461	25,320
APPLICATION OF FUNDS		
Acquisition of fixed assets	7,418	21,940
Increase in receivables	7,964	2,182
Increase in prepaid expenses	1,325	877
Payments to Province of British Columbia	97,960	—
Payments to Government of Canada	8,167	—
	122,834	24,999
INCREASE DURING THE YEAR	8,627	321
CASH, BEGINNING OF YEAR	321	
CASH, END OF YEAR	$ 8,948	$ 321
CASH		
Prize Funds	$ 4,874	$
Other	4,074	321
	$ 8,948	$ 321

British Columbia Lottery Corporation

Notes to Financial Statements

1. Nature of the Corporation

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

By an agreement dated March 29, 1985, the Province of British Columbia withdrew from the Western Canada Lottery Corporation (formerly Western Canada Lottery Foundation). The Province designated the British Columbia Lottery Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada. The Corporation commenced operations April 1, 1985.

The *Pacific Express* and Instant lottery games are conducted solely by the Corporation in the Province of British Columbia. The Corporation participates in *Lotto West*, a regional game, in co-operation with the Western Canada Lottery Corporation. The *Provincial*, *Super Lotto*, and *Lotto 6/49* lotteries are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation.

The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces. The British Columbia Lottery Corporation is the regional marketing organization for the *Provincial*, *Super Lotto* and *Lotto 6/49* in British Columbia.

2. Accounting Principles

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles. The more significant of these accounting principles are summarized below.

A. **Deferred Revenue and Expenses**
Revenue and expenses relating to draws held during the year ended March 31, 1986, are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1986, have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

B. **Accounting for the Expenses of the *Provincial*, *Super Lotto*, and *Lotto 6/49***
The Corporation records its proportionate share of operating expenses of the Interprovincial Lottery Corporation and interest revenue on prize funds.

As the Corporation is a regional marketing organization for the *Provincial* and *Super Lotto*, it pays the cost of ticket printing and prizes for the *Provincial* and *Super Lotto* to the Interprovincial Lottery Corporation as well as its share of the *Lotto 6/49* prize expense. These costs are induced with ticket printing and prize expense respectively.

C. **Capital Expenditures**
The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These expenditures include the cost of leasehold improvements, renovations, and furniture for the Corporation's offices in Kamloops, Richmond, and Victoria, major computer equipment purchases, all on-line gaming terminals and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight line basis according to their estimated useful life, using the following rates:

Leasehold improvements	20%
Furniture and equipment	20%
Computer equipment	33⅓%
On-line gaming terminals	33⅓%
Signs and Fixtures	
Computer	33⅓%
Non-computer	20%

D. **Sales**
Super Lotto sales are reduced by the retail value of free tickets redeemed by the retailers.

3. Receivables

	(in thousands of dollars) 1986	1985
Retailers	$ 4,848	$ —
Western Canada Lottery Corporation	3,502	2,116
Interprovincial Lottery Corporation	850	
Miscellaneous	946	66
	$10,146	$2,182

Receivables include the British Columbia Lottery Corporation's share of the unclaimed prize fund held by the Western Canada Lottery Corporation for unclaimed prizes with respect to lotteries conducted solely by the Western Canada Lottery Corporation prior to March 31, 1985. Pursuant to the Agreement of March 29, 1985, with the Western Canada Lottery Corporation the amount of the unclaimed prize fund as of March 31, 1986, for draws conducted between April 1, 1984, and March 31, 1985, plus accrued interest will be transferred to the British Columbia Lottery Corporation upon agreement between the Chief Executive Officers of the British Columbia Lottery Corporation and the Western Canada Lottery Corporation. The amount of the settlement which is estimated at $2,941,000 has been recorded as a receivable with the corresponding amount recorded as a liability for prizes payable. This amount will be dedicated to bonus prizes for games in British Columbia.

4. Fixed Assets

	Cost	Accumulated Depreciation	*(in thousands of dollars)* 1986 Net	1985 Net
Leasehold improvements	$ 6,361	$1,272	$ 5,089	$ 4,772
Furniture and equipment	2,593	519	2,074	1,689
Central system computer hardware	7,183	2,394	4,789	10,402
On-line gaming terminals	13,041	4,347	8,694	5,077
Signs and fixtures	180	60	120	—
	$29,358	$8,592	$20,766	$21,940

Pursuant to the Separation Agreement with the Western Canada Lottery Corporation, the British Columbia Lottery Corporation purchased all operating equipment and assets of the Corporation located in British Columbia for the nominal sum of $10, at which value these assets have been recorded.

All other assets were purchased under normal trade terms and are recorded at cost.

Certain expenditures capitalized as fixed assets in 1985 included consulting fees such as project management costs to start up the on-line gaming system and related management information systems. These costs were expensed in 1986 being the first year of operations.

5. Lottery Advances Agreement

Under the Lottery Advances Agreement, the Corporation has agreed to conduct and manage lottery games in British Columbia and for that purpose the Corporation has a facility for advances from the Province, in an amount up to an aggregate of $27,000,000. The amount of the advance at March 31, 1986, is $13,282,382. The advance is not subject to interest and there are no specified terms of repayment.

As security for performance of the Corporation's obligations under the Lottery Advances Agreement, the Corporation will, if requested by the Province, grant to the Province such mortgages, pledges, charges or assignments as the Minister may require on the Corporation's assets.

6. Share Capital

Authorized: 10,000 Common Shares without par value
Issued: 1 Common Share for $1.00

7. Lottery Sales

	(in thousands of dollars)
Lotto 6/49	$178,484
Instant	71,360
Super Loto	30,541
Provincial	19,855
Lotto West	19,437
Pacific Express	15,788
	335,465
Less Free Ticket Redemptions	5,404
	$330,061

8. Payments to Government of Canada

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Federal Government on the withdrawal of the Federal Government from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $4,500,000 for the year ended March 31, 1987.

In addition, a further agreement was signed between the provinces and the Federal Government whereby the provinces agreed to remit a further $100 million to the Federal Government over the next three years. The Corporation's share of this payment is $3,883,000 annually to December 31, 1987.

9. Lease Obligations

Long-term office space leases will expire as follows: Kamloops, 1994; Richmond, 1996; Victoria, 1987; and Kelowna, 1987.

Minimum annual rental payments for the next five years are disclosed below:

	(in thousands)
1986–87	$538.
1987–88	492.
1988–89	486.
1989–90	496.
1990–91	508.

10. Subsequent Events

On April 20, 1986, the Corporation commenced sales of a new on-line lottery game, *Lotto BC*. The game is conducted only in British Columbia and features fixed lower-end prize categories and pari-mutuel upper-end prize funds with a jackpot of never less than $150,000.

11. Previous Year's Figures

Certain 1985 Balance Sheet figures have been consolidated to conform to the balance sheet classifications adopted in 1986.

Auditor's Report

To the Directors of the
British Columbia Lottery
Corporation:

We have examined the balance sheet of the British Columbia Lottery Corporation as at March 31, 1986, and the statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kamloops
British Columbia
May 30, 1986

Cook Bryan MacFayden

Cook Bryan MacFayden
Chartered Accountants

Economic Impact

Apart from generating over $113 million for public purposes, paying out over $150 million to lottery prize winners and over $18 million earned by lottery retailers within the Province, the lotteries contribute to the support of the economy in British Columbia through the purchase of goods and services.

In this fiscal year alone, over $30 million was spent for goods and services bought from British Columbia companies. These expenditures included:

- over $6 million paid to television stations, radio stations, newspapers and printers for broadcasting advertising and winning number messages;
- over $5 million paid to the telephone company for telephone line costs and maintenance support of close to 2,000 point of sale computer terminals;
- over $4 million paid to business equipment suppliers;
- nearly $3 million paid for supplies and freight;
- over $2 million to rent and furnish the three office facilities maintained within the Province, and
- over $1 million in professional fees for audit, legal, research, advertising, computer and management consulting services.

In addition, over $8 million in salaries and benefits was paid to the nearly 300 employees of the Corporation—located in over two dozen communities in British Columbia.

Whether you play a little, or a lot, or not at all, the Lottery is making your life a little better today and tomorrow!

The Government of British Columbia distributes lottery funds to people and communities throughout the province because people and communities are what lottery benefits are all about. This year more than $100 million will go into making today a little better and tomorrow a little brighter for all of British Columbia.

Sports and Recreation

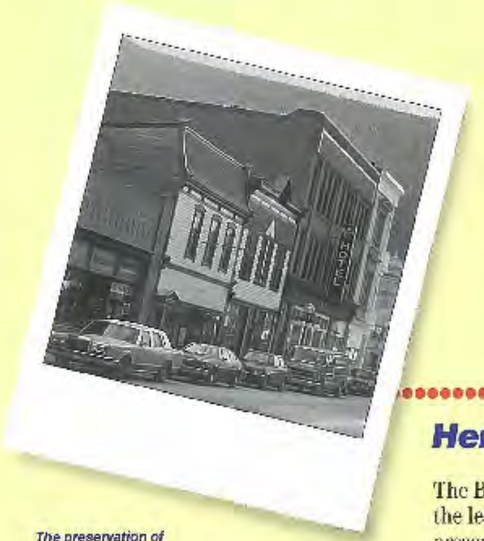
Here in the Super Natural Province, sports and recreation are a way of life...for everyone! The Premier's Sport Awards funded by lottery grants, recognizes the achievements of children in the Province. The B.C. Winter and Summer Games and Special Olympics provide the chance for B.C.'s young athletes to test against the best. Lottery grants have also made possible the Pacific Riding Club for the Disabled. Recreation Centres for senior citizens, judo clubs, gymnastic clubs and ski clubs are all made possible by lottery profits. And for those who want to keep on playing, lottery funds provide a spectrum of activities...for everyone!

Lottery funding supports the B.C. Summer Games, exemplified by this tennis competitor.

Preservation of culture. Lottery funds help the Caravan Stage Company continue its theatrical trek along the west coast.

Performing Arts and Culture

Every year, lottery funds play a major role in presenting and preserving the many faces of British Columbia culture. The Legacy Collection of West Coast Native Art with both acquired and commissioned pieces has already toured widely. The Dr. Sun Yat-Sen Gardens reflect our close historical and trading links with the Pacific Rim. The Arts Club Revue Theatre, the Orpheum, the Pacific Ballet, the Vancouver Symphony and the Johannesen International School for the Arts in Victoria are all focal points of our culture supported by your lottery. The Children's Arts Umbrella, Vancouver Art Gallery and other renowned groups are all part of British Columbia culture today, all building a heritage for tomorrow.

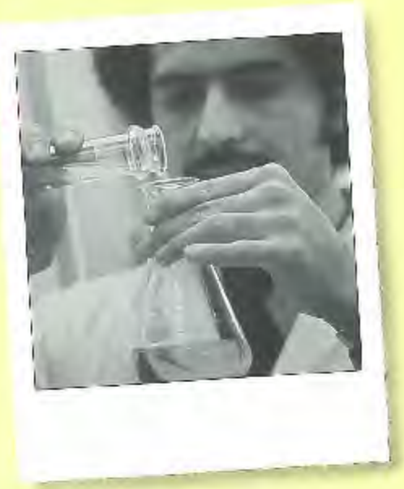


The preservation of Nelson's heritage buildings has been assisted greatly by lottery dollars.

Everybody can play and, most important of all, everybody benefits.

Heritage

The B.C. Heritage Trust, the lead agency for preserving tributes to the past, is funded entirely by lottery monies. Additional funds have gone to restoring downtown Nelson to its turn of the century splendor, finding and preserving the historic "Ericeson" that sank in 1892, and refurbishing countless buildings throughout the province.



Health Care Research

Extensive funding by lottery dollars is opening the doors of tomorrow by way of the B.C. Health Care Research Foundation. Special consideration is given to cardiovascular, cancer, fitness and mental health projects, as well as health delivery and evaluation techniques. Here in British Columbia our emphasis is on more research today for better health care tomorrow.

Special Projects

Through the Government of British Columbia, up to $250 million of lottery revenue has been earmarked for the staging of EXPO 86 and $20 million of lottery monies helped make the British Columbia pavilion a centerpiece for Expo and a landmark for tomorrow.

The B.C. Pavilion, a star in the EXPO 86 galaxy. Lottery monies helped build the Pavilion and are helping pay for the exposition.

Winners and Prizes

The $10,600 smile of Peggy Davis of Prince George.

Prize Fund

Over $150 million was dedicated to prizes in British Columbia in this fiscal year. The prize fund is established by setting aside 50% of *Lotto West*, 45% of Instant tickets and 45% of *Pacific Express* net sales.

The prize fund for *Super Loto*, *Provincial* and *Lotto 6/49* is established at 45% of net sales. It is administered by the Interprovincial Lottery Corporation.

From these prize funds all claims are met and, if after the expiry of the one year claim period any funds remain unclaimed, this amount will be returned to the players in the form of bonus prizes or additional prizes.

How Many Winners?

British Columbia experienced the addition of a millionaire winner at the rate of one per month.

Ten winning tickets paid off $1 million or more, with the highest British Columbia winner cashing a $3.9 million winner's cheque.

If all other prizes were divided equally among all British Columbians, each would have won more than seven times this year.

Over 21 million prizes were administered through the Corporation. Most of these were in the $2, $5 and $10 category, but many millions were paid out on more substantial prizes of $50, $100 and $1,000.

Ten winners shared in prizes of one million or more for a total of $19 million.

Over $23 million was shared by those winners who won between $1000 and $100,000.

Those who stayed under the "magic" $1 million prizes but won $100,000 or more totalled 125 for $22.9 million.

Seventy-two Cadillacs were won in British Columbia as bonus prizes, while another 9 Ford Tempos were added to the lottery winners' fleet roaming the highways of British Columbia.

Lotto 6/49—is B.C. Getting Its Share?

Sales in Canada of the popular *Lotto 6/49* game were $1.255 billion with $565 million (45%) going to prizes.

British Columbia sold over $178 million of *Lotto 6/49* tickets. The British Columbia contribution to the national prize pool was $80 million and British Columbia tickets won a total of $80 million.

The law of averages is alive and well in British Columbia.

Why not put more prize money in smaller prizes?

The division in British Columbia of the amounts dedicated to *Lotto 6/49* shows vividly that nearly twice as much prize money went to the lowest prize category ("3 correct wins $10") than was shared by much publicized jackpot winners ("6 correct").

6 correct	$18 million
5 correct plus bonus number	$11 million
5 correct	$ 6 million
4 correct	$12 million
3 correct	$33 million

Russ Calvert, and his fellow winners from Dawson Creek.

Draws

Throughout the five century career of the lottery, integrity, entertainment and revenue for common good are still the heart of the game.

The Draw

The draw televised live on BCTV is known as *Winsday in B.C.* Televising the draw live reinforces the lottery's integrity. Representatives of the nationwide auditing firm of Clarkson Gordon and Co. supervise every aspect of the draw to ensure that the event is conducted in a secure and unimpeachable manner.

The draw machines are manufactured by Ryo Catteau of Wattrelos, France, a specialist for over 50 years in the production of lottery apparatus. The lottery balls themselves are tested weekly by the security staff for standards of resilience, sphericity, volume and density. Each ball costs approximately $100, as they are made to exact tolerances.

On The Road Again

Since its debut April 3, 1985, the draw visited Kamloops, Prince George, Fort St. John, Kelowna, Cranbrook, Burnaby, Victoria, Duncan, Penticton, Richmond, Quesnel, Chilliwack, Nanaimo, Prince Rupert, Armstrong, Williams Lake, Campbell River, Whistler, Vernon and Nelson.

In the entertainment arena, the *Winsday in B.C.* show proved to be one of the most popular lottery events in the Province. Much of the show's success can be attributed to the enthusiasm and support that each community provided, including the local talent during the pre-show entertainment. Many of these guests also participated in the actual draw as "button pushers". Steve Fonyo was one of the special guests for the August 7th show. After the draw, Steve remained to chat about his "Journey for Lives", which thrilled the audience.

At the Civic Arena in Quesnel on July 17th, *Winsday in B.C.* marked the official opening of Billy Barker Days. The famous Billy Barker was one of the special guests, escorted by Miss Quesnel, Beverley Dagleish.

Special guests throughout the year included Chief Dennis Alphonse of the Cowichan Indian Band, three members of the B.C. Lions Football Team, the talented Ruth Nicol from the Arts Club Revue Theatre in Vancouver, and many others.

Not only was *Winsday in B.C.* the vehicle bringing the *Pacific Express* draw into players' homes 52 times this year, but the show generated considerable business in each community. *Pacific Express* sales increased substantially in each area that the draw travelled to, translaring into increased revenue for British Columbia projects and programs.

The heart of the lottery remains constant: integrity, entertainment and revenue for common good.

Draws are televised because not only do lotteries have to be fair but they have to be seen to be fair. Neither chances nor prizes determine the survival of the lottery. The only rule is that every chance has the same chance.

Steve Fonyo (right) took part in the August 7th draw activities with Dr. Pierre Band (left) of the Cancer Control Agency of B.C. and show host Stirling Faux.

What a year for the Corporation, and it's all because of you, the retailer.

The vital link between our customers and the Corporation, the Retailer Network, which sells the tickets.

The British Columbia Lottery Corporation Retailer Network is the link between the lottery and the player.

Over 2,000 retailers make up the network. At the end of this year more than 85% of the network was on line. That means that over 1,700 retailers provide a full service to customers, offering all games and prize payout, up to and including $200.

While there is a variety of retailers ranging from booths in malls to large chain stores, the majority of retailers are individual owner-operated stores.

Over $18 million in retailer commissions was injected into the business community. As a result of this, approximately 1,000 jobs have been created in the retail industry.

The lottery business provides a healthy income from commissions but at no risk or investment by the retailer. On-line equipment and fixtures with a value of close to $15,000, on average, are provided by the Corporation to each retailer.

Lottery messages are broadcast to the players through electronic signs displayed at Lottery Ticket Centres. The broadcast system is controlled from Kamloops and has the capacity to adjust messages during the day or vary the content of messages from retailer to retailer.

The Corporation's newspaper, *Luck*, has a circulation of 167,000 copies every week, over 8 million a year. Winning numbers, winners' stories and other lottery related articles are all included in this free publication available at each Lottery Ticket Centre.

Over 48 field representatives provide weekly service to retailers throughout the Province, delivering point of sale promotional material and merchandise to assist the retailer in becoming successful and profitable.

The retail industry benefits from the lottery, another example of "Whether you play a little, or a lot, or not at all, in British Columbia we all win!"

Board of Directors

MARCH 31, 1986

James R. Chabot
MLA, Columbia River
Chairman

Robert S. Plecas
Deputy Provincial Secretary
and Deputy Minister
of Government Services
Secretary

The Honourable
Grace McCarthy
Provincial Secretary and
Minister of
Government Services

Guy Simonis
President
British Columbia
Lottery Corporation

Head Office
74 West Seymour Street
Kamloops, British Columbia
V2C 1E2

Victoria
Unit E 661 Alpha Street
Victoria, B.C.
V8Z 1B5

Richmond
10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1

Lottery Grants
B.C. Lotteries Branch
333 Quebec Street
Victoria, B.C. V8V 1X4

APPENDIX A

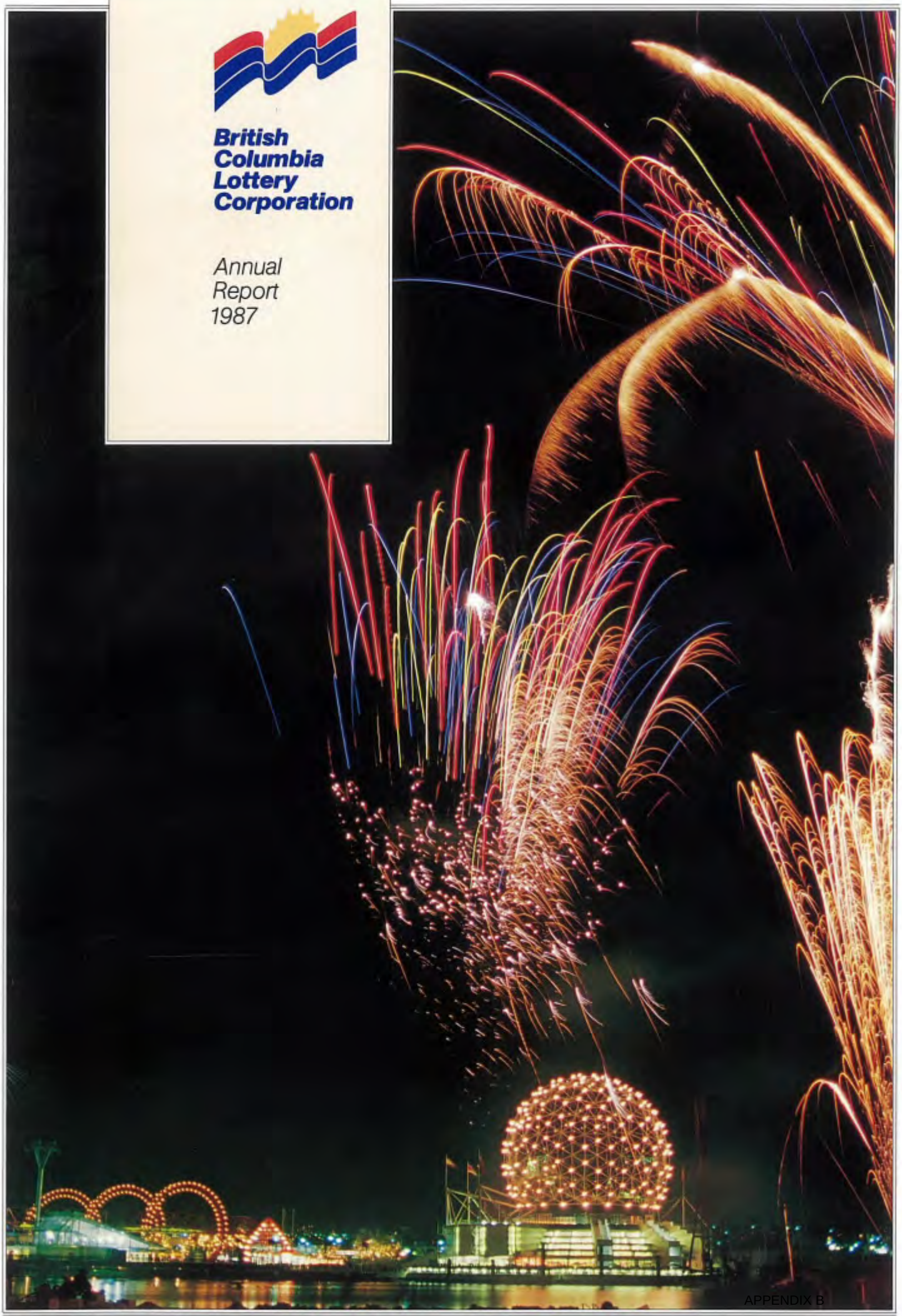
LITHOGRAPHED IN CANADA

Appendix B – 1987:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1987,* (Kamloops: British Columbia Lottery Corporation, 1987).

British Columbia Lottery Corporation

Annual Report 1987



APPENDIX B

British Columbia Lottery Corporation

Annual Report 1987

COVER PHOTO

Photographer Peter Timmerman captured the excitement of EXPO 86 with this shot of the Expo Centre at night lit by fireworks.

APPENDIX B

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14 Winners and Prizes
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Board Of Directors *March 31, 1987*

The Honourable
Elwood N. Veitch
Provincial Secretary and Minister of Government Services and Minister Responsible for the British Columbia Lottery Corporation

Elwood Veitch

James R. Chabot *MLA*
Columbia River
Chairman

Robert S. Plecas
Deputy Provincial Secretary and Deputy Minister of Government Services Secretary

Guy Simonis
President
British Columbia Lottery Corporation

The British Columbia Lottery Corporation, in only its second full year of operation as a separate organization, again enjoyed a year of significant growth with record levels of sales and profits.

Sales for the year ending March 31, 1987, were $445 million, an increase of nearly 35 per cent over the previous year. With a population of 2.8 million people, British Columbia has achieved a current consumer spending level of more than $160 per capita.

Net revenue for the year increased by nearly 50 percent to $168 million, of which $160 million was distributed to the Province of British Columbia and $8 million was distributed to the Government of Canada.

Guy Simonis, the President of the British Columbia Lottery Corporation

During the fiscal year, the Corporation added three products to its product line-up, bringing to nine the total of products marketed by the Corporation.

Of the four on-line games, the Canada-wide LOTTO 6/49 game continued to be the "flagship" game of the Corporation. With two drawings per week, LOTTO 6/49 sales amounted to $252 million for the fiscal year.

Rounding out the on-line game product line-up were LOTTO BC, a 5/40 lotto game, LOTTO WEST, a 6/8/56 lotto game and PACIFIC EXPRESS, a traditional 6-digit game offered through the on-line system. In total, sales for the four on-line games represented 66 per cent of total sales volume.

Instant or "Scratch and Win" games continued their growth in popularity and sales, increasing by 35 per cent to $96 million in sales for the fiscal year. It is of interest that, while the Corporation offers four or five different "themes" during the year, the play feature of "Match three alike dollar symbols" has remained constant since inception.

As for the balance of the Corporation's products, the sales of the traditional games, PROVINCIAL and SUPER LOTO, continued to face stiff competition from lottos and instants, decreasing 2 per cent from the previous year to a total of $44 million.

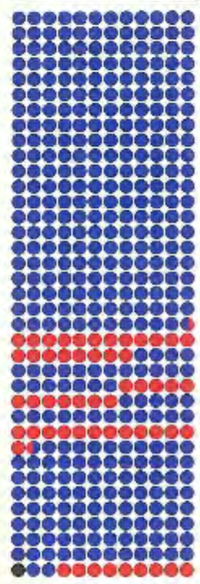
The two newest products to join the Corporation's line-up are breakopen games and bingo paper. Late in the fiscal year, the Corporation introduced breakopen tickets into British Columbia on a limited basis. As well, the Corporation was made responsible for the distribution of bingo paper to charitable organizations within the Province.

While many sales achievements were realized during the fiscal year, the highlight of the year was the Corporation's participation at EXPO 86. In addition to assisting in the funding of EXPO 86, the Corporation participated at the exposition through on-site lottery drawings and a display of historic lottery artifacts. There were more than two million visits to the lottery exhibit, where visitors viewed, touched and experienced lottery technology from ancient history to the year 2000 and beyond.

In the coming year, market segmentation and product differentiation will be more critical to sales growth. In British Columbia, there will be greater concentration on targeting regional games to specific market segments. Continued sales growth is forecast for Fiscal 1988, however a maturing of the lotto and instant markets will make incremental sales more difficult to achieve.

The past year was a busy and satisfying one for the British Columbia Lottery Corporation and all signs point to continued success.

LOTTERY SALES



($' million per ba.)

Lotto 6/49 $251.8

Provincial	20.9
Super Loto	22.8
P. Express	12.2
Lotto West	16.5
Lotto BC	13.3
Instant	96.3
Breakopen	9.2
Total Lottery Sales	$443.0
Bingo Paper	1.8
Tota	$444.8

Balance Sheet

Assets	1987	1986
Cash		
Prize funds	$ 9,291	$ 4,874
Other	2,391	4,074
Receivables (note 3)	4,268	9,296
Prepaid expenses	2,883	2,202
Fixed assets (note 4)	17,212	20,766
	$ 36,045	$ 41,212
Liabilities		
Prizes payable	$ 9,291	$ 7,815
Payable to		
Interprovincial Lottery Corporation	2,688	4,601
Accounts payable and accrued liabilities	5,915	5,912
Deferred revenue	3,949	2,523
Due to Government of Canada	975	971
Due to Province of British Columbia	13,227	19,390
Share Capital (note 5)	–	–
	$ 36,045	$ 41,212

British Columbia Lottery Corporation

March 31, 1987

Tabulated figures in thousands of dollars

Approved:

Director

Director

Statement of Changes in Amounts Due to Province of British Columbia

Net Income	1987	1986
Balance, beginning of year	$ 6,108	$ –
Net Income	167,836	113,206
	173,944	113,206
Payments to Province of British Columbia during the year	152,396	97,980
Allocation of income to Government of Canada	8,321	9,138
	160,717	107,098
Balance, end of year	$ 13,227	$ 6,108
Lottery Advances Agreement		
Balance, beginning of year	$ 13,282	$ 13,282
Payments during the year (note 6)	13,282	
Balance, end of year	$ –	$ 13,282
	$ 13,227	$ 19,390

British Columbia Lottery Corporation

Year Ended March 31, 1987

Tabulated figures in thousands of dollars

Statement of Income

	1987	1986
Lottery Sales (note 7)	**$ 444,935**	$ 330,061
Direct expenses		
Prizes	**203,991**	150,767
Retailer commissions	**24,736**	18,720
	228,727	169,487
Sales less direct expenses	**216,208**	160,574
Operating expenses		
Data processing and network	**10,941**	13,966
Depreciation	**10,577**	8,592
Ticket printing	**10,214**	7,064
Advertising, draws and promotions	**7,374**	7,927
Sales and distribution	**5,113**	4,293
Administration	**4,153**	5,526
	48,372	47,368
Net Income	**$ 167,836**	$ 113,206
Allocation of Net Income		
Government of Canada (note 8)	**$ 8,321**	$ 9,138
Province of British Columbia	**159,515**	104,068
	$ 167,836	$ 113,206

British Columbia Lottery Corporation

Year Ended March 31, 1987

Tabulated figures in thousands of dollars

Statement of Changes in Financial Position

	1987	1986
Cash Provided By (used for)		
Operations:		
Net Income	**$ 167,836**	$ 113,206
Depreciation	**10,577**	8,592
Cash provided by operations	**178,413**	121,798
Change in net trade balances	**3,118**	(6,243)
Increase in prepaid expenses	**(681)**	(1,325)
Increase in prizes payable	**1,476**	7,815
Increase in deferred revenue	**1,426**	127
	183,752	122,172
Financing:		
Payments to		
Province of British Columbia	**$ (152,396)**	(97,960)
Payments to Government of Canada	**(8,317)**	(8,167)
Repayment of		
Lottery Advances Agreement	**(13,282)**	
	(173,995)	(106,127)
Investments:		
Acquisition of fixed assets	**(7,023)**	(7,418)
	(7,023)	(7,418)
Increase in Cash Position	**2,734**	8,627
Cash Position at Beginning of Year	**8,948**	321
Cash Position at End of Year	**$ 11,682**	$ 8,948

British Columbia Lottery Corporation

Year Ended March 31, 1987

Tabulated figures in thousands of dollars

British Columbia Lottery Corporation

Year Ended March 31, 1987

Tabulated figures in thousands of dollars

1. Nature of the Corporation

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 29, 1984.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of nationwide and regional games with other Provinces of Canada.

The PACIFIC EXPRESS, Instant, LOTTO BC, LOTTO WEST, THE PICK and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition the Corporation is the sole distributor of Bingo paper in the Province of British Columbia. The Corporation participated in LOTTO WEST, a regional game, in co-operation with the Western Canada Lottery Corporation.

The Corporation is the regional marketing organization for the PROVINCIAL, SUPER LOTO and LOTTO 6/49 games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant Accounting Policies

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

A. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1987, are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1987 have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

B. Capital Expenditures

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These expenditures include the cost of leasehold improvements, renovations and furniture for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all on-line gaming terminals and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful life, using the following rates:

Leasehold improvements	20 %
Furniture and equipment	20 %
Computer equipment	33⅓%
On-line gaming terminals	33⅓%
Signs and fixtures:	
Computer	33⅓%
Non-computer	20 %

C. Free Tickets

Sales are reduced by the retail value of free tickets redeemed by the retailers.

3. Receivables

	1987	1986
Retailers	$ 3,664	$ 4,848
Western Canada Lottery Corporation	–	3,502
Other	604	946
	$ 4,268	$ 9,296

4. Fixed Assets

	Cost	Accum. Depn.	1987 Net	1986 Net
On-line gaming terminals	$ 15,119	$ 9,387	**$ 5,732**	$ 8,694
Central system computer hardware	8,270	5,151	**3,119**	4,783
Leasehold improvements	7,751	2,822	**4,929**	5,089
Furniture and equipment	2,665	1,052	**1,613**	2,074
Signs and fixtures	2,576	757	**1,819**	120
	$ 36,381	$ 19,169	**$ 17,212**	$ 20,760

5. Share Capital

Authorized: 10,000 common shares without par value
Issued: 1 common share for $1.00

6. Lottery Advances Agreement

On March 27, 1987 the advance outstanding of $13,962,302 was repaid in full.

7. Lottery Sales

	1987	1986
Nationwide Games		
Lotto 6/49	**$ 251,561**	$ 178,484
Super Loto	**22,811**	25,137
Provincial	**20,948**	19,855
	295,320	223,476
British Columbia Games		
Lotto West	**14,768**	19,437
Lotto West–The Pick	**1,741**	–
Pacific Express	**12,234**	15,758
Lotto BC	**13,874**	–
Instant	**95,874**	71,360
	138,491	106,585
Breakopen	**9,244**	–
Bingo Paper	**1,880**	–
	$ 149,615	106,585
Total	**$ 444,935**	$ 330,061

8. Payments to Government of Canada

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $4,600,000 for the year ended March 31, 1988.

In addition, a further agreement was signed between the provinces and the Government of Canada whereby the provinces agreed to remit a further $100 million to the Government of Canada over three years commencing in 1985. The Corporation's share of this payment for the year ended March 31, 1988 is estimated to be $5,883,000. The final payment under this agreement is due on December 31, 1987.

British Columbia Lottery Corporation

Year Ended March 31, 1987

Tabulated figures in thousands of dollars

9. Interprovincial Lottery Corporation Expenses and Interest Revenue

The Corporation's share of the Interprovincial Lottery Corporation's operating expenses ($459,907) and interest revenues ($1,054,683) are reflected in these financial statements.

10. Lease Obligations

Long-term office space leases will expire as follows:

Kamloops	1994
Richmond	1995
Victoria	1988

Minimum annual rental payments for the next five years are:

	1987
1987–88	$794
1988–89	$757
1989–90	$764
1990–91	$756
1991–92	$756

11. Comparative Amounts

The comparative amounts reflected in these statements have been reclassified from the amounts previously presented to conform to the presentation of these financial statements.

British Columbia Lottery Corporation

Year Ended March 31, 1987

Tabulated figures in thousands of dollars

AUDITORS' REPORT

To the Directors of the British Columbia Lottery Corporation

We have examined the balance sheet of the British Columbia Lottery Corporation as at March 31, 1987, and the statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1987, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cook Bryan MacFayden

Kamloops, B.C.
May 30, 1987

Cook Bryan MacFayden
Chartered Accountants

They came from around the world–and they saw the world in Vancouver–at EXPO 86. The British Columbia Lottery Corporation was proud to be a part of the exposition in two important ways.

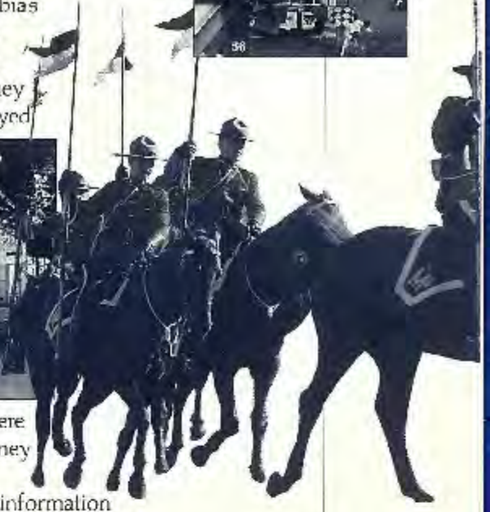
The B.C. Lottery Fund contributed a total of $250 million to the exposition and $20 million to the British Columbia Pavilion. Secondly, the British Columbia Lottery Corporation was an exhibitor at EXPO 86. The Corporation's high profile location in the BCTV Pavilion garnered two million visits, an average 10,000 per day, for the lottery exhibit.

Guest relations staff answered thousands of questions about the history, technology, integrity and beneficiaries of lotteries, enlightening visitors on the complexity of lottery operations in the province. Many were not aware of the intricate procedures behind the sale of lottery tickets and draws of winning numbers.

The visual displays included material on the origins of lotteries; from a Chinese lottery game played since 100 B.C., to fund-raising lotteries held in North America in the 17th century, including tickets from lotteries designed by historical figures such as George Washington. Looking to the future, visitors had the chance to key in their favourite numbers to create sample tickets at the demonstration player-operated ticket terminals.

The weekly highlight of the Corporation's exhibit was the live broadcast of Lotto Night in B.C., a half-hour show including draws, interviews with winners and features. Many visitors to the exhibit found the live draws area particularly interesting and waited with anticipation to view the proceedings in person. The draws often featured special guests from around the world, including staff from the international pavilions, and local celebrities.

People from all over the world were interested to find out about British Columbia's lottery games, now they are played and where the money goes.



The information provided at the British Columbia Lottery Corporation exhibit at EXPO 86 helped boost the profile and image of all lotteries around the world by explaining the history and development of lottery games. The corporation was proud to be an exhibitor at EXPO 86 and was proud to be a source of funds for the exposition.

Everyone's dream – to become a millionaire – came true for 19 British Columbians this year. Those millionaires weren't the only winners, however. A total of 21 million prizes were paid out by the British Columbia Lottery Corporation during the year. These prizes amounted to a grand total of $204 million with the top single winner in the province taking home a cheque for $7.8 million. More than 4.6 million prizes were paid out from LOTTO 6/49 alone for a total of $122 million. And that's just British Columbia.

Laura Ledger (centre) and family smile about Ford Taurus won on Pacific Express bonus draw.

MORE MONEY IN SMALLER PRIZES

6 correct	$38 million
5 correct plus bonus	$1.4 million
5 correct	$ 9 million
4 correct	$17 million
3 correct	$44 million

MORE SMALLER PRIZES

Big winners in British Columbia receive a lot of media attention, but it's interesting to note just how many winners there are in the smaller prize categories. More than 12 million prizes ranging from $2 to $10,000 were paid to the winners of instant games last year, while players who matched three numbers on the LOTTO 6/49 draw, $10 winners, took home a total of $44 million.

Players matching four numbers on LOTTO 6/49 won $17 million, while those matching five numbers on a 6/49 draw came away with a total of $9 million.

Correctly choosing five numbers plus the bonus number resulted in a total of $14 million in prizes for British Columbia's LOTTO 6/49 players. The total of prizes paid out to the British Columbia jackpot winners, those who matched all six numbers, was $38 million.

Margaret Kerr won $10,000 on 12 Days of Christmas.

Lotteries of the past – an early lottery ball mixer and an original ticket signed by John Hancock – from the Corporation's exhibit at EXPO 86.

DRIVING IT AWAY

Among British Columbia's happy winners this year were 183 lucky people who drove their prize away.

Sixty luxurious Cadillacs were won by British Columbia lottery players in a 1986 SUPER LOTO bonus draw. SUPER LOTO was also the winning vehicle for 72 other winners who drove Ford Lincolns home. A grand total of 51 Ford Taurus cars were taken home on two PACIFIC EXPRESS bonus draws.

PRIZE FUND

The prize fund is established by setting aside a predetermined percentage of all sales. The prize fund for LOTTO 6/49 totalled $833 million nationally this year. Prize funds for the nationwide games PROVINCIAL, SUPER LOTO and LOTTO 6/49 are administered by the Interprovincial Lottery Corporation.

All prize claims are met from the prize fund. If any funds remain unclaimed after expiry of the one year claim period, this amount is returned to the players later in the form of bonus prizes and bonus promotions.

WHERE THE MONEY GOES

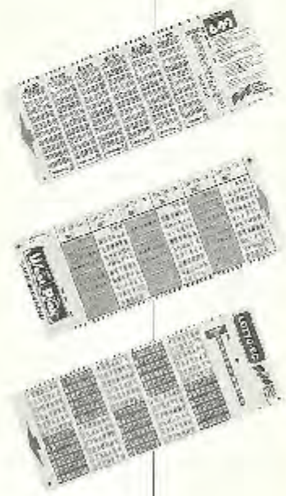
A total of $160 million from sales of lottery tickets in British Columbia was forwarded to the Government of British Columbia this year. Lottery funds are distributed to people and communities throughout the province by the Ministry of Provincial Secretary and Government Services making all British Columbians winners.

The largest single beneficiary of lottery funds during this fiscal year was EXPO 86, the highly-acclaimed world exposition held in Vancouver. In total, more than $250 million will be contributed to the exposition and a further $20 million set aside to help build the British Columbia Pavilion.

B.C. Lottery funds play a large part in the financing of the British Columbia Winter and Summer Games and Special Olympics. In British Columbia, lottery funds also go to medical research, non-profit community sports organizations, heritage projects, performing arts and culture and other special projects.

Through the federal government, all lottery jurisdictions in Canada will contribute funding to help stage the 1988 Winter Olympics in Calgary.

Earl, Norma, Kathy and Rob Hunt celebrate a $1 million win.



Harmon Pisterer and wife Sandy are all smiles over the $150,000 he won on Lotto West.

Minister Elwood Veitch presents Peter Wing, former mayor of Kamloops, with a 1987 Lincoln Town Car won on a Super Loto bonus draw.

APPENDIX B

HEAD OFFICE
74 West Seymour Street
Kamloops, British Columbia
V2C 1E2

VICTORIA
Unit L 667 Alpha Street
Victoria, British Columbia
V8Z 1B5

RICHMOND
10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1

LOTTERY GRANTS
B.C. Lotteries Branch
333 Quebec Street
Victoria, B.C.
V8V 1X4

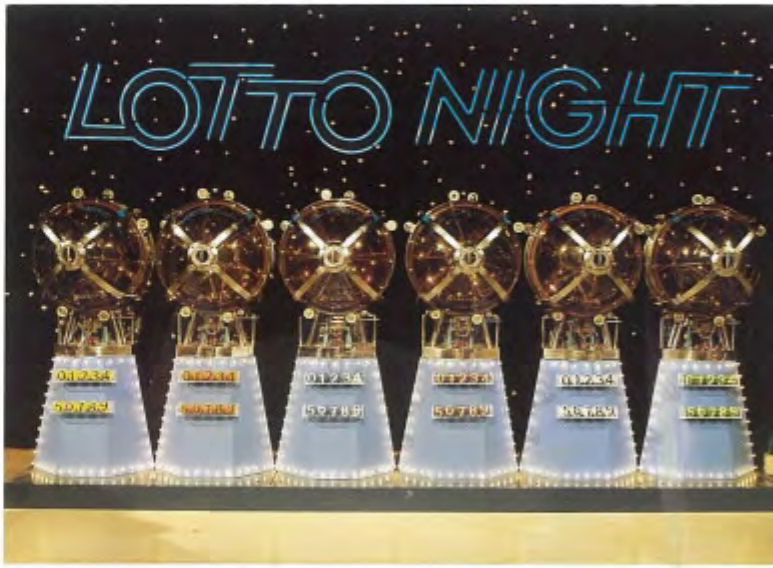
The Corporation's headquarters in Kamloops

British
Columbia
Lottery
Corporation

Appendix C – 1988:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1988,* (Kamloops: British Columbia Lottery Corporation, 1988).

British Columbia Lottery Corporation



Annual Report 1988

APPENDIX C

***Cover Photo:** the set of "Lotto Night in B.C.", the Corporation's weekly televised draw show.*

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16 Board of Directors

APPENDIX C

Chairman's Message

Among the many worthwhile causes which are funded from the profit of lottery play in British Columbia are the B.C. Summer and Winter games. The lottery fund is the major financial sponsor of the games each year. In addition, athletes who attend the games are each presented with a lottery sports bag. The games provide a healthy atmosphere for competition among the province's youth and are an important training ground for the world champions and Olympians of the future. It is thanks to B.C.'s lottery players that the games can continue each year.

The British Columbia Lottery Corporation helps to make all British Columbians winners. Of each dollar spent on tickets for the eight lotteries operated by the Corporation during the 1987-88 fiscal year, 37 cents was forwarded to the B.C. Lottery Fund. Last year, the Corporation contributed nearly $167 million to the fund, which is used to provide financial assistance for medical research, heritage conservation, cultural activities, and a wide variety of sport, recreational and other community projects.

Last December, the final payment from the fund was made to retire the $337 million debt from EXPO 86 without any impact on the taxpayer. EXPO 86 benefited people and communites throughout the province, generating revenue, employment and tourism interest.

The lottery fund has also financed a major new spinal injury ward at Shaughnessy General Hospital in Vancouver; contributed more than $5 million on behalf of the citizens of British Columbia to Rick Hansen's Man-In-Motion world tour, and funded the B.C. Film Development Society, which is stimulating the growth of our film-making industry to help provide more jobs and a more diversified economy.

We are proud of the work done by the British Columbia Lottery Corporation and the support provided for B.C. communities through the lottery fund.

From September 27 to October 2, 1987, British Columbia was in the international lottery spotlight as the host of the 14th INTERTOTO CONFERENCE in Vancouver. This was the first time the meeting of international lottery company leaders was held in North America. The focus of the conference was the impact of a rapidly-changing world. Five hundred delegates representing more than 80 organizations from 34 countries attended.

Intertoto was the highlight of another outstanding year for the Corporation. As Board Chairman and Minister Responsible, I wish to thank President Guy Simonis and all the staff for their dedication and contribution to that performance.

APPENDIX C

President's Message

Gaming & Wagering Business Magazine, an International publication out of New York, awarded the Lottery Communications Award for the Best Point of Sale Promotion to The British Columbia Lottery Corporation for its POS promotion for The Pick. The Corporation went on the road to 64 major shopping malls throughout the province to educate consumers about changes to The Pick, including the addition of three draw days to the game's weekly lottery calendar. The mail displays included a four-minute "How to Play The Pick" video, a life-size cut-out of the game's advertising spokesman, and a travelling exhibit as teaching tools. The runner-up for the award was the Washington Lottery's campaign using "Night Court" actor Richard ("Bull") Moll. Honourable Mention went to the Massachusetts Lottery for promotion of their Instant Game Green Stuff, which they tied to Boston's most popular sports team, the Celtics.

The Corporation's third full year of operation was a year of expansion of the lottery market through new products, resulting in increases over the previous year's record achievements.

Sales for the year ending March 31, 1988, were $470 million, up five per cent over the previous year. With a population of 2.9 million, British Columbia has achieved a current consumer spending level of more than $160 per capita.

Net revenue for the year increased almost four per cent to $174 million from $168 million, of which $166.6 million went to the Province of British Columbia and $7.5 million was contributed to the Government of Canada.

An additional three draws per week were added to the 6/8/56 lotto game *The Pick*, joining the company of many lottery organizations with daily lottery games.

This move is a reflection of the maturity of lottery play in British Columbia. *The Pick* requires understanding and effort on the part of the player but also gives the opportunity to define one's own game. The changes to the game resulted in a sales increase to $30 million from $16.5 million the previous year.

The year also saw an increase in Instant ticket sales to $104 million from $96 million the previous year; the result of more imaginative marketing and new ticket styles. With top prizes of $1,000, $5,000 and $10,000, three types of Instant tickets offered the player a choice of prizes and chances to win.

The flagship game, *Lotto 6/49*, showed an increase in sales over last year. The high point of the year was when a record *Lotto 6/49* jackpot of $14.2 million was reached in March, 1988. Not only was a Canada-wide *Lotto 6/49* sales record set, total British Columbia sales for draw day, March 23, were $3.9 million, also a record.

The *Lotto 6/49* balls bounced in the players' favour this year, with more jackpot winners than the previous year. From April 1, 1987 to February 10, 1988, the jackpot carried over 35 times, compared to 41 jackpot rollovers for the same period in the previous year. Because fewer rollovers means there is less opportunity for the jackpot to grow, there were only five jackpots of more than $7 million during the year, compared to 12 the previous year.

The other two national games, *Provincial* and *Super Loto*, achieved respectable levels of sales in British Columbia compared with last year's sales figures.

Rounding out the lotto game line-up are *Lotto BC*, a 5/40 lotto game and the *Express*, a traditional 6-digit game offered through the on-line system.

The *Breakopen* game showed an impressive increase of $10.2 million during the year, for total sales of just over $19 million.

The Corporation is also responsible for the distribution of bingo paper in the province, and sales in this area were up $1.6 million over the previous year.

One of the more important events during the year was acting as host of Intertoto Conference XIV. More than 300 delegates from 80 lottery organizations worldwide attended. The lottery conference was held for the first time in North America. Another first was that China, the Soviet Union and the United States sat at the same lottery table.

In the coming year, the Corporation will continue to explore new market opportunities as the existing lottery market continues to mature. Reasonable growth is forecast for Fiscal 1989.

The past year was one of growth and development for the Corporation, and all signs point to continued success in the future.

Lottery Sales (in millions)

Lotto 6/49	$257.6
Provincial	19.4
Super Loto	17.6
The Pick	29.9
Express	7.1
Lotto BC	10.9
Instant	104.2
Breakopen	19.4
Total Lottery Sales	$466.1
Bingo Paper	$3.5
Total	$469.6

APPENDIX C

British Columbia Lottery Corporation

Consolidated Balance Sheet

March 31, 1988 (in thousands of dollars)

Assets	**1988**	1987
Cash		
Prize Funds	$ 14,479	$ 9,291
Other	10,364	2,391
Receivables (note 3)	3,769	4,266
Prepaid expenses	1,690	2,882
Fixed assets (note 4)	7,265	7,212
	$ 37,567	$ 36,042
Liabilities		
Prizes payable	$ 14,479	$ 9,291
Payable to Interprovincial Lottery Corporation	903	2,688
Accounts payable and accrued liabilities	3,581	3,413
Deferred revenue	5,264	2,949
Due to Government of Canada	–	975
Due to Province of British Columbia	13,340	13,227
Share capital (note 5)	–	–
	$ 37,567	$ 36,042

Approved:

Director

Director

Consolidated Statement of Changes in Amounts Due to Province of British Columbia

March 31, 1988 (in thousands of dollars)

Net Income	**1988**	1987
Balance, beginning of year	$ 13,227	$ 6,109
Net income	174,137	167,836
	187,364	173,944
Payments to Province of British Columbia during the year	166,473	152,396
Allocation of income to Government of Canada	7,551	8,321
	174,024	160,717
Balance, end of year	$ 13,340	$ 13,227
Lottery Advances Agreement		
Balance, beginning of year	$ –	$ 13,282
Payments during the year (note 6)	–	13,282
Balance, end of year	–	–
	$ 13,340	$ 13,227

Consolidated Statement of Income

March 31, 1988 (in thousands of dollars)

	1988	1987
Lottery Sales (note 7)	$ 469,639	$ 444,935
Direct expenses		
Prizes	$ 216,267	$ 203,991
Retailer commissions	25,628	24,736
	241,895	228,727
Sales less direct expenses	227,744	216,208
Operating expenses		
Data processing and network	10,924	10,941
Depreciation	10,956	10,577
Ticket printing	9,133	5,838
Bingo paper	2,589	1,356
Advertising, draws and promotions	7,985	7,374
Sales and distribution	6,833	5,113
Administration	5,187	4,173
	53,607	48,372
Net Income	$ 174,137	$ 167,836
Allocation of Net Income		
Government of Canada (note 8)	7,551	8,321
Province of British Columbia	$ 166,586	$ 159,515
	$ 174,137	$ 167,836

British Columbia Lottery Corporation

Consolidated Statement of Changes in Financial Position

March 31, 1988 (in thousands of dollars)

	1988	1987
Cash Provided By (used for)		
Operations:		
Net Income	$ 174,137	$ 167,836
Depreciation	10,956	10,577
Cash provided by operations	185,093	178,413
Change in net trade balances	(3,620)	3,118
Decrease in prepaid expenses	1,193	(681)
Increase in prizes payable	5,188	1,476
Increase in deferred revenue	1,315	1,426
	$ 189,169	$ 183,752
Financing:		
Payments to Province of British Columbia	(166,473)	(152,396)
Payments to Government of Canada	(8,526)	(8,317)
Repayment of Lottery Advances Agreement	–	(13,282)
	$ (174,999)	$ (173,995)
Investments:		
Acquisition of fixed assets	(1,009)	(7,028)
	(1,009)	(7,028)
Increase in Cash Position	13,161	2,751
Cash Position at Beginning of Year	11,682	8,931
Cash Position at End of Year	$ 24,843	$ 11,682

Notes to the Consolidated Financial Statements

March 31, 1988 (in thousands of dollars)

1. Nature of the Corporation

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage Lottery games within British Columbia and to co-operate in the conduct and marketing of nationwide and regional games with other Provinces of Canada.

The *Express, Instant, Lotto BC, The Pick* and *Breakopen* games are conducted solely by the Corporation in the Province of British Columbia. In addition the Corporation is the sole distributor of *Bingo Paper* in the Province of British Columbia.

The Corporation is the regional marketing organization for the *Provincial, Super Loto* and *Lotto 6/49* games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant Accounting Policies

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

A. Consolidation

The consolidated financial statements include British Columbia Lottotech Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

B. Capital Expenditures

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These expenditures include the cost of leasehold improvements, renovations and furniture for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all on-line gaming terminals and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful life, using the following rates:

Leasehold improvements	20%
Furniture and equipment	20%
Computer equipment	33 1/3%
On-line gaming terminals	33 1/3%
Signs and fixtures:	
Computer	33 1/3%
Non-computer	20%

C. Free Tickets

Sales are reduced by the retail value of free tickets redeemed by the retailers.

D. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1988 are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1988 have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

E. Prize Expenses

The Corporation records prize expenses for all British Columbia games at 50%.

Prize expenses for Interprovincial Lottery Corporation games is British Columbia's proportionate share of prizes based on the number of tickets sold.

Notes
(continued)

3. Receivables

	1988	1987
Retailers	$ 2,670	$ 3,001
Other	1,099	934
	$ 3,769	$ 3,935

4. Fixed Assets

	Cost	Accumulated Depreciation	1988 Net	1987 Net
On-line gaming terminals	$ 15,119	$ 14,427	$ 692	$ 5,032
Central system computer hardware	8,386	7,946	440	2,130
Leasehold improvements	8,283	4,472	3,811	4,929
Furniture and equipment	2,744	1,601	1,143	1,613
Signs and fixtures	2,858	1,679	1,179	1,810
	$ 37,390	$ 30,125	$ 7,265	$ 17,212

5. Share Capital

Authorized:	10,000	common shares without par value
Issued:	1	common share for $1.00

6. Lottery Advances Agreement

On March 27, 1987 the advance outstanding of $13,282,332 was repaid in full.

7. Lottery Sales

	1988	1987
Nationwide Games		
Lotto 6/49	$ 257,599	$ 251,561
Super Lotto	17,649	23,511
Provincial	19,350	20,948
	$ 294,598	$ 296,020
British Columbia Games		
Lotto West	–	14,768
The Pick	29,951	1,741
Express	7,052	12,234
Lotto BC	10,940	13,874
Instant	104,195	95,874
	152,138	138,491
Breakopen	19,421	9,244
Bingo Paper	3,482	1,880
	$ 175,041	$ 149,615
Total	$ 469,639	$ 444,935

8. Payments to Government of Canada

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the Lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $4,800,000 for the year ended March 31, 1989.

In addition, a further agreement was signed between the provinces and the Government of Canada whereby the provinces agreed to remit a further $100 million to the Government of Canada over the three years commencing in 1985. The final payment under this agreement was made on December 31, 1987.

9. Interprovincial Lottery Corporation Expenses and Interest Revenue

The Corporation's share of the Interprovincial Lottery Corporation's operating expenses and interest revenues are reflected in these financial statements. Net income recorded from the Interprovincial Lottery Corporation was $399,000 for the year ended March 31, 1988 ($601,000; 1987).

10. Lease Obligations

Long term office space leases will expire as follows:

Kamloops	1994
Richmond	1995
Victoria	1989

Minimum annual rental payments for the next five years are:

1988–1989	$757
1989–1990	$764
1990–1991	$786
1991–1992	$786
1992–1993	$786

Auditor's Report

To the Directors of the
British Columbia Lottery Corporation

We have examined the Balance sheet of the British Columbia Lottery Corporation as at March 31, 1988, and the statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kamloops, B.C.
June 13, 1988

Thorne Ernst & Whinney

Thorne Ernst & Whinney
Chartered Accountants

Intertoto Conference 87

An intelligent conference, but with a heart — a big heart!

Heinz Deutschendard
Lotto 6/49
Berlin, West Germany

The Intertoto Conference wasn't good; it was great!

Lothar Lammers
President, Intertoto
Basel, Switzerland

Your world wide meeting was world class!

Director, Lottery Monaco

Congratulations on running the finest lottery conference I've ever attended. Or even heard about.

Director, Colorado Lottery

They came from as far away as Kenya, Morocco and Australia, and from as close as Western Canada, California and Iowa. But the delegates and exhibitors to Intertoto Conference XIV had much in common — their enthusiasm for the lottery industry and their desire to make new contacts and new friends. The "Western Night" barbecue and dance was designed to provide the delegates with a casual forum for business and social networking, while imparting some of the unique social flavour of the North American West. This was just one event of many held during the six days of the conference last fall, which saw more than 500 delegates from 34 countries converge on the city of Vancouver.

Intertoto Conference '87, hosted by the British Columbia Lottery Corporation in Vancouver, has been lauded as setting a precedent for all Intertoto conferences to come.

Several "firsts" were set during this 14th conference of international organizations which operate the active lottery games lotto or toto.

This was the first conference at which the USSR, the United States and China sat together at the same lottery table. It was also the first time Intertoto held its conference in North America, it was the best-attended conference ever, and, it was the first time that organizations representing lottery retailers attended the conference.

Held from September 27 to October 2, 1987, Intertoto '87 saw approximately 500 delegates, representing close to 80 lottery organizations from 34 countries, converge on the Pan Pacific Hotel and Vancouver Trade & Convention Centre. The attending countries represented gross annual lottery sales in 1987 of about $45 billion (Cdn).

In addition, the conference was self-funded, with the sponsors and exhibitors bearing all set-up and administration costs.

The organization of accommodation, meals, speeches, social events and exhibitor space for the delegates and exhibitors was a challenge, but the employees of the Corporation rose to the occasion. The result was a conference which blended the best of the lottery business world with the best of Canada's culture and the scenic beauty of the West Coast, for an informative, yet enjoyable, conference for all.

The focus of the conference was the impact of a rapidly-changing world on lottery organizations, including a look to the year 2000 and beyond, and the effect of those changes on the development of the world's lottery industry.

Winners and Prizes

Since she won her $2.3 million Lotto 6/49 jackpot prize on December 19, 1987, Irene Laing has travelled extensively and invested wisely. But her priorities—family and friends—haven't changed. Among the projects since her win are the renovation of her home in Richmond, which she recently sold in favour of a new home in White Rock, homes for each of her four grown children, and education funds for her children and grandchildren. She and husband Bruce, a Mechanical Superintendent for Western Forest Products, have travelled to Amsterdam, the south of Spain, Reno, Japan, Singapore and Hong Kong since their win. And the whole family will spend Christmas holidays 1988 in Hawaii. Mrs. Laing also provided accommodation abroad for her friend, Vancouver artist Vickey Lee, who travelled to Europe with the couple in order to find new subjects for her paintings. The winner has also continued to expand her collection of antique furniture.
Mrs. Laing was just one of thousands of British Columbia winners during the 1988 Fiscal year.

More than 22 million prizes were paid out to lottery winners in British Columbia.

There were 12 millionaires created during the year, with the top single winner in the province taking home a cheque for $5 million.

Each year the British Columbia Lottery Corporation makes more and more British Columbians winners. But it's not just winners of prizes who win when you play lottery games—every time someone buys a lottery ticket in B.C., a portion of each dollar spent goes towards the funding of hundreds of projects, benefiting people in communities throughout this province.

This past year, more than 22 million prizes were paid out to lottery winners in British Columbia. Those prizes amounted to more than $216 million. There were 12 millionaires created during the year, with the top single winner in the province taking home a cheque for $5 million. And on the *Lotto 6/49* game, $127 million was paid out in prizes to 4.7 million winners in British Columbia alone.

Smaller Prizes

As in past years, the majority of prize money was paid to winners of smaller prizes. For example, while those who won the jackpot prize on *Lotto 6/49* took home a total of $42 million in prizes, the total won by players matching five out of six regular numbers plus the bonus number, five out of six, four out of six and three out of six, was $84.6 million. There were also more than 14 million winners of prizes from $1 to $10,000 on the Instant game last year.

More Money In Smaller Prizes: Lotto 6/49

6 correct	$42 million
5 plus bonus	$13 million
5 correct	$9.6 million
4 correct	$18 million
3 correct	$44 million

The B.C.-only games *The Pick* and the *Express* each generated almost 1 million winners each during the year, while *Lotto BC* created almost 700,000 winners. And *Super Loto* and the *Provincial* together made winners out of another 800,000 British Columbians. There were also seven lucky winners of Corvettes on *Super Loto*'s bonus draw last summer.

Prize Fund

The prize fund is established by setting aside a predetermined percentage of all sales. The prize fund for *Lotto 6/49* totalled $833 million nationally this year. Prize funds for the nationwide games *Provincial*, *Super Loto* and *Lotto 6/49* are administered by the Interprovincial Lottery Corporation.

All prize claims are met from the prize fund. If any funds remain unclaimed after expiry of the one year claim period, this amount is returned to the players later in the form of bonus prizes and bonus promotions.

Where The Money Goes

A total of $166.6 million from sales of lottery tickets in British Columbia was forwarded to the Government of British Columbia this year. Lottery funds are distributed to people and communities throughout the province by the Ministry of the Provincial Secretary.

The people who play lotteries play a large part in the financing of the British Columbia Summer and Winter Games and Special Olympics. As well, through the federal government, all lottery jurisdictions in Canada contributed funding to help stage the 1988 Winter Olympics in Calgary.

In British Columbia, profit from the sale of lottery tickets also goes to medical research, seniors' groups, heritage projects, performing arts and culture, non-profit community and sports organizations and other special projects.

APPENDIX C

Board of Directors

The Honourable
Bill Reid
Provincial Secretary and
Minister Responsible
for Lotteries
Chairman

Melvin H. Smith, Q.C.
Deputy Provincial Secretary
Secretary of the Board

Benjamin D. Leboe, C.A.

Allen R. Price

Guy Simonis
President

Head Office
74 West Seymour Street
Kamloops, British Columbia
V2C 1E2

Richmond
10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1

Victoria
Units E/F 661 Alpha Street
Victoria, British Columbia
V8Z 1B5

The British Columbia Lottery Corporation does not issue grants. The Provincial Secretary's office is responsible for grants. Anyone interested in applying for a lottery grant should write to:

Lottery Grants
Ministry of the Provincial Secretary
The Honourable Bill Reid, Minister
Parliament Buildings,
Victoria, British Columbia
V8V 1X4

Studio Alberti

LITHOGRAPHED IN CANADA

APPENDIX C

Appendix D – 1989:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1989,* (Kamloops: British Columbia Lottery Corporation, 1989).

British Columbia Lottery Corporation

Annual Report 1989

APPENDIX D

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APPENDIX D

Lotto helps make it happen for the volunteer fire department of Hyde Creek.

The Corporation's lovable mascot, Lucky Dawg, rates the squeeze on a B.C. Lions cheerleader.

Lotto helps make it happen for the Prince George Railway Museum. The "Onchaks", a 1913 Pullman sleeping car.

Scant years ago, half a billion dollars in B.C. Lottery sales seemed an unreachable target.

It was done, and more, in fiscal 1989.

Thanks to President, Guy Simonis and his dedicated staff, net profits reached close to $200 million.

How it was done was an intriguing question, as indicated by study visits to the B.C. Lottery organization by senior lottery executives from Ireland, Switzerland, Sweden, Australia, New Zealand, Michigan, Ohio, Illinois, Oregon and Washington.

This year the Corporation raised its public profile by: sponsorship of Olympic Hockey games in six B.C. communities; a spectacular presence at the B.C. Games in Nelson and Victoria; as well as with Lucky Dawg, the Corporation's mascot, who cheered the B.C. Lions at all home games.

What was done with the profits? A host of community projects — for health, senior citizens, heritage, culture, recreation, sports and other worthwhile causes — were funded through the office of the Provincial Secretary and the GO B.C. Fund.

Who sold the tickets? More than 2,000 retail entrepreneurs sell lottery tickets in B.C. They collectively earned $29 million in sales commissions — a healthy stimulus for the retail trade, indeed.

A year of record achievement, international recognition and continued high public acceptance, through an unblemished record of integrity in its operation.

I am proud of the Corporation's continued achievements.

Howard Dirks,
Minister Responsible for Lotteries

Fiscal year 1989 saw $524 million in sales, an 11 per cent increase over the previous year and the first time that the half a billion dollar sales mark was passed.

Net revenue reached $195 million, up from $174 million in 1988, an increase of 12 per cent.

While the product line-up continues to diversify, each product has its own set of lottery players. A market segmentation study helped to further target new games to specific players.

Just as manufacturers of consumer products expect that the user will continue to buy the same brand, it is recognized that most people will pick one or two lottery games they will play regularly and that different games appeal to different people. Contrary to common belief, the average consumer does not buy every single game offered for sale. Thus; a distinctly segmented player base.

The national game *Lotto 6/49* continued to be the dominant game, with sales of $280 million (up 8.5%). *Lotto 6/49's* appeal is simple; a large jackpot. Interest in the game was stimulated by ten $10 million draws in the fiscal year. A record jackpot of $15.5 million on April 1, 1989 beat the previous record of $14.2 million.

The *Extra* is an "add-on" game sold with *Lotto 6/49*. Four two-digit numbers are printed on every *Lotto 6/49* ticket. Players who say "Yes" and pay the extra $1 have their numbers registered for a top prize of $500,000. While only introduced in August of 1988, sales quickly reached $19 million.

Due to declining sales, the $10 *Super Loto* game — son of Loto Canada and its predecessor Olympic Lottery, the original millionaire's lottery — reached the end of its 14-year run in 1988 and was discontinued.

The $1 million prize previously offered by *Super Loto* was inherited by the *Provincial*. These changes resulted in *Provincial* sales of $23 million (up 21%).

To replace *Super Loto*, a $20 game was launched which offered a $5 million grand prize, million-dollar prizes, merchandise such as automobiles and trips, instant prizes and smaller draw prizes. *Special 88* featured a televised draw from Montreal on July 1, while the *Celebration 89* draw originated in Vancouver in January. Combined sales for the year reached $15 million.

While the game design of *Lotto 6/49* diverts most of the prize money to a big jackpot, *Lotto BC* is designed to return many small prizes — with a much smaller jackpot averaging several hundred thousand dollars. The game appeals to those who feel there should be more small prizes, rather than a large jackpot. Sales reached $11 million.

The game *BC Keno* is designed as a "do-it-yourself" lottery. Players can predetermine the prize level they would like to win and predetermine their own chances of winning. Hence the slogan, "You can win a little or a lot, by making it easy or not." This game provides a challenge for those who would like to assemble their own lottery game. The Corporation considers this to be one of the "future stars" in the lottery firmament. Sales were $20 million.

First introduced in B.C. in April, 1976, the *Express* has undergone many changes over the years but still yields close to $6 million from its faithful followers.

In June, British Columbia became the first jurisdiction to offer a lottery based on football. The objectives were: to introduce a sports lottery; to explore the market; and to establish a presence for the introduction of other sport lotteries. Next fiscal year, a redesigned *Punto* lottery will be offered for both football and hockey.

Sales of *Instant* games reached $118 million (up 13.5%). New designs and marketing strategies of *Instant* tickets were explored, for example the $1,000 game *"High Card"* with its playing card design, and a holiday season game featuring merchandise prizes.

Sales of *Breakopen* tickets increased by 42 per cent to $27 million. Introduced this year was a "Halfback" program, which returns half the purchase price to charitable organizations selling these popular mini-lottery games.

The Corporation distributes bingo paper as a service to more than 2,000 bingo licensees — annually, more than 1.2 billion cards (or faces). That's 400 bingo cards for every resident of B.C.

In summary, fiscal 1989 was a year of growth and success and all signs point to continued success in 1990.

British Columbia Lottery Corporation

Marketing, distribution and sale of lottery products in the province.

Michelle McBride
Executive Director, Marketing

Finance, administration, operations and security.

Vic Poleschuk
Vice President

Advertising, promotion, and marketing of lottery products and draws.

Barry Ashlie
Director, Marketing Support

Finance, administration, budgeting and prize administration.

Doug Penrose
Director, Finance and Administration

Computer operations, technical services and information systems.

Rob Egan
Director, Information Systems

Employee relations including recruitment and selection, training and development and compensation and benefits.

Heather Brandon
Director, Employee Relations

Distribution and sale of lottery products through the Corporation's network of almost 3,000 retailers.

Chuck Hamilton
Director, Sales and Distribution

APPENDIX D

"My heart started pumping and I had to take a cold shower to calm down."
- Bernie Cleary, after discovering he had won $138,500 on Lotto 6/49.

"Hon, I'm sorry to wake you, but I've got all six numbers. You can go back to sleep now."
Jack Fvanoff of Surrey, informing his wife Gloria of their $2.3 million Lotto 6/49 win in November, 1986.

"I wasn't sure at first because my glasses were dirty and I cleaned them about five times."
- Victor Mowatt on his $1 million Provincial win.

It can change your life or just brighten your day, but no matter what the size of the win, everybody wants to be a lottery winner.

This past year, more than 30 million prizes were paid out to lottery winners in British Columbia. Those prizes amounted to almost $224 million. The dream of becoming a millionaire came true for 15 lucky lottery players during the year, with the top single prize of just over $5 million picked up by a group of nine people.

More Smaller Prizes

While public attention is most often drawn by large lottery wins of $1 million or more, the majority of prize money in British Columbia is paid to winners of smaller prizes. For example, those who won the jackpot prize on *Lotto 6/49* during the year took home a total of $31 million. But those who won on the subsidiary prizes won a total of $91 million – almost three times as much as the prize money taken home by jackpot winners. There were also almost 19 million prizes of from $1 to $10,000 paid out on the *Instant* game.

And B.C.'s lottery players also won a large share of merchandise prizes: three prizes on the $20 game (automobiles or trips), six cars on the *Express*, three cars on a special *Panto* bonus, 190 trips on the *Lotto BC* bonus, and almost 18,000 merchandise prizes on the *Holiday Surprize Instant* game.

Prize Fund

The prize fund is established by setting aside 45% or 50% of sales (depending on the game design). All prize claims are met from the prize fund and, if after the expiry of the one year claim period any funds remain unclaimed, this amount will be returned to the players in the form of bonus prizes or additional prizes.

Where the Money Goes

A total of $189.6 million from sales of lottery tickets in the province was transferred to the Government of British Columbia this past year for the B.C. Lottery Fund for medical research, seniors' groups, heritage projects, performing arts and culture, non-profit community and sports organizations and other special projects.

The British Columbia Lottery Corporation does not participate in the allocation of the Lottery Fund. To learn more about grants write to:
Lottery Grants Branch,
Ministry of the Provincial Secretary,
Parliament Buildings,
Victoria, B.C. V8V 1X4.

"The first thing I noticed was that I had the last two numbers right. I thought I'd won $20. Then I realized I had three numbers... then four, then five and so on. I sat there for a moment stunned."
- Brian Woods, on his $1 million Special 88 win.

CONSOLIDATED BALANCE SHEET

March 31, 1989 (in thousands of dollars)		1989		1988
Assets				
Cash				
Prize Funds	$	24,201	$	14,479
Other		7,712		10,364
Receivables (Note 3)		8,787		3,769
Prepaid expenses		2,186		1,690
Fixed assets (Note 4)		2,270		7,265
	$	45,156	$	37,567
Liabilities				
Prizes payable	$	24,201	$	14,479
Payable to Interprovincial Lottery Corporation		652		903
Accounts payable and accrued liabilities		5,309		3,581
Deferred revenue		7,245		5,264
Due to Province of British Columbia		7,749		13,340
Share Capital (Note 5)		—		—
	$	45,156	$	37,567

Approved

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN AMOUNTS DUE TO PROVINCE OF B.C.

March 31, 1989 (in thousands of dollars)		1988/89		1987/88
Balance, beginning of year	$	13,340	$	13,227
Net income		194,535		174,137
		207,875		187,364
Payments to Province of British Columbia during the year		195,236		166,473
Allocation of income to Government of Canada		4,890		7,551
		200,126		174,024
Balance, end of year	$	7,749	$	13,340

CONSOLIDATED STATEMENT OF INCOME

March 31, 1989 (in thousands of dollars)		1988/89		1987/88
Lottery Sales (Note 6)	$	524,230	$	469,639
Direct Expenses:				
Prizes	$	247,650	$	216,267
Retailer Commissions		28,797		25,628
		276,447		241,895
Sales less direct expenses		247,783		227,744
Operating Expenses:				
Data processing and network		11,689		10,924
Depreciation		4,995		10,956
Ticket printing		9,719		9,133
Bingo paper		3,140		2,589
Advertising, draws and promotions		10,940		7,985
Sales and distribution		7,227		6,833
Administration		5,538		5,187
		53,248		53,607
Net Income	$	194,535	$	174,137
Allocation of Net Income:				
Government of Canada (Note 7)	$	4,890	$	7,551
Province of British Columbia		189,645		166,586
	$	194,535	$	174,137

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

March 31, 1989 (in thousands of dollars)	1988/89	1987/88
Cash Provided By (used for)		
Operations:		
Net income	$ 194,535	$ 174,137
Depreciation	4,995	10,956
Cash provided by Operations	199,530	185,093
Change in net trade balances	(3,541)	(3,620)
Decrease in prepaid expenses	(496)	1,193
Increase in prizes payable	9,722	5,188
Increase in deferred revenue	1,981	1,315
	207,196	189,169
Financing:		
Payments to Province of British Columbia	(195,236)	(166,473)
Payments to Government of Canada	(4,890)	(8,526)
	(200,126)	(174,999)
Investments:		
Acquisition of fixed assets	—	(1,009)
	—	(1,009)
Increase in Cash	7,070	13,161
Cash at Beginning of Year	24,843	11,682
Cash at End of Year	$ 31,913	$ 24,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1989 (in thousands of dollars)

1. *Nature of the Corporation*

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

The *Express*, *Instant*, *Lotto BC*, *BC Keno*, *Extra*, *Punto* and *Breakopen* games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of bingo paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the *Provincial*, *Super Loto*, $20 Game and *Lotto 6/49* games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. *Significant Accounting Policies*

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

A. Consolidation

The consolidated financial statements include British Columbia Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

B. Capital Purchases

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These purchases include the cost of leasehold improvements, renovations and furniture of the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all on-line gaming terminals and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful lives, as follows:

Leasehold improvements	5 years
Furniture and equipment	5 years
Computer equipment	3 years
On-line gaming terminals	3 years
Signs and fixtures:	
Computer	3 years
Non-computer	5 years

C. Free Tickets

Sales are reduced by the retail value of free tickets redeemed by the retailers.

NOTES
continued next page

NOTES (continued)

2. D. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1989 are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1989 have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

E. Prize Expenses

The Corporation provides for prize expenses at approximately 50% of sales for all British Columbia games.

The prize liability accounts reflect expected prize payouts.

All unclaimed prizes from British Columbia lottery games are retained in a prize fund for one year from the announced date of the draw. Unclaimed prizes remaining after the one year claiming period are used for bonus prizes and bonus draw promotions in subsequent draws.

Prize expenses for Interprovincial Lottery Corporation games is British Columbia's proportionate share of prizes based on the number of tickets sold.

March 31, 1989 (in thousands of dollars)

3. Receivables

	1988/89	1987/88
Retailers	$ 7,839	$ 2,670
Other	948	1,099
Total	$ 8,787	$ 3,769

4. Fixed Assets

	Cost	Accumulated Depreciation	Net 1989	Net 1988
On-line gaming terminals	$ 15,119	$ 15,119	$ —	$ 692
Central system computer hardware	8,386	8,386	—	440
Leasehold improvements	8,283	6,602	1,681	3,811
Furniture and equipment	2,744	2,155	589	1,143
Signs and fixtures	2,858	2,858	—	1,179
Total	$ 37,390	$ 35,120	$ 2,270	$ 7,265

NOTES (continued)

5. Share Capital

Authorized: 10,000 common shares without par value

Issued: 1 common share for $1.00

6. Lottery Sales

	1988/89	1987/88
National Games		
Lotto 6/49	$ 279,511	$ 257,599
Super Loto	1,924	17,649
Provincial	22,652	19,350
$20 Game	15,496	—
	$ 319,583	$ 294,598
British Columbia Games		
Extra	$ 18,853	$ —
Punto	422	—
BC Keno	20,352	29,951
Express	5,784	7,052
Lotto BC	10,764	10,940
Instant	117,886	104,195
	174,061	152,138
Breakopen	26,878	19,421
Bingo Paper	3,708	3,482
	$ 204,647	$ 175,041
Total	$ 524,230	$ 469,639

7. Payments to Government of Canada

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $5,040,000 for the year ended March 31, 1990.

8. Interprovincial Lottery Corporation Expenses and Interest Revenue

The Corporation's share of the Interprovincial Lottery Corporation's operating expenses and interest revenues are reflected in these financial statements. Net income recorded from the Interprovincial Lottery Corporation was $235,000 for the year ended March 31, 1989 ($399,000 – 1988).

9. Lease Obligations

Long term office space leases will expire as follows:

Kamloops	1994
Richmond	1995
Victoria	1994

Minimum annual rental payments for the next five years are:

1989-1990	$823
1990-1991	$865
1991-1992	$865
1992-1993	$865
1993-1994	$865
1994 and subsequent	$795

10. Pension Plan

The market value of pension plan assets is approximately $3,186,000 and estimated liabilities are approximately $2,886,000.

To the Directors of the
British Columbia Lottery Corporation

We have examined the consolidated balance sheet of the British Columbia Lottery Corporation as at March 31, 1989, and the consolidated statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

June 2, 1989

Thorne Ernst & Whinney

Thorne Ernst & Whinney
Chartered Accountants

The Honourable Howard Dirks
Provincial Secretary
and Minister Responsible for Lotteries,
Chairman

Melvin H. Smith, Q.C.
Deputy Provincial Secretary
Secretary of the Board

Benjamin D. Leboe, C.A.

Allen R. Price, MAIBC

Guy Simonis
President

Head Office
74 West Seymour Street
Kamloops, British Columbia
V2C 1E2

Richmond
10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1

Victoria
770 Hillside Avenue
Victoria, British Columbia
V8T 1Z6

The British Columbia Lottery Corporation does not participate in the allocation of the Lottery Fund. To learn more about grants, write to: Lottery Grants Branch, Ministry of the Provincial Secretary, Parliament Buildings, Victoria, British Columbia, V8V 1X4

British
Columbia
Lottery
Corporation

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APPENDIX D

Appendix E – 1989/90:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1989-1990,* (Kamloops: British Columbia Lottery Corporation, 1990).

British Columbia Lottery Corporation

Annual Report 1989 · 1990

APPENDIX E

While lotteries have been conducted in British Columbia since 1974, this year represents the fifth fiscal year of operation for the British Columbia Lottery Corporation.

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Industry Recognition

British Columbia Lottery Corporation

The excellent performance of the British Columbia Lottery Corporation in fiscal 1989, which drew the attention of the international lottery industry press, carried over into the 1990 fiscal year.

The following excerpt is from the October 15 - November 14, 1990 issue of International Gaming & Wagering Business Magazine, a New York based publication.

INTERNATIONAL GAMING & WAGERING BUSINESS
October 15 - November 14, 1990 Vol. 11, No. 10 $6.00

B.C. TOP SALES, GOVERNMENT REVENUE PRODUCER IN FISCAL 1989

By Terri LaFleur

Despite experimentation with new niche games, slackening consumer demand for lottery products translated to modest sales growth of 7% for Canada's five provincial lotteries in fiscal 1989.

The British Columbia Lottery Corp. took the lead from the pacesetting Loto-Quebec lottery, both as the most efficient sales producer and as the most efficient government revenue producer.

In fiscal 1989, British Columbia residents reserved .916% of total provincial income for lottery game purchases. The British Columbia lottery boasts the most varied product mix of the industry, with two lotto games, two national passive games, spiel, sports lottery, keno, on-line passive, instant, breakopen and bingo. It also leads the Canadian industry with per-capita annual sales of C$176.

As a revenue producer for government, the British Columbia lottery netted C$194.5 million for provincial programs. Net government lottery receipts represent .340% of total provincial income. Close attention to the bottom line also pushed the British Columbia lottery to the number one position in annual per capita government revenues at C$65.

In other results, the Ontario lottery spent the least to generate both a sales dollar and a government dollar. The Western Canada Lottery posted the highest ratio of government revenues to sales.

INTERNATIONAL GAMING & WAGERING BUSINESS

TABLE 1

LOTTERIES RANKED BY FISCAL 1989 GOVERNMENT REVENUES AS A % OF PROVINCIAL PERSONAL INCOME

LOTTERY	1989	1988
1. British Columbia	.340%	.335%
2. Loto-Quebec	.334%	.358%
3. Western	.256%	.261%
4. Ontario	.243%	.264%
5. Atlantic	.216%	.222%

TABLE 2

LOTTERIES RANKED BY FISCAL 1989 SALES AS A % OF PROVINCIAL PERSONAL INCOME

LOTTERY	1989	1988
1. British Columbia	.916%	.912%
2. Loto-Quebec	.913%	.887%
3. Ontario	.631%	.681%
4. Western	.628%	.637%
5. Atlantic	.627%	.630%

Chairman's Message

Fiscal 1990 was yet another year of achievement for the British Columbia Lottery Corporation.

The Corporation reached its goal of $200 million in profit which was used to fund an array of community projects through the office of the Provincial Secretary in the areas of health, senior citizens' groups, heritage, culture, recreation, sports and other causes.

Through commissions for the sale of *Breakopen* tickets more than 1,000 charitable organizations earned more than $4.3 million.

The Corporation is also a major purchaser in the province, last year spending more than $50 million on goods and services, with 90 per cent spent in British Columbia.

Kamloops Head Office

Richmond Office

Chairman, Howard Dirks

In addition, this Crown Corporation has a unique relationship with its private sector retail network. The Corporation provides product and technical training, marketing support, a valuable electronic package at virtually no cost to the retailer and extends credit for product purchased. Approximately 2,600 retail outlets earned more than $30 million in commissions last year.

Each year visitors from other countries come to British Columbia to observe the innovative organization which continues to meet the challenges of the changing lottery market while maintaining a spotless record of security and integrity. This past year the visitors' list included officials from Hong Kong, Australia, Ohio and Catalonia in Spain.

The British Columbia Lottery Corporation is one of the top companies in an industry with sales of $60 billion worldwide.

Congratulations to President Guy Simonis and his committed staff on another successful year.

Victoria Office

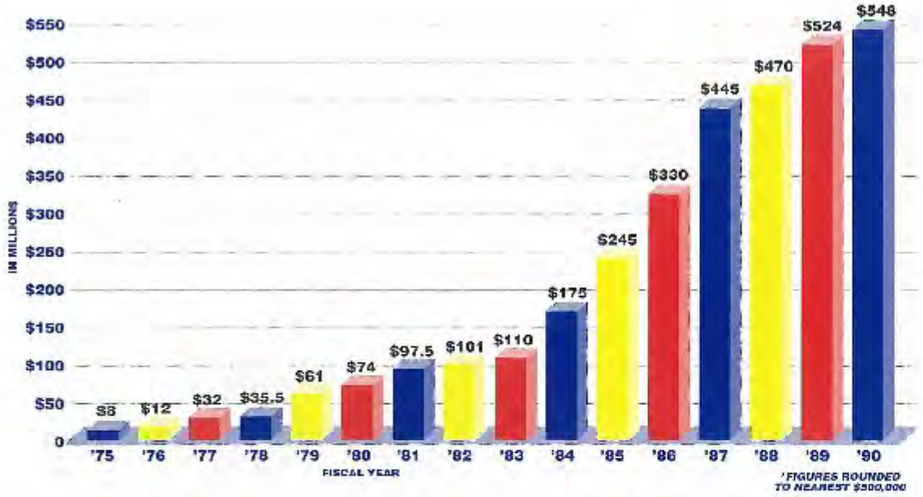
APPENDIX E

President's Message

Fiscal 1989/90 sales were almost $550 million, reflecting five per cent growth. Net revenue for the year, which is forwarded to the Province of British Columbia, increased to $205 million from the previous $194.5 million. Of that, $5 million was forwarded as a contracted payment to the Government of Canada.

While the nationwide games *Lotto 6/49*, the *Provincial* and the $20 special event games continued to be strong performers, some regional games showed impressive progress during the year. The *Extra*, an add-on "spiel" game, increased 40 per cent. And *Lotto BC*, the 6/40 lotto game, improved by 53 per cent.

BC Keno was re-launched with additional prize categories and a new advertising theme focusing on "build-your-own-prize". This has resulted in an increase in sales and a shift in playing patterns.



After several years of incredible growth and market expansion, lottery sales have begun to level off.

The current year has seen the introduction of a $2 *Instant* ticket with the chance to spin a prize wheel to win up to $100,000 in addition to two chances to win $10,000 instantly. The "*Spin of Fortune*" game has resulted in incremental sales, without cannibalizing the level of regular *Instant* game sales.

The sports lottery *Panto Select* continued to point out the difficulty in getting hold of the sports lottery market. Neither award-winning advertising, superb point-of-sale nor extensive media and pro-league support could raise *Panto* from its disappointing performance. As they say in sports parlance — wait 'til next year!

Breakopen sales at $54 million were up 100 per cent.

President Guy Simonis at the helm of lotteries in British Columbia for 16 years.

For the coming year, the focus on regional games will continue, while sustaining the sales of the national games and *Instant*. The continued development of "niche" games holds the promise of growth above inflation, and improved customer service will prove instrumental in efforts to increase profits.

In March 1990, sales and distribution were split into separate departments. "Territory Managers", accountable for achieving imposed sales quotas, spend increased selling time with retail accounts. Product orders are through Tel-Sell and delivery is by security courier.

In the long term, a more specialized retail network will need to be developed — with specialty lottery retailers providing a full range of products and customer service. This year efforts toward that goal will intensify.

Guy Simonis, President

Guy Simonis' position of CEO for lotteries in British Columbia began in May of 1974 with the creation of the Western Canada Lottery Foundation. Currently a board member of INTERTOTO, the international organization of countries which operate toto and loto games. He also is a member of the International Association of State Lotteries (IALE). Guy served as President of the North American Association of State and Provincial Lotteries (NASPL) for two years; the first and only Canadian to hold this office to date. He is currently Vice President of the Interprovincial Lottery Corporation, which governs the national games in Canada. One of North America's senior lottery executives, his leadership in the lottery field dates back to 1971.

Vic Poleschuk, Vice President

An 11-year veteran of the lottery business, Vic holds a Bachelor of Commerce degree in Accounting and Finance from the University of Manitoba. He started his career in lotteries in 1979 with the Western Canada Lottery Foundation in Winnipeg and joined the British Columbia Lottery Corporation as Vice President at its start-up in 1985. His areas of responsibility include finance, administration and data processing. As a resident of Kamloops, Vic participates extensively in community activities. His major current involvement is his leadership as Chairman of the Organizing Committee of the 1993 Jeux Canada Games, hosted by the City of Kamloops.

Michelle McBride, Vice President

Michelle has been in our lottery industry for more than 15 years, beginning with the Western Canada Lottery Foundation. She also worked for Loto Canada, the federal government lottery. In 1982 she was appointed Western Canada Sales Manager for British Columbia and in 1985 was appointed Vice President of Sales and Marketing for the newly-formed British Columbia Lottery Corporation. She is a member of the Marketing Committee for the North American Association of State and Provincial Lotteries, and a member of the Marketing Committee of the Interprovincial Lottery Corporation.

Barry Auliffe, Director, Marketing Support

Barry has 15 years of lottery experience and holds a Bachelor of Science degree from the University of Waterloo. He is a member of the Canadian Public Relations Society and an Executive Member of the American Marketing Association. Barry's area includes Advertising, Draws, Communications, Promotions and Creative Services.

"Marketing Support's responsibility is to deliver to the retailers a customer who is not only aware of the product but is motivated to purchase."

Chuck Hamilton, Director, Sales & Distribution

Chuck has nine years of experience in the lottery business and more than 12 years experience in sales and distribution. He was appointed Director of Sales & Distribution two and a half years ago, after serving as Provincial Sales Manager. Chuck says his philosophy of selling is, "convincing someone they need the product you have and that they need it bad enough to pay for it."

About the Sales Department's relationship with retailers:
"The Lottery Corporation can help bring the customer to the retailer, but the retailer must create the decision to buy."

Douglas Penrose, Director, Finance & Administration

Doug is a Chartered Accountant and a member of the Institute of Chartered Accountants for the provinces of British Columbia and Ontario. He also holds a Bachelor of Commerce degree from the University of Toronto. Before joining the Corporation in 1985 he was a partner in the firm of Cook, Bryan, Hutton, Penrose, MacFayden, Chartered Accountants. Doug has been a resident of Kamloops for 12 years.

"The Finance and Administration Department services the retail network by providing friendly and efficient prize payments, timely and effective product delivery, and administrative and accounting support."

Robert B. Egan, Director, Information Systems

Rob's educational background includes a CDP designation (Certificate in Data Processing) from the Institute for Certification of Computer Professionals. He is also a designated Information Systems Professional (ISP) and Past President of the Canadian Information Processing Society, Kamloops Section. Rob joined the Corporation in 1985, bringing with him 17 years of experience in Information Systems in both management and data processing.

"Success for Information Systems professionals can only be measured by their contribution to overall Corporate goals. Our role is to provide quality applications and information technology to assist the Corporation in continually moving forward."

Heather Brandon, Director, Employee Relations

Heather has a Bachelor of Arts degree from Wilfred Laurier University in Ontario, and a Certificate in Personnel Administration from the University of Alberta. When Heather joined the Corporation two years ago, she brought with her more than 12 years of experience in employee relations management, both in the government and private sectors. Her responsibilities include recruitment and selection, training and development and compensation and benefits.

"Over the next year employee focus on achievement and excellence will enable us to meet the needs of our ever-changing marketplace."

Retailers Far and Wide

"...Every lottery retailer is a valuable partner in the Corporation's public relations program."

The British Columbia Lottery Corporation retailer network is the link between the lottery and the player. That statement appeared five years ago in our annual report and still holds true. As the statement implies, every lottery retailer is a valuable partner in the Corporation's "public relations" program.

Although lotteries have been sold in B.C. since 1974, the past five years under British Columbia's own banner have seen expansion and sophistication of the network.

Network Profile

The natural geography of this province creates the challenge of making the product available to as much of the population as possible.

The retail network now includes more than 2,500 retailers, with more than 2,100 offering all lottery games and payment of small prizes. The combined length of the telephone wires that connect the retailer to our state-of-the-art Data Centre in Kamloops 24 hours a day would circle the globe 20 times. Lottery retailers can be found in the far flung corners of B.C., near our neighbours in Alaska, Alberta, Montana, Idaho and Washington State and sprinkled everywhere in between.

There are also more than 1,600 retailers of *Breakopen* tickets in the province; *Breakopen* is sold only in adult social settings such as pubs, bars and at bingo games.

Gary Hubbard is a lottery retailer in Stewart, B.C. — about one kilometre from the Alaska border. Although tucked away in one of the province's corners, his contribution of enthusiasm about lotteries makes him as important as any lottery retailer in a major centre.

Support

The Corporation's financial commitment to the retailer is considerable. More than $10,000 worth of computer terminal and telephone connections is provided to the retailer at no charge.

Last year the Corporation spent more than half a million dollars training close to 5,000 retailer network staff. Retailers also receive newsletters and flyers with information about new products, marketing techniques, and features on fellow retailers who have unique selling ideas.

The Corporation continues to mount an impressive, award winning advertising program to attract customers to retail outlets. In addition to point-of-sale material, the highly visible and attractive signage includes centrally-controlled "live" message signs which update jackpots as they grow.

Linda Papageorge of the Tsawwassen Lottery Ticket Centre was one of several lottery retailers featured in television ads to promote the B.C. Winter Games, an event supported by lottery funding. Three of the commercials were nominated for lottery industry advertising awards. Papageorge, whose outlet is a short drive from Washington State, is being presented here with a copy of the program from the awards ceremony by B.C. Lottery videographer Karl Baermeyer.

The sales force focuses on how to sell lottery tickets to the player once advertising and signage bring customers in the door.

The promotions area not only raises the public profile of the Corporation, but hand in hand with sales provides retailers with incentive programs to increase sales. Retailer incentives are in addition to the amount paid in commissions last year.

Benefits

Each year there are more people who wish to become lottery retailers than there are available lottery terminals. While the Corporation paid an impressive $30 million in commissions last year, it is not simply the cash earnings which attract small businesses.

Lotteries attract customers, increasing traffic and potential for the sale of other items. A good number of players become winners who spend their winnings in the same store.

Quick Turnover

Lottery tickets are unique because they occupy a secure place in the competition for the discretionary dollar. They are also convenient to buy and sell; lottery tickets require little shelf space, they don't "spoil", and the variety of *Instant* tickets creates a new and different look every few months.

The quick turnover of lottery tickets also means the retailer is able to restock and sell more tickets, while collecting more commission with the frequency of sales.

Nola Tibbetts' lottery outlet is close to the Alberta border in Northeastern British Columbia. Pouce Coupe has a history dating back to 1896, and Tibbetts is proud to be part of the history of lotteries in this province.

An electronic credit system means retailers have free use of the Corporation's money for several days without paying interest; no investment is required on their part and every ticket is a guaranteed sale.

All these factors make a lottery licence a prized commodity.

Pride

In addition, retailers are proud of the positive impact of lotteries on their local community: lottery outlets create employment; there are many winners of prizes large and small; and their efforts help build such things as community centres and other local facilities.

Arthur Mitchell sells lottery tickets at the Atlin General Store, located about 75 kilometres from the Yukon/B.C. border. But, as Mitchell says, "We're not so far north that we don't play an important role... Every time I sell a lottery ticket I know that a part of it helps to make things happen throughout B.C."

From the 1990 lottery retailer survey conducted by Angus Reid Group.

"Overall the British Columbia Lottery Corporation has a strong relationship with all its retailers. In fact, many retailers believe that the Corporation is among the best suppliers they deal with."

"The two key strengths of the Corporation are that we can be trusted and that we operate in a professional manner. Retailers also agree that we keep them informed, actively support them and do not make promises that we will not keep."

"The Sales staff are seen as knowledgeable of both the products and the retailer's performance. They are also known for their trustworthiness and friendliness."

"Among those retailers who run a business apart from selling lottery tickets, 87% consider the lottery to be a crucial component of their business."

British Columbia Lottery Corporation

Ken Douglas and Ken Herritt have a lot in common — they have the same first name, they are both married, they both fantasized about owning a fancy sports car, and on January 15, 1990 they both became millionaires.

Won Money, Bought a Car

Ken and April Douglas, both 24, came forward in January to claim a *Lotto 6/49* prize worth more than $2.2 million which they had actually won on October 14, 1989. The couple, who were just married on July 1, 1989, didn't know their winning ticket was in the back seat of the car for almost four months!

Ken and April Douglas (left) claimed their $2.2 million Lotto 6/49 prize more than two months after they actually won it. Ken and Eleanor Herritt (right) were $1 million winners on Celebration 90 who claimed their prize the same day as the Douglas'.

Once they realized the scope of the win, the Douglas' decided to play it safe — they put the ticket in a safety deposit box for the weekend. On Monday morning, though, the young couple rushed to the lottery office to pick up their cheque.

Ken's first thought after the win was that they would be able to trade in the "lucky" car that babysat their winning ticket for a new car. At the time he was also considering going back to school to fulfill his dream of earning a business degree. A second honeymoon was also in the works in a fancy sports car, no doubt.

Wanted a Car, Got $1 million

Ken and Eleanor Herritt, on the other hand, forgot all about Ken's dreams of winning one of the exotic cars advertised as a prize on the *Celebration 90* game. They settled for cash instead — $1 million.

Porsche 944 S2 Cabriolet

Ken, 41, and Eleanor, 36, were taping and watching the televised draw program at the same time when they saw their $1 million winning number drawn. Ken feels he could now qualify for a job in TV production, since he replayed the tape of the draw over and over to confirm their win, not even bothering to watch the end of the program.

The Herritts' immediate plans for their win fall are like those of most winners — travel, a change in job status for Eleanor, a new home and some investments.

Top prize $4.6 million

Edith Daly of Cassidy, near Nanaimo, was another of the 21 individuals or groups in B.C. who took home cheques for $1 million or more. She won the top prize paid during the year — $4.6 million on the June 3, 1989 *Lotto 6/49* draw. After her win, the spry and independent 79-year-old began planning a family trip to Africa. Why Africa? Daly had always wanted to see the variety of animals native to that continent and now has the financial security to make her dream come true.

Edith Daly won the top prize paid during the year, $4.6 million.

More B.C. Winners

British Columbia Lottery Corporation

Almost 31 million prizes were paid out last year, totalling close to $227 million; $78.57 for every person in the province.

There is a common misconception that lottery players in the West don't receive a fair share of prizes. However, on the national game *Lotto 6/49* for example, B.C.'s winners took home the same percentage of prizes paid during the year as the percentage of *Lotto 6/49* tickets bought here.

Regional games such as *Lotto BC, BC Keno,* the *Extra, Express* and *Instant* games are sold only in B.C. After *Lotto 6/49*, the *Instant* games create more winners than any other games in B.C. — more than 18.5 million *Instant* prizes worth almost $53 million were paid last year. And *Instant* prizes mean more smaller prizes for more players, since the top prize on an *Instant* ticket is $20,000.

Des Cobble received a Subscription to BC Keno as part of a joint promotion with the B.C. Lions football club and won the $200,000 BC Keno top prize. His prize was presented at a B.C. Lion's home game. Des is seen here with his family and B.C. Lottery mascot "Lucky Dawg".

The Prize Fund

The prize fund is established by setting aside an average of 48 per cent of sales. All prize claims are met from the prize fund and, if after the expiry of the one year claim period any funds remain unclaimed, this amount will be returned to the players in the form of bonus prizes or additional prizes.

This year's B.C. millionaires

Edith Daly, Cassidy	$4.6 million	Lotto 6/49	June, 1989
Winston Boxill group, Quesnel	$3.2 million	Lotto 6/49	July, 1989
Lidia Paludetto, Vancouver	$2.4 million	Lotto 6/49	January, 1990
Gil Dos Santos, Kitimat	$2.2 million	Lotto 6/49	June, 1989
Ken & April Douglas, Richmond	$2.2 million	Lotto 6/49	January, 1990
Ernest Stones, Richmond	$2.1 million	Lotto 6/49	February, 1990
Jerome Page, Delta	$2.1 million	Lotto 6/49	March, 1990
Stan Aylwin, Prince George	$2.1 million	Lotto 6/49	August, 1989
Lindsay Scott group, Burnaby	$2.1 million	Lotto 6/49	August, 1989
Bradley McLean, Powell River	$1.9 million	Lotto 6/49	September, 1989
Ed Moberg, Vancouver	$1.8 million	Lotto 6/49	September, 1989
Don Robinson, N. Vancouver	$1.2 million	Lotto 6/49	September, 1989
James Datt, Delta	$1.1 million	Lotto 6/49	November, 1989
Rachel Martin group, Surrey	$ 1 million	Provincial	June, 1989
James Collette, Revelstoke	$ 1 million	Provincial	June, 1989
Dolores Pelszynski, Illinois	$ 1 million	Provincial	July, 1989
Pat Styan, Victoria	$ 1 million	Provincial	July, 1989
Art Edgar, Alberta	$ 1 million	Provincial	October, 1989
Ralph Geske, Langley	$ 1 million	Provincial	February, 1990
Chris Graf, Vancouver	$ 1 million	Fiesta del Sol	June, 1989
Kenneth Herritt, P. Coquitlam	$ 1 million	Celebration 90	January, 1990

Lottotech

British Columbia Lottotech International Inc. is a wholly owned subsidiary of the British Columbia Lottery Corporation. Lottotech's mandate is to explore new lottery technology with the potential for job creation through research, development and manufacture in B.C.

One of the primary objectives of Lottotech has been to make British Columbia the fount of technology for electronic bingo, creating an improved auditing system and assisting those who operate bingo to increase their profits. This has been accomplished with the Starship Bingo demonstration bingo hall in Vancouver.

Starship Bingo, with its clean, upscale and futuristic ambience, provides players with electronic touchscreens rather than paper cards. Developed in conjunction with the leading lottery technology supplier GTECH Corporation of Providence, Rhode Island. electronic bingo provides greater security and better auditing records by recording every transaction. It eliminates paper cards and the marking of cards, leaving more time for the "social side" of bingo between players.

Why has Lottotech targeted electronic bingo? As stated in the Lottery Corporation Act, one of the objects of the B.C. Lottery Corporation is, "to enter into the business of supplying any person with computer software, tickets or any other technology, equipment or supplies related to the con duct of lotteries in or out of the Province, or any other business related to the conduct of lotteries."

Starship Bingo has provided a test of the consumer acceptance and economic viability of this advancement in social gaming, while at the same time providing much-needed employment and profits to charities. Last year the 42 charities which operate the Starship Bingo Hall earned $1.25 million and new profit records are set every month.

Lottotech is now working hand in hand with GTECH to develop a lower-cost electronic bingo system for the world market.

STARSHIP BINGO

Consolidated Balance Sheet

March 31, 1990 *(in thousands of dollars)*	1990	1989
Assets		
Cash		
Prize Funds	$ 26,555	$ 24,096
Other	12,129	7,817
Receivables (Note 3)	12,245	10,035
Prepaid expenses	2,791	2,391
Fixed assets (Note 4)	7,885	2,270
	$ 61,605	**$ 46,609**
Liabilities		
Prizes payable	$ 26,555	$ 24,096
Payable to Interprovincial Lottery Corporation	3,201	2,119
Accounts payable and accrued liabilities	8,188	5,399
Deferred revenue	4,391	7,246
Long term debt (Note 5)	5,282	—
Due to Province of British Columbia	13,988	7,749
Share Capital (Note 6)	—	—
	$ 61,605	**$ 46,609**

Approved

Director

Director

Consolidated Statement of Changes in Amounts Due Province of B.C.

Year ended March 31, 1990 *(in thousands of dollars)*	1989/90	1988/89
Balance at beginning of year	$ 7,749	$ 13,340
Net income	205,359	194,535
	213,108	207,875
Payments to Province of British Columbia during the year	193,907	195,236
Allocation of income to Government of Canada	5,213	4,890
	199,120	200,126
Balance at end of year	**$ 13,988**	**$ 7,749**

Consolidated Statement of Income

Year ended March 31, 1990 *(in thousands of dollars)*	1989/90	1988/89
Lottery Sales (Note 7)	$ 548,147	$ 524,230
Direct Expenses:		
Prizes	259,351	247,650
Retailer commissions	30,157	28,797
Ticket printing and bingo paper	14,411	12,859
	303,919	289,306
Sales less direct expenses	244,228	234,924
Operating Expenses:		
Data processing and network	11,431	11,689
Depreciation	3,591	4,995
Advertising, draws and promotions	14,936	10,940
Sales and distribution	5,406	5,561
Administration	3,505	7,204
	38,869	40,389
Net Income	$ 205,359	$ 194,535
Allocation of Net Income:		
Government of Canada (Note 8)	$ 5,213	$ 4,890
Province of British Columbia	195,798	188,744
Paid on behalf of the Province of British Columbia	4,348	901
	$ 205,359	**$ 194,535**

Consolidated Statement of Changes in Financial Position

Year ended March 31, 1990 *(in thousands of dollars)*	1989/90	1988/89
Cash Provided By (used for)		
Operations:		
Net Income	$ 205,359	$ 194,535
Depreciation, which does not involve cash	3,591	4,995
	208,950	199,530
Changes in non-cash operating items:		
Receivables	(2,210)	(6,266)
Accounts payable and accrued liabilities	2,789	1,818
Payable to Interprovincial Lottery Corporation	1,082	1,216
Prepaid expenses	(400)	(701)
Prizes payable	2,459	9,617
Deferred revenue	(2,855)	1,982
	209,815	207,196
Financing:		
Payments to Province of British Columbia	(193,907)	(195,236)
Payments to Government of Canada	(5,213)	(4,890)
Increase in long-term debt	5,282	—
	(193,838)	(200,126)
Investments:		
Additions to fixed assets	(9,206)	—
Increase in Cash	6,771	7,070
Cash at beginning of year	31,913	24,843
Cash at end of year	**$ 38,684**	**$ 31,913**

Notes to the Consolidated Financial Statements

March 31, 1990 ***(in thousands of dollars)***

1. Nature of the Corporation

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

The *Express*, *Instant*, *Lotto BC*, *BC Keno*, *Extra*, *Punto*, and *Breakopen* games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo Paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the *Provincial*, special event game, and *Lotto 6/49* games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant Accounting Policies

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

A. Consolidation

The consolidated financial statements include B. C. Lottotech International Inc., a wholly-owned subsidiary of the British Columbia Lottery Corporation.

B. Capital Purchases

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These purchases include the cost of Kamloops office building, leasehold improvements, furniture and equipment for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all on-line gaming terminals and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations and corporate owned kiosks.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful lives, as follows:

Kamloops office building ..... 5 years	On-line gaming terminals ..... 3 years
Leasehold improvements ..... 5 years	Signs and fixtures:
Furniture and equipment ..... 5 years	Computer ..... 3 years
Computer equipment ..... 3 years	Non-computer ..... 5 years

APPENDIX E

C. Free Tickets

Sales are reduced by the retail value of free tickets redeemed by the retailers.

D. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1990 are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1990 have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

When the sales period exceeds one month, the sale is recorded when the ticket is sold to the consumer.

E. Prize Expenses

The Corporation provides for prize expenses at approximately 50% of sales for all British Columbia games to fund expected prize payouts.

All unclaimed prizes from British Columbia lottery games are retained in a prize fund for one year from the announced date of the draw. Unclaimed prizes remaining after the one year claiming period are used for bonus prizes and bonus draw promotions in subsequent draws.

Prize expenses for Interprovincial Lottery Corporation games is British Columbia's proportionate share of prizes funded which is based on the number of tickets sold.

3. Receivables

	1990	1989
Retailers	$ 8,270	$ 8,642
Other	3,975	1,393
	$ 12,245	**$ 10,035**

4. Fixed Assets

	1990			1989
	Cost	*Accumulated Depreciation*	*Net*	*Net*
On-line gaming terminals	$ 15,119	$ 15,119	$ —	$ —
Central systems computer hardware	8,420	8,397	23	—
Land	700	—	700	—
Building and leasehold improvements	16,648	9,607	7,041	1,681
Furniture and equipment	2,823	2,720	103	589
Signs and fixtures	2,885	2,867	18	—
	$ 46,595	**$ 38,710**	**$ 7,885**	**$ 2,270**

March 31, 1990 ***(in thousands of dollars)***

5. Long-term debt

	1990	1989
Crown Life Insurance Company Mortgage, payable in monthly instalments of $48,301 including interest at 10.625%, secured by building, due April 1, 1992	$ 5,282	$ —

Principal payments due within each of the next three years on long-term debt are approximately as follows:

1991	1992	1993
$ 37	$ 41	$ 5,204

6. Share Capital

Authorized: 10,000 common shares without par value
Issued: 1 common share for $1.00

7. Sales

	1989/90	1988/89
Nationwide Games		
Lotto 6/49	$ 281,962	$ 279,511
Super Loto	—	1,924
Provincial	20,109	22,652
Special Event Game	14,873	15,496
	$ 316,944	**$ 319,583**
British Columbia Games		
Extra	$ 26,333	$ 18,853
Punto	1,374	422
BC Keno	16,698	20,352
Express	3,611	5,784
Lotto BC	16,423	10,764
Instant	108,882	117,886
Breakopen	53,681	26,878
	227,002	200,939
Bingo Paper	4,201	3,708
	231,203	204,647
Total	**$ 548,147**	**$ 524,230**

8. *Payments to Government of Canada*

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $5,600,000 for the year ended March 31, 1991.

9. *Interprovincial Lottery Corporation Expenses and Interest Revenue*

Interprovincial Lottery Corporation prize costs and ticket printing are recognized in the appropriate category of direct expenses. The net operating rebate which includes the Corporation's share of the Interprovincial Lottery Corporation's interest revenues less operating expenses is included in administrative expenses. The net operating rebate from the Interprovincial Lottery Corporation was $831,000 for the year ended March 31, 1990 ($235,000 - 1989).

10. *Lease Obligations*

Long term office space leases will expire as follows:

Victoria ..... 1994 Richmond 1995

Minimum annual rental payments for each of the next five years are approximately as follows:

1990-1991 ..... $577,000 1993-1994 ..... $577,000
1991 1992 ..... 577,000 1994 1995 517,000
1992-1993 577,000

Future aggregate minimum rental payments to the expiry dates amount to approximately $2,867,000.

11. *Pension Plan*

The market value of pension plan assets is approximately $4,029,000 and estimated liabilities are approximately $3,729,000.

12. *Comparative Figures*

Certain 1989 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Auditors' Report

British Columbia Lottery Corporation

To the Directors of the British Columbia Lottery Corporation

We have examined the consolidated balance sheet of the British Columbia Lottery Corporation as at March 31, 1990, and the consolidated statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

June 11, 1990

Peat Marwick Thorne
Chartered Accountants

Board of Directors

The Honourable Howard Dirks
Provincial Secretary and Minister Responsible for Lotteries. Chairman

Melvin H. Smith, Q.C.
Secretary of the Board

Allen R. Price, MAIBC
Director

Guy Simonis
President

Head Office
74 West Seymour Street
Kamloops, British Columbia V2C 1E2

Richmond
10760 Shellbridge Way
Richmond, British Columbia V6X 3H1

Victoria
770 Hillside Avenue
Victoria, British Columbia V8T 1Z6

The British Columbia Lottery Corporation does not participate in the allocation of the Lottery Fund. To learn more about grants, write to:

Lottery Grants Branch
Ministry of the Provincial Secretary
Parliament Buildings
Victoria, British Columbia V8V 1X4

Printed in Canada

Appendix F – 1990/91:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1990-1991,* (Kamloops: British Columbia Lottery Corporation, 1991).

British Columbia Lottery Corporation

Annual Report 1990 • 1991

Sailing into the 90's

APPENDIX F

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The Charted Course

The British Columbia Lottery Corporation remained on its steady course during fiscal year 1991, continuing to give all British Columbians the opportunity to win in many different ways.

The Corporation's stellar performance and increased activity resulted in a record $205.3 million in net lottery revenue being transferred to the Ministry's lottery general revenue account.

Among those who benefited by their contribution to the success of the lottery were the 2,150 lottery retailers, whose commissions grew to $28.1 million.

As well, approximately 1,000 Breakopen retailers helped achieve record sales of more than $73 million. More than 700 community groups within the province received $11.6 million in funding related to these sales.

The Corporation also contributed significantly to the province's economy during the year, spending almost $51 million on goods and services.

The British Columbia Lottery Corporation continued to command the respect and attention of lottery jurisdictions around the world, maintaining its position as one of the top lottery organizations in the world in both per capita sales and innovation.

APPENDIX F

Captain's Log

In keeping with the nautical theme of this annual report, I've been asked to present the *Captain's Log of 1991.*

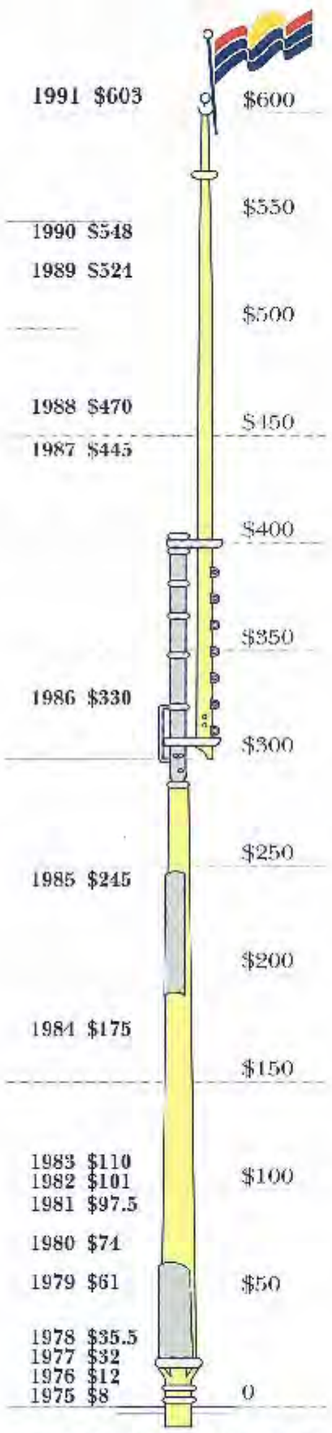
Like the pioneers before us who navigated our province's rugged coastline, the British Columbia Lottery Corporation is now charting its course for the coming decade.

Based on my 17 years of experience at the helm of lotteries in B.C., there's no question we'll continue to lead the way through uncharted waters.

Our results to date indicate we're taking the right tack. During fiscal 1991, sales totalled just over $603 million — an impressive 10 percent increase over the past year. This increase was fuelled by the popularity of games like *Lotto 6/49* and the *Instant.*

But the Corporation is faced with a healthy challenge as we sail into the '90s. The maturing of our markets signals the end of the days of 27- to-30-percent sales increases. And while other businesses can respond to the force of inflation by raising prices, the lottery would be ridiculed if we tried to sell tickets at, say, $1.17 each.

As a result, we may have to sell more at $1 and thus have to work even harder to be unique and innovative in our approach — continuing our never-ending search for new and different ways to provide amusement and entertainment for our players.



LOTTERY SALES BY YEAR
(in Millions $)

There are two ways we can accomplish this. One is to introduce entirely new lottery games which involve players in new ways to play and win. We're doing that now by nurturing interest in specialty games like *Keno* and sports lotteries, rather than relying only on the bigger games such as *Lotto 6/49* and the *Instant.*

Another is to bring the exact same games to players in different ways. For hundreds of years, paper tickets have been the mainstay of lotteries around the world, starting as hand-written notes and progressing to the printed and computer-generated tickets we know today. Now, thanks to technology, we can bring those same tickets — complete with the same logos and ways to play — to players in a different form — for example, on a video screen.

The Corporation is currently striving to maintain its position at the forefront of the international lottery fleet by exploring innovative new lottery technology such as Player Operated Sales Terminals (P.O.S.T.s). As the name implies, players operate the ticket terminals and make their selections or purchases right on a video screen, registering directly with our Kamloops Data Centre.

"CAPTAIN'S LOG" CONTINUES ON THE NEXT PAGE

APPENDIX F

Captain's Log

The electronic bingo project, Starship Bingo on Main Street in Vancouver, is another example of innovation. What were once paper bingo cards, which players marked with bingo chips and later dabbers, are now video screens. Numbers are marked simply by touching the screen. This computerization of the game is not only bringing new amusement to bingo players, it also allows an increased security and control which bingo paper cannot offer. Its popularity is unmatched.

These are just some of the waves of the future in lotteries. As we launch into a new decade, I'm honoured to be part of the crew introducing these developments. And I'm proud of the way lotteries have provided government with revenue for projects and programs that improve the quality of life for so many British Columbians. I'm anticipating that the British Columbia Lottery Corporation will charge full steam ahead into the '90s and continue to successfully respond to the winds of change.

With a crew like we have...who can fail?

President, Guy Simonis

First Mates

Vic Poleschuk,
Vice President

Michelle McBride,
Vice President

Barry Auliffe,
Director, Marketing Support

Chuck Hamilton,
Director, Retail Development

Douglas Penrose,
Director, Finance and Administration

Robert B. Egan,
Director, Information Systems

Heather Brandon,
Director, Employee Relations

APPENDIX F

View from the Bridge

While the British Columbia Lottery Corporation has experienced remarkable success in its many years of operation, the sailing has not always been smooth. Thus, while previous reports have shared our good news, it is also appropriate to take a critical look at the past and explore the lessons learned.

Putting into Drydock

In response to the ever-changing demands of the lottery-playing public, the Corporation offers a wide range of products — different games offering different appeals. Market testing helps ensure that each of these products establishes its own niche. But from time to time, conditions fluctuate — and when the Corporation concludes that one of its fleet is not up to speed, that product is brought into drydock for refitting, repainting and relaunch.

The sports lottery *Punto* is a prime example. Introduced in 1987, *Punto* has undergone a number of refittings in an effort to attract the elusive sports lottery player. Originally, players had to choose the winners of each quarter of select football games, but that proved too detailed. Next, we had players make their choices based on game point spreads. Once again, slow sales told us they weren't interested. Finally, a new version was launched, with selections based on win/lose/tie outcomes and set prize amounts for each of the winning categories. It now looks as though B.C.'s sports lottery will steer successfully ahead.

The *Provincial* is another game pulled into drydock during fiscal 1991. In November 1990, the longstanding national game was revised to offer a scratch portion along with its top prize of $500,000. Players responded well to this new game structure as indicated by a sales increase during the remaining months of the year. However, the increase has once again leveled off and new ideas must be initiated.

Game Overboard

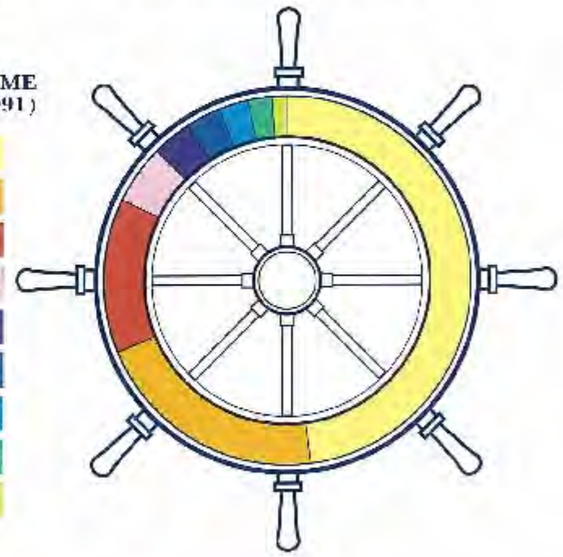
Although lottery players in British Columbia have for years enjoyed the predictability of passive games like the *Provincial*, the *Express* and the $20 "special event" tickets, it is this very same factor which has caused sales for these games to decrease in recent years. Just ten years ago, passive games represented 100 percent of lottery sales in B.C. Today, they account for 5.2 percent.

Our research indicates that today's players are looking for either high top prizes or more entertainment value — or both — from a lottery game. Despite its loyal following during a long history as the Corporation's flagship game, the *Express* was played and lost by enough people that a boredom factor had set in. Plans were put into place late in the fiscal year to replace the game with a daily numbers game, which shows more potential.

"There will always be challenges on the lottery horizon," says B.C. Lottery President Guy Simonis. "That's what makes this business so exciting. We're constantly navigating the waters between public acceptance and market demand. But, to paraphrase one great sailor's remark, 'T'is the set of the sails, and not the way the wind blows, which tells us the way to go.' "

LOTTERY SALES BY GAME
(as of March 1991)

- LOTTO 6/49 (48%)
- INSTANT (21%)
- BREAKOPEN (13%)
- EXTRA (5%)
- BC KENO (3.5%)
- LOTTO BC (3%)
- PROVINICIAL (3%)
- SPECIAL EVENT (2%)
- BINGO, PUNTO, EXPRESS (1.5%)



APPENDIX F

Sailing the International Waters

The British Columbia Lottery Corporation has sailed with the frontrunners around the world since the launch of lotteries in the province. Seen below is the **Intertoto Lottery Ticket Sales Comparison***.

COUNTRY	JURISDICTION	TYPE OF GAMES INCLUDED	TOTAL LOTTERY SALES - U.S.	AVERAGE WEEKLY PER CAPITA SALES - U.S.	POPULATION
USA	Massachusetts	All Types	$ 821,287,190	$ 5.26	6,300,000
Finland	Finland	Lotto, Spiel, Toto, Instant	445,250,332	5.43	4,394,583
Canada	British Columbia	All Types	267,919,093	5.38	3,200,000
Canada	Quebec	All Types	553,240,124	3.14	6,340,276
Australia	Queensland	Lotto, Spiel, Toto, Passive, Instant	193,729,747	2.80	2,742,900
Norway	Norway	Lotto, Toto	295,271,105	2.71	4,292,000
USA	Illinois	Lotto, Number, Instant	805,037,349	2.68	11,552,900
Spain	Spain	Lotto, Toto, Passive	2,645,371,601	2.65	38,368,246
Australia	Western	Lotto, Spiel, Toto, Passive, Instant	111,654,644	2.59	1,858,482
Australia	Tattersall	All Types	344,152,011	2.55	5,200,000
Australia	S. Australia	All Types	93,275,154	2.50	1,486,000
USA	Michigan	Lotto, Spiel, Number, Instant	585,600,000	2.45	9,200,000
Canada	Ontario	All Types, except Toto	574,658,974	2.43	9,114,313
Germany	Berlin	Lotto, Spiel, Toto, Instant, Horse Racing	124,495,057	2.34	2,247,000
Canada	Atlantic	All Types, except Toto	155,346,541	2.26	2,300,000
Austria	Austria	Lotto, Spiel, Toto, Passive, Instant	445,016,089	2.25	7,518,000
Germany	Hamburg	Lotto, Spiel, Toto, Instant, Horse Racing	85,215,758	2.05	1,660,000
Sweden	Sweden	Lotto, Spiel, Toto, Instant	441,496,947	1.98	8,581,000
Germany	Saarland	Lotto, Spiel, Toto, Instant, Horse Racing	48,871,777	1.80	1,065,000
Canada	Western	All Types	213,227,219	1.76	4,582,300
Germany	Rheinland	Lotto, Spiel, Toto, Instant, Horse Racing	163,250,675	1.71	3,800,000
New Zealand	New Zealand	Lotto, Instant	118,415,705	1.67	3,427,786
Germany	Baden Wurt.	Lotto, Spiel, Toto, Instant, Horse Racing	393,853,846	1.64	9,574,000
Germany	Bremen	Lotto, Spiel, Toto, Instant, Horse Racing	25,140,374	1.61	860,000
Germany	Schleswig-Hol.	Lotto, Spiel, Toto, Instant, Horse Racing	107,540,731	1.62	2,559,000
Germany	Nordrhein-West	Lotto, Spiel, Toto, Instant, Horse Racing	705,599,369	1.59	17,103,588
Germany	Hessen	Lotto, Spiel, Toto, Instant, Horse Racing	285,255,405	1.58	5,714,800
Australia	New South Wales	Lotto, Toto, Passive, Instant	286,171,946	1.56	5,827,000
Greece	Greece	Lotto, Toto	393,749,986	1.50	10,269,000
Germany	Nieder-Sachsen	Lotto, Spiel, Toto, Instant, Horse Racing	277,930,374	1.49	7,162,103
Germany	Bayern	Lotto, Spiel, Toto, Instant, Horse Racing	428,240,775	1.48	11,090,000
Belgium	Belgium	Lotto, Spiel, Passive, Instant	356,160,468	1.46	9,368,855
France	France	Lotto, Toto, Number, Passive, Instant	1,958,543,613	1.37	55,000,000
Denmark	Denmark	Lotto, Toto	77,401,808	1.33	5,129,000
Iceland	Iceland	Lotto, Toto	8,168,060	1.28	255,000
USA	Washington	Lotto, Number, Instant, Card Game	41,268,585	1.12	4,872,000
Switzerland	Switzerland	Lotto, Spiel, Toto	180,107,876	1.08	6,591,175
Portugal	Portugal	Lotto, Toto, Passive	969,085,502	1.00	10,304,700
Italy	Italy	Toto	1,387,042,105	0.95	56,000,000
Hong Kong	Hong Kong	Lotto	128,118,928	0.85	5,800,000
Ireland	Ireland	Lotto, Instant	72,385,897	0.79	3,540,643
Hungary	Hungary	Lotto, Toto, Passive, Instant	112,108,758	0.41	10,682,000
Israel	Israel	Toto	45,949,905	0.39	4,500,000
Senegal	Senegal	Lotto, Toto, Passive	51,945,381	0.33	5,968,000
Chile	Chile	Lotto, Toto	95,522,171	0.28	13,000,000
Malaysia	Malaysia	Lotto, Toto, Passive	60,416,962	0.14	16,500,000
Czechoslovakia	Czechoslovakia	Lotto, Toto	51,382,161	0.13	15,000,000
Netherland	Netherland	Lotto, Spiel, Toto	37,340,448	0.10	14,700,000
Brazil	Brazil	Lotto, Toto	340,114,739	0.09	142,000,000
Bulgaria	Bulgaria	Lotto, Spiel, Toto	16,345,078	0.07	9,000,000
Romania	Romania	Lotto, Toto	38,586,465	0.06	23,000,000
USSR	USSR	Lotto, Toto, Instant	964,426,059	0.06	273,000,000
Yugoslavia	Yugoslavia	Lotto, Toto	19,254,889	0.03	23,270,000
Mexico	Mexico	Lotto, Toto, Numbers	66,122,190	0.08	82,500,000
Poland	Poland	Lotto, Toto	27,377,501	0.03	37,600,000
Algeria	Algeria	Lotto, Toto, Instant	16,729,973	0.05	24,000,000
Turkey	Turkey	Lotto, Toto	28,501,552	0.02	57,000,000
Cameroon	Cameroon	Toto, Instant	3,424,018	0.01	12,000,000
Great Britain	Vernons Pool	Toto	–	–	57,000,000
Great Britain	Littlewoods	Toto	–	–	57,000,000

Data compares Intertoto members ranking for the 6-month period ending fiscal 1991.

Their Ship Came In

From the systematic *Keno* player who plays to win regular small prizes, to the faithful *Lotto 6/49* player who yearns for "the big one," many of us enjoy daydreaming about becoming a lottery winner. In British Columbia this past year, more than 35 million lottery players saw this dream become reality when their numbers came up and their ship came in.

Together, these winners collected more than $293 million in prizes. The year's top prize of $5 million went to the Musters of Coquitlam for their winning *Lotto 6/49* ticket, but there were also 16 new millionaires created in B.C. Millions of dollars more were paid out in smaller prizes. Although most of B.C.'s winners were created on the popular *Lotto 6/49* and *Instant* games, many prizes were also claimed on the B.C.-only games.

Winning on *Lotto BC, Keno*, the *Express* and the *Extra* meant more smaller prizes for more players, with the top prize on these regional games being $500,000.

Who is Playing?

Our demographic research continues to show us that the typical lottery player is a middle-aged, middle-income earner who spends approximately $3 to $4 per week on lottery tickets.

Creating the Prize Fund

The fund is established by setting aside the relevant percentage dedicated to prizes for each of the games. All prize claims are met from this prize fund and if, after the expiry of the one year claim period, any funds remain unclaimed, this amount is returned to players in the form of bonus or additional prizes.

"THEIR SHIP CAME IN"
CONTINUES ON THE NEXT PAGE

Their Ship Came In

A Winner's Profile

It's been one happy voyage for Frank and Bunny Planes and their family since the Sooke, B.C. family discovered they won $1.1 million on *Lotto 6/49*.

Like most of us, Frank and Bunny had always had dreams about how they would spend their lottery win if they were ever so lucky. Besides sharing the win with their family, doing more of what they enjoy — such as fishing — was at the top of their list. Frank, who is a hereditary chief of the Sooke Nation, was born on the ocean and grew up fishing. "I couldn't imagine ever being away from it," he says.

With a *6/49* win in his pocket, that will never happen to Frank, who has turned his fishing business over to his grandson but still finds plenty of time to spend with Bunny on his favourite trawler, the Laura II. The Planes usually ply the local waters but also travel extensively in pursuit of different fishing holes. They've also spent the time since the big win enjoying their new home near Sooke (on Vancouver Island), built by son-in-law Joe Dodge.

Frank is one example of the average lottery player in B.C. Before their win, the Planes bought tickets on a variety of games, but only when they thought of it. Frank says that's still the case. He and Bunny also say the win hasn't changed their life dramatically, only made it better.

"The money has allowed us to do more of what we've always done — just more comfortably," explains Frank. "For example, when we go on a fishing trip, we're not staying in budget motels anymore but in our own motor home." Sharing the win with family is also something many prize winners enjoy. "Our family has always been close," he explains. "This has just allowed us to have more fun together... Life couldn't get much better!"

Year's Biggest Millionaires

The evening of September 15, 1990 was one of fun and games for Bob and Pat Muster. First, they attended a Vancouver Canuck's game. Next it was off to friends to play bridge. In the meantime, the *Lotto 6/49* draw for the evening had taken place. But with all that gaming going on, the Musters had no time to check the ticket they'd purchased earlier that day.

When Pat, 51, woke up husband Bob, a 51-year-old real estate agent, the following morning, she definitely wasn't playing around. The couple had become B.C.'s biggest lottery winners of the year, with a $5 million windfall.

A trip to Australia, helping their daughter through university and perhaps a new car for Bob were just some of the plans for the happy family.

BONUS Boat a Big Catch

Gordon Bruder and his family now take to the water in style, following the 73-year-old's win of a Capri motor boat on the *Provincial* Bonus in June 1990.

Mr. Bruder's ship truly came in when he scratched the Bonus portion of his lucky ticket to reveal three MOTORBOAT symbols. It was the perfect prize for the active father of three and grandfather of six, who has owned boats in the past but was now looking forward to exploring new ports of call in his prize boat.

Plenty of fishing and waterskiing — it's the wave of the future for the Bruders.

Consolidated Balance Sheet

March 31, 1991 *(in thousands of dollars)*	1991	1990
Assets		
Cash		
Prize Funds	$ 31,791	$ 27,717
Other	15,187	10,967
Receivables (Note 3)	12,063	12,245
Prepaid expenses	2,940	2,791
Fixed assets (Note 4)	7,853	7,885
	$ 69,834	**$ 61,605**
Liabilities		
Prizes Payable	$ 31,791	$ 27,717
Payable to Interprovincial Lottery Corporation	7,202	6,256
Accounts payable and accrued liabilities	5,829	5,087
Deferred revenue	3,715	3,275
Long-term debt (Note 5)	5,245	5,282
Due to Government of Canada	1,430	-
Due to Province of British Columbia	14,622	13,988
Share Capital (Note 6)	-	-
	$ 69,834	**$ 61,605**

APPROVED

Director

Director

Consolidated Statement of Changes in Amounts Due to Province of British Columbia

March 31, 1991 *(in thousands of dollars)*	1990/91	1989/90
Balance, beginning of year	$ 13,988	$ 7,749
Net income	217,434	205,359
	231,422	213,108
Payments to Province of B.C. during the year	211,280	193,907
Allocation of income to Government of Canada	5,520	5,213
	216,800	199,120
Balance, end of year	**$ 14,622**	**$ 13,988**

Consolidated Statement of Income

March 31, 1991 *(in thousands of dollars)*	1990/91	1989/90
Lottery Sales (Note 7)	$ 603,297	$ 548,147
Direct Expenses:		
Prizes	293,967	259,351
Retailer Commissions	35,955	30,157
Ticket printing and Bingo Paper	14,988	14,411
	344,910	303,919
Sales less direct expenses	258,387	244,228
Operating Expenses:		
Data processing and network	11,708	11,431
Depreciation	2,829	3,591
Advertising, draws & promotions	14,851	14,936
Sales	4,725	5,406
Administration	4,627	3,505
Goods and Services Tax	2,213	-
	40,953	38,869
Net Income	$ 217,434	$ 205,359
Allocation of Net Income		
Government of Canada (Note 8)	$ 5,520	$ 5,213
Province of B.C.	205,308	195,798
Paid on behalf of the Province of B.C.	6,606	4,348
	$ 217,434	**$ 205,359**

Consolidated Statement of Changes in Financial Position

March 31, 1991 *(in thousands of dollars)*	1990/91	1989/90
Cash Provided By (used for)		
Operations:		
Net Income	$ 217,434	$ 205,359
Depreciation, which does not involve cash	2,829	3,591
	220,263	208,950
Change in non-cash operating items:		
Receivables	182	(2,210)
Accounts payable and accrued liabilities	742	(312)
Payable to Interprovincial Lottery Corporation	946	4,137
Prepaid expenses	(149)	(400)
Prizes payable	4,074	3,621
Deferred revenue	440	(3,971)
Due to Government of Canada	1,430	-
	227,928	209,815
Financing:		
Payments to Province of British Columbia	(211,280)	(193,907)
Payments to Government of Canada	(5,520)	(5,213)
Increase in long-term debt	-	5,282
Reduction of long-term debt	(37)	-
	(216,837)	(193,838)
Investments:		
Acquisition of fixed assets	(2,797)	(9,206)
Increase in cash position	8,294	6,771
Cash position at beginning of year	38,684	31,913
Cash position at end of year	**$ 46,978**	**$ 38,684**

Notes to the Consolidated Financial Statements

March 31, 1991

1. Nature of the Corporation

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage Lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

The EXPRESS, Instant, LOTTO BC, BC KENO, EXTRA, PUNTO and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo Paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the PROVINCIAL, Special Event game, and LOTTO 6/49 games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant Accounting Policies

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

A. Consolidation

The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

B. Capital Purchases

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These purchases include the cost of the Kamloops office building, leasehold improvements, furniture and equipment for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all On-line gaming terminals and all components of the Corporation's sign and fixture program for placement at the On-line game retailers' locations and corporate owned kiosks.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful lives using, as follows:

Kamloops office building	5 years	On-line gaming terminals	3 years
Leasehold improvements	5 years	Signs and fixtures:	
Furniture and equipment	5 years	Computer	3 years
Computer equipment	3 years	Non-computer	5 years

Notes

C. Free Tickets

Sales are reduced by the retail value of free tickets redeemed by the retailers.

D. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1991 are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1991 have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

When the sales period for a draw exceeds one month, the sale is recorded when the ticket is sold to the consumer.

E. Prize Expenses

The Corporation provides for prize expenses at approximately 50% of sales for all British Columbia games to fund expected prize payouts.

All unclaimed prizes for British Columbia lottery games are retained in a prize fund for one year from the announced date of the draw. Unclaimed prizes remaining after the one year claiming period are used for bonus prizes and bonus draw promotions in subsequent draws.

Prize expenses for Interprovincial Lottery Corporation games are British Columbia's proportionate share of prizes funded which are based on the number of tickets sold.

March 31, 1991 *(in thousands of dollars)*

3. Receivables	**1991**	**1990**
Retailers	$ 11,365	$ 8,270
Other	698	3,975
	$ 12,063	$ 12,245

4. Fixed Assets		**1991**		**1990**
	Cost	*Accumulated Depreciation*	*Net*	*Net*
On line gaming terminals	$ 15,119	$ 15,119	$ -	$ -
Central System computer hardware	10,646	9,143	1,503	23
Land	700		700	700
Building and leasehold improvements	17,220	11,649	5,571	7,041
Furniture and Equipment	2,823	2,760	63	103
Signs and fixtures	2,885	2,869	16	18
	$ 49,393	**$ 41,540**	**$ 7,853**	**$ 7,885**

March 31, 1991 *(in thousands of dollars)*

5. Long-Term Debt	**1991**	**1990**
Crown Life Insurance Company Mortgage, payable in monthly installments of $48,301 including interest at 10.625%, secured by building, due April 1, 1992	$ 5,245	$ 5,282

Principal payments due within each of the next two years on long-term debt are approximately as follows	**1992**	**1993**
	$ 41	$ 5,204

6. Share Capital

Authorized: 10,000 common shares without par value

Issued: 1 common share for $1.00

7. Lottery Sales	**1990/91**	**1989/90**
Nationwide Games		
LOTTO 6/49	$ 289,873	$ 281,962
PROVINCIAL	16,968	20,109
Special Event Game	12,625	14,873
	319,466	**316,944**
British Columbia Games		
EXTRA	32,071	26,333
PUNTO	2,815	1,374
BC KENO	21,373	16,698
EXPRESS	1,606	3,611
LOTTO BC	19,525	16,423
Instant	127,081	108,882
Breakopen	75,164	53,681
	279,635	227,002
Bingo Paper	4,196	4,201
	283,831	231,203
Total	**$ 603,297**	**$ 548,147**

APPENDIX F

Notes

8. Payments to Government of Canada

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Government of Canada on the withdrawal of the Government of Canada from the Lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $5,950,000 for the year ended March 31, 1992.

9. Interprovincial Lottery Corporation Expenses and Interest Revenue

The Interprovincial Lottery Corporation prize costs and ticket printing are recognized in the appropriate category of direct expenses. The net operating rebate which includes the Corporation's share of the Interprovincial Lottery Corporation's interest revenues less operating expenses is included in administrative expenses. The net operating rebate from the Interprovincial Lottery Corporation was $511,000 for the year ended March 31, 1991 ($831,000 - 1990).

10. Lease Obligations

Long term office space leases will expire as follows:

Victoria ..... 1994 Richmond 1995

Minimum annual rental payments for the next five years are approximately as follows:

1991-1992	$578,000	1994-1995	$518,000
1992-1993	$578,000	1995-1996	$ 83,000
1993-1994	$578,000		

Future aggregate minimum rental payments to the expiry dates amount to approximately $2,335,000.

11. Pension Plan

The market value of pension plan assets is approximately $ 5,082,000 and estimated liabilities are approximately $ 4,782,000.

12. Comparative Figures

Certain 1990 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Auditor's Report

To the Directors of the British Columbia Lottery Corporation

We have audited the consolidated balance sheet of the British Columbia Lottery Corporation as at March 31, 1991, and the consolidated statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1991, and the results of its operations and the changes in amounts due to the Province of British Columbia and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Kamloops, Canada
May 31, 1991

Peat Marwick Thorne

Peat Marwick Thorne
Chartered Accountants

APPENDIX F

Corporate Information

The British Columbia Lottery Corporation is a Crown Corporation of the Province of British Columbia. Lotteries were launched in B.C. in 1974 by then-Premier Dave Barrett and Provincial Secretary Ernie Hall and originally operated as Western Canada Lottery Foundation. The British Columbia Lottery Corporation was established in 1985 after administration for lotteries in the province was brought home to Kamloops. The Corporation employs approximately 350 full- and part-time people in three offices.

Head Office
74 West Seymour Street
Kamloops, British Columbia V2C 1E2
Telephone: (604) 828-5500

Richmond
10760 Shellbridge Way
Richmond, British Columbia V6X 3H1
Telephone: (604) 270-0649

Victoria
770 Hillside Avenue
Victoria, British Columbia V8T 1Z6
Telephone: (604) 383-4433

The British Columbia Lottery Corporation does not participate in the allocation of the Lottery Fund. To learn more about grants, contact:

Lottery Grants Branch
Parliament Buildings
Victoria, British Columbia V8V 1X4
Telephone: (604) 356-1187

APPENDIX F

Appendix G – 1991/92:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1991-1992,* (Kamloops: British Columbia Lottery Corporation, 1992).

Annual Report 1991 / 1992

APPENDIX G

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BRITISH COLUMBIA LOTTERY CORPORATION

MESSAGE FROM THE CHAIR

British Columbia Lottery Corporation (BCLC) went the extra mile in 1992. With a game mix fine-tuned to spark added market interest, the Corporation drove home ticket receipts tallying $676 million. That's 12 percent more ground than was covered in the previous year.

Benefits to the community are far-reaching. The Corporation's record-breaking performance enabled a net revenue transfer of $219 million to the Government of British Columbia. That's 33 percent of every lottery dollar. Beyond that, 50 percent of the dollar was earmarked for return to lottery players in the form of prizes, 7 percent was paid out in retailer commissions and 2 percent was allocated for ticket printing. The remainder, 8 percent, covered operating expenses.

BREAKDOWN OF THE LOTTERY DOLLAR

PRIZES **50%**

REVENUE **33%**

OPERATIONS **8%**

COMMISSIONS **7%**

TICKET PRINTING **2%**

The allocations become all the more impressive when the Goods and Services Tax (GST) is considered. 1991 marked the first full year that the GST was applied to the lottery industry in Canada. Rather than reducing the payout on prizes, reducing retailer commissions or passing on the tax to lottery players in the form of higher ticket prices, BCLC reached an agreement with the federal government to allow it to absorb the tax instead. The GST was deducted from profits and administered by the Lottery Corporation on behalf of its retailers.

As a newcomer to the lottery industry, my eyes are wide open. There are 18 years of lottery history to observe from the rear-view mirror and an exciting new stretch of road to negotiate in the year ahead. Overall, I like what I see and am eager to travel the next mile.

Lotteries create wonderful opportunities for British Columbians, from prizes won to business generated to revenue realized. I'm proud to be part of an organization that contributes so much to its community. And I'm especially pleased to present the Corporation's 1992 Annual Report.

Head Office - Kamloops

Marketing Office - Richmond

Victoria Office

Chair, Cathy McGregor

The Lottery Corporation began paving the road for games of chance in British Columbia 18 years ago. Each year, more ground is covered. The 1992 fiscal year is no exception.

British Columbia Lottery Corporation (BCLC) closed the year with record sales of $676 million. The benefits of this 12 percent growth to British Columbians were a revenue return of $219 million and a prize return of $338 million.

Behind this high performance success was a strategy engineered to sustain growth of games with solid mass market appeal — Lotto and Instant — while improving the performance of secondary games (niche and social games). The strategy worked.

Taken together, the mass market Lotto mix, comprised of *Lotto 6/49*, *BC/49* (*Lotto-BC*) and *Extra*, recorded growth of 4.1 percent over the previous year. This gain's significance becomes all the more impressive when the trail blazer's performance is considered. Oversubscription on *Lotto 6/49* saw this "big Jackpot" game's sales decline 1.3 percent. There simply weren't enough Jackpot rolls to drive sales to a new high. The Jackpot rolled just 24 times as compared to 31 the year before.

The sales growth of mass market games is attributable to the transformation of *Lotto-BC* to *BC/49* and to the record performance of the "spiel" game *Extra*. *Lotto-BC* sales showed signs of slowing down. To revitalize the game before it came to a full stop, emergency repairs were made. Positive elements were maintained and new options were added. What emerged on January 26 was a 6 of 49 Lotto game that bucked trends worldwide — the little "Red" sister to the big "Blue" *Lotto 6/49* didn't offer the large Jackpots. A complementary game to *Lotto 6/49*, *BC/49* gave British Columbians the play features they had been asking for: a B.C.-only game at two plays for $1 with a $1 million Jackpot ($1 million being enough for anybody!). As anticipated, *BC/49* steered some dollars away from *Lotto 6/49* to produce the desired result — incremental growth of 16 percent in combined sales for *Lotto 6/49*, *BC/49* and *Extra* since the January launch of *BC/49*. The availability of *Extra* on both *Lotto 6/49* and *BC/49* boosted this game's sales 11.6 percent.

Sales of Instant games also accelerated. They climbed uphill 7.3 percent, thanks to a steady flow of innovative ticket designs. A total of 19 variations on the Instant game were played last year. Fifteen new themes were introduced and four top-sellers from the previous year, *Gold Rush*, *Blackjack*, *Crazy Eights* and *Joker's Wild*, were maintained. Card themes continued to be strong performers, representing over 35 percent of total Instant sales. The success of the $1 special occasion tickets such as *Happy Mother's Day* and *Happy Father's Day* also contributed to the Instant game sales increase as did the first $5 game — *Stocking Stuffer*. To add more variety to the Instant line-up, two summertime tickets, *Musical Spin* and *High Note*, were launched with cash and merchandise as prizes.

Niche games, comprised of nationwide passive and B.C.-only games, yielded a combined sales growth of 31.1 percent. Key performers within this mix were *the daily* and B.C.'s own sports lottery.

TOTAL LOTTERY SALES IN MILLIONS PER YEAR

SALES BY GAME AS A PERCENT OF 1992 SALES

Gains were realized through the overhaul of *Express*. On June 16, *Express* exited the freeway after seven years and on merged *the daily*. Although sales increased substantially, *the daily* is having difficulty surviving and may be next in bay for a tune-up.

The sports lottery was re-fitted once again in fiscal 1992. Launched on August 29, *Sports Action* hit the turbo boost and sped past its predecessor with sales seven times as great to firmly establish its standing in the niche game market. Growth potential for this game lies in planning some exciting new turns — additional sporting events and new ways to play. Combo Play is on the *Sports Action* road map for next year.

While some games accelerated, others shifted into lower gear. *BC Keno* managed to hold its own with very little roadside assistance. A seventh draw on Sunday was added for extra spark but the game still lost a little power; sales declined by 3.6 percent.

As elsewhere, passive games, regardless of promotional support, continued to sputter. *Provincial* and Special Event games showed respective sales declines of 26.9 percent and 9.9 percent.

The intersection between mass market and niche games is the bridge to future growth — social games. Social games are defined as games played in adult social settings and usually require a higher prize structure. The first vehicles to travel this bridge are the Breakopen games. Breakopen, with its foot to the floor, "broke" yet another record to end the year with a sales increase of 43.8 percent.

APPENDIX G

Around the Corner

The strategy behind this record-breaking year will continue into next year's stretch of road. BCLC will work to sustain the growth of Lotto and Instant and to improve the performance of secondary games. Beyond this, special emphasis will be placed on investigating the potential for social gaming within the province. To begin paving the way, the Breakopen network will expand, both in terms of number of locations and variety of games. And *Sports Action* will be added as a complement to the Breakopen game line-up in age-controlled environments. The Corporation is studying the performance of Player Operated Sales Terminals (POSTs) in other jurisdictions. POSTs and Electronic Bingo represent an opportunity to break from the age-old lottery on paper to the same games delivered via a technology in keeping with the new roads to success.

President, Guy Simonis

Vic Poleschuk - Vice President

Michelle McBride - Vice President

Barry Auliffe - Director, Marketing Support

Chuck Hamilton - Director, Retail Development

Rob Egan - Director, Information Systems

Doug Penrose - Director, Finance & Administration

Heather Brandon - Director, Employee Relations

CAUTION, GAME DEVELOPMENT CREW WORKING

Just as there are different points of interest on a trip that travellers find appealing, so too are there different makes of Instant games that appeal to different types of Instant players.

It's this variety that contributed to Instant games hitting their new milestone last year. "Just as people prefer different flavours of ice-cream, so do Instant players prefer different types of game formats and designs," explains Research and Development Analyst Mary Iameo. "The challenge lies in designing games which appeal to the various Instant game market segments."

The crew responsible for game development is the Instant Ticket Committee. Comprised of Mary, Vice President Michelle McBride and key personnel from Kamloops-based Pollard Banknote Security Printers, this group researches, develops and implements new Instant game designs. Pollard Banknote Security Printers service the lottery industry locally and internationally. The company exports lottery tickets to Cypress, Russia, Hungary, South Africa and Malaysia, as well as supplying them to the Corporation — over 125 million made for and in B.C. tickets last year!

"The strategy that's accounted for our continued sales growth is to offer games that appeal to different Instant players," says Mary. "Some players are drawn to the theme, some to the prizes, others may like the method of play or they may simply like the colour of the ticket."

According to Mary, there are essentially five Instant game categories: base theme game, card theme game, ways to play, seasonal, and special occasion. A base theme game is one that has an appealing and wear-resistant theme. The play objective is usually match three identical prize amounts to win. In the base game category, it's the simplicity of the play method that appeals to the targeted segment of the Instant game market. Of course, adding a second play area gives extra spark to this impulse item.

A card game theme can be incorporated into the ticket design and play area. Consider *Blackjack* and *Royal Flush*. These Instant games are particularly appealing to people who enjoy playing cards and the fun is just beginning.

The ways to play category offers players more than one chance to win on the same ticket as with *Zodiac* and *High Note*. It's the chance to win twice on a ticket or in two ways that's this game category's main selling feature.

Then there are Instant tickets which are released in conjunction with an event or season. For example, *Lucky Money* was tied into the theme of the Chinese New Year while *Stocking Stuffer* and *Holly Dollars* were appropriate choices for the December holiday season.

Finally, there are Instant tickets geared specifically for a special occasion such as Valentine's Day, Mother's Day and Father's Day.

In addition to fueling the game categories with new and revisited products, the Instant Ticket Committee experiments with different prize structures and price points. "BCLC launched its first $5 game last year," says Mary. "Called *Stocking Stuffer*, the ticket was die-cut into the shape of a stocking and offered the largest top prize ever on an Instant game in British Columbia — $250,000. It also had the best chances of winning ever. The game was a huge success!"

Douglas Gooding of Nanaimo won the largest prize ever on an Instant ticket – $250,000 on Stocking Stuffer

"The next turn for the Committee is to take Instant games, as an entertainment form, into the future," says Mary. "BCLC is exploring the possibility of offering some of our existing and planned game designs for play on a video screen. This would not only reduce paper usage, it would add an exciting way-to-play option as well."

Whether they scratched and won instantly, saw their lucky numbers come up winners or correctly predicted the outcome of sporting events, lottery players found their way into the winners' circle more than 36 million times last year. They hit paydirt to the tune of $338 million in prizes.

The rain didn't put a damper on the spirits of Andy Andersen and Mudite Adams when they came into the Richmond Prize Payout office on January 9 — that's because they were claiming the largest lottery prize of the year, $5.9 million.

Mudite, 45, had dropped by her neighbourhood Safeway store to pick up her usual *Lotto 6/49* tickets, two Quick Picks with the *Extra*. The Vancouver couple missed watching the televised draw Wednesday as they were out for dinner. What they missed was the making of millions, their millions — $5,938,327.70 to be exact.

At the time of the win, the couple had talked about buying a new houseboat and a new car. In addition, Andy had plans for "restoring his old Jaguar." Did they follow through? Yes. Travel plans made before hitting the Jackpot were kept. "We visited my parents in Arizona as we had planned," said Andy, 47. "The only difference was that we were able to buy them a new motorhome and we flew down Mudite's parents as well to make it a real family celebration."

As for the houseboat and cars? "We bought a new luxury cruiser and four vehicles — two new and two antique. And the old Jaguar is finally being restored," said Andy.

The couple's biggest surprise was the attitude of their four children. "It's almost as if nothing has changed," Mudite said. "The children are continuing on with their education and plans just as before."

Mudite Adams and Andy Andersen, with daughters Kirsten and Teena, drove away with the year's largest prize – $5.9 million

Has the win changed their lives? "We haven't changed at all," said Mudite. "The win has, however, given us the chance to fulfill most of our dreams. We're able to do the things that we wouldn't normally have done." The couple's new home is more comfortable and their work schedules are a lot more flexible. "We're no longer confined to a nine to five work day," said Mudite.

The Vancouver family's love for the road has led to the beginning of an impressive car collection

Thirteen may be an unlucky number for some people, but not for a group of air traffic controllers and their spouses. Their 13-way split on a *BC/49* selection gave wing to the game's first $1 million prize claim.

BC/49 generated million dollar smiles for the Lloyd Jenkins group

The group's Lucky Dip ticket matched all six numbers drawn on March 14 to win the grand prize. Sharing the $1 million were Lloyd and Susan Jenkins of White Rock, Doug and Debbie White of Richmond, Mike and Maxine Giovinazzo of Surrey, Fred and Donna Kroon of Delta, Ken and Norma Smiley of Aldergrove, Grant and Charlene Wallis of Coquitlam, and Kimberly Marshall of Vancouver.

Each of the lucky winners received $71,428.57 except for Kimberly, whose $2 contribution gave her two shares totalling $142,857.14.

As with most groups, plans for the winnings varied from one member to the next. This group, with their ideas for mortgage paydowns, new cars, ski boats, houses and vacations, was no exception.

Lorne Schwindt got a lot of mileage out of his winning *Sports Action* ticket. By correctly predicting the outcome of five sporting events on his ticket, Schwindt flagged the largest *Sports Action* win of the year, a prize cheque in the amount of $67,256.10.

Lorne Schwindt of Maple Ridge scored a $67,000 touchdown on Sports Action

Lorne made the big play when he wagered that three American football games and two hockey games played November 3 would end in ties. The Maple Ridge resident watched the football games in amazement; all three ended as he'd predicted. Then, later that night, the sports fan's attention turned to hockey as he was only one tie game away from winning. "When I heard the last game was in overtime, I did a lot of pacing," said Lorne. "I kept phoning the radio stations to confirm a final score."

When Lorne heard the result, he knew he'd won big. "I knew my picks were long shots," said Lorne, 54. "I never really expected to win. I just couldn't believe it."

At the time of his win, Lorne and his wife Barbara had plans to buy a new home with their windfall.

The dream of joining the millionaires' club became a reality for these lottery winners in 1992:

The 2,500 lottery retailers in British Columbia play a key role in the continued success of BCLC — they sell lottery tickets, provide game information, answer lottery related questions, validate winning tickets for players and pay out prizes (up to $1,000) to winners all over the province's map. In return for their services, they receive a commission. Last year, retailers received shared commissions totalling over $37 million, an average additional income of $15,000 each for lottery sales.

As retailers and BCLC travel the same road, regular diagnostic checks are conducted to make sure the tandem is in sync. Last year's check-up was a week-end-long conference. Held at the Vancouver Trade and Convention Centre October 18 to 20, Lotto '91 brought 500 retailers from across the province together with lottery officials and suppliers.

Two-way street

Retailers participated in various presentations throughout the jam-packed weekend. Presentation topics included customer service, security, designing a new Instant game, promotions, advertising and more. An exhibit hall full of displays and booths gave retailers the chance to meet the many resources who help them do their jobs — from Hotline staff who solve retailers' technical problems to Pollard Banknote Security Printers who print the Corporation's tickets.

Several outstanding retailers received awards in recognition for their contribution to the success of lotteries in British Columbia.

The lottery show, Lotto Night in BC, made a detour from the BCTV studios and was broadcast live from the Vancouver Trade and Convention Centre.

There were no obstructions to block the flow of information between retailers and the Corporation — it was a two-way street. Lottery retailers met face-to-face with BCLC President Guy Simonis to ask questions, raise concerns and offer suggestions for improving the relationship. "It was great to talk to so many other retailers and lottery staff and see that we share the same problems and solutions," commented one retailer.

The Forum was so well received that retailers and BCLC are looking ahead to Lotto '92 next year.

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CONSOLIDATED BALANCE SHEET

March 31, 1992, with comparative figures for 1991 (in thousands of dollars)	1991/92	1990/91
ASSETS		
Cash:		
Prize Funds	$ 36,857	$ 31,791
Other	10,973	15,187
Receivables (note 3)	13,731	12,063
Prepaid expenses	3,665	2,940
Fixed assets (note 4)	8,215	7,853
	$ 73,441	**$ 69,834**
LIABILITIES		
Prizes payable	$ 36,857	$ 31,791
Payable to Interprovincial Lottery Corporation	5,004	7,202
Accounts payable and accrued liabilities	5,826	5,829
Deferred revenue	-	3,715
Long-term debt (note 5)	5,204	5,245
Due to Government of Canada	-	1,430
Due to Province of British Columbia	20,550	14,622
Share capital (note 6)	-	-
	$ 73,441	**$ 69,834**

See accompanying notes to consolidated financial statements.

Approved:

Cathy McGregor

Director

Director

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 1992, with comparative figures for 1991 (in thousands of dollars)	1991/92	1990/91
Sales (note 7)	$ 676,411	$ 603,297
Direct Expenses:		
Prizes	337,791	293,967
Retailer commissions	37,627	33,777
Ticket printing and Bingo Paper	13,883	14,988
Payments to Community Group Licensees (note 8)	8,562	2,178
	397,863	344,910
Sales less direct expenses	278,548	258,387
Operating Expenses:		
Data processing and network	13,099	11,708
Depreciation	4,071	2,829
Advertising, Draws and Promotions	14,711	14,851
Sales	5,207	4,725
Administration	13,922	12,586
Goods and Services Tax	8,515	2,213
Less: Interest and other income	(5,820)	(7,959)
	53,705	40,953
Net income	**$ 224,843**	**$ 217,434**
Allocation of net income:		
Province of British Columbia	$ 219,032	$ 205,308
Government of Canada (note 9)	5,811	5,520
Paid on behalf of the Province of British Columbia	-	6,606
	$ 224,843	**$ 217,434**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN AMOUNTS DUE TO PROVINCE OF BRITISH COLUMBIA

Year ended March 31, 1992, with comparative figures for 1991 (in thousands of dollars)	1991/92	1990/91
Balance, beginning of year	$ 14,622	$ 13,988
Net income	224,843	217,434
	239,465	231,422
Payments to Province of British Columbia	213,104	211,280
Payments to Government of Canada	5,811	5,520
	218,915	216,800
Due to Province of British Columbia	**$ 20,550**	**$ 14,622**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31, 1992, with comparative figures for 1991 (in thousands of dollars)	1991/92	1990/91
CASH PROVIDED BY (USED IN):		
Operations:		
Net income	$ 224,843	$ 217,434
Depreciation, which does not involve cash	4,071	2,829
	228,914	220,263
Change in non-cash operating items:		
Receivables	(1,668)	182
Prepaid expenses	(725)	(149)
Prizes payable	5,066	4,074
Payable to Interprovincial Lottery Corporation	(2,198)	946
Accounts payable and accrued liabilities	(3)	742
Deferred revenue	(3,715)	440
Due to Government of Canada	(1,430)	1,430
	224,241	227,928
Financing:		
Payments to Province of British Columbia	(213,104)	(211,280)
Payments to Government of Canada	(5,811)	(5,520)
Reduction of long-term debt	(41)	(37)
	(218,956)	(216,837)
Investments:		
Additions to fixed assets	(4,433)	(2,797)
	(4,433)	(2,797)
Increase in cash	852	8,294
Cash, beginning of year	46,978	38,684
Cash, end of year	**$ 47,830**	**$ 46,978**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 1992

1. NATURE OF THE CORPORATION:

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

the daily, Instant, *BC/49*, *BC Keno*, *Extra*, *Sports Action* and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo Paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the *Provincial*, *Lotto 6/49* and Special Event games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

(a) Consolidation:

The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Fixed assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These purchases include the cost of Kamloops office building, leasehold improvements, furniture and equipment for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all on-line gaming terminals, all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations and corporate owned kiosks.

Capital purchases:

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful lives, as follows:

Asset	*Rate*	*Asset*	*Rate*
Kamloops office building	5 years	On-line gaming terminals	3 years
Leasehold improvements	5 years	Signs and fixtures:	
Furniture and equipment	5 years	Computer	3 years
Computer equipment	3 years	Non-computer	5 years

(c) Free tickets:

Sales are reduced by the retail value of free tickets redeemed by the retailers.

(d) Revenue recognition:
Revenue and expenses relating to draws held during the year ended March 31, 1992, are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1992, are included in the statement of income in the period the ticket is sold. The associated selling costs and prize expenses are also included in the statement of income in the period the ticket is sold.

(e) Prize expenses:
The Corporation provides for prize expenses at approximately 50% of sales for all British Columbia games to fund expected prize payouts.

All unclaimed prizes from British Columbia lottery games are retained in a prize fund for one year from the announced date of the draw. Unclaimed prizes remaining after the one year claiming period are used for bonus prizes and bonus draw promotions in subsequent draws.

Prize expenses for Interprovincial Lottery Corporation games are British Columbia's proportionate share of prizes funded which is based on the number of tickets sold.

(f) Change in accounting policy:
During the year, the Corporation changed its revenue recognition policy from deferring revenue and associated costs for sales which relate to draws subsequent to the year end to recording revenue for the sale of tickets at the time the sale is made. This change in accounting policy has not been applied retroactively due to the immateriality of the amount in question.

Year ended March 31, 1992

3. RECEIVABLES (in thousands of dollars):

	1991/92	1990/91
Retailers	$ 12,559	$ 11,365
Other	1,172	698
	$ 13,731	**$ 12,063**

4. FIXED ASSETS (in thousands of dollars):

	Cost	Accumulated Depreciation	1991/92 Net	1990/91 Net
On-line gaming terminals	$ 16,974	$ 15,737	$ 1,237	$ -
Central system computer hardware	12,619	10,508	2,111	1,503
Land	700	-	700	700
Building and leasehold improvements	17,500	13,580	3,920	5,571
Furniture and equipment	2,946	2,833	113	63
Signs and fixtures	3,039	2,905	134	16
	$ 53,778	**$ 45,563**	**$ 8,215**	**$ 7,853**

Year ended March 31, 1992

5. LONG-TERM DEBT (in thousands of dollars):

	1991/92	1990/91
Crown Life Insurance Company Mortgage, payable in monthly instalments of $48,301 including interest at 10.625%, secured by building, due April 1, 1992.	**$ 5,204**	**$ 5,245**

Subsequent to March 31, 1992, the Corporation refinanced the long-term debt with the CIBC Mortgage Corporation. The mortgage is secured by the Kamloops property and a general assignment of rental income. The mortgage bears interest at 9.14% and is due June 1, 1997.

Principal payments due within each of the next five years are approximately as follows:

1993	$172,000	1996	$225,000
1994	$188,000	1997	$4,413,000
1995	$206,000		

6. SHARE CAPITAL:
Authorized: 10,000 common shares without par value
Issued: 1 common share for $1.00

7. SALES (in thousands of dollars):

	1991/92	1990/91
Nationwide games		
Lotto 6/49	$ 286,143	$ 289,873
Provincial	12,410	16,968
Special Event	11,370	12,625
	$ 309,923	**$ 319,466**
British Columbia Games:		
Instant	136,363	127,081
Breakopen	108,052	75,164
Extra	35,799	32,071
Sports Action	23,372	2,815
BC Keno	20,613	21,373
BC/49	18,090	-
Lotto-BC	15,267	19,525
the daily	4,622	-
Express	247	1,606
	362,425	279,635
Bingo Paper	4,063	4,196
	366,488	283,831
	$ 676,411	**$ 603,297**

Year ended March 31, 1992

8. PAYMENTS TO COMMUNITY GROUP LICENSEES:

During the year the Corporation made payments of $8,562,000 (1991 - $2,178,000) to Community Group Licensees under the Breakopen Lottery Ticket Program.

On February 14, 1992, the provincial government placed a moratorium on the program, wherein payments to Community Group Licensees ceased, and on March 12, 1992, announced the cancellation of the program.

9. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $6,100,000 for the next fiscal year ending March 31, 1993.

10. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

Interprovincial Lottery Corporation prize costs and ticket printing are recognized in the appropriate category of direct expenses. The net operating rebate which includes the Corporation's share of the Interprovincial Lottery Corporation's interest revenues less operating expenses is included in interest and other income. The net operating rebate from the Interprovincial Lottery Corporation was $182,736 for the year ended March 31, 1992 (1991 - $511,000).

11. LEASE OBLIGATIONS:

Long-term office space leases will expire as follows:

Richmond .....April 30, 1995 Victoria .....June 30, 1994

Aggregate minimum annual rental payments to the end of the lease terms are approximately as follows:

1992 - 1993 .....$578,000 1994 - 1995 .....$518,000
1993 - 1994 .....$578,000 1995 - 1996 .....$42,000

Future aggregate minimum rental payments to the expiry dates amount to approximately $1,716,000 (1991 - $2,335,000).

12. PENSION PLAN:

The market value of pension plan assets is approximately $6,452,000 and estimated liabilities are approximately $5,823,600. The latest available actuarial valuation of the pension plan was performed as at March 31, 1991. The valuation revealed that the plan has a funding excess of $628,000 as at March 31, 1991.

13. COMMITMENTS:

Purchase of Lottery Terminals:

During the year the Corporation entered into an agreement for the purchase of 2,280 lottery terminals for a total contract price of $14.9 million. At March 31, 1992, 2,233 terminals are still to be delivered under the contract. The Corporation is committed to $13.1 million with respect to the undelivered terminals.

14. COMPARATIVE FIGURES:

Certain 1991 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

TO THE DIRECTORS OF BRITISH COLUMBIA LOTTERY CORPORATION

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 1992, and the consolidated statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1992, and the results of its operations and the changes in amounts due to the Province of British Columbia and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Peat Marwick Thorne
Chartered Accountants

Kamloops, Canada
May 26, 1992

CORPORATE INFORMATION

British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984. It is a Crown Corporation of the Province of British Columbia. Its Board Members as at March 27, 1992, include: Cathy McGregor, Chair (Kamloops); Patrick Chen, Director (Vancouver); Jill E. Davidson, Director (Vancouver); A. George Des Brisay, Director (Vancouver); Richard J. Thomas, Director (Richmond); Dianne M. Tingey, Director (North Vancouver); Anne Jeffrey, Director (Prince George).

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada. For more information on lotteries, call or write one of the following:

HEAD OFFICE

74 West Seymour Street
Kamloops, British Columbia V2C 1E2
Telephone: (604) 828-5500

RICHMOND

10760 Shellbridge Way
Richmond, British Columbia V6X 3H1
Telephone: (604) 270-0649

VICTORIA

770 Hillside Avenue
Victoria, British Columbia V8T 1Z6
Telephone: (604) 383-4433

British Columbia Lottery Corporation

PRINTED IN CANADA

APPENDIX G

Appendix H – 1992/93:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1992-1993,* (Kamloops: British Columbia Lottery Corporation, 1993).

ANNUAL
REPORT
1992/1993
British
Columbia
Lottery
Corporation
649
EXTRA!
VALIDATE TICKET
INSTANT
SPECIAL EVENT
PROVINCIAL
ON-LINE
NEWS MESSAGE
SIGN ON
SIGN OFF
CANCEL TICKET
SALES & INVOICE REPORTS
REPRINT
PRINTER TEST
SCREEN / VOLUME CONTROL
DELETE PLAY
HELP
ENTER
CLEAR
Action
daily
Keno
YES
NO
Quick Pick

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As the major advocate on gaming policy and the principal operational agency of commercial gaming in the Province of British Columbia, the B.C. Lottery Corporation will contribute significantly to government revenues and economic growth through providing top quality entertainment to the public in a socially responsible framework.

Objectives

- to maximize gaming revenue to the Province of British Columbia
- to be a responsible, trustworthy and progressive Corporation, and to be recognized by the public as such
- to achieve strong and broad based public support of the Corporation's mandate
- to have the best retail network in the Province of British Columbia to serve and meet the needs of our players
- to achieve a work force that, at all levels, reflects gender, ethnic, disabled and visible diversity of the British Columbia workforce
- to seek to ensure that every employee is valued, professionally fulfilled and feels that they play an integral role in the success of the Corporation

Lottery Dollar Configuration

Chair, Cathy McGregor
What is excellence? It's earning top marks with all significant publics. This year, British Columbia Lottery Corporation did exactly that with its players, retailers and employees alike.

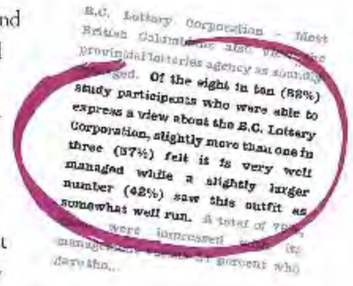
British Columbia Lottery Corporation (BCLC) is an innovative and creative organization. From the board room table to each retail counter, everyone is committed to providing the best product and service to lottery players in British Columbia. This spirit and enthusiasm has contributed to yet another outstanding year of sales, profit and fun.

B.C. Lottery Corporation spirited another record performance in 1993, registering sales of $738.5 million, a 9.2 percent increase over fiscal year 1991/92. Those sales enabled a net revenue transfer of $227 million to the Government of British Columbia's Consolidated Revenue Fund. The prescription for much of that transfer is found in the government's recently announced policy of dedicating 50 percent of lottery revenue to New Directions in health care.

The Corporation is also a forward looking organization that recognizes many of the external constraints and challenges faced by all in the gaming industry, both nationally and internationally. The Board of Directors has spent considerable time examining new gaming technologies within a framework of social responsibility, public acceptance and government legislation. Working within that framework, the B.C. Lottery Corporation is poised to be responsive to new government directions.

A major initiative of the Board of Directors during this past year was to identify a clear corporate mission and to develop short and long range objectives in order to move the Corporation progressively into the future. The Board recognizes the need to address all aspects of the corporate environment and has endorsed a business plan which focuses on new and innovative gaming products, advocacy on gaming matters with government, training and employment equity issues, meeting the needs of the retailer network, continuing to increase revenues for government and working to broaden public trust and support for the Corporation's mandate. It is an ambitious plan, and one that has members of the Board of Directors working co-operatively with staff and government in order to successfully achieve each objective.

This year, I am pleased to report that British Columbia Lottery Corporation earned "bright light" status as a trustworthy and well-managed Corporation in a province-wide public opinion survey conducted last November by Angus Reid Group Incorporated. This rating is the second highest of all public and private Corporations included in the survey and the highest among Crown Corporations.

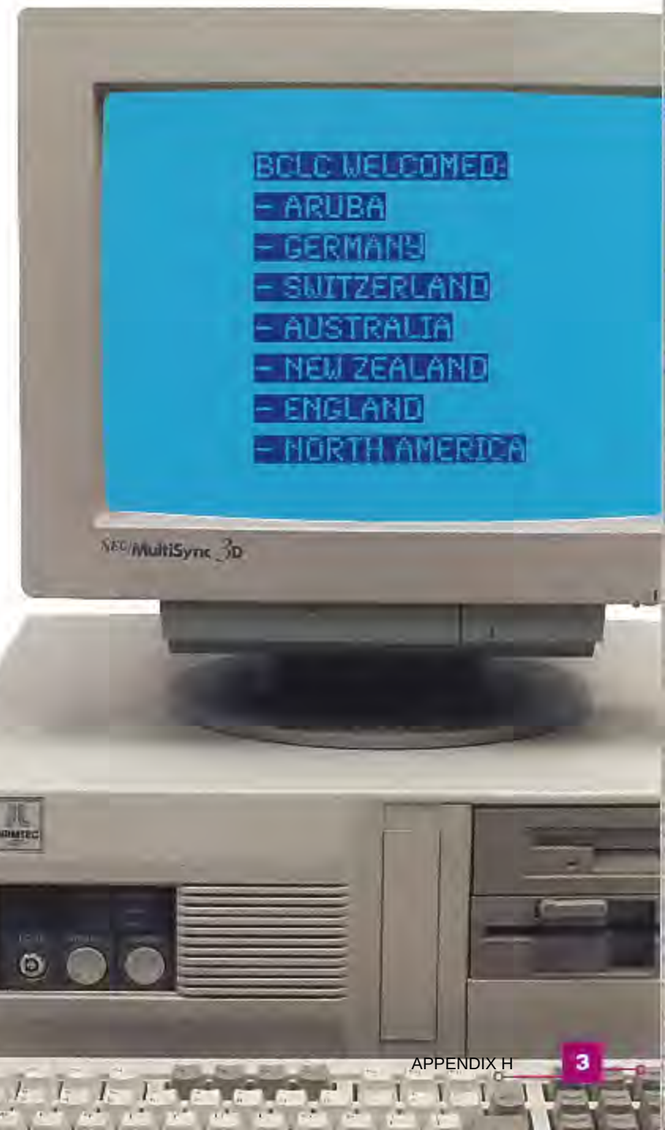

B.C. Lottery Corporation ... Most British Columbians also view the provincial lotteries agency as soundly managed. Of the eight in ten (88%) study participants who were able to express a view about the B.C. Lottery Corporation, slightly more than one in three (37%) felt it is very well managed while a slightly larger number (42%) saw this outfit as somewhat well run. A total of ... were impressed ... (by) ... management ... 1 percent who describe...

The Corporation was also rated as one of the best suppliers in the province in a survey of retailers. Results of the survey indicated that retailers felt strongly that BCLC keeps them informed on relevant issues, is a good business supplier and communicates business objectives clearly. Retailers further described the Corporation as trustworthy, professional, efficient and innovative. Yet another reason for this satisfying rating is the fact that, in 1993, BCLC retailers received a higher average income from lottery sales than anyone else in the country; lottery retailers in British Columbia earned $48.5 million in commissions last year. Retailers continue to respond favourably to the Retailer Council and Retailer Forum as mechanisms by which to engage in successful two-way communication and problem solving.

BCLC rated just as highly with its staff in a survey conducted last fall by William M. Mercer Limited. The vast majority of employees (98 percent) believe the Corporation is a good employer; over 94 percent of employees agree that they like their jobs and most employees (84 percent) believe their contribution is integral to the on-going success of the organization. The Board fully recognizes and values the contribution made by all employees and has continued to examine new ways to promote team building, employee participation in decision making and co-operative management systems.

On an international scale, the Corporation is considered an innovative leader in the lottery industry. The reputation of BCLC has brought many visitors from lottery organizations from around the world to British Columbia to learn from its success. In 1993, BCLC welcomed visitors from Aruba, Germany, Switzerland, Australia, New Zealand, England, and various lottery organizations from all over North America.

On behalf of the Board of Directors, I am pleased to report on the Corporation's activities for the year.



President, Guy Simonis
To do the unexpected... we're known for that. This year was no exception.

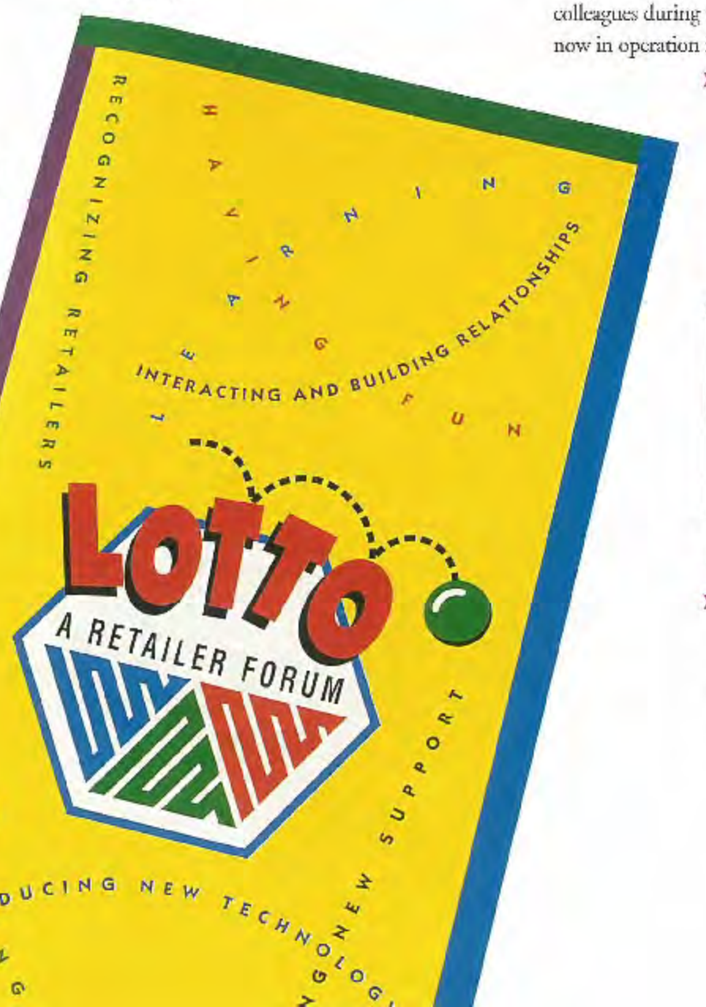
The Lottery Corporation's goal this past fiscal year was sales of $711 million. Faced with a near-saturated lottery market, the task was challenging but expectations were that the $700 million mark would be surpassed. To close 1993 with sales 9.2 percent higher than the year before was most satisfying. The Corporation generated sales of $738.5 million for fiscal year 1993. This translated into a revenue return of $227 million and a prize return of $370 million.

There were many other records broken in 1993!

- The Corporation ended fiscal 1993 with a record week of sales — $25 million the week of March 29th.
- The largest *Lotto 6/49* Jackpot prize ever in B.C — $10 million — was claimed on May 14th.
- 136.8 million Instant tickets were printed — 13 million more than the year before.
- The "A Million for You, A Million for the Games" direct mail promotion, held in conjunction with the Corporation's sponsorship of the Canada Games in Kamloops, recorded a 69.7 percent redemption rate.
- The in-house produced video "Robbery in Progress — Minimizing the Risk" set a new record for dubs requested. Intended for use as a training tool for BCLC's 2,250 lottery retailers, it quickly gained industrywide, indeed province-wide, popularity. Over 500 dubs of the video were requested. The distribution list for the video included: Liquor Control Commission, Public Gaming Branch, most of the police units in the province and many lottery organizations throughout North America.

In addition to records broken, the past year was highlighted by numerous other achievements:

- Upgrades and complete overhauls to computer systems resulted in an increased level of efficiency, accuracy and functionality for employees and the Corporation's network of 2,250 retailers.
- The installation of new lottery terminals and bar code readers provided additional security and convenience to retailers and better service to lottery players.



- Lotto '92 — A Retailer Forum saw almost 500 retailers from across the province exchange ideas on retailing and the lottery business. Plans for the sequel Lotto '93 are already in the works.
- The reputation of the Corporation, as an industry leader, grew as its B.C.-based International Lottery Information Database (ILID) expanded worldwide.
- The Field Random Electronic Draw machine (FRED), developed in B.C. by the Corporation's Information System gurus, so impressed the lottery jurisdictions of South Dakota and Washington, they purchased this technology; other jurisdictions are lining up.
- Another corporate development, Elecuronic Bingo, has caught the eye of many lottery colleagues during their visits; a pilot system is now in operation in Great Britain.
- The Corporation hosted the North American States and Provincial Lotteries (NASPL) Region IV conference and drew lottery delegates from Canada and the western United Sates.

- B.C. Lottery Corporation continued to receive accolades for its light-hearted and humourous advertising and promotional campaigns.

➤ Employees of the Corporation participated in many community fundraising activities throughout the year including the United Way Campaign, the Labatt 24-Hour Relay and the Christmas Bureau's Good Neighbourhood Program.

The achievement of growth and profitability would not have been possible without the talented and dedicated team of employees and management. B.C. Lottery Corporation employs over 300 individuals, each dedicated to the success of the Corporation.

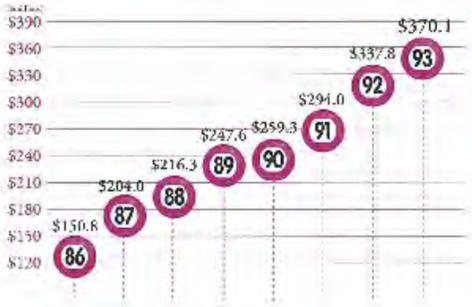
Despite the dedication, the Corporation is at the crossroads. The rate of profit growth has begun to slow and the new ways of offering lottery entertainment to players, to ensure continued financial growth, is the challenge of tomorrow.

To sustain revenue growth, electronic gaming in age-controlled environments will be a top priority. Social gaming, consisting of Breakopen, Electronic Bingo, Player Operated Sales Terminals (POSTs) and Club Keno, is the area with substantial growth potential.

Lottery Sales by Year

Revenue to the Province

Lottery Prizes by Year



British Columbia Lottery Corporation offers a portfolio featuring a variety of lottery products. The files include games offered to the mass market such as *Lotto 6/49*, niche market games such as *Sports Action*, and social games offered in an age-controlled environment such as Breakopen. The Corporation also distributes Bingo paper in the province.

B.C. Lottery Corporation's business strategy of sustaining the growth of games with mass appeal while increasing the emphasis on secondary games niche and social once again met with success in 1993.

The mass market games, *Lotto 6/49, BC/49, Extra* and Instant, signed off the year with an overall sales increase of 12.1 percent to contribute 74.6 percent of total gaming receipts.

The big Jackpot game, *Lotto 6/49*, yielded 143 Jackpot winners across Canada in fiscal 1993; 17 of them bought their tickets in B.C. There were other highlights too. The 10th birthday of *Lotto 6/49* was on June 12 and on September 26, the Jackpot rolled to its second highest amount ever, $16 million.

Representing 37.4 percent of all sales, *Lotto 6/49* declined 3.4 percent, largely due to its success. While it may sound contradictory, heavy sales cause fewer Jackpot rolls and in turn, lower sales.

By contrast, B.C.'s own 6 of 49 game, *BC/49* skyrocketed 158.6 percent. A full year of play, enhanced by the addition of two Subscription options — On The Spot and through the mail — contributed to the impressive sales performance of this "B.C.-only" game.

The availability of *Extra* on *BC/49* was one reason for the 21.1 percent increase in this "tag on" game's sales. Another reason was the introduction of Double Dip on September 20, a $10 method of play offering players the convenience of six sets of numbers for *Lotto 6/49*, the same set of six numbers for *BC/49* and one *Extra* selection too.

Vice-President, Sales & Marketing
Michelle McBride
"Pioneering" has been and will remain the key to our success. Watching and listening closely to the marketplace, with an open mind, will allow us to be the pioneers of the future.

Instant game sales also surged — by 6.5 percent. Twenty variations on the Instant game were played last year. Of these, 17 were new and three were appealing, untiring games carried over from the previous year — *Gold Rush, Blackjack* and *Crazy Eights*. These three games represented 36.9 percent of total Instant sales for fiscal 1993.

To add to the fun factor for Instant game enthusiasts, the Corporation introduced its first scented ticket — *Happy Valentine's Day*. This $1 special occasion ticket saw players sniffing the scent of cinnamon when they scratched the latex surface. The ticket was so well received by Instant players that the idea was repeated with the *Happy Mother's Day* ticket. The scent of tulips tied in with the floral bouquet graphic design of that ticket.

Niche games, comprised of *Sports Action, BC Keno, the daily, Provincial* and Special Event, appeal to a much narrower segment of the market than mass market games. Niche game sales, totalling $63.6 million, account for 8.6 percent of the total gaming portfolio as compared to 74.6 percent for mass market games.

Within the niche game category is a success story still in the writing. *Sports Action* commanded 12.3 percent more action in fiscal 1993 than the previous year. One reason for the improved performance was the introduction of *Combo Play*. To further penetrate the sports lottery market, another way to play will be introduced, *Sports Action Over/Under*.

With little marketing support, *BC Keno* still maintained a loyal player base but *the daily* is slowly petering out with sales at $1.8 million.

Passive games similarly showed downward trends. *Provincial* and Special Event games showed sales of $10.7 million and $7.1 million respectively.

After a 17-year product life cycle, the province-wide *Provincial* is scheduled for deletion in the fall of 1993. There is a small but devoted following of the *Provincial* that is not likely to switch allegiance to another lottery if this $5 game is cancelled altogether. Therefore, a new *Provincial* — for B.C. only — that encompasses the best features of the game over the years will be loaded into the system this fall.

Promising great value to the bottom line is the area of social gaming. In fiscal 1993, social gaming, comprised of Breakopen and Electronic Bingo,

Vice-President, Finance & Administration
Vic Poleschuk
Future growth in revenue will come from social gaming. Innovation and technology will be two of the keys in capturing this growth.

delivered 16.8 percent of total game sales. Front-runner of the two was Breakopen, which recorded a 10.7 percent increase in sales.

While mass market games, with their broad appeal, are expected to remain the workhorses of British Columbia's gaming industry for the coming year, social gaming holds promise for future growth.

Lottery Sales by Game Category

Niche Games ($63.6 million) 8.6%

Social Games ($123.7 million) 16.8%

Mass Market ($551.2 million) 74.6%

Director, Information Systems
Rob Egan
In a constantly changing industry, information technology has helped meet many of our business systems challenges.

British Columbia Lottery Corporation's Information Systems (IS) division played a key role in the record-breaking success this past year. The IS group's design, implementation and integration of new business systems enabled the Corporation to deliver gaming products to lottery players provincewide in a more timely and effective manner and provided retailers with an even more efficient and better managed telecommunications network.

Information technology has not only found many functional solutions to support the Corporation's highly advanced business processes — it has also enhanced the organization's profile as an innovative leader in the ever-changing lottery industry.

Field Random Electronic Draw Machine

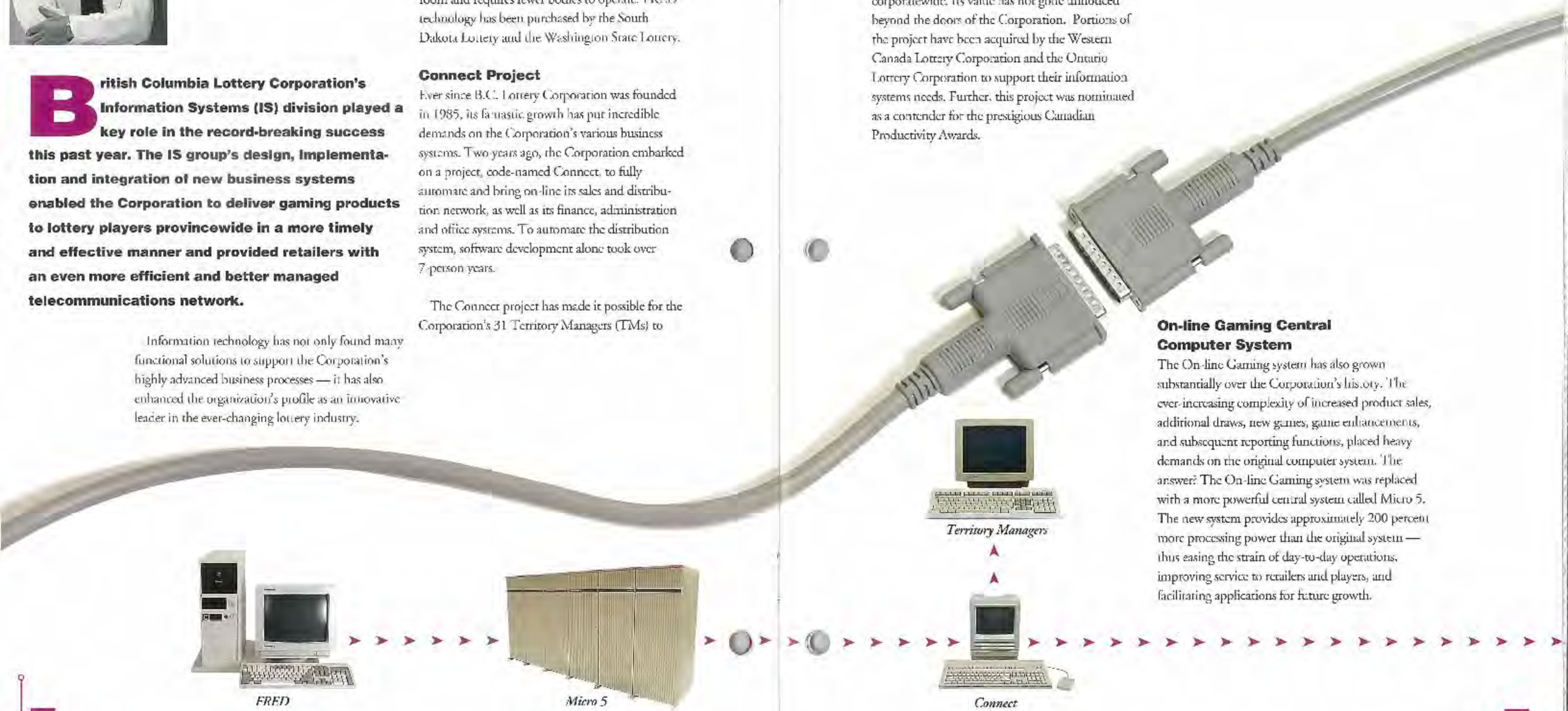
The Field Random Electronic Draw machine (FRED), pioneered by the Corporation, utilizes a stand-alone computer to generate winning numbers. FRED is at least as secure and random as the traditional ball draw — but it's much faster, less expensive, requires minimal upkeep, takes up less room and requires fewer bodies to operate. FRED technology has been purchased by the South Dakota Lottery and the Washington State Lottery.

Connect Project

Ever since B.C. Lottery Corporation was founded in 1985, its fantastic growth has put incredible demands on the Corporation's various business systems. Two years ago, the Corporation embarked on a project, code-named Connect, to fully automate and bring on-line its sales and distribution network, as well as its finance, administration and office systems. To automate the distribution system, software development alone took over 7-person years.

The Connect project has made it possible for the Corporation's 31 Territory Managers (TMs) to have direct access to the computer systems from their homes. The introduction of the home based system has eliminated daily travel to the Corporation's offices — allowing TMs more quality time with lottery retailers.

The Connect project has successfully "connected" employees and effectively streamlined IS operations corporatewide. Its value has not gone unnoticed beyond the doors of the Corporation. Portions of the project have been acquired by the Western Canada Lottery Corporation and the Ontario Lottery Corporation to support their information systems needs. Further, this project was nominated as a contender for the prestigious Canadian Productivity Awards.



On-line Gaming Central Computer System

The On-line Gaming system has also grown substantially over the Corporation's history. The ever-increasing complexity of increased product sales, additional draws, new games, game enhancements, and subsequent reporting functions, placed heavy demands on the original computer system. The answer? The On-line Gaming system was replaced with a more powerful central system called Micro 5. The new system provides approximately 200 percent more processing power than the original system — thus easing the strain of day-to-day operations, improving service to retailers and players, and facilitating applications for future growth.

Director, Sales & Retail Development
Chuck Hamilton
The installation of state of the art lottery terminals and bar code readers has resulted in retailers having more time to spend with their customers.

Lottery Terminals and Bar Code Readers

In keeping up with the dynamic nature of the lottery industry and technological advancements in retailing, B.C. Lottery Corporation introduced 2,250 new lottery terminals to its retailers provincewide. The Spectra terminals have enabled the Corporation the opportunity to add new lottery games and features into its gaming system in response to marketplace demands. Retailers have welcomed the terminals too — they are easier to operate and are capable of processing lottery tickets 20 percent faster than the previous terminals.

Shortly after the terminal installation, the Corporation followed up with state-of-the-art bar code readers which dramatically reduced ticket validation time for retailers. The Spectra terminals, combined with their complementing bar code readers, have significantly improved service to consumers.

Spectra Terminal

Starship Bingo

The Corporation continued to develop its four-year-old Electronic Bingo system. Starship Bingo addresses the problems associated with the paper bingo industry — accurate sales reporting, prize winner verification and security — plus it's environmentally friendly.

ILID

In the international lottery community, BCLC is considered to be a leader in the innovation of product development and in the application of information technologies. Over the past two years, the Corporation has developed an International Lottery Information Database (ILID) — which is, in essence, a made in B.C. central library of vital lottery statistics with users from all continents contributing and extracting information.

Relevant past, present and future data concerning lottery product design, sales statistics and consumer market information on all types of lottery products, are accessible through ILID's database. ILID has helped transform the lottery industry from isolated "islands" of experience into a truly international "mainland" of open information sharing.

Director, Employee Relations
Heather Brandon
There are many innovative minds at work at the Corporation. ILID is an example of what can be done when you encourage employees to be creative, inventive and resourceful in their field.

Director, Marketing Support
Barry Audiffe
Nothing tops the fun of playing lottery games like the fun of winning. This year, our players said "cheese" to over $370 million in prizes.

More than 38 million prizes were paid to lottery winners in British Columbia last year, totalling over $370 million.

Lotto 6/49 generated 143 Jackpot winners nationwide in 1993 — 17 winners in British Columbia.

Conrad Loughlin, and his fiancee Ingrid Valcic, made history when they claimed the largest lottery prize ever in British Columbia — $10 million.

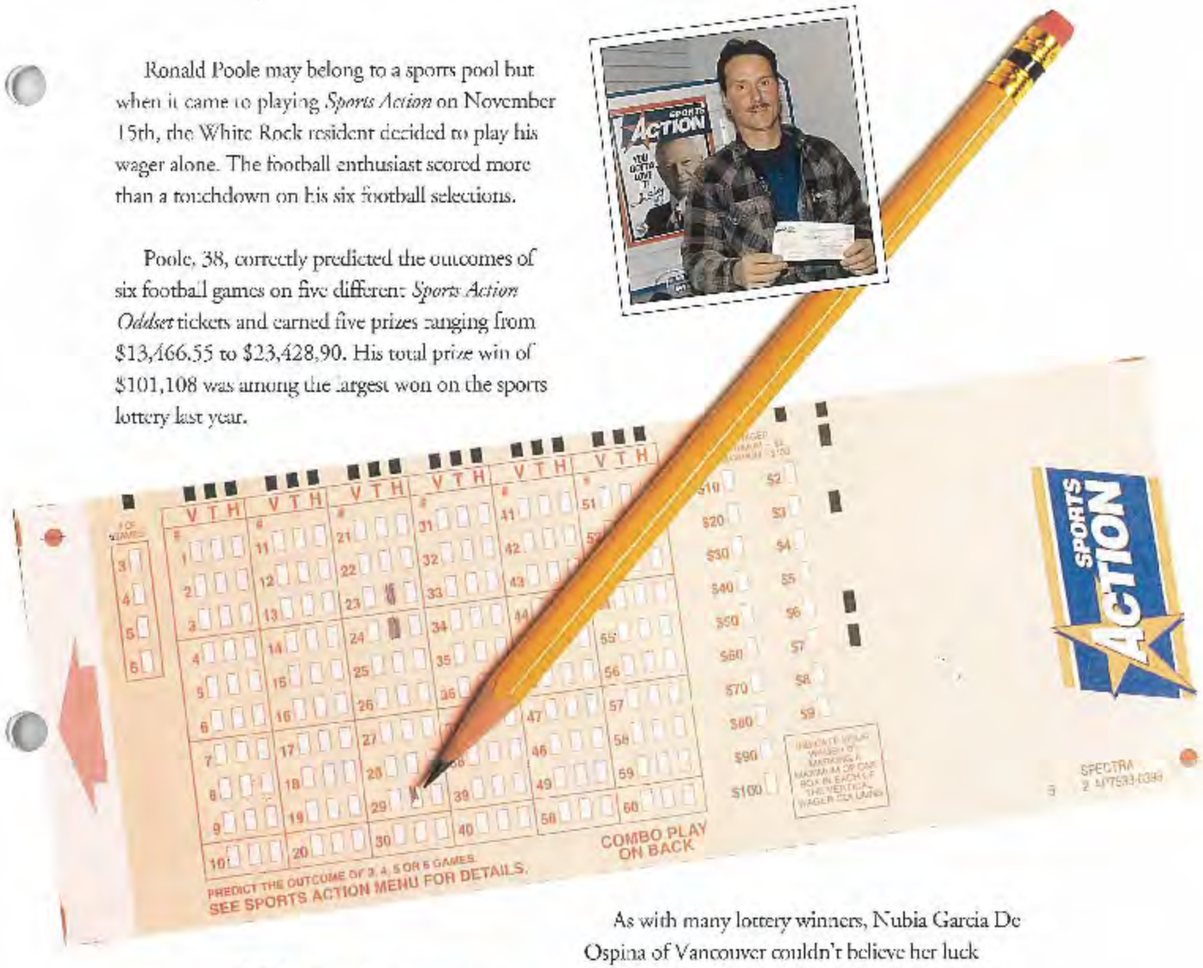
Loughlin, an unemployed glazier, went for a job interview the morning of May 14th. Following the interview, Conrad and Ingrid picked up a newspaper and decided to check the *Lotto 6/49* winning numbers from the night before. "Conrad checked the ticket and said, 'Look here Ingrid, we have five numbers'," explained Ingrid, 27, when the couple claimed their prize from the Corporation's Richmond office.

"She was thrilled and looked at our ticket again and said, 'No way, Conrad. We have six numbers'," said Conrad, who first thought they had won a much smaller prize. "Well after that, it was like we were in a dreamland."

It was no dream — Conrad and Ingrid had correctly matched all six winning numbers on the May 13th *Lotto 6/49* draw to claim B.C.'s largest Jackpot prize to date, $10 million.

Ronald Poole may belong to a sports pool but when it came to playing *Sports Action* on November 15th, the White Rock resident decided to play his wager alone. The football enthusiast scored more than a touchdown on his six football selections.

Poole, 38, correctly predicted the outcomes of six football games on five different *Sports Action Oddset* tickets and earned five prizes ranging from $13,466.55 to $23,428.90. His total prize win of $101,108 was among the largest won on the sports lottery last year.



As with many lottery winners, Nubia Garcia De Ospina of Vancouver couldn't believe her luck when she found out she had joined the winners' circle. "When I checked my six numbers, I knew I'd won something but I never thought it would be that much," said Nubia, 45, when she claimed her $200,400 *BC Keno* prize at the Richmond office.

The mother of two teenagers played a Pick 6 and won $200,000 when the six numbers she had selected were six of the eight numbers drawn on the April 25th *BC Keno* draw. She also played a $2 Pick 3 to win $400 — Nubia's total prize was upgraded to $200.400. "Picking" the right numbers translated into an opportunity to pay off bills and, have some fun.

While some players have to wait for a draw to find out if they've won a lottery prize, others can find out instantly. Armstrong resident Eli Ambrosi received three Instant tickets from his wife, Marlene, for Valentine's Day. Appropriately called *Happy Valentine's Day*, the Corporation's first scented ticket had Eli smelling more than the scent of cinnamon.

After the 59-year-old scratched the second ticket, he said to Marlene, "I think this ticket is misprinted!" There was no printing error — the retired welder had won the game's $10,000 top prize instantly. Plans for the prize included buying a new television and a new welder for Eli.

Director, Finance & Administration
Doug Penrose

British Columbia Lottery Corporation has attained a high degree of financial success over the years; its sales have grown from $330 million in fiscal 1986 to $738 million in fiscal 1993.

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AUDITORS' REPORT

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 1993, and the consolidated statements of income, amounts due to the Province of British Columbia, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1993, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Peat Marwick Thorne

Peat Marwick Thorne
Chartered Accountants

Kamloops, Canada
May 26, 1993

CONSOLIDATED BALANCE SHEET

March 31, 1993, with comparative figures for 1992 (in thousands of dollars)

	1992/93	1991/92
Assets		
Cash:		
Prize funds	$ 42,169	$ 36,857
Other	4,442	10,973
Accounts receivable (note 3)	9,996	13,731
Prepaid expenses	2,780	3,665
Capital assets (note 4)	19,766	8,215
	$ 79,153	$ 73,441
Liabilities		
Prizes payable	$ 42,169	$ 36,857
Payable to Interprovincial Lottery Corporation	7,919	5,004
Accounts payable and accrued liabilities	14,739	5,826
Long-term debt (note 5)	5,110	5,204
Due to Province of British Columbia	9,216	20,550
	$ 79,153	$ 73,441

See accompanying notes to consolidated financial statements.

Approved:

Cathy McGregor

Director

Director

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 1993, with comparative figures for 1992 (in thousands of dollars)

	1992/93	1991/92
Sales (note 6)	$ 738,485	$676,411
Direct expenses:		
Prizes	370,068	337,791
Retailer commissions	48,519	37,627
Ticket printing and Bingo paper	14,706	13,883
Payments to Community Group Licensees (note 7)	-	8,562
	433,293	397,863
Sales less direct expenses	305,192	278,548
Operating expenses:		
Data processing and network	13,590	13,099
Depreciation	13,535	4,071
Advertising, draws and promotions	16,946	14,711
Sales	5,633	5,207
Administration	14,317	13,922
Goods and services tax	12,271	8,515
Less: Interest and other income	(4,098)	(5,820)
	72,194	53,705
Net income	$ 232,998	$224,843
Allocation of net income:		
Province of British Columbia	$ 227,025	$ 219,032
Government of Canada (note 8)	5,973	5,811
	$ 232,998	$224,843

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF AMOUNTS DUE TO PROVINCE OF BRITISH COLUMBIA

Year ended March 31, 1993, with comparative figures for 1992 (in thousands of dollars)

	1992/93	1991/92
Balance, beginning of year	$ 20,550	$ 14,622
Net income	232,998	224,843
	253,548	239,465
Payments to Province of British Columbia	238,359	213,104
Payments to Government of Canada	5,973	5,811
	244,332	218,915
Due to Province of British Columbia	$ 9,216	$ 20,550

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31, 1993, with comparative figures for 1992 (in thousands of dollars)

	1992/93	1991/92
Cash provided by (used in):		
Operations:		
Net income	$232,998	$ 224,843
Depreciation, which does not involve cash	13,535	4,071
	246,533	228,914
Change in non-cash operating items:		
Accounts receivable	3,735	(1,668)
Prepaid expenses	885	(725)
Prizes payable	5,312	5,066
Payable to Interprovincial Lottery Corporation	2,915	(2,198)
Accounts payable and accrued liabilities	8,913	(3)
Deferred revenue	-	(3,715)
Due to Government of Canada	-	(1,430)
	268,293	224,241
Financing:		
Payments to Province of British Columbia	(238,359)	(213,104)
Payments to Government of Canada	(5,973)	(5,811)
Reduction of long-term debt	(94)	(41)
	(244,426)	(218,956)
Investments:		
Additions to capital assets	(25,086)	(4,433)
	(25,086)	(4,433)
Increase (decrease) in cash	(1,219)	852
Cash, beginning of year	47,830	46,978
Cash, end of year	$ 46,611	$ 47,830

See accompanying notes to consolidated financial statements.

Year ended March 31, 1993

1. Nature of the Corporation:

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

the daily, Instant, *BC/49, BC Keno, Extra*, Sports Lottery and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the *Provincial*, Special Event Game and *Lotto 6/49* games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant accounting policies:

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

(a) Consolidation:

The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation.

(b) Capital assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These purchases include the cost of Kamloops office building, leasehold improvements, furniture and equipment for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all On-line Gaming terminals, all components of the Corporation's signs and fixture program for placement at the On-line game retailers' locations and corporate owned kiosks.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful lives, as follows:

Asset	*Rate*	*Asset*	*Rate*
Building	5 years	On-line Gaming terminals	3 years
Leasehold improvements	5 years	Breakopen vending machines	3 years
Furniture and equipment	5 years	Signs and fixtures:	
Computer equipment	3 years	Computer	3 years
		Non-computer	5 years

(c) Free tickets:

Sales are reduced by the retail value of free tickets redeemed by the retailers.

(d) Revenue recognition:

Revenue and expenses relating to draws held during the year ended March 31, 1993, are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1993, are included in the statement of income in the period the ticket is sold. The associated selling costs and prize expenses are also included in the statement of income in the period the ticket is sold.

(e) Prize expenses:

The Corporation provides for prize expenses at approximately 50 percent of sales for all British Columbia games to fund expected prize payouts.

All unclaimed prizes from British Columbia lottery games are retained in a prize fund for one year from the announced date of the draw. Unclaimed prizes remaining after the one year claiming period are used for bonus prizes and bonus draw promotions in subsequent draws.

Prize expenses for Interprovincial Lottery Corporation games are British Columbia's proportionate share of prizes funded which is based on the number of tickets sold.

3. Accounts receivable (in thousands of dollars):

	1993	1992
Retailers	$ 9,491	$ 12,559
Other	505	1,172
	$ 9,996	$ 13,731

4. Capital assets (in thousands of dollars):

			1993	1992
	Cost	Accumulated Depreciation	Net	Net
Land	$ 700	$ -	$ 700	$ 700
Building & leasehold improvements	19,981	17,492	2,489	3,920
Furniture & equipment	2,947	2,890	57	113
Central system computer	14,810	12,634	2,176	2,111
On-line Gaming terminals	34,206	22,100	12,106	1,237
Breakopen vending machines	3,033	1,011	2,022	-
Signs & fixtures	3,187	2,971	216	134
	$ 78,864	$ 59,098	$ 19,766	$ 8,215

5. Long-term debt (in thousands of dollars):

	1993	1992
CIBC Mortgage Corporation, payable in monthly instalments of $ 52,651 including interest at 9.14 percent, secured by land and building and a general assignment of rental income, due June 1, 1997	$ 5,110	$ 5,204
	$ 5,110	$ 5,204

Principal payments due within each of the next five years are approximately as follows:

1994	$184	1997	$241
1995	$201	1998	$4,264
1996	$220		

6. Sales (in thousands of dollars):

	1992/93	1991/92
Mass market games:		
Lotto BC	$ -	$ 15,267
Extra	43,353	35,799
BC/49	86,265	18,090
Instant	145,226	136,363
Lotto 6/49	276,317	286,143
	551,161	491,662
Niche games:		
Express	-	247
BC Keno	17,681	20,613
Sports Lottery	26,252	23,372
the daily	1,836	4,622
Provincial	10,708	12,410
Special event	7,110	11,370
	63,587	72,634
Social games:		
Bingo paper	4,143	4,063
Breakopen	119,593	108,052
	123,736	112,115
	$ 738,484	$ 676,411

7. Payments to Community Group Licensees:

The Community Group Licensee program was cancelled on March 12, 1992.

8. Payment to Government of Canada:

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $6.2 million for the next fiscal year ending March 31, 1994.

9. Interprovincial Lottery Corporation Expenses and Interest Revenue:

Interprovincial Lottery Corporation (ILC) prize and ticket printing costs are recognized in the appropriate category of direct expenses. The Corporation's share of the Interprovincial Lottery Corporation's interest income less operating expenses is included in interest and other income. For the year ended March 31, 1993, the Corporation's portion of operating expenses for ILC exceeded income by $29,255. In 1992 the Corporation's portion of interest income exceeded operating expenses by $182,736.

10. Lease obligations:

Long-term office space leases will expire as follows:

Richmond	April 30, 1995	Victoria	June 30, 1994

Aggregate minimum annual rental payments to the end of the lease terms are approximately as follows:

1993 - 1994	$578,000
1994 - 1995	518,000
1995 - 1996	42,000
	$1,138,000

11. Pension plan:

The market value of pension plan assets as at March 31, 1993, is approximately $8.3 million. The latest available actuarial valuation of the pension plan was performed as at March 31, 1991. The valuation revealed that the plan had a funding excess of $628,400 as at March 31, 1991.

12. Commitments:

During the year the Corporation committed to sponsorship of the Victoria Commonwealth Games. At March 31, 1993, the outstanding commitment was $ 1.2 million.

British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984. It is a Crown Corporation of the Province of British Columbia.

Its Board of Members includes:

Chair
Cathy McGregor (Kamloops)

Directors
Patrick Chen (Vancouver)
Jill E. Davidson (Vancouver)
A. George Des Brisay (Vancouver)
Richard J. Thomas (Richmond)
Dianne M. Tingey (North Vancouver)
Anne Jeffrey (Prince George)

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada. For more information on lotteries, call or write one of the following:

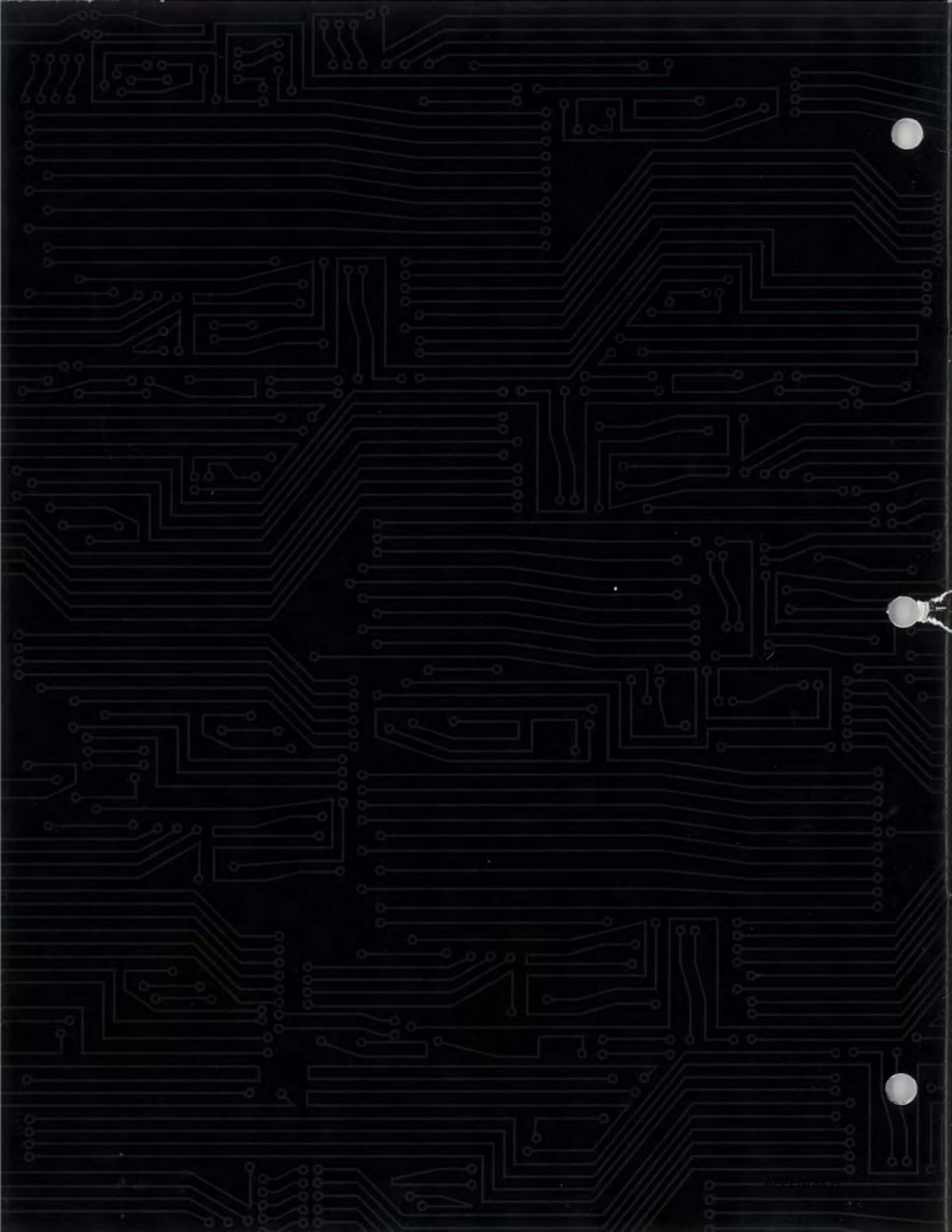
Head Office
74 West Seymour Street
Kamloops, British Columbia V2C 1E2
Telephone: (604) 828-5500

Richmond
10760 Shellbridge Way
Richmond, British Columbia V6X 3H1
Telephone: (604) 270-0649

Victoria
770 Hillside Avenue
Victoria, British Columbia V8T 1Z6
Telephone: (604) 383-4433

British Columbia Lottery Corporation

APPENDIX H



Appendix I – 1994:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1994,* (Kamloops: British Columbia Lottery Corporation, 1994).

ANNUAL REPORT 1994

APPENDIX I

New Kamloops lottery office hires 150

Reporting on the re-location of the head office of the B.C. Lottery Corporation to Kamloops. Pe... explain... comme... monies...

"The... renovat... Street fr... people ... were pr... many as... College... ment the... another 2...

"The pr... headquart... apparent. ... and payrol... ing itself, s... to quote a... classy addition...

...wntown core. ...xists for sig... to Kamloops ...esses related ...ications. ...lottery bus... ...sed by the ...have pro... ...mmunities ... Our pol... ...grants has ...l commu... ...financial ...ts. ...f lottery ...he thou... ...rd work ...ke our ...ograms ...hg de... ...ding.

support to projects that already he... the support of the community.

"In community after community ...tery grants have contributed in a ... positive way to community spiri... the quality of life for people of a... Health Care Research is anoth... eficiary of lotteries and over ... few years more than $20 ... been alloca... cause.

"Provinci... and Health ... announced ... ment is cor... kilometre S... Columbia ... research ... million, i... determinat... the respe... Canadians...

Lottery mania 'predicted' in Orwell's book

Canadian Press

MONTREAL — When George Orwell was writing Nineteen Eighty-Four, his famous novel about totalitarianism, was able to foresee Canada's current lott... mania?

...s concerned about th... football pools.

...e book's main ch... the system contr... ...nd Big Brother. ...ry, with its wo... prizes, was th... ...the proles (... ...ontion. It w...

60 jobs at plant

Provincial secretary Jim Cha... bot announced today a proposal will be called within two or three weeks for a lottery securi... ty printing plant in Kamloops that will create 40 to 60 jobs.

Chabot, who is also minister for lotteries, said the gov... ment wants to ...

B.C. lottery makes debut

Australians tour new lottery centre

Legal lotteries in Australia are older than the city of Kamloops and they're so popular the state of Victoria gets 6.5 per cent of its total annual revenue from ticket sales.

"Australians are gamblers. It's ...ing in the nature of ...s. They will gamble on ..." Gunther Rothleitner ...ay. Rothleitner is deputy ...anager of George Adams (Tattersalls) in Melbourne, ...a.

...rsalls, established in 1891, ...of the few private organiza... ...the world with a licence to ...e lottery games. The com... ...s remodelling its facilities so ...eitner and general manager ...Gillooly were in Kamloops ...y to see the B.C. Lottery Cor... ...tion headquarters and data ...re here.

...illooly said they came here ...cilities are "state of ...world". He was im... ...e layout of the com... ...and the security ...ding it.

...t, however, Tatter... ...ive in its own right. ...game in 1972, nine ...anada got into the ...oduced the quick... which was copied ...da.

Tattersalls has a licence to operate lottery games in the state of Victoria. The state has 3... million people and, every week without fail, two out of three of them buy a lottery ticket. Per capita sales are double what they are in B.C. and $500 million is spent every year for tickets.

The government takes 35.5 per cent off the top, 60 per cent of the ticket revenue is returned to players in the form of prizes and the remaining 4.5 per cent is kept by Tattersalls to pay its operating expenses.

The most popular game is a lotto. Tickets cost 25 cents each but players must buy at least four at a time. The game is played nationally through a federation of corporations, as is Lotto 6/49 in Canada, and the biggest prize in Australian history was $5 million.

In the Australian version of lotto, players pick six numbers between one and 40 inclusive. The odds of winning are 3.8 million to one.

Gillooly said the game will soon be changed to a 6/45 format in which the odds of winning will be 8.2 million to one. The odds of winning Lotto 6/49 are 13.9 million to one.

Lottery is open

...e B.C. Lottery Corporation headquarters in ...loops is an example of the provincial govern... ...mmitment to spreading the wealth in ...people during ...at said Thursday.

Kamloops to get lottery printing

APPENDIX I

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Cover story:

This meticulously planned, carefully rehearsed event was billed as "the world's largest lotto draw." And that it was. But as chance would have it, random winds howled through the hills of Kamloops and swept the balls away. As a result, the draw, held during the Opening Ceremonies of the Canada Summer Games, was indisputably more entertaining than planned. Fun was had by all in attendance including Prime Minister Kim Campbell, Governor General Ray Hnatyshyn and B.C. Premier Mike Harcourt.

The same holds true for lotteries in British Columbia. Considered by many to be a mere "flash in the pan" when the first game was introduced in 1974, games of chance have become the entertainment of choice for the masses. Who would have guessed back in 1974, when it was difficult to find individuals willing to sell a book or two of lottery tickets, that a license to sell lottery tickets would become such a hot commodity, that lotteries would become so broadly ap

APPENDIX I

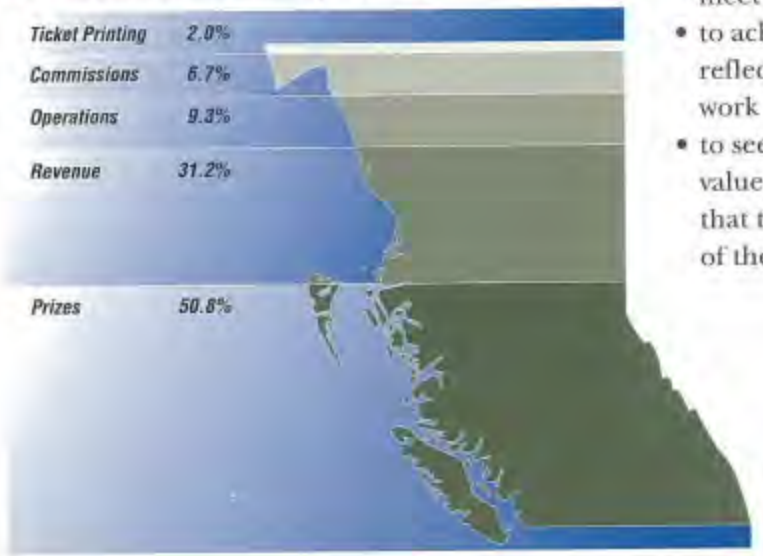
Mission Statement and Objectives

As a result of an amendment to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia (1985). The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other provinces of Canada.

The Corporation employs 363 full-time staff in its corporate and marketing offices in Kamloops, Richmond and Victoria.

Breakdown of the Lottery Dollar



Mission Statement

As the major advocate on gaming policy and the principal operational agency of commercial gaming in the Province of British Columbia, the B.C. Lottery Corporation will contribute significantly to government revenues and economic growth through providing top quality entertainment to the public within a socially responsible framework.

Objectives

- to maximize gaming revenue to the Province of British Columbia
- to be a responsible, trustworthy and progressive Corporation, and to be recognized by the public as such
- to achieve strong and broad-based public support of the Corporation's mandate
- to have the best retail network in the Province of British Columbia to serve and meet the needs of our players
- to achieve a work force that, at all levels, reflects the diversity of the British Columbia work force
- to seek to ensure that every employee is valued, professionally fulfilled and feels that they play an integral role in the success of the Corporation

LOTTERY ACT

CHAPTER 249

1985

LOTTERY CORPORATION ACT

CHAPTER 50

Assented

/Consolidated N

Contents

Section

1. Interpretation
2. Corporation established
3. Crown agent
4. Objects
5. Management
6. Officers and employees

Section

7. Financial administration
8. Application of revenue
9. Grants in lieu of taxes
10. Regulations
11. Limitation on actions
12. [Spent]

3

The Province of British Columbia enacted the Lottery Act in 1974, pursuant to the enabling legislation of the Criminal Code of Canada, to combine with the governments of the three prairie provinces to become the Western Canada Lottery Foundation (now Corporation). In 1985, after 10 years of co-operative selling under the umbrella of WCLF, lottery ticket sales in British Columbia warranted the province going on its own. B.C. Day, August 4, 1974, marked the first day of lottery sales in British Columbia.

Message from the Chair

In comparison to many Corporations, a 20 year birthday is only the beginning. But few such histories are filled with as much innovation, applications of new technologies, leading edge products and visions for the future. The lottery industry is never stagnant; change is rapid and only those with leadership and vision remain key players in this international market. British Columbia Lottery Corporation (BCLC) has been that leader worldwide for most of its 20 years.

A key to our success has been the hard working and committed staff this Corporation has in all of its locations: Kamloops, Richmond and Victoria. Putting their best into every product, promotion, sales plan and information system has helped BCLC to consistently deliver the best lottery sales per capita in Canada.

The last year has seen the Board of Directors continuing to pursue its goals for the Corporation, consistent with government policy and direction. We have worked closely with the government Gaming Project team and look forward to a broad policy framework that will see all gaming activities rationalized. We have also worked internally to prepare our Corporation for its new role in the Crown Corporation Employers Council and the Public Sector Employers Council in keeping with legislation introduced in the fall of 1993. We have also been proud to support sport through the sponsorship of the Kamloops Summer Games this year and the Victoria Commonwealth Games next year. The Corporation is proud to play its part in promoting and supporting cultural and sporting events in our province. Finally, we have continued the work begun in our last fiscal year on defining employment equity and have developed a comprehensive plan through which we hope the Corporation will be poised to move forward into the next decade and beyond.

The next 20 years in the lottery industry will see many new trends and directions emerge. Our continued commitment to providing the best product to our players in a socially responsible framework will continue to be our first priority. The Board of Directors, Senior Management and Corporation staff are ready for the challenges ahead.

Cathy McGregor

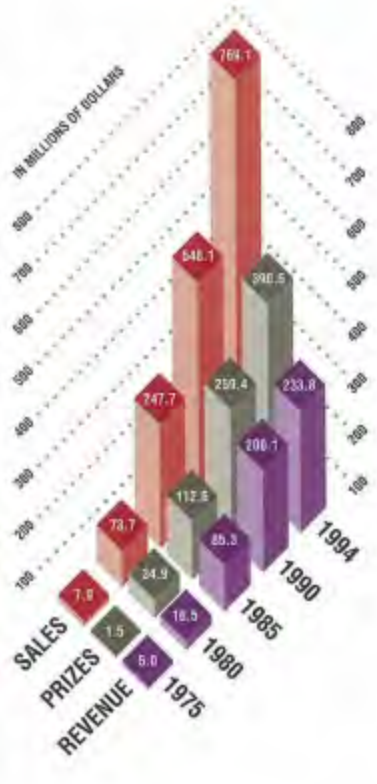
Cathy McGregor, Chair

Continually exploring new ways of offering lottery entertainment has proved to be a key success factor for British Columbia Lottery Corporation in the last 28 years. For example, the Corporation took the popular paper Bingo game and transformed it into a pull-tab Breakopen game, a scratch and win game and even an electronic touch screen game. With such talented and creative minds at work, the Corporation will no doubt meet the challenges of the next generation of lottery go

Message from the President

Nineteen-ninety-four marks the 20th year of lotteries in British Columbia. British Columbia Lottery Corporation has experienced tremendous growth, from one game with nine draws per year to nine games with 1,054 draws per year; from "we'll call you if you win" registered tickets to "you'll call us when you win" bearer tickets; from sales of $7.9 million in year one to sales of $769.1 million in year twenty. The price of a lottery ticket was $1 in 1976; even with the impact of inflation and the introduction of the Goods and Services Tax (GST), the price of most lottery tickets today is still $1.

However, that growth has slowed somewhat in the past two to three years, to increases just a step ahead of inflation, as the traditional lottery market matures. Despite a mid-year decision by government to prohibit the resale of lottery tickets outside of British Columbia, BCLC sales edged upward 4.1 per cent over the previous year, with $233.8 million accruing to the Government of British Columbia and a prize return to players of $390.6 million. On a per capita basis, British Columbia continued to rank among the top lotteries in the world with per capita expenditures exceeding $222 annually. And on a sales generation per employee basis, BCLC ranked the highest of any B.C. Crown Corporation, Board or Commission; sales generated per BCLC employee amounted to over $2 million.



In fiscal year 1974/75, lottery sales in British Columbia amounted to $7.9 million; by the end of 1993/94 that figure soared to $769.1 million.

The price of a lottery ticket was $1 in 1976; the price of most lottery tickets today is still $1.

Message from the President (continued)

In addition to its financial success over the past 20 years, the Corporation has earned a sterling reputation within the gaming industry worldwide in terms of profitability, game ingenuity and technological innovation; it enjoys an enviable business profile with its customers, retailers, employees and shareholder — the Government of British Columbia. British Columbia Lottery Corporation is viewed as a trustworthy, responsible and well-managed company.

The organization is at a crossroads on a number of key gaming policy issues which will determine its future mandate and expansion opportunities; fiscal 1994/95 will be a pivotal year in defining the Corporation's future.

In late February 1994, the Government announced a "special project to develop a comprehensive policy covering the regulation and conduct of gaming in British Columbia. The policy will govern all aspects of gaming including charitable gaming, lotteries, First Nations gaming, and areas of potential expansion."

This policy will set the framework for future gaming within British Columbia and redefine the Corporation's mandate and opportunities for expansion; it is believed that significant growth in sales and profits will only come through using advanced technology to distribute BCLC's games of chance. Until the moratorium on gaming is, however, lifted and pertinent decisions by government are made, BCLC will make every effort to sustain gaming revenues to the Province of British Columbia from its current lottery games.

Guy Simmons, BCLC President

20 20

This past year, more than 40 million prizes were paid out to lottery winners in British Columbia; 25 millionaires were created. A group of six construction workers (Gary Stacey as group trustee) from Smithers claimed the biggest Jackpot prize ever won on a single ticket — $15 million on the October 23 LOTTO 6/49 draw. That record was beaten at the close of fiscal 1994 as a group of six store workers from Quebec won the biggest single Jackpot prize ever in Canada — $19 million on the March 30 LOTTO 6/49 draw.

Maximizing Returns

Sales for the year ending March 31, 1994, were $769.1 million, up 4.1 per cent over the previous year. Net revenue for the year increased almost three per cent to $239.9 million.

The mass market games — BC/49, LOTTO 6/49, EXTRA and Instant — delivered an overall sales increase of 2.2 per cent to contribute 73.3 per cent of total gaming receipts. LOTTO 6/49 celebrated its 1,000th draw on August 21 and closed the year with its second largest Jackpot ever, $19 million on March 30. BC/49, B.C.'s own 6 of 49 game, posted a 4.7 per cent decline while EXTRA, the 'tag on' game to BC/49 and LOTTO 6/49, recorded a gain of 2.0 per cent. Instant games continued their growth in popularity, recording an impressive sales increase of 20.6 per cent, thanks to new game themes and play formats like that of $2 BINGO.

Niche games, comprised of nationwide passive and B.C.-only games, closed the year at a virtual standstill; sales increased 0.3 per cent. Generating modest incremental growth in this category was BC KENO, which posted a gain of 2.1 per cent. Unquestionably, the heavy hitter in this category was SPORTS ACTION. It scored big with sports enthusiasts in its second year of play; sales jumped 21.0 per cent. Another way to play the sports lottery, OVER/UNDER, was added to the original ODDSET way to play in September and contributed significant sales receipts. To build greater momentum, international TOTO is planned for next year.

Sales for the 6-digit daily numbers game, THE DAILY, continued their steady decline. In an effort to simplify the game and rebuild the player base, BCLC will reformat THE DAILY into a 3-digit daily numbers game next year.

After almost 17 years of play, the nationwide PROVINCIAL was phased out in the fall. To retain the devoted following of this game, BCLC introduced its own version, BC PROVINCIAL LOTTERY, in August. Despite the initial interest, BC PROVINCIAL LOTTERY is experiencing a similar slowdown as its other passive partner, CELEBRATION '94.

20 29 - *BC/49, EXTRA, - THE DAILY, BC KENO, SPORTS ACTION, BC PROVINCIAL LOTTERY, Instant and Breakopen games are conducted solely by the Corporation in British Columbia. In addition, BCLC is the sole distributor of Bingo paper in the province. The Corporation is the regional marketing organization for LOTTO 6/49 and Special Event games in British Columbia. These two games are joint undertakings by all provinces and territories acting through the Interprovincial Lottery Corporation.*

APPENDIX I

Maximizing Returns (continued)

Social games round out the product line-up. Breakopen broke records again, posting a 15.2 per cent sales increase. Although still undeveloped, the area of electronic social gaming — Electronic Bingo and Player Operated Sales Terminals (POSTs) — holds the most potential for future revenue growth.

To maintain the Corporation's position as an innovator and leader in the lottery industry, BCLC's Research and Development continues to be responsive to the demands of the marketplace by developing lottery games that consumers will want to play. Nineteen years ago, it was enough to simply have one game — that formula no longer holds true.

Maximizing revenue, however, goes beyond lottery sales. Technology has played a major role. In the past few years, many of the Corporation's business systems have been automated, resulting in greater organizational efficiency. The Accounts Receivable System and Geographic Information System are but two examples of the efficiency-gaining technologies developed this year.

Not surprisingly, BCLC-developed technology has caught the eyes of our peers. Technology for the Field Random Electronic Draw machine (FRED), a stand-alone computer used to generate winning numbers, has, to date, been purchased by South Dakota Lottery, Washington State Lottery and Louisiana State Lottery. And the Corporation's five-year-old Electronic Bingo system, pioneered by Lottotech International Incorporated, a subsidiary of BCLC, and GTech Corporation, was tested by Gala Clubs, a bingo company in Peterborough, England.

20 20

Technology has played a key role in the record-breaking success of the Corporation in the last 20 years. Information technology has not only found many functional solutions to support the Corporation's highly advanced business processes, it has also enhanced BCLC's profile as an innovative leader in the ever changing lottery industry.

Stimulating Economic Growth

A number of jobs have been created in British Columbia as a result of lotteries. Pollard Banknote, upon the urging and encouragement of BCLC, opened a fully-operational secure lottery ticket production facility in Kamloops in 1985 with 35 staff. The company now employs 110 staff to service the lottery industry locally and internationally. Pollard Banknote exports lottery tickets to Cypress, Russia, Hungary, South Africa, Malaysia, Ireland, Mexico, The Czech Republic, Finland and Puerto Rico, as well as supplying Instant and Breakopen tickets to B.C. Lottery Corporation and other Canadian lottery jurisdictions. The value of ticket printing exports by Pollard Banknote exceeds $3 million annually.

The doors to other worldwide marketing opportunities have also been opened for other B.C. software development and consulting firms as a result of the Corporation's continuous focus on technological development. This adds to the bottom line of the B.C. business community and the Province of British Columbia, now and in many years to come.

BCLC also contributes to the jobs of many other British Columbians through the goods and services it buys, from its huge telecommunications network to its hard-working couriers of ticket deliveries. BCLC purchased some $59 million in goods and services from B.C. companies last year.

Retailers who sell B.C. lottery products also contribute to stimulating economic growth; they employ approximately 15,000 people and last year, earned over $51.3 million collectively in lottery sales commissions.

From September 27 to October 2, 1987, BCLC was in the international lottery spotlight as the host of the 14th Intertoto Conference in Vancouver. This was the first time the meeting of international lottery company leaders was held in North America. Five hundred delegates representing more than 80 organizations from 34 countries attended. The conference generated considerable financial spin-off benefits for Vancouver businesses. It also achieved a technological "first" — On-line lottery tickets were sold and a draw conducted live on a moving vessel, a ferry.

APPENDIX I

Broad-based Support

BCLC has always endeavoured to be a responsible, trustworthy and progressive corporation. And it's been recognized as such. The Corporation's image and reputation reached record highs in the eyes of its customers, retailers, employees and peers this year.

According to the Reid Report prepared by Angus Reid Group, 84 per cent of those British Columbians surveyed considered BCLC to be well managed; 45 per cent rated it as "very well managed." This rating was the highest of all corporations included in the survey — both public and private.

The Corporation's community profile was raised through sponsorship of the Canada Summer Games in Kamloops and participation in events such as a joint promotion with the Vancouver Canucks hockey team. BCLC is looking forward to its sponsorship of the XV Commonwealth Games.

As well, lottery retailers continued to rate the Corporation as the best supplier in British Columbia. Results of a retailer survey indicated that retailers felt strongly that BCLC keeps them informed on relevant issues, is a good business supplier and communicates business objectives clearly. Retailers further described the Corporation as trustworthy, professional, efficient and innovative.

BCLC rated just as highly with its staff; 98 per cent of its employees agreed with the statement "the Corporation is a good organization to work for," according to an employee survey conducted by William M. Mercer Limited.

The Corporation continued to earn the respect and command the attention of lottery jurisdictions around the world, maintaining its position as one of the top lottery organizations on the globe in both per capita sales and innovation. BCLC hosted lottery visitors from around the world including Hong Kong, Germany, Finland and Spain, and continued to play a leadership role in several international gaming organizations including North American Association of State and Provincial Lotteries (NASPL), Association Internationale des Loteries d'État (AILE) and Intertoto.

The Corporation does not, however, take this broad-based support for granted. It continuously monitors its image and performance and always strives to move forward.

20 20

Thanks to British Columbians' support of lotteries over the past two decades, lottery funds have financed thousands of worthwhile projects such as medical research, heritage conservation, cultural activities, sports and recreational events and community projects. The present government's policy is to dedicate 50 per cent of lottery revenue to "New Directions in Health Care" and the remainder to general revenue.

APPENDIX I

Best Retail Network

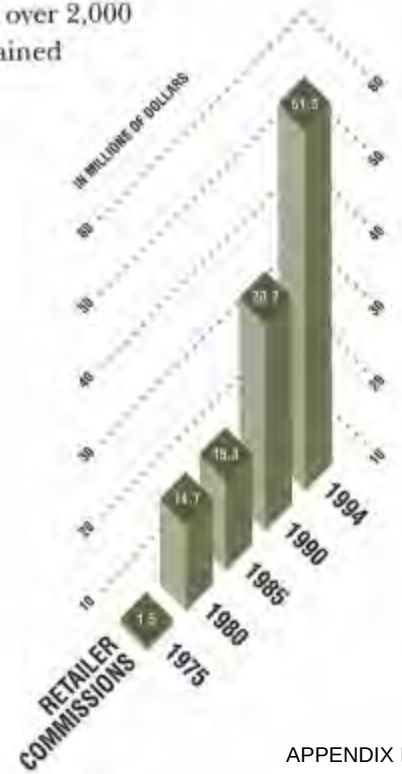
BCLC's network of knowledgeable, well-trained and enthusiastic retailers provides the link between the lottery and the player. There are a variety of retail outlets, ranging from kiosks in malls to large chain stores. The majority of lottery retailers are individual owner-operated stores.

BCLC retailers received shared commissions totalling over $51.3 million in fiscal year 1993/94; per lottery terminal, that averages out to over $16,000 in sales commissions. It is not, however, simply the cash earnings which attract small business to the lottery license. Lottery tickets are considered to be a crucial component of a small business's overall sales success — they attract customers, encourage repeat business, require little shelf space, provide quick turnover and a high return per square foot. Subsequently, each year, there are several hundred more entrepreneurs who wish to become lottery retailers than there are available lottery terminals (the Corporation maintains a profitable ratio of machines per capita: one lottery terminal per 1,168 adult population).

Recognizing the contribution made by retailers to the success of lotteries in British Columbia, the Corporation continued to support its retail network. Retailers were once again provided with a strong performance-based incentive program; one which rewarded them with performance bonuses based on outstanding sales and customer service achievement.

BCLC also brought over 500 retailers from across the province together with lottery officials and suppliers at its third annual Retailer Forum, Lotto '93. Retailers participated in various presentations throughout the jam-packed weekend and had the opportunity to exchange ideas on retailing and the lottery business.

The Retail Development Division implemented the Service Leadership Training program which not only enhanced retailers' product knowledge, it, more importantly, trained them in customer service, selling techniques and merchandising skills. During fiscal 1994/95, a "special team" of retailer trainers, selected from corporate staff, will travel to communities throughout the province to deliver this training program. It's projected that over 2,000 retailers will be trained next year.



20 20

British Columbia Lottery Corporation's third consecutive Retailer Forum, Lotto '93, gave over 500 retailers from across the province the opportunity to interact with the Corporation's staff and its suppliers, share ideas with their colleagues, and learn new retailing skills to keep up with the ever-changing consumer marketplace.

APPENDIX I

Skilled Work Force

The Corporation could not have achieved its impressive sales and profit records without the hard work and dedication of its employees. BCLC employs a total of 363 employees: 200 in the Kamloops head office, 143 in the Richmond Marketing office and 20 in the Victoria branch office. About 28 of these people work in various regions of the province, from Dawson Creek, Terrace and Cranbrook to Nelson, to Kelowna and to Northern Vancouver Island.

An employee survey conducted in 1992 by William M. Mercer Limited indicated that 98 per cent of the Corporation's employees consider BCLC to be a good organization to work for. This fact is convincingly supported. Almost 70 per cent of corporate employees have been with the Corporation for more than five years; 13 per cent for more than 10 years.

Training and development opportunities were made available to the Corporation's employees through the "Excellence in Leadership" program. This employee development program incorporates internal and external courses, self study modules, audio visual instruction, recommended reading and experiential training.

BCLC employees have responded favourably to the Corporation's training and development programs. In the employee survey, more than 94 per cent of corporate employees agreed that they have enough training to perform their current responsibilities and 92 per cent feel that working for the Corporation gives them opportunities to develop their skills for career advancement.

20 20 *British Columbia Lottery Corporation employed 170 people in 1974. Twenty years later, that figure has risen to a staff complement of 363. The Corporation's staff are not only dedicated to their work, they're also committed to volunteering to many worthwhile causes including the Canada Summer and Winter Games, United Way, and Labatt's 24-Hour Relay.*

APPENDIX I

About the Corporation

In fiscal 1993/94, British Columbia Lottery Corporation reported to the Minister of Finance and Corporate Relations through a seven-member Board of Directors. The Board members are appointed by the Provincial Government and come from various backgrounds and communities throughout the province. For fiscal 1993/94, the Board members included:

Chair

Cathy McGregor (Kamloops)

Directors

Patrick Chen (Vancouver)
Jill E. Davidson (Vancouver)
A. George Des Brisay (Vancouver)
Anne Jeffrey (Prince George)
Richard J. Thomas (Richmond)
Dianne M. Tingey (North Vancouver)

For more information on lotteries, call or write:

Head Office

74 West Seymour Street
Kamloops, British Columbia V2C 1E2
Telephone: (604) 828-5500

Richmond

10760 Shellbridge Way
Richmond, British Columbia V6X 3H1
Telephone: (604) 270-0649

Victoria

770 Hillside Avenue
Victoria, British Columbia V8T 1Z6
Telephone: (604) 383-4433

BRITISH COLUMBIA LOTTERY CORPORATION
FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 1994, and the consolidated statements of income, amounts due to the Province of British Columbia, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG Peat Marwick Thorne

KPMG Peat Marwick Thorne
Chartered Accountants

Kamloops, Canada
May 20, 1994

CONSOLIDATED BALANCE SHEET

March 31, 1994, with comparative figures for 1993 (in thousands of dollars)

	1994	1993
Assets		
Cash:		
Prize funds	$ 43,192	$ 42,169
Other	9,196	4,442
Accounts receivable (note 3)	15,181	9,955
Prepaid expenses	2,491	2,780
Capital assets (note 4)	11,514	19,766
	$ 81,574	**$ 79,112**
Liabilities		
Prizes payable	$ 43,192	$ 42,169
Payable to Interprovincial Lottery Corporation	583	7,878
Accounts payable and accrued liabilities	10,319	14,739
Long-term debt (note 5)	4,924	5,110
Due to Province of British Columbia	22,556	9,216
	$ 81,574	**$ 79,112**

See accompanying notes to consolidated financial statements.

Approved:

Cathy McGregor, Chair

Patrick Chen, Director

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 1994, with comparative figures for 1993 (in thousands of dollars)

	1993/94	1992/93
Sales (note 6)	$ 769,088	$ 738,485
Direct expenses:		
Prizes	390,586	370,068
Retailer commissions	51,291	48,878
Ticket printing and Bingo paper	15,688	14,706
	457,565	433,652
Sales less direct expenses	311,523	304,833
Operating expenses:		
Data processing and network	14,773	13,590
Depreciation	11,948	13,535
Advertising, draws and promotions	17,919	16,946
Sales	5,611	5,274
Administration	14,473	14,317
Goods and services tax	10,185	12,271
Less: Interest and other income	(3,278)	(4,098)
	71,631	71,835
Net income	**$ 239,892**	**$ 232,998**
Allocation of net income:		
Province of British Columbia	$ 233,766	$ 227,025
Government of Canada (note 7)	6,126	5,973
	$ 239,892	**$ 232,998**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF AMOUNTS DUE TO PROVINCE OF BRITISH COLUMBIA

Year ended March 31, 1994, with comparative figures for 1993 (in thousands of dollars)

	1993/94	1992/93
Balance, beginning of year	$ 9,216	$ 20,550
Net income	239,892	232,998
	249,108	253,548
Payments to Province of British Columbia	220,426	238,359
Payments to Government of Canada	6,126	5,973
	226,552	244,332
Due to Province of British Columbia	**$ 22,556**	**$ 9,216**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31, 1994, with comparative figures for 1993 (in thousands of dollars)

	1993/94	1992/93
Cash provided by (used in):		
Operations:		
Net income	$ 239,892	$ 232,998
Depreciation, which does not involve cash	11,948	13,535
	251,840	246,533
Changes in non-cash operating items:		
Accounts receivable	(6,003)	3,735
Prepaid expenses	289	885
Prizes payable	1,023	5,312
Payable to Interprovincial Lottery Corporation	(6,518)	2,915
Accounts payable and accrued liabilities	(4,420)	8,913
	236,211	268,293
Financing:		
Payments to Province of British Columbia	(220,426)	(238,359)
Payments to Government of Canada	(6,126)	(5,973)
Reduction of long-term debt	(186)	(94)
	(226,738)	(244,426)
Investments:		
Additions to capital assets	(3,696)	(25,086)
	(3,696)	(25,086)
Increase (decrease) in cash	5,777	(1,219)
Cash, beginning of year	46,611	47,830
Cash, end of year	**$ 52,388**	**$ 46,611**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 1994

1. Nature of the Corporation:

The British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

THE DAILY, Instant, BC PROVINCIAL LOTTERY, BC/49, BC KENO, EXTRA, SPORTS ACTION and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the Special Event and LOTTO 6/49 games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant accounting policies:

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

(a) Consolidation:
The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Capital assets:
The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased will be capitalized. These purchases include the cost of Kamloops office building, leasehold improvements, furniture and equipment for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all On-line Gaming terminals, all components of the Corporation's signs and fixture program for placement at the On-line Game retailers' locations and corporate owned kiosks.

The Corporation's capital assets are recorded at their original cost and are depreciated on the straight-line basis over their estimated useful lives, as follows:

Asset	*Rate*
Building and leasehold improvements	5 years
Furniture and equipment	5 years
Computer equipment	3 years
On-line Gaming terminals	3 years
Breakopen vending machines	3 years
Signs and fixtures:	
Computer	3 years
Non-computer	5 years

(c) Free tickets:
Sales are reduced by the retail value of free tickets redeemed by the retailers.

(d) Revenue recognition:
Revenue and expenses relating to draws held during the year ended March 31, 1994, are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1994, are included in the statement of income in the period the ticket is sold. The associated selling costs and prize expenses are also included in the statement of income in the period the ticket is sold.

NOTES (continued)

(e) Prize expenses:
The Corporation provides for prize expenses at approximately 50 per cent of sales for all British Columbia games to fund expected prize payouts.

All unclaimed prizes from British Columbia lottery games are retained in a prize fund for one year from the announced date of the draw. Unclaimed prizes remaining after the one year claiming period are used for bonus prizes and bonus draw promotions in subsequent draws.

Prize expenses for Interprovincial Lottery Corporation games are British Columbia's proportionate share of prizes funded which is based on the number of tickets sold.

(f) Development costs:
Development costs are expensed in the period in which they are incurred.

3. Accounts receivable *(in thousands of dollars):*

	1994	1993
Retailers	$ 15,054	$ 9,491
Other	127	464
	$ 15,181	**$ 9,955**

4. Capital assets *(in thousands of dollars):*

	Cost	Accumulated depreciation	1994 Net	1993 Net
Land	$ 700	$ –	$ 700	$ 700
Building and leasehold improvements	20,441	19,529	912	2,489
Furniture and equipment	2,957	2,949	8	57
Central system computer	15,954	14,697	1,257	2,176
On-line Gaming terminals	35,211	28,440	6,771	12,106
Breakopen vending machines	4,043	2,359	1,684	2,022
Signs and fixtures	3,227	3,045	182	216
	$ 82,533	**$ 71,019**	**$ 11,514**	**$ 19,766**

NOTES (continued)

5. Long-term debt (in thousands of dollars):

	1994	1993
CIBC Mortgage Corporation, payable in monthly instalments of $ 52,651 including interest at 9.14 per cent, secured by land and building and a general assignment of rental income, due June 1, 1997	$ 4,924	$ 5,110
	$ 4,924	**$ 5,110**

Principal payments due within each of the next four years are approximately as follows:

1995	$200	1997	$240
1996	$220	1998	$4,264

6. Sales (in thousands of dollars):

	1993/94	1992/93
Mass market games:		
LOTTO 6/49	$ 261,788	$ 276,317
Instant	175,201	145,226
BC/49	82,179	86,265
EXTRA	44,247	43,353
	563,415	551,161
Niche games:		
SPORTS ACTION	31,785	26,252
BC KENO	18,061	17,681
BC PROVINCIAL LOTTERY/PROVINCIAL	7,809	10,708
Special Event	4,445	7,110
THE DAILY	1,290	1,836
	63,390	63,587
Social games:		
Breakopen	137,834	119,593
Bingo paper	4,449	4,144
	142,283	123,737
	$ 769,088	**$ 738,485**

NOTES (continued)

7. Payments to Government of Canada:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC. Payments under this agreement are estimated to be $6.3 million for the next fiscal year ending March 31, 1995.

8. Interprovincial Lottery Corporation expenses and interest revenue:

Interprovincial Lottery Corporation (ILC) prize and ticket printing costs are recognized in the appropriate category of direct expenses. The Corporation's share of the ILC's interest income less operating expenses is included in interest and other income. For the year ended March 31, 1994, the Corporation's portion of operating expenses for ILC exceeded interest income by $18,041 (1993 - $29,255).

9. Lease obligations:

The Corporation is committed to payments under operating leases for premises. Minimum annual rental payments for the next five years are approximately as follows:

1994/95	$1,045,000
1995/96	$769,000
1996/97	$674,000
1997/98	$601,000
1998/99	$538,000

10. Pension plan:

The market value of pension plan assets as at March 31, 1994, is approximately $11.2 million and the actuarial present value of accrued pension benefits rendered to March 31, 1994, is approximately $9.4 million, resulting in a net surplus of $1.8 million.

11. Comparative figures:

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

Lotto 6-49 fever repeating itself

$10m? — too much!

Lottery fever reaching epidemic level in B.C.

SPECIAL REPORT

B.C. goes it alone in lottery; non-profit groups hit cuts, A8

Big pot grows

Lineups for 6/49 tickets (like this one in Pacific Centre) are forming early as bettors eye jackpot of $10.4 million.

By JES ODAM

LOTO MANIA

At a Hastings Street outlet the scramble's on for Loto 649 tickets and a shot at a $5-million jackpot.

Lottery sales draw in $240 million

The Canadian Press

APPENDIX I

Appendix J – 1994/95:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1994-1995,* (Kamloops: British Columbia Lottery Corporation, 1995).

APPENDIX J

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LETTER OF TRANSMITTAL

On behalf of the British Columbia Lottery Corporation management, staff and retailers, I am proud to present this report of the Corporation's financial operations during Fiscal Year 1994/95. Once again, British Columbia Lottery Corporation profits surpassed those of the previous year and enabled the Corporation to contribute $234.5 million to the Province of British Columbia.

Patrick Chen, Chair
British Columbia Lottery Corporation

Lottery games are exciting and fun to play. You never know when a customer is going to win "big."
Terri-Jo Brent, Country Store, Hedley

Lotteries bring in customers and sales to the store. There are always fun new products to sell. It's exciting when someone wins a prize.
Jason Black, Graham McGregor & Global News, West Vancouver

Customers like to come to my store because they like entering into my Second Chance draws and the chance to win the dinner for two prize.
Tammy Grahame, Marocchi Grocery, Cumberland

Being the only store in town with a lottery terminal, we provide an important service to the people of the community.
Lou Michaud, Mara Foodliner, Mara

Communities and people benefit from lotteries because the money is put back into the province in the form of prizes and it goes to good causes, like healthcare.
Wally & Virginia Reid, Plaza 33 Tickets, Kelowna

My customers are not just customers, they are friends as well.
Beth Smith, Cooper's #104, Kamloops

MISSION STATEMENT AND OBJECTIVES

As a result of an amendment to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia (1985). The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other provinces of Canada.

The Corporation employs 363 full-time staff in its corporate and marketing offices in Kamloops, Richmond and Victoria.

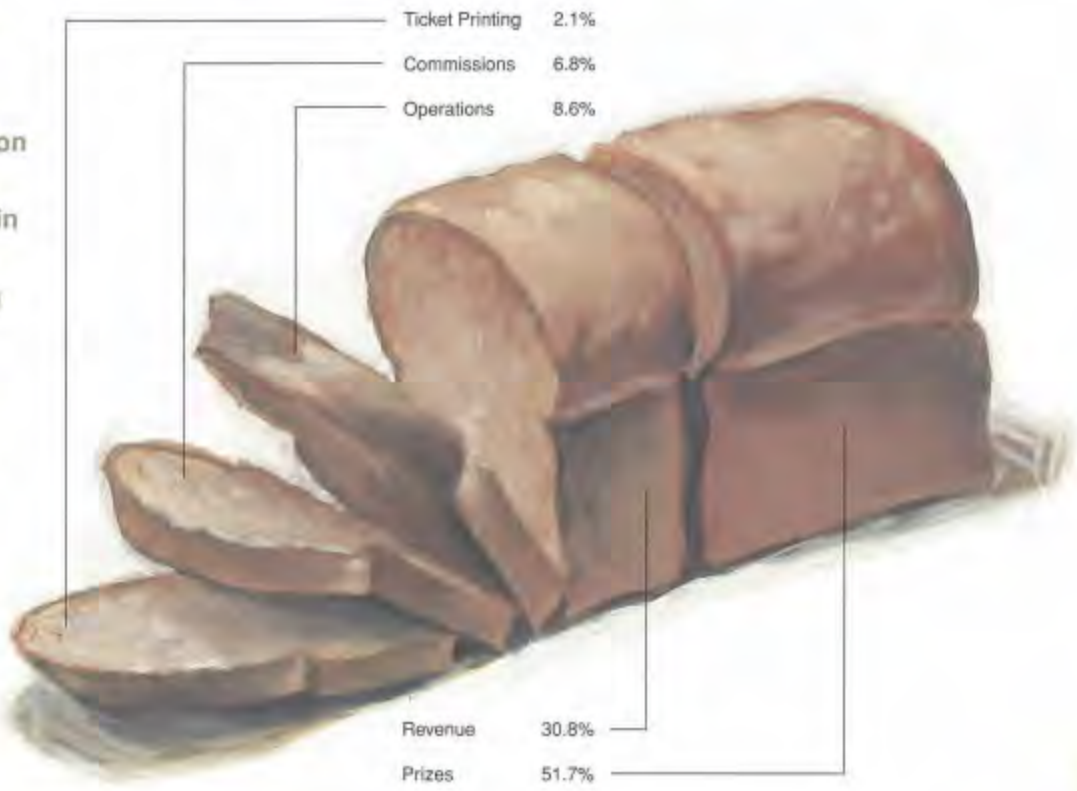
Mission Statement

As the major advocate on gaming policy and the principal operational agency of commercial gaming in the Province of British Columbia, British Columbia Lottery Corporation will contribute significantly to government revenues and economic growth through providing top quality entertainment to the public within a socially responsible framework.

Objectives

- to maximize gaming revenue to the Province of British Columbia
- to be a responsible, trustworthy and progressive Corporation, and to be recognized by the public as such
- to achieve strong and broad-based public support of the Corporation's mandate
- to have the best retail network in the Province of British Columbia to serve and meet the needs of our players
- to achieve a workforce that, at all levels, reflects the diversity of the British Columbia workforce
- to seek to ensure that every employee is valued, professionally fulfilled and feels that they play an integral role in the success of the Corporation

Breakdown of the Lottery Dollar



Another record-breaking year

British Columbia Lottery Corporation (BCLC) set sales and revenue records again in fiscal 1994/95. Sales for the year ending March 31, 1995, totalled more than $780 million, up 1.5 per cent from last year's sales of $769.1 million. Net revenue to government increased 0.4 per cent to $240.8 million; of this $234.5 million was transferred to the Province of British Columbia and $6.3 million to the Government of Canada.

Many factors contributed to the record sales achievement at the retail counter level including innovative game design, effective retailer incentives and consumer promotions and, most of all, the enthusiasm of players and the hard work and dedication of the Corporation's retailers and employees.

A challenging future

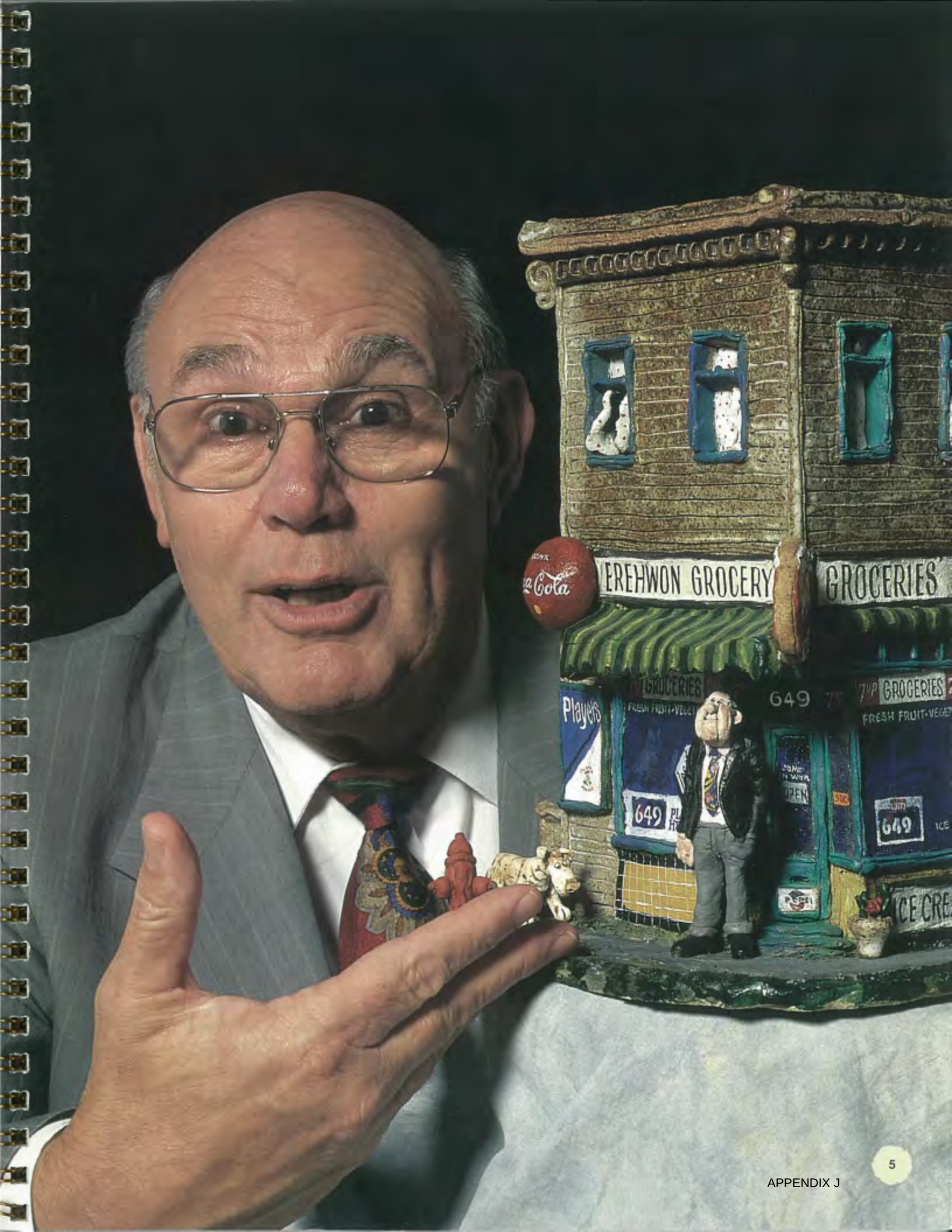
BCLC's primary objective, to maximize gaming revenue to the Province of British Columbia within the bounds of social policy, will become even more challenging as the traditional lottery marketplace continues to mature.

Growth will come from a series of small increments on established games rather than from the launch of any new products.

To achieve the sales and profit targets set for next year, BCLC will require even greater effort and focus from the entire organization to develop its core business. A strong focus will be placed on making a number of small gains on each of the lottery games.

Upon the 20-year occasion of lotteries in B.C., British Columbia Lottery Corporation staff presented President Guy Simonis with a unique statue of a typical "Mom and Pop" retail store. These stores pioneered lottery retailing in Canada.

APPENDIX J

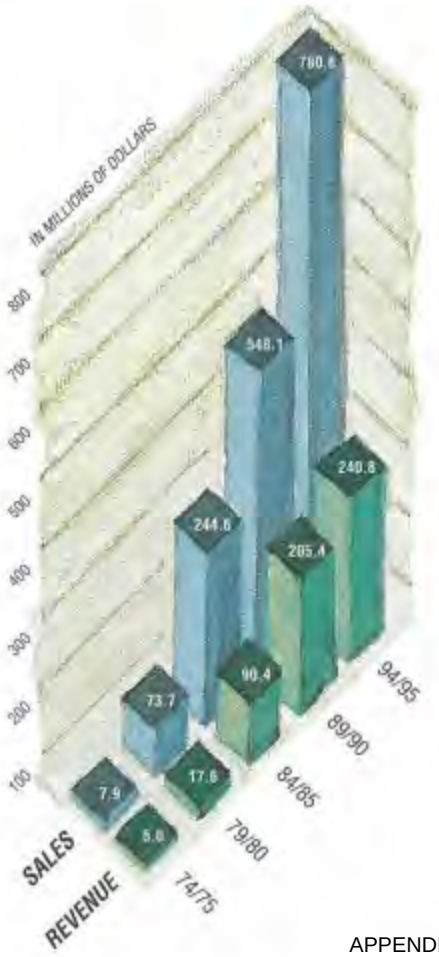


APPENDIX J

Despite a maturing lottery market and flattening sales, British Columbia Lottery Corporation once again achieved record sales and profit for fiscal 1994/95.

Mass market games – LOTTO 6/49, BC/49, EXTRA, Instant – remained the largest contributors to overall lottery sales in British Columbia, representing 74.2 per cent of total lottery sales. LOTTO 6/49 prevailed as the flagship game of the Corporation; sales edged up 4.5 per cent from the previous year primarily due to an increase in the number of Jackpot rolls and a $19 million Jackpot recorded on January 25. BC/49 and EXTRA continued to benefit from the increased traffic big LOTTO 6/49 Jackpots generated. Last year, Canada's most successful "secondary" lotto game, BC/49, recorded sales of $80.5 million. EXTRA saw its sales climb 6.6 per cent, as a result of the positive sales performances of its two "host" games, BC/49 and LOTTO 6/49.

Instant games enjoyed sales growth, gaining 1.6 per cent over the previous year. The most significant addition to the 22 games launched in 1995 was $2 BINGO – an "extended" play game which takes a longer period of time to play. This game alone accounted for almost 18.8 per cent of all Instant game sales and its popularity confirmed players' demand for a more sophisticated way to play. As a result, other new games developed over the year, including CASINO ROYALE and DASH FOR CASH, featured a more complex and involved method of play.



APPENDIX J

Niche games – SPORTS ACTION, BC KENO, DAILY 3, BC PROVINCIAL LOTTERY, Special Event – yielded combined sales of $55.8 million. BCLC's sports lottery, SPORTS ACTION, was dramatically impacted by the labour strikes in professional baseball and hockey; sales dropped 12.6 per cent. The loss was offset somewhat by the introduction of an additional way to play, SPORTS ACTION TOTO.

BC KENO ended the year with a sales decline of 19.6 per cent. Other lottery jurisdictions have witnessed substantial incremental sales growth in Keno sales after changing the game's matrix and draw frequency; BCLC will consider similar changes to its Keno game next year. Since its launch in April 1994, DAILY 3 sales have stabilized. The game now enjoys more than four times the sales of its predecessor, THE DAILY.

As interest skews towards lottery games where players' preference is to be in the driver's seat (make a deliberate choice as to how and what numbers they will play), passive games are no longer the dominant force they used to be. The Special Event game, CELEBRATION '95, recorded a decline of 20.9 per cent and the BC PROVINCIAL LOTTERY, after an honourable service record of 17 years as a nationwide game followed by two years as a B.C.-only game, was phased out.

Social games – defined as games played in adult social settings – round out the lottery game categories. Breakopen games accounted for 18.1 per cent of total lottery sales and delivered another year of record sales thanks to the introduction of four new games, EASY MONEY, 21, LUCKY 7's and COOL CASH. The ease of purchasing Breakopen tickets was also enhanced with the placement of bill acceptor vending machines.

In response to the ever-changing demands of the lottery-playing public, the Corporation offers a wide range of products at the retail counter level, different games that appeal to different types of lottery players.

To maintain player interest, new games are constantly developed and existing games are regularly enhanced. The Corporation has initiated a number of key research projects to ensure the continued development of games specifically targeted to different players.

Know your player

- British Columbia lottery players can be classified into different groups, each characterized by their own outlook on life and lottery playing behaviour. From conducting market segmentation studies, such as the Cornerstone Project, the Corporation has obtained an in-depth understanding of public attitudes towards lotteries and the market potential for its lottery games.

- The Cornerstone Project is about players – it provides key information on player characteristics and BCLC's lottery marketplace. It answers questions like, who plays lottery games? How much do they spend? What are their interests? What games should be developed for the different player groups?

Know your product

- Where the Cornerstone Project is about lottery players, the Brand Equity research is about lottery games. It reveals information on our lottery games and identifies key factors that motivate people to play lottery games. Brand Equity research addresses questions like, what are the attributes that players associate with a given lottery game? What images drive the appeal of that game? And what do they like or dislike about the game?

Offer a drawing card

- There has to be a drawing card to attract consumers to a lottery retailer – whether it's a television commercial, point-of-sale piece or consumer promotion.

Advertising pre-testing research measures the effectiveness of the Corporation's advertising and promotional campaigns. Elements of campaigns are pre-tested in focus groups and from the feedback received, modifications are made prior to the campaign's launch into the market. Even after launch, the campaign is closely monitored through the Marketing Tracking Study to determine impact on sales and awareness of the product by the public.

Offer the right product

- To be successful, the Corporation must develop lottery games that players will want to play. New lottery games are typically developed through a three-step process which includes think tank or brainstorming sessions, qualitative evaluation of games in focus group sessions and intercept interviews at mall locations.

New technology exploration

In addition to offering players constant variety in lottery games, BCLC also explores new technologies which can improve customer and retailer service levels, increase revenue potential and provide cost efficiencies. One such technology which was investigated in 1994 was the Instant Ticket Vending Machine (ITVM). Twenty-three retail locations tested the vending machine over a four month period. After analyzing the information obtained from the test, the Corporation decided that it was not feasible, either from increased profitability or improved customer service, to introduce this method of ticket distribution into the province.

However, a technological tool that has proved to be invaluable is the Corporation's Geographic Information System (GIS). This database management system, with its added feature of a mapping application, assists in sales forecasting, trending and spotting new marketing opportunities.

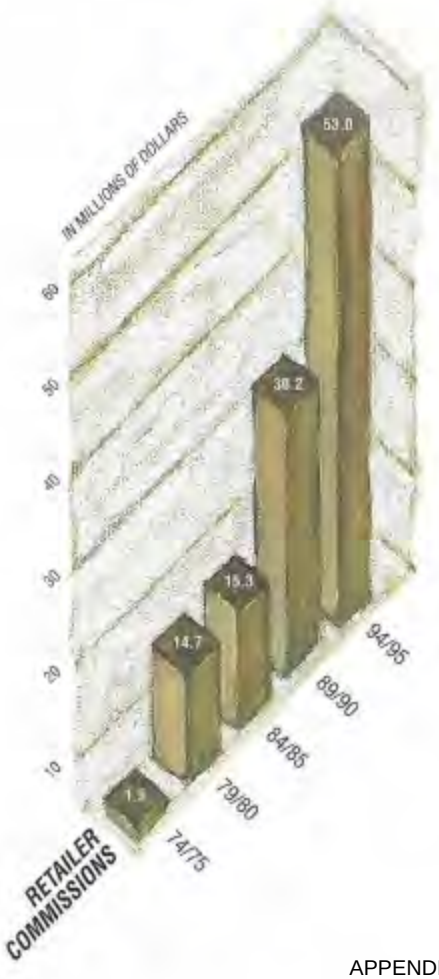
Through continued focus on product innovation and technological enhancements, BCLC is certain to continue in its position as a leader in the lottery industry.

Retailers are the most crucial link to the success of BCLC

The impressive sales and profit achievement of the past year would not have been possible without a talented and dedicated team of lottery retailers. With 2,200 lottery retail locations throughout the province, these retailers serve as the Corporation's primary contact with players. Lottery retailers sell lottery tickets, provide game information, answer lottery related questions, validate winning tickets and pay out prizes (up to $1,000). The retail businesses range from small "Mom and Pop" stores to booths in mall locations. BCLC lottery retailers earned nearly $53 million in shared commissions last year. Of that total, Lottery Ticket Centre retailers earned approximately $35 million; that's an average additional income of $15,900 per lottery terminal.

Support at the retail level not only enhances a retailer's lottery business, it enhances their entire business

- The Retailer Bonus Program stimulates and rewards outstanding sales and customer service achievement.
- The Service Leadership Program enhances the product knowledge of lottery retailers and trains them in customer service, selling techniques and merchandising skills. More importantly, the skills acquired through this program extend beyond a retailer's lottery business — they positively impact the sales and service of a retailer's entire business.
- Retailers participate in a number of incentives throughout the year that help boost their sales and profits.
- Territory Managers routinely visit retailers to help them with all aspects of retailing, not just lottery retailing. They advise retailers on how to attract attention to their retail location through point-of-sale and product display placement and offer suggestions for in-store consumer promotions.



We like talking to our customers and helping them pick out "lucky" tickets. And they appreciate our service.

Yosh and Haddie Yoshida, Yosh's Hook & Tackle Shop, Kamloops

We like selling lottery tickets because it draws customers into our store and it's a good business.

Roberta, Shawna and Roy Lowther, Bradner General Store, Aldergrove

IT'S A TWO WAY STREET (continued)

- Retailers place their ticket orders through a designated Tel-Sell representative, a familiar and caring voice.

- Lottery terminal queries and emergency orders are effectively taken care of by a call into Hotline.

- The annual Retailer Forum gives retailers the opportunity to gather under one roof to exchange ideas, share information and learn. The Forum also gives the Corporation the chance to recognize and reward those retailers who achieved outstanding sales and customer service. To better service retailers who had difficulty in attending the previous three years of Retailer Forums (held at the Vancouver Trade and Convention Centre), Lotto '94 was held through two regional Forums, in Prince George and Nanaimo.

- BCLC's Retailer Council, established after Lotto '91, is a sounding board for all lottery retailers in British Columbia. This group meets regularly to discuss different aspects of the lottery business and participates in the decision-making process of the Corporation.

- Retailer-destined newsletters, game information sheets and bulletins are translated into Korean.

Everyone is happy when they buy tickets because they like to dream of winning the "big one."

Linda King, My Aunt's General Store, New Denver

My customers come to my store because they like our staff and service. And some think we are lucky for them.

Ramon Benedetti, Benny's Market, Vancouver

I sell lottery tickets to bring good fortune to my customers. They know me as "Uncle Peter," the happy retailer.

Peter Lau, Liang You Book, Vancouver

Players want more and they want it faster

- Upgrades and complete overhauls to computer systems resulted in an increased level of efficiency, accuracy and functionality of the Corporation's retail network.

- The installation of new lottery terminals in 1992 enabled the Corporation to add new lottery games and features to its gaming system in response to marketplace demands.

- State-of-the-art bar code readers and the presence of bar codes on lottery tickets provided additional security and convenience to retailers and better service to lottery players.

- The implementation of a new Retailer Accounts Receivable System saw the streamlining of numerous accounting procedures and greater flexibility to meet the needs of lottery retailers.

Continuous improvement through feedback

Through ongoing research, the Corporation is able to track the effectiveness of the various programs and services it offers to its retail network. For example, results of a survey, conducted in September 1994, indicated that the level of service provided by lottery retailers to their customers has improved since the Service Leadership program was launched in 1993. Sixty-five per cent of players surveyed gave full marks for overall service.

And in a separate retailer survey, conducted in July 1990, August 1992 and again in December 1994, BCLC was rated as one of the best suppliers in the province. Results of the survey indicated that retailers felt strongly that BCLC keeps retailers informed on issues, is a good business supplier and communicates business objectives clearly. Retailers further described the Corporation as trustworthy, professional, efficient and innovative.

People play at our store because we have the friendliest staff. Our staff is also very knowledgeable. We like helping customers by informing them about new games and different ways to play.

Jean Gettle, Smile and Shine Market, Coquitlam

Some of my customers let one of my two "good luck" cats select their tickets for them. They come back for the good friendly service, the pleasant environment and to visit the cats.

Dawn Luker, Et Cetera Shop, Saltspring Island

Lotteries are good because the revenue goes to good causes, such as healthcare.

Linda Wray, Coombs General Store, Coombs

APPENDIX J

The next best thing to winning the lottery is validating a winning lottery ticket

An exciting moment for any lottery retailer is when they validate a winning lottery ticket. In 1995, more than 44 million prizes were paid out to lottery winners in British Columbia, amounting to more than $403.2 million. There were 33 millionaires created during the year, with the top single prize winner in the province taking home $10,000 a week for a whole decade. And as in past years, millions of dollars more were paid out in smaller prizes.

January 21, 1995 will go down in history as a day to remember for Zulfikar Dhanji. That's when the Burnaby resident found out he had matched all six winning numbers on LOTTO 6/49 for a Jackpot prize of $3,750,000.

"I was watching the hockey game and asked my son, Rahim, to call the Talking Yellow Pages to get the winning numbers," said Dhanji. "Later, I took some of the tickets and I gave Rahim a couple to check. Rahim was checking the tickets as I was calling out the winning numbers to him." It didn't take long before the father and son team discovered an exact match of all six winning numbers for that night's draw, with its estimated Jackpot of not less than $15 million.

Lucky day: Zulfikar Dhanji won $3,750,000 on January 21, 1995

The next day, when Dhanji learned the $15 million Jackpot was shared among four winning tickets across Canada, he was delighted. "I was very happy that the $15 million was shared by four families right across Canada." At the time Dhanji picked up his prize cheque with his wife, Nargis, the couple planned on taking a short trip and sharing their windfall with their two sons.

A family affair: The Bells and Grays "Double Dipped" a $1,086,401.60 windfall on December 14, 1994

Co-owners of a Qualicum Bay fish processing plant received the catch of a life-time. Russell Bell of Bowser and Tita Gray of Qualicum Bay netted a 6/49 Jackpot win worth $1.08 million on December 14, 1994.

The duo have purchased tickets together regularly for years. They just changed their routine to Double Dip play and their luck changed along with it. Gray said, "A friend of mine told me that Russell and I should play Double Dip for our $10, so we switched four draws ago. On the first draw we won $10, then $74, then $1 and now the Jackpot!"

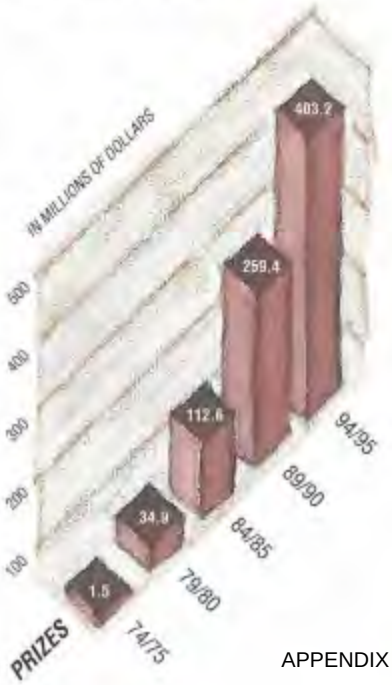
Bell explained that usually their business only shuts down for a few days during the holiday season. They broke with tradition and closed up shop to claim their prize. Said Gray's husband, David, "Yesterday I painted up a big sign that said, 'Closed for the day.' But, tomorrow, we'll all be back at work." While the winners do not plan to retire, they do have plans for the prize money. Gray and her husband intend to invest their share of the prize and Bell and his wife are going to buy a home.

Winners' alley: A group of 53 Kamloops bowlers won $109,273.60 on February 1, 1995

A group of bowlers from Kamloops couldn't believe their good fortune when they struck the right combination to win $109,273.60 on the big blue game. The group of 53, who bowl together every Friday night, won when their LOTTO 6/49 ticket matched five numbers plus the bonus number on the February 1, 1995, draw.

"I go around and ask whoever is bowling if they want to go in a 6/49 group and if they do, they give me a dollar," said group trustee, Jim Cullen. "We won sixty dollars and so put the money back into more tickets. One of those tickets won. It's unbelievable."

When Cullen's wife, Lynn, announced the good news at the bowling alley, she had everyone's undivided attention as she read off the names of those in the group. The silence was then broken by cheers, whistles and some happy tears. The group members had various plans for their winnings including paying off bills and taking vacations.



MORE WINNING EXPERIENCES

Don & Gail Sorochuk
Vernon - BC/49
$1 million - November 16, 1994

Janice & Mike Clark
Campbell River - Blackjack
$21,000 - November 23, 1994

Peter Chang
Kelowna - Sports Action Toto
$11,904 - November 14, 1994

Joyce Wong
Vancouver - Gold Rush
$10,000 - August 4, 1994

Terry Young
Vancouver - Celebration '95
$5 million - January 8, 1995

Michael Taylor
North Vancouver - Lotto 6/49
$92,468 - January 14, 1995

Jim Tobin & Shannon Hepworth
Kelowna - 20th Birthday Millions
$1 million - September 12, 1994

Geraldine Estabrook
Westwold - Lotto 6/49
$2,165,471 - December 7, 1994

British Columbia Lottery Corporation
Consolidated Financial Statements
Year ended March 31, 1995

Auditors' Report

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 1995, and the consolidated statements of income, amounts due to Province of British Columbia, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG Peat Marwick Thorne

KPMG Peat Marwick Thorne
Chartered Accountants

Kamloops, Canada
May 26, 1995

Consolidated Balance Sheet

March 31, 1995, with comparative figures for 1994 (in thousands of dollars)

	1995	1994
Assets		
Cash:		
Prize funds	$ 47,732	$ 43,192
Other	1,041	9,196
Accounts receivable (note 3)	12,433	15,181
Prepaid expenses	3,106	2,491
Capital assets (note 4)	4,860	11,514
	$ 69,172	**$ 81,574**
Liabilities		
Prizes payable	$ 47,732	$ 43,192
Payable to Interprovincial Lottery Corporation	1,472	583
Accounts payable and accrued liabilities	8,788	10,319
Long-term debt (note 5)	4,721	4,924
Due to Province of British Columbia	6,459	22,556
	$ 69,172	**$ 81,574**

See accompanying notes to consolidated financial statements.

Approved:

Patrick Chen, Chair

Hoshiar Gosal, Director

APPENDIX J

Consolidated Statement of Income

Year ended March 31, 1995, with comparative figures for 1994 (in thousands of dollars)

	1994/95	1993/94
Sales (note 6)	$ 780,788	$ 769,088
Direct expenses:		
Prizes	403,250	390,586
Retailer commissions	53,013	51,291
Ticket printing and bingo paper	16,282	15,688
	472,545	457,565
Sales less direct expenses	308,243	311,523
Operating expenses:		
Data processing and network	14,495	14,773
Depreciation	9,873	11,948
Advertising, draws and promotions	18,091	17,919
Sales	6,005	5,611
Administration	13,802	14,473
Goods and Services tax	10,263	10,185
Less: Interest and other income	(5,088)	(3,278)
	67,441	71,631
Net income	**$ 240,802**	**$ 239,892**
Allocation of net income:		
Province of British Columbia	$ 234,523	$ 233,766
Government of Canada (note 7)	6,279	6,126
	$ 240,802	**$ 239,892**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Province of British Columbia

Year ended March 31, 1995, with comparative figures for 1994 (in thousands of dollars)

	1994/95	1993/94
Balance, beginning of year	$ 22,556	$ 9,216
Net income	240,802	239,892
	263,358	249,108
Payments to Province of British Columbia	250,620	220,426
Payments to Government of Canada	6,279	6,126
	256,899	226,552
Due to Province of British Columbia	**$ 6,459**	**$ 22,556**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year ended March 31, 1995, with comparative figures for 1994 (in thousands of dollars)

	1994/95	1993/94
Cash provided by (used in):		
Operations:		
Net income	$ 240,802	$ 239,892
Depreciation, which does not involve cash	9,873	11,948
	250,675	251,840
Changes in non-cash operating items:		
Accounts receivable	2,748	(6,003)
Prepaid expenses	(615)	289
Prizes payable	4,540	1,023
Payable to Interprovincial Lottery Corporation	889	(6,518)
Accounts payable and accrued liabilities	(1,531)	(4,420)
	256,706	236,211
Financing:		
Payments to Province of British Columbia	(250,620)	(220,426)
Payments to Government of Canada	(6,279)	(6,126)
Reduction of long-term debt	(203)	(186)
	(257,102)	(226,738)
Investments:		
Additions to capital assets	(3,219)	(3,696)
	(3,219)	(3,696)
Increase (decrease) in cash	(3,615)	5,777
Cash, beginning of year	52,388	46,611
Cash, end of year	**$ 48,773**	**$ 52,388**

See accompanying notes to consolidated financial statements.

APPENDIX J

Year ended March 31, 1995

1. Nature of the Corporation:

The British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

DAILY 3, Instant, BC PROVINCIAL LOTTERY, BC/49, BC KENO, EXTRA, SPORTS ACTION and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the Special Event and LOTTO 6/49 games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant accounting policies:

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

(a) Consolidation:

The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Capital assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased will be capitalized.

The Corporation's capital assets are recorded at their original cost and are depreciated on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Building and leasehold improvements	5 years
Furniture and equipment	5 years
Computer equipment	3 years
On-line gaming terminals	3 years
Breakopen vending machines	3 years
Signs and fixtures:	
Computer	3 years
Non-computer	5 years

(c) Revenue recognition:

Revenue from the sale of lottery tickets is included in the statement of income in the period the ticket is sold. The associated selling costs and prize expenses are also included in the statement of income in the period the ticket is sold.

(d) Prize expenses:

The Corporation provides for prize expenses for all British Columbia games to fund expected prize payouts.

Prize expenses for Interprovincial Lottery Corporation games are British Columbia's proportionate share of prizes funded, which is based on the number of tickets sold.

(e) Software development costs:

Software development costs are expensed in the period in which they are incurred.

3. **Accounts receivable** *(in thousands of dollars):*

	1995	1994
Retailers	$ 11,750	$ 15,054
Other	683	127
	$ 12,433	**$ 15,181**

4. **Capital assets** *(in thousands of dollars):*

			1995	1994
	Cost	Accumulated depreciation	Net	Net
Land	$ 700	$ –	$ 700	$ 700
Building and leasehold improvements	20,714	19,870	844	912
Furniture and equipment	2,957	2,951	6	8
Central system computer	17,514	16,215	1,299	1,257
On-line gaming terminals	20,271	19,424	847	6,771
Breakopen vending machines	4,799	3,807	992	1,684
Signs and fixtures	3,300	3,128	172	182
	$ 70,255	**$ 65,395**	**$ 4,860**	**$ 11,514**

5. **Long-term debt** *(in thousands of dollars):*

	1995	1994
CIBC Mortgage Corporation, payable in monthly instalments of $52,651 including interest at 9.14%, secured by land and building and a general assignment of rental income, due June 1, 1997	$ 4,721	$ 4,924
	$ 4,721	**$ 4,924**

Principal payments due within each of the next three years are approximately as follows:

1996	$220
1997	$241
1998	$4,260

6. Sales (in thousands of dollars):

	1994/95	1993/94
Mass market games:		
LOTTO 6/49	$ 273,476	$ 261,788
Instant	178,060	175,201
BC/49	80,514	82,179
EXTRA	47,157	44,247
	579,207	563,415
Niche games:		
SPORTS ACTION	27,779	31,785
BC KENO	14,516	18,061
BC PROVINCIAL LOTTERY/PROVINCIAL	4,106	7,809
Special Event	3,514	4,445
DAILY 3	5,856	1,290
	55,771	63,390
Social games:		
Breakopen	141,458	137,834
Bingo paper	4,352	4,449
	145,810	142,283
	$ 780,788	**$ 769,088**

7. Payments to Government of Canada:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC. Payments under this agreement are estimated to be $6.4 million for the next fiscal year ending March 31, 1996.

8. Interprovincial Lottery Corporation expenses and interest revenue:

The Corporation's share of the Interprovincial Lottery Corporation prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the ILC's interest income less operating expenses is included in interest and other income.

9. Lease obligations (in thousands of dollars):

The Corporation is committed to payments under operating leases for premises.
Minimum annual rental payments for the next five years are approximately as follows:

1995/96	$877
1996/97	$795
1997/98	$721
1998/99	$658
1999/2000	$476

10. Pension plan:

The market value of pension plan assets as at March 31, 1995, is approximately $13.0 million (1994 - $11.2 million) and the actuarial present value of accrued pension benefits for services rendered to March 31, 1995, is approximately $12.4 million (1994 - $9.4 million), resulting in a net surplus of $0.6 million.

ABOUT THE CORPORATION

British Columbia Lottery Corporation reports to government through a nine-member Board of Directors. The Board members are appointed by the Provincial Government and come from various backgrounds and communities throughout the province. Board members include:

Chair
Patrick Chen

Directors
Jann L.M. Bailey
J.F. Raymond Chouinard
Dr. Barb Copping
Jill E. Davidson
Hoshiar Gosal
Arn van Iersel
Kenneth H. Isomura
Richard Thomas

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Victoria, British Columbia V8T 1Z6
Telephone: (604) 383-4433

British Columbia Lottery Corporation

Printed in British Columbia with vegetable based inks on recycled paper.

APPENDIX J

Appendix K – 1995/96:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1995-1996,* (Kamloops: British Columbia Lottery Corporation, 1996).

British Columbia Lottery Corporation

annual report

1995/96

1994

$ 273

$ 178

1996

1995

British Columbia Lottery Corporation

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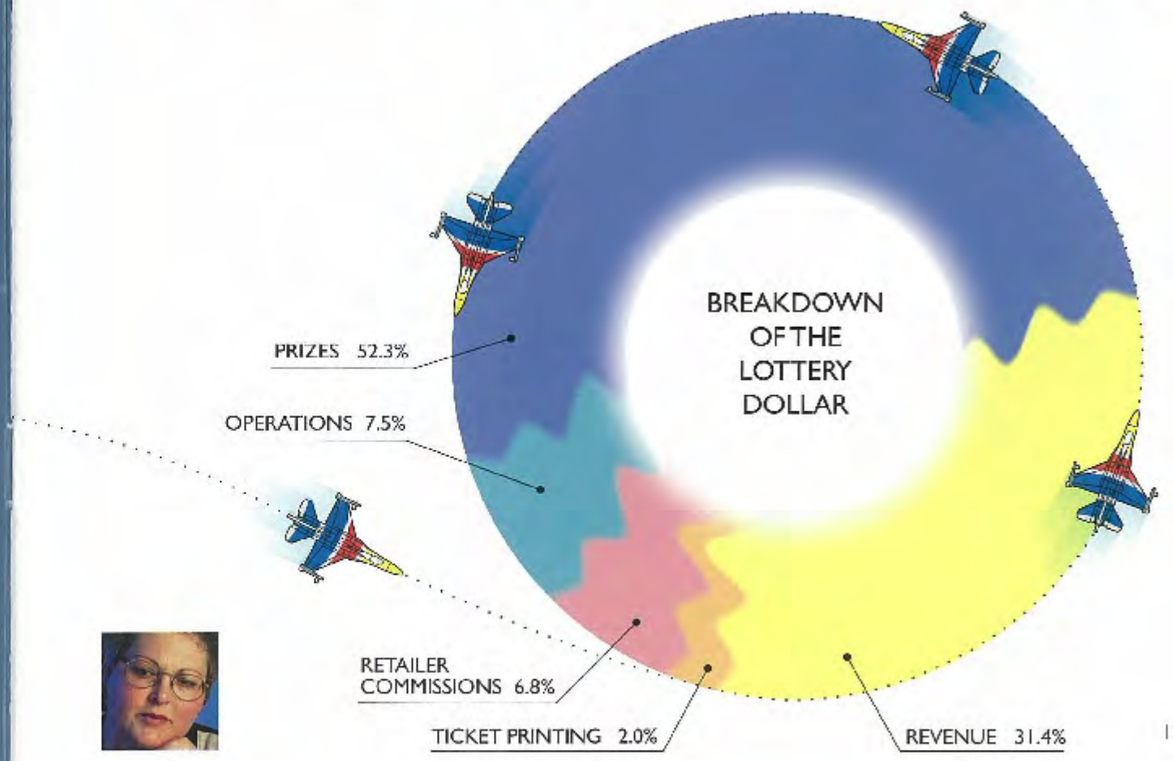
British Columbia Lottery Corporation soared to new heights in 1995/96, registering sales of $797 million, a 2.1 per cent increase over fiscal 1994/95. The record-breaking performance enabled a net revenue transfer of $244.1 million to the Government of British Columbia and a prize return of $416.7 million to players.

On behalf of British Columbia Lottery Corporation management, staff and retailers, I am pleased to present the Corporation's 1995/96 Annual Report.

Patrick Chan, Chair
British Columbia Lottery Corporation

an aerial view



message from the captain

We did it again! The 22nd consecutive year of lottery sales in British Columbia — 1995/96 — was another record-breaker. Faced with a near-saturated lottery market, it was most satisfying to close the year on a record high. We were just one LOTTO 6/49 Jackpot roll short of breaking the $800 million mark. The altimeter stopped at $797 million, a 2.1 per cent increase over the previous year. This translated into a prize return of $416.7 million to lottery players, and a total profit of $250.6 million, of which $244.1 million was transferred to the Province of British Columbia and $6.5 million to the Government of Canada.

The achievement of growth and profitability would not have been possible without the Corporation's hard-working and well-trained crew. BCLC employs 367 full-time individuals, each dedicated to the organization's success.

The Corporation continues to enjoy a solid reputation and strong satisfaction rating from its customers, retailers and employees. Based on the most recent results of the BC Reid Report, prepared by Angus Reid Group, British Columbia Lottery Corporation rates among the best-managed public corporations in British Columbia. The management index value, which rates a company on public perception of being well-managed, showed an ascent from the December 1995 survey.

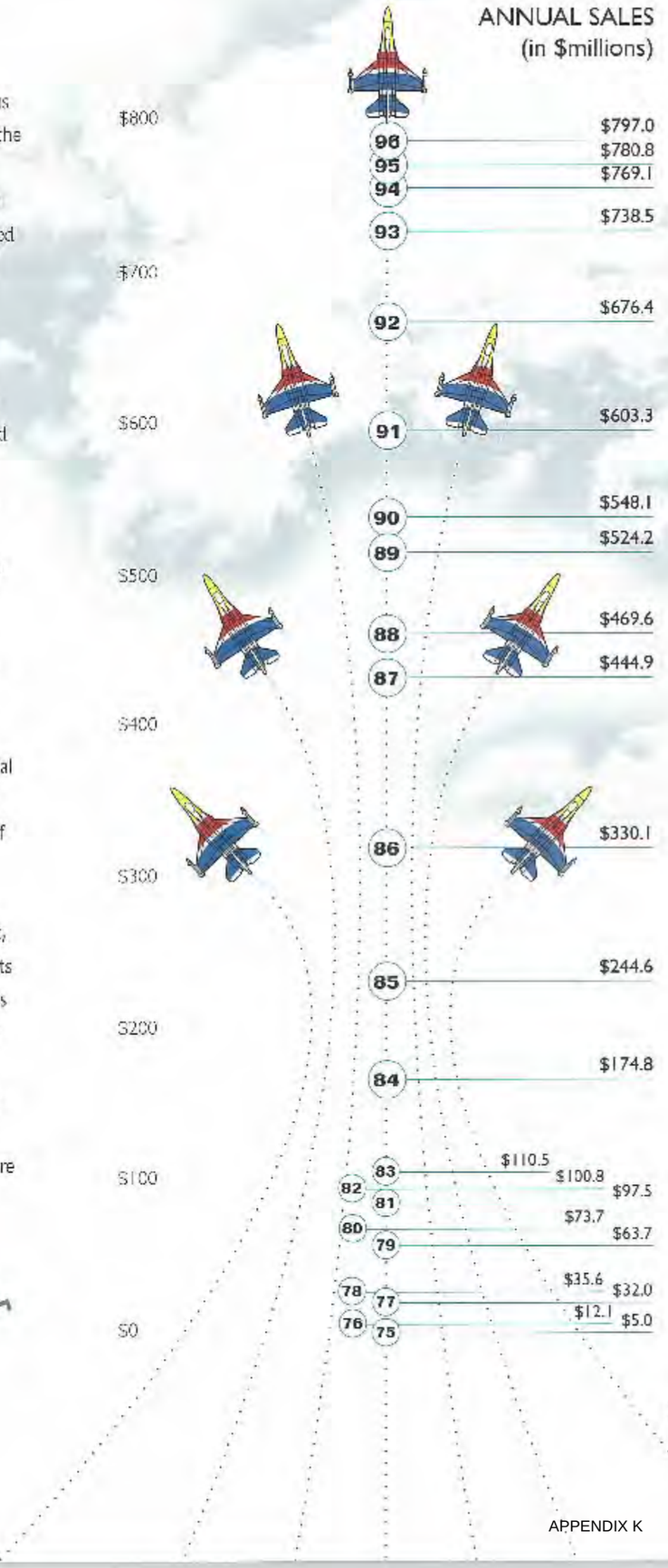
Retailer satisfaction continues to rate high. In the January 1995 Retailer Survey conducted by Angus Reid Group, lottery retailers rated the Lottery Corporation as the best supplier in the province. More than 90 per cent of retailers were satisfied with the Corporation's service and resulting sales.

BCLC is also highly rated by its staff. In a 1992 survey conducted by William Mercer Limited, 98 per cent of employees agreed with the statement, "The Corporation is a good organization to work for."

However, BCLC does not take this broad-based support for granted. Maintaining a corporate value centred on balancing fiscal and social responsibilities to government and the people of British Columbia is of paramount importance.

To increase revenues to government, BCLC will continue to respond to its ever-changing marketplace and focus on opportunities for new products and new distribution channels. At the same time, the organization will continue to hold the line on costs. Thus, the challenge to do more with less continues.

Guy Simonis, President
British Columbia Lottery Corporation



APPENDIX K

British Columbia Lottery Corporation markets its products only in British Columbia. No sales activity of its products, either directly or indirectly, takes place outside the province.

BCLC offers its players a passport full of fun and entertaining game destinations. For example, there are mass market games such as LOTTO 6/49, niche market games such as SPORTS ACTION, and social games such as Breakopen.

Mass market games — LOTTO 6/49, BC/49, EXTRA and Instant — are played by a large portion of the adult population crossing all age,

game destinations

educational background, gender and income levels. This group of games had overall sales of $580.8 million. The Corporation's flagship game, LOTTO 6/49, landed sales of $270.8 million in 1995/96. This success was due mostly to the

largest jackpot ever in Canadian lottery history, $26.4 million on September 2, 1995. Along with these windfalls, the Corporation introduced Double Play and Mini Dip, two new ways of packaging LOTTO 6/49, BC/49 and EXTRA.

BC/49 and EXTRA sales are closely linked to LOTTO 6/49's performance. Sales propelled to

$82.8 million for BC/49 and $19.7 million for EXTRA, for gains of 2.8 per cent and 5.3 per cent respectively over the same period last year.

Instant games, which complete the mass market fleet, cruised to sales of $177.5 million.

In recent years, revenues from mass market games have plateaued. The Corporation's revenue growth comes primarily from niche market and social games. Niche market games — SPORTS ACTION, CLUB KENO, DAILY 3 and CELEBRATION 96 — appeal to specific player segments of the market. Sales for niche market games closed the year at $61.5 million, an impressive 10.3 per cent gain in altitude over the previous year's sales.

The rise in niche games sales was due in part to the popularity of CLUB KENO, which took off in November to replace its aging Keno prototype. BC KENO had shown a significant slow-down over the past few years. CLUB KENO, which features a change in game matrix and draw frequency from BC KENO, has brought new life to the Corporation's Keno game. Sales climbed by $13.4 million to $27.9 million for fiscal 1995/96.

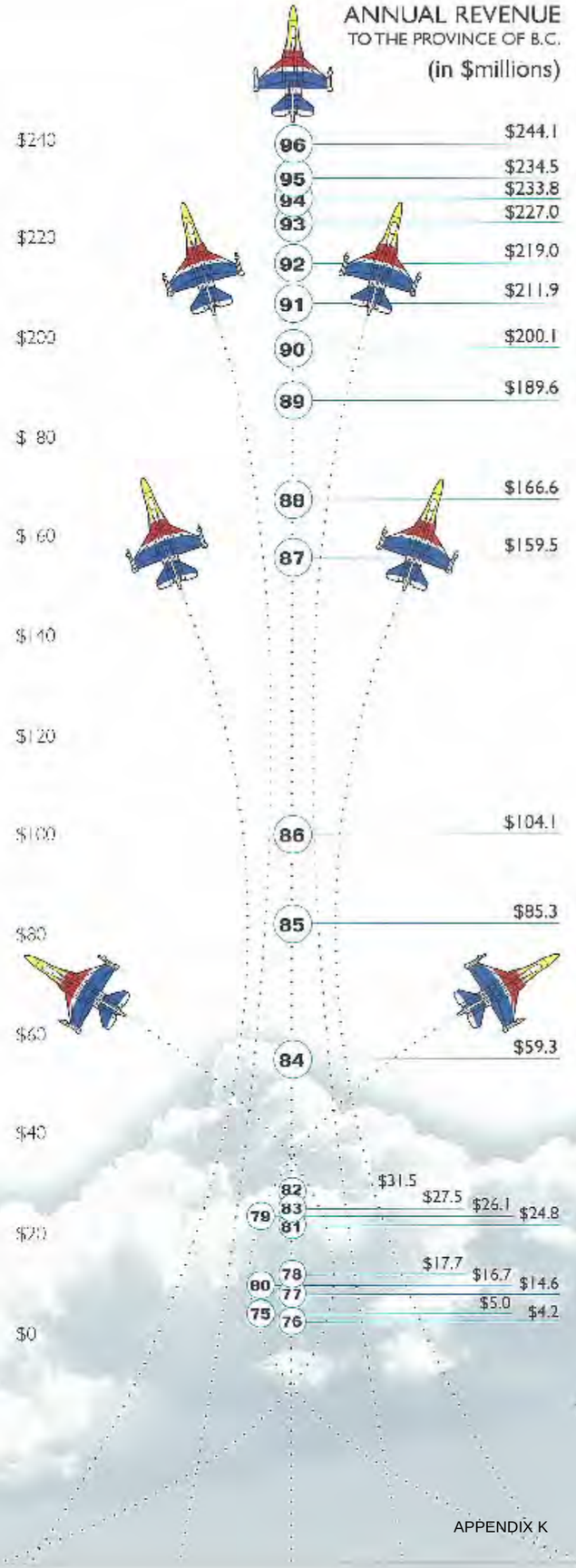
The nationwide Special Event game, CELEBRATION 96, recorded a supersonic 32.2 per cent rise in sales. This was due in large part to the number of British Columbia winners on the 1995 game and surrounding publicity.

DAILY 3 appeals to a small player base and receives very little, if any, advertising support. This was clearly reflected in the game's 12.5 per cent sales descent.

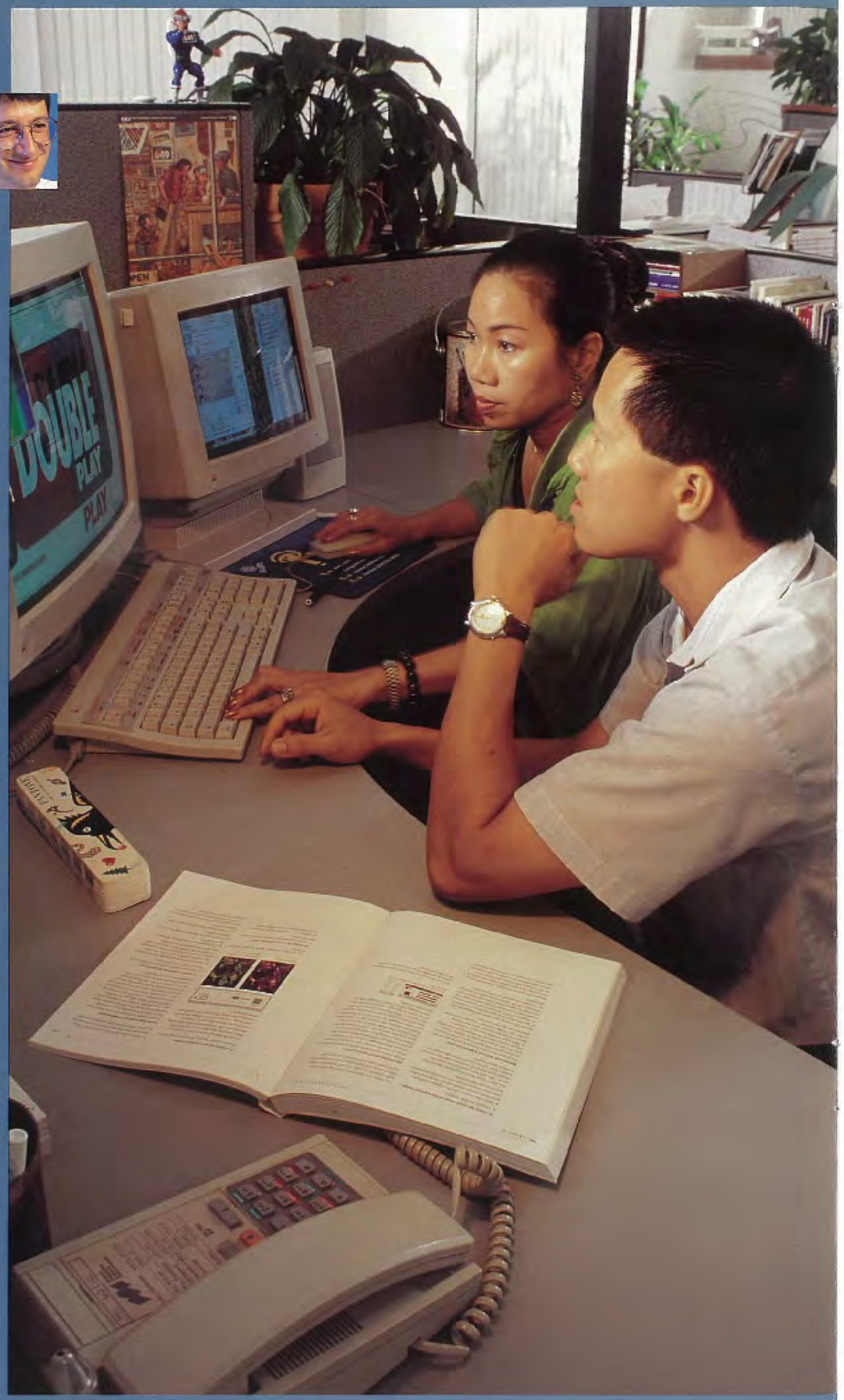
SPORTS ACTION sales for fiscal 1995/96 reached $23.8 million. The aftermath of the 1994 baseball and hockey labor disputes, coupled with the loss of basketball from the menu due to the establishment of the Grizzlies franchise in Vancouver, contributed to this game not reaching its planned destination.

Social games, such as Breakoper, are lottery games played in adult-only social settings. Breakopen games continued to enjoy consistent growth in fiscal 1995/96. The year ended with sales of $150.5 million, a 6.4 per cent increase over fiscal 1994/95.

The traditional lottery market has matured in recent years, with annual sales and profit growth averaging less than three per cent and two per cent respectively. This trend is forecast to continue. Such marginal growth will only be sustainable through an understanding of the dynamics of the marketplace and a constant search for new opportunities. The Corporation will continue to develop its core lottery business and refine its products, marketing, promotional and distribution activities.



APPENDIX K



bclc

flight crew

Lottery Customers

The Corporation's customer base is as broad as the province's population base. Nearly 70 per cent of adults aged 18 and up participate in BCLC games, and the player profile closely reflects the profile of the general population in age, gender, education and household income.

different types of lottery enthusiasts. Some players are drawn to themes and some to prizes. Others enjoy the method of play or they may simply like the look of the ticket. In addition to fuelling player interest with new games, the Corporation's design team explores routes for regularly enhancing existing games.

Research indicates that:

- lottery play is relatively equal between men and women
- almost 80 per cent of lottery players are between the ages of 25-65
- almost 55 per cent of lottery players have some post-secondary education
- nearly 60 per cent of lottery players are from households with an annual income in excess of $40,000

In 1995, about 66 per cent of adults in British Columbia had purchased a lottery ticket within the last month.

Game Designers

Today's lottery players are more sophisticated and demanding of games with greater play value and higher returns. The challenge for the game development crew is to design games that appeal to

Ticket Handlers

BCLC sells its products to lottery players through three distribution channels:

- an On-line network of 2,200 retail locations
- a social gaming network of 1,200 retailers at adult-only social settings where Breakopen tickets can be purchased
- BC/49 and LOTTO 6/49 Subscription service by mail

The Corporation's Distribution division ensures retailers receive lottery tickets, point-of-sale material, educational newsletters and supplies in a timely and efficient manner.

Information Engineers

Over the past five years, the organization has made significant advances in using information technology. Since 1990, the Corporation has re-engineered the retail network marketplace with new lottery terminals, bar code readers and an advanced digital telecommunications network.

Many of the Corporation's business and office systems have undergone significant changes. The Connect suite of applications replaced the original system installed in 1985. And new automated systems, to provide flexible Tel-Sell, distribution and billing processes, have resulted in even greater organizational efficiency.

Traffic Controllers

Territory Managers routinely visit retailers to help them navigate their way through all aspects of retailing — not just lottery retailing. They guide retailers on how to attract attention to their locations through point-of-sale and product displays and offer suggestions for in-store consumer promotions.

Retailers place ticket orders through a designated Tel-Sell representative, a familiar and caring voice just a telephone call away.

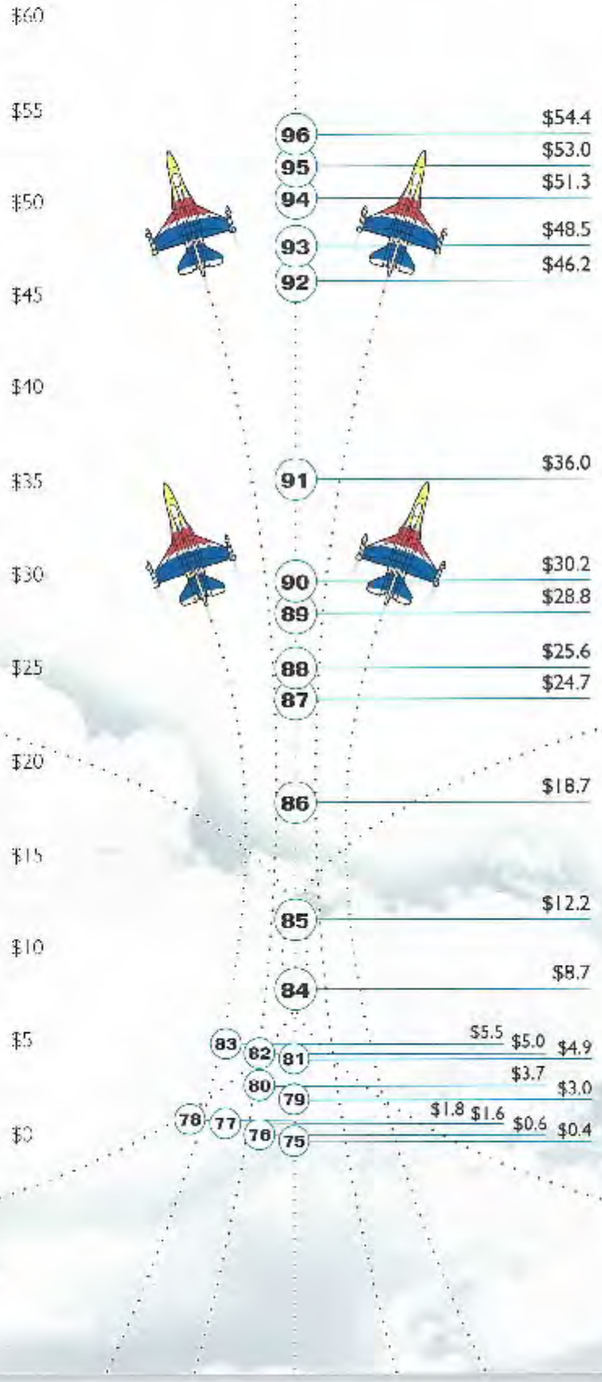
Technical queries and emergency orders are effectively taken care of by a call to the Hotline service centre.

Ticket Agents

BCLC's network of 2,200 lottery retail locations contributed significantly to the Corporation's sales success last year. Lottery retailers sell tickets, provide game information, answer questions, validate tickets and pay out prizes up to $1,000.

Last year, BCLC ticket agents received shared commissions totalling $54.4 million. Of that amount, Lottery Ticket Centre retailers earned about $35 million; that's an average additional income of $16,000 per lottery terminal.

RETAILER COMMISSIONS
(in $millions)



Whether they were first time flyers or had landed in the winners' circle numerous times, lottery winners in British Columbia received more than 41 million prizes worth $416.7 million. Twenty-seven millionaires were created and millions of dollars more were paid out in smaller prizes.

February 14 was very special for **Gary and Sue Erbacher.** It was the day the Westbank couple won the biggest lottery prize of the year — $10 million.

"I bought a $1 LOTTO 6/49 Quick Pick on Valentine's Day," explained Gary, "and never thought to check our ticket until I started to hear on the news and in the paper that there was a $10 million winner sold in our area."

A few days later, Gary purchased a newspaper at work and read the numbers. Some looked familiar. The saw filer finished his shift at the mill and went home.

"I got in at four in the morning and the ticket was in the bedroom," said Gary. "I didn't want to wake up Sue so I didn't check the ticket until the next morning. I gave Sue the newspaper story about the unclaimed $10 million. Then I showed her our ticket and asked, "Do the winning numbers look anything like ours?" The numbers on their ticket exactly matched the six numbers on the February 14 LOTTO 6/49 draw.

The Erbachers, both 40, boarded a plane to Richmond to claim their prize. To say the least, they were flying high. Except for confessing their suspicions to their financial adviser and Gary's father, the couple kept news of the win to themselves. "We couldn't believe it and we didn't want to tell anyone else until we knew for sure it was real," said Sue.

Gary and Sue knew it was all too real when they held a $10 million cheque in their hands. The couple planned to renovate their home, invest and assist family and friends.

winners flying high

As an airline checking agent, **Shizuko Cowan** is used to checking in passengers' tickets and luggage. So it came as quite a shock when the Delta resident found herself checking in a lottery ticket worth $20,000.

"I bought a BINGO and a MONOPOLY® ticket from the lottery booth at the airport," said Shizuko. She took the tickets back to her desk and began to scratch. After winning $10 instantly on BINGO, she moved onto her second ticket.

"I'd miscounted the rolls on the MONOPOLY® ticket and thought it wasn't a winner," said the 53-year-old. "I took the tickets back to the lottery booth and decided to have the MONOPOLY® one checked as well."

Shizuko couldn't believe her good luck. Not only had she won $10 on her BINGO ticket, she had won the top prize of $20,000 on the Instant MONOPOLY® Game.

"Word of the win travelled fast at the airport," explained Shizuko. "Everyone was coming up and congratulating me." What a lift!

Don Hennig's perfect three point landing earned him the Grand Prize of $1 million on BC/49.

"I usually just get Quick Picks, but . . . I had some tickets that I hadn't checked," explained the Sicamous mill process operator. "When I went through them, I won $20. Rather than taking the money, I bought two Double Dips. That's how I won."

By the time the 55-year-old checked his Double Dip tickets, it was three days after the March 6 draw. Rumors of an outstanding winning ticket had quickly spread throughout the Sicamous area, so Don stopped by the Sicamous Shell, where he always buys his tickets, and picked up a winning numbers list.

"After I left, I looked at my ticket and saw I had all six numbers," continued Don. "I thought, 'This is my lucky day!'"

He immediately went back to the station and handed his ticket to his regular retailer. She validated it and smiled; the $1 million win was confirmed.

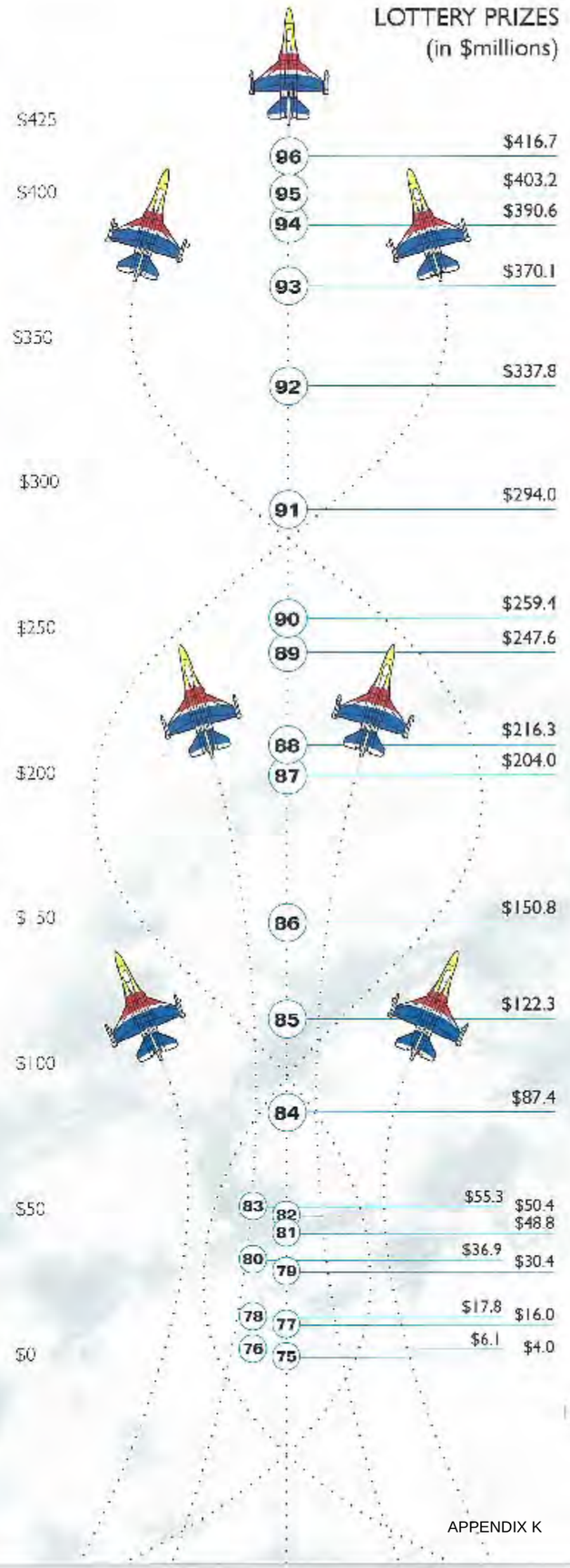
Don's plans for his haul included a Panama Canal cruise and sharing the money with his children. The airplane enthusiast was considering purchasing a float plane.

Comox resident **Scott Healey** tried a $1 LUCKY MONEY Instant ticket for the first time and won $10,000.

"I didn't even know how to play the game," said the 35-year-old RCMP helicopter pilot. "My wife, Pat, thought maybe it was worth $1,000."

Only when the couple stopped at a corner store to have their ticket validated did they find out it was worth 10 times as much. They had landed a $10,000 win.

Scott and Pat planned to buy their three children new bikes.



financial statements

Auditor's Report

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as of March 31, 1996, and the consolidated statements of income, amounts due to Province of British Columbia and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG Peat Marwick Thorne

Chartered Accountants

Kamloops, Canada
May 10, 1996

APPENDIX K

Consolidated Balance Sheet

March 31, 1996, with comparative figures for 1995 (in thousands of dollars)

	1996	1995
Assets		
Cash:		
Prize funds	$ 57,827	$ 47,732
Other	7,545	1,041
Accounts receivable (note 3)	13,921	12,433
Prepaid expenses	3,408	3,106
Capital assets (note 4)	7,198	4,860
	$ 89,899	**$ 69,172**
Liabilities		
Prizes payable	$ 57,827	$ 47,732
Payable to Interprovincial Lottery Corporation	2,604	1,472
Accounts payable and accrued liabilities	9,635	8,788
Long-term debt (note 5)	4,500	4,721
Due to Province of British Columbia	15,333	6,459
	$ 89,899	**$ 69,172**

See accompanying notes to consolidated financial statements.

Approved:

Patrick Chen, Chair

Hoshiar Gosal, Director

Consolidated Statement of Income

Year ended March 31, 1996, with comparative figures for 1995 (in thousands of dollars)

	1995/96	1994/95
Sales (note 6)	$ 797,003	$ 780,788
Direct expenses:		
Prizes	416,739	403,250
Retailer commissions	54,396	53,013
Ticket printing and bingo paper	15,616	16,282
	486,751	472,545
Sales less direct expenses	310,252	308,243
Operating expenses:		
Data processing and network	15,191	14,495
Depreciation	3,279	9,873
Advertising, draws and promotions	17,451	18,091
Sales	6,004	6,005
Administration	14,079	13,802
Goods and service tax	10,047	10,263
Less: Interest and other income	(6,381)	(5,088)
	59,670	67,441
Net income	**$ 250,582**	**$ 240,802**
Allocation of net income:		
Province of British Columbia	$ 244,058	$ 234,523
Government of Canada (note 7)	6,524	6,279
	$ 250,582	**$ 240,802**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Province of British Columbia

Year ended March 31, 1996, with comparative figures for 1995 (in thousands of dollars)

	1995/96	1994/95
Balance, beginning of year	$ 6,459	$ 22,556
Net income	250,582	240,802
	257,041	263,358
Payments to Province of British Columbia	235,184	250,620
Payments to Government of Canada	6,524	6,279
	241,708	256,899
Due to Province of British Columbia	**$ 15,333**	**$ 6,459**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year ended March 31, 1996, with comparative figures for 1995 (in thousands of dollars)

	1995/96	1994/95
Cash provided by (used in):		
Operations:		
Net income	$ 250,582	$ 240,802
Depreciation, which does not involve cash	3,279	9,873
	253,861	250,675
Changes in non-cash operating items:		
Accounts receivable	(1,488)	2,748
Prepaid expenses	(302)	(615)
Prizes payable	10,095	4,540
Payable to Interprovincial Lottery Corporation	1,132	889
Accounts payable and accrued liabilities	847	(1,531)
	264,145	256,706
Financing:		
Payments to Province of British Columbia	(235,184)	(250,620)
Payments to Government of Canada	(6,524)	(6,279)
Reduction of long-term debt	(221)	(203)
	(241,929)	(257,102)
Investments:		
Additions to capital assets	(5,617)	(3,219)
	(5,617)	(3,219)
Increase (decrease) in cash	16,599	(3,615)
Cash, beginning of year	48,773	52,388
Cash, end of year	**$ 65,372**	**$ 48,773**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended March 31, 1996

1. Nature of the Corporation:

British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

DAILY 3, Instant, BC/49, CLUB KENO, EXTRA, SPORTS ACTION and Breakopen games are conducted solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo paper in the Province of British Columbia.

The Corporation is the regional marketing organization for the Special Event and LOTTO 6/49 games in British Columbia. These games are joint undertakings by all provinces acting through Interprovincial Lottery Corporation. Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant accounting policies:

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

a) Consolidation:

The consolidated financial statements include British Columbia Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation.

b) Capital assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased will be capitalized. The Corporation's capital assets are recorded at their original cost and are depreciated on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Building and leasehold improvements	5 years
Furniture and equipment	5 years
Computer equipment	3 years
On-line gaming terminals	3 years
Breakopen vending machines	3 years
Signs and fixtures:	
Computer	3 years
Non-computer	5 years

A full year of depreciation is taken in the year the assets are put in use.

c) Revenue recognition:

Revenue from the sale of lottery tickets is included in the statement of income in the period the ticket is sold. The associated selling costs and prize expenses are also included in the statement of income in the period the ticket is sold.

d) Prize expenses:

The Corporation provides for prize expenses for all British Columbia games to fund expected prize payouts.

Prize expenses for Interprovincial Lottery Corporation games are British Columbia's proportionate share of prizes funded, which is based on the number of tickets sold.

e) Software development costs:

Software development costs are expensed in the period in which they are incurred.

Notes to Consolidated Financial Statements (page 2)

3. Accounts receivable (in thousands of dollars):

	1996	1995
Retailers	$ 13,361	$ 11,750
Other	560	683
	$ 13,921	**$ 12,433**

4. Capital assets (in thousands of dollars):

			1996	1995
	Cost	Accumulated depreciation	Net	Net
Land	$ 700	$ -	$ 700	$ 700
Building and leasehold improvements	21,912	20,237	1,675	844
Furniture and equipment	3,006	2,963	43	6
Central system computer	17,450	16,555	895	1,299
On-line gaming terminals	23,357	20,659	2,698	847
Breakopen vending machines	5,807	4,800	1,007	992
Signs and fixtures	3,413	3,233	180	172
	$ 75,645	**$ 68,447**	**$ 7,198**	**$ 4,860**

5. Long-term debt (in thousands of dollars):

	1996	1995
CIBC Mortgage Corporation, payable in monthly instalments of $52,651 including interest at 9.14%, secured by land and building and a general assignment of rental income, due June 1, 1997	$ 4,500	$ 4,721
	$ 4,500	**$ 4,721**

Principal payments due within each of the next two years are approximately as follows:

1997	$ 241
1998	$ 4,259

Notes to Consolidated Financial Statements (page 3)

6. Sales (in thousands of dollars):

	1995/96	1994/95
Mass market games:		
LOTTO 6/49	$ 270,801	$ 273,476
Instant	177,514	178,060
BC/49	82,762	80,514
EXTRA	49,660	47,157
	580,737	579,207
Niche games:		
SPORTS ACTION	23,833	27,779
BC KENO/CLUB KENO	27,940	14,516
BC PROVINCIAL	-	4,106
Special Event	4,645	3,514
DAILY 3	5,123	5,856
	61,541	55,771
Social games:		
Breakopen	150,509	141,458
Bingo paper	4,216	4,352
	154,725	145,810
	$ 797,003	**$ 780,788**

7. Payments to Government of Canada:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC. Payments under this agreement are estimated to be $6.5 million for the next fiscal year ending March 31, 1997.

8. Interprovincial Lottery Corporation Expenses and Interest Revenue:

The Corporation's share of the Interprovincial Lottery Corporation prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the ILC's interest income less operating expenses is included in interest and other income.

9. Lease obligations (in thousands of dollars):

The Corporation is committed to payments under operating leases for premises. Minimum annual rental payments for the next five years are approximately as follows:

1996/97	$ 995
1997/98	$ 894
1998/99	$ 773
1999/2000	$ 590
2000/2001	$ 77

10. Pension plan:

The market value of pension plan assets as at March 31, 1996, is approximately $16.4 million (1995 - $13.0 million) and the actuarial present value of accrued pension benefits for services rendered to March 31, 1996, is approximately $13.8 million (1995 - $12.4 million), resulting in a net surplus of $2.6 million.

At this time, British Columbia Lottery Corporation is responsible to the Honourable Ujjal Dosanjh, Attorney General, through a Board of Directors appointed by Government. The current Board consists of nine members from various backgrounds and communities throughout the province. Board members include:

Chair
Patrick Chen

Directors
Jann L.M. Bailey
J.F. Raymond Chouinard
Dr. Barb Copping
Jill E. Davidson
Hoshiar Gosal
Ann van Iersel
Kenneth H. Isomura
Richard Thomas

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74 West Seymour Street
Kamloops, British Columbia V2C 1E2
Telephone: (250) 828-5500

Richmond
10760 Shellbridge Way
Richmond, British Columbia V6X 3H1
Telephone: (604) 270-0649

Victoria
770 Hillside Avenue
Victoria, British Columbia V8T 1Z6
Telephone: (250) 386-4453

about the corporation

This Annual Report is dedicated to the Corporation's staff who made this year's successes possible. Many of them are pictured throughout.

Printed in British Columbia with
vegetable based inks on recycled paper

Appendix L – 1996/97:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1996-1997,* (Kamloops: British Columbia Lottery Corporation, 1997).

British Columbia Lottery Corporation

1996 • 1997

British Columbia Lottery Corporation

APPENDIX L

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APPENDIX L

Letter of Transmittal

British Columbia Lottery Corporation made key decisions to direct its growth in fiscal 1996/97. As always, the Corporation concentrated on generating revenue for Government by providing gaming entertainment within a socially responsible framework.

The result was another record-breaking year of sales and increased returns to government.

The Corporation ended its fiscal year with $867.5 **million** in sales, exceeding budget by $17.5 million. This enabled a $266.2 **million** revenue transfer to the Government of British Columbia and $6.7 **million** to the Government of Canada.

On behalf of British Columbia Lottery Corporation's Board of Directors, management, employees and retailers, I am pleased to present the annual report for fiscal 1996/97.

Patrick Chen, Chair
British Columbia Lottery Corporation

The Curtain Rises

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 games within British Columbia, including the marketing of nationwide and regional lottery games in association with other provinces of Canada.

The Corporation employs 373 full-time staff in its corporate offices in Kamloops, Richmond and Victoria.

MISSION Statement

As the major advocate on gaming policies and the principal operational agency of commercial gaming within the jurisdiction of British Columbia, British Columbia Lottery Corporation will contribute significantly to government revenues and economic growth through providing top-quality entertainment to the public in a socially responsible manner.

Corporate OBJECTIVES

- To **maximize** gaming revenue to the Province of British Columbia
- To be a **responsible**, trustworthy and progressive Corporation, and to be recognized by the public as such
- To achieve **strong** and **broad-based** public support of the Corporation's mandate

- To have the **best** retailer network in the Province of British Columbia to serve and meet the needs of our players
- To achieve a workforce that, at all levels, reflects the gender, disabled and visible **diversity** of the British Columbia workforce
- To seek to ensure that **every employee is valued**, professionally fulfilled and feels that they play an integral role in the success of the Corporation

BREAKDOWN *of the* Lottery Dollar

APPENDIX L

Conductor's Notes

When the curtain dropped on fiscal 1996/97, the 23rd consecutive year of lottery sales in the province, British Columbia Lottery Corporation had orchestrated sales to the tune of $867.5 **million**. That figure exceeded budget by $17.5 million and fiscal 1995/96 by $70.4 million. And, it was the 23rd consecutive year of recording a sales increase.

HITTING a High Note

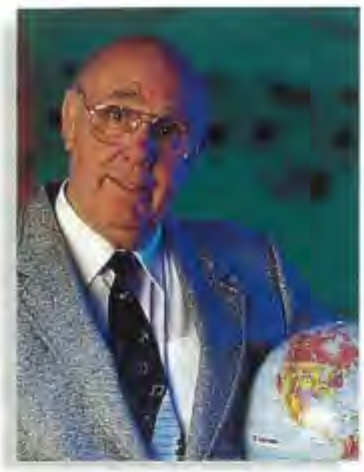
Of the net income of $272.9 **million**, the Government of British Columbia received $266.2 million and the Government of Canada $6.7 million.

Winners collected $456.4 **million**, an increase of $39.7 **million** over the previous fiscal year.

This significant year was driven by a chorus of BCLC professionals who work with the retailer network to create the best lottery experiences and economic opportunities. Such aims are not easily accomplished, given the marginal growth of the traditional lottery market and increased competition for the discretionary entertainment dollar.

There's no business like the lottery business. Excitement can be created by a multi-million-dollar jackpot, a technological innovation, a new ticket concept or simply the big grin of a winner.

Fiscal 1996/97 saw new lottery terminals installed to adjust to population growth and re-establish the terminal density ratio at about one for every 1,500 people.



In September, British Columbia's Attorney General lifted restrictions limiting lottery ticket sales in licensed premises. BCLC's Board of Directors subsequently authorized the Corporation to make CLUB KENO available through its existing network of BREAKOPEN ticket retailers. Some 800 terminals were scheduled for install over the coming year, paving the way for expansion in social gaming.

World Meet '96 in early October was a lottery industry highlight, bringing together the Association International des Loteries d'État and North American Association of State and Provincial Lotteries, with full participation by the membership of Intertoto. As host organizing committee, BCLC received complimentary notes for this prestigious event.

The success of World Meet '96, developments in the marketplace and changing technologies prompted BCLC to examine the way we conduct our marketing business. A reorganization of the Marketing Division reassigned staff to cross-functional teams.

The Corporation also participated in the government's gaming review.

Fiscal 1997/98 will present opportunities in government gaming initiatives. It will be a year of growth and change for the Corporation as we continue to provide quality games and services to our players and retailers, while being responsive to the objectives of our shareholder, the Government of British Columbia.

Guy Simonis, President
British Columbia Lottery Corporation

Instrumental Gains

"Big, big, big" was a fitting theme song for British Columbia Lottery Corporation (BCLC) in fiscal 1996/97.

Led by the jazzy trio Red, White & Blue (RW&B) — BC/49, EXTRA and the flagship lottery LOTTO 6/49 — BCLC hit record sales of $867.5 **million**.

RW&B sales exceeded budget by $28.4 million. Sales for these three lotteries are closely related and vary significantly depending on the number of times the LOTTO 6/49 Jackpot is not won and rolls to a higher amount. Figures were boosted by 43 Jackpot rolls in 1996/97, compared to 30 in the previous year.

Two LOTTO 6/49 bonus campaigns were funded through the unclaimed prize fund. In April, two consecutive draws offered $15 million and $18 million Jackpots. February's The Big 3 bonus series featured $8 **million** on the 8th, $12 **million** on the 12th and $15 **million** on the 15th.

Multiple EXTRA, where players may choose up to as many sets of EXTRA as the number of BC/49 or LOTTO 6/49 selections purchased, was introduced in September. It produced $3.5 million in incremental EXTRA sales.

Hey you never know! EXTRA and Double Play have been offered on Subscription play since July. This generated $800,000 in incremental Subscription sales.

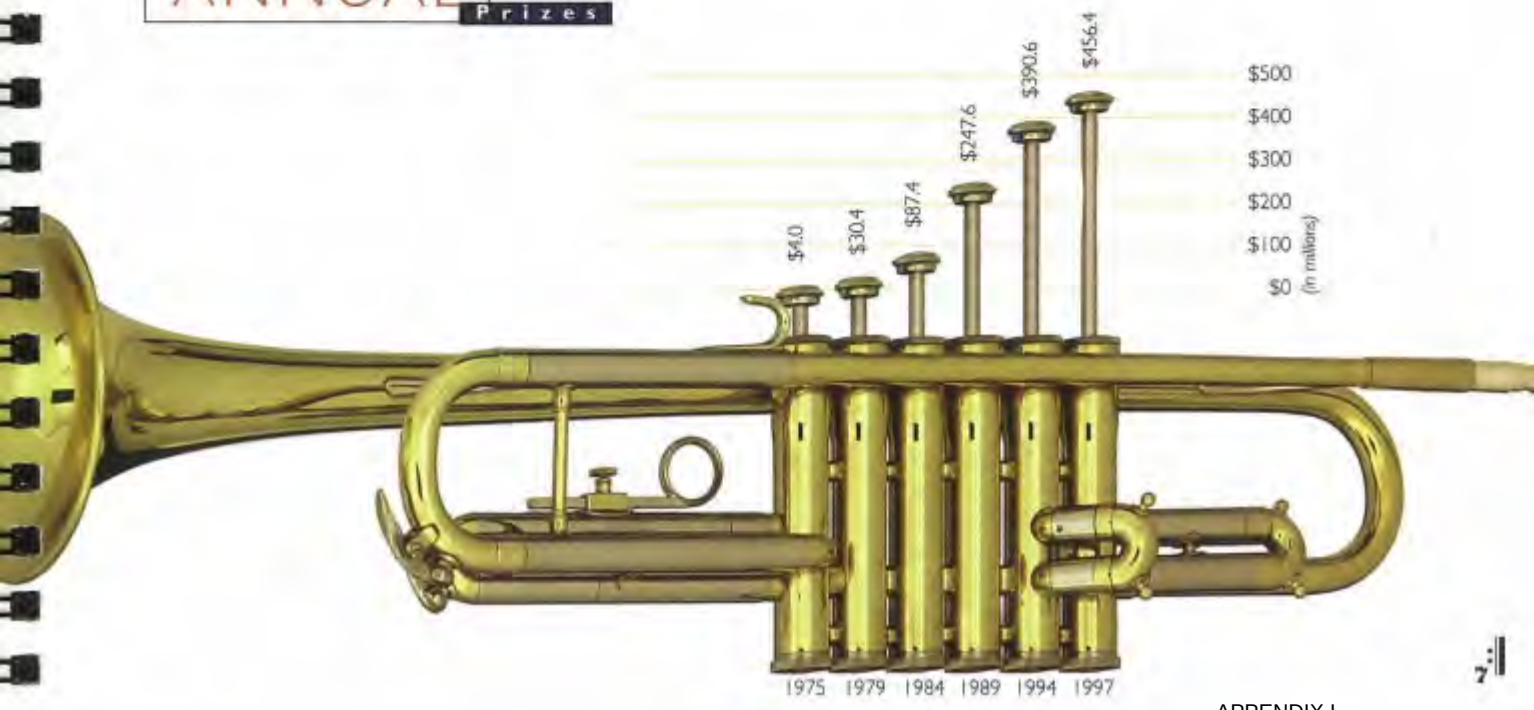
The increase in sales both over budget and the previous year can also be attributed to the addition of 265 Lottery Ticket Centre and BREAKOPEN locations to the retailer network. BREAKOPEN tickets are sold primarily in licensed premises. As well, [redacted] was expanded into 434 bars and pubs, resulting in an additional $17.8 million in sales.

DAILY 3, a niche lottery, earned a small round of applause for ending the year 3.5 per cent above budget and one per cent above the previous fiscal year.

Along with the major successes came some minor troubles. Sales were lower than budgeted for SCRATCH & WIN, BREAKOPEN and SPORTS ACTION.

SCRATCH & WIN enthusiasts enjoyed 28 releases in fiscal 1996/97 as BCLC responded to consumers seeking fresh concepts and new ways to play.

ANNUAL Prizes



APPENDIX L

Several tickets promoted beautiful British Columbia. WEST COAST CASH, with its trivia element, marked the province's 125th birthday. LICENSE 4 FUN amused players with its novel theme and was GR8 2 PLAY. LIMITED EDITION GOLD RUSH celebrated a chapter in British Columbia history and the 10th anniversary of one of BCLC's most successful tickets.

However, sales for both SCRATCH & WIN and BREAKOPEN were down due to a consumer shift in spending to CLUB KENO. SCRATCH & WIN also faced increased competition from charitable lotteries and raffle tickets.

and sales this year included world soccer and college men's basketball championships. Sales are beginning to recover from the effects of the professional sports labor disputes in 1994/95 and the discontinuation of NBA basketball on the SPORTS ACTION menu.

BCLC's total expenditures were $594.6 million, $8.8 **million** greater than budget and $48.1 million greater than fiscal 1995/96. This increase reflects the additional prizes, commissions and ticket printing costs needed to support the increase in sales.

Administrative costs of $52.8 million were on budget and the same as fiscal 1995/96.

Working in Concert

When BCLC strikes up the band each morning at 6 a.m., a **network of retailers** is centre-stage dispensing information, handling ticket transactions and paying prizes up to $3,000. These retailers, many of them **independent entrepreneurs**, are an essential component of the Corporation's finely tuned team.

Lottery ticket sales provide economic opportunities for a wide range of businesses, from "mom and pop" stores to high-traffic service stations to neighborhood pubs. Behind the scenes is a cast of BCLC employees dedicated to serving the retailer network and lottery players.

In fiscal 1996/97, the Corporation expanded the network by 265 Lottery Ticket Centre and BREAKOPEN locations. Retailers **shared commissions** totalling

Mackenzie Mall LTC, Mackenzie

Fraser Market, Vancouver

Specialty Tobacco & Gifts, Penticton

Lougheed Mall LTC, Burnaby

Yvonne's Lottery Centre, Campbell River

APPENDIX L

Campbell River LTC,
Overwaitea,
Campbell River

University Heights LTC,
Victoria

Triangle Town Pantry, Vancouver

Guildford Town Centre, Surrey

Brentwood Peoples Drug Mart,
Brentwood Bay

Northills Mall LTC,
Kamloops

Chinatown Parkade Ticket Centre, Vancouver

Trail Ticket Centre, Trail

$57.6 million; average commissions were maintained above $16,000. British Columbia retailers rank second behind Ontario as the highest paid in Canada.

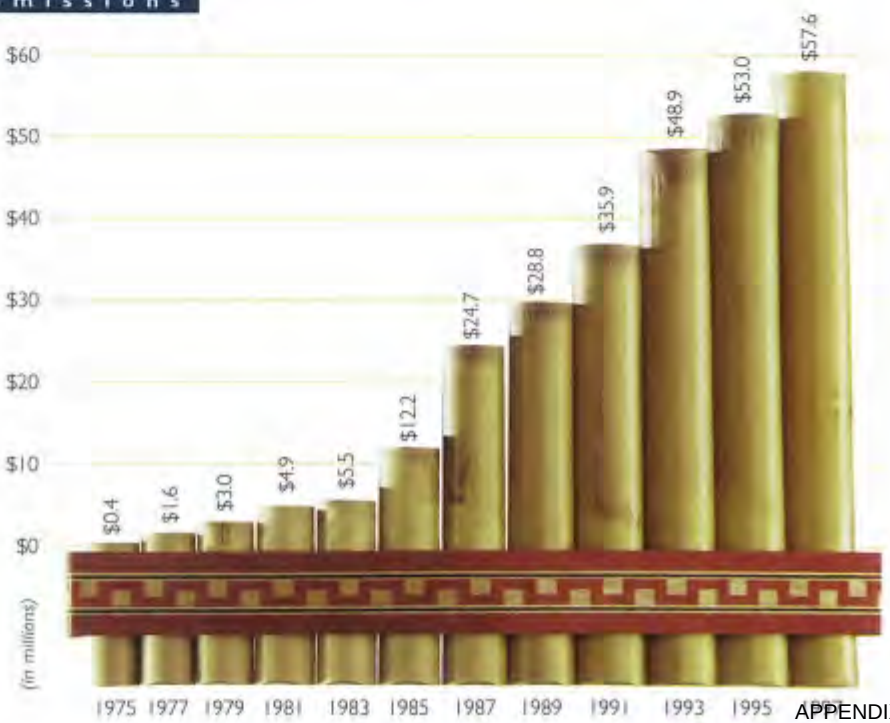
In a 1997 Lottery Retailer Tracking Survey, 87 per cent of retailers reported that lottery sales are important to their business. The main advantages to selling lottery tickets, as described by retailers, are:

- attracts more customers (78 per cent)
- more sales in general (26 per cent)
- more profits in general (10 per cent)

Retailer satisfaction with BCLC remained unchanged from last year. Of those surveyed, 96 per cent reported they are somewhat or very satisfied.

Again this year, retailers rated BCLC as their number-one supplier, with 22 per cent mentioning the Corporation as best supplier.

RETAILER Commissions



APPENDIX L

Yet, early indications show lower ratings in some areas. This may signal that retailers are accustomed to extremely high levels of service and are becoming more particular in their ratings.

Retailers who described BCLC's advertising as good or excellent account for 91 per cent of those surveyed. They also gave excellent marks to promotions, with 81 per cent describing them as good or excellent.

Lottery advertising entertains and informs. A LOTTO 6/49 print and outdoor campaign featured people from different age groups, occupations and ethnic backgrounds.

BCLC began reaching more new customers by introducing ethnic marketing campaigns.

LOTTO 6/49's

bonus series, held in February, was supported by a new campaign featuring a stretch limo. The cost of the television component was shared by three jurisdictions in Canada. In the 10-day period in which the campaign ran, audience awareness reached 48 per cent.

The Corporation began a series of humorous broadcast and print advertisements starring Canadian actor Leslie Nielsen in early 1997. By the end of the second advertising tracking period, research showed that the campaign met or exceeded all objectives.

BCLC is developing partnerships with other organizations, such as Orca Bay. LOTTO 6/49 promotional draws and Shoot for Loot on-court promotions were held at Vancouver Grizzlies games.

On the Sunny Side of the Street

Gary & Carol Troll

A West Vancouver couple waltzed away with the **biggest lottery prize in Canada** in 1996. Gary and Carol Troll won almost $14 **million** on a LOTTO 649 ticket bought for the December 14 draw.

They discovered their $7 Combo play was a Jackpot winning ticket almost as soon as the winning numbers were aired. Later that night, they learned it was the only Jackpot winning ticket sold nationwide.

Gary & Carol own Trolls Restaurant, which has been in the family for three generations. Retirement was not among their plans, but the money gave the Trolls something that is almost priceless.

"This win does mean peace of mind . . . forever," said Carol.

Keith Hume

A BC 49 ticket turned into a $1 **million** present for the Hume family on the Christmas Day draw.

Keith Hume always said if he won the big one, he would share with his family. His wife, Nella, and their four sons, Michael, Dennis, Robert and Ron, split the prize equally (with four cents left over). Their plans included a family investment.

After checking the ticket, Keith made a trip to the family-owned business. No one was there, so he started making phone calls. His reputation as a practical joker made breaking the good news difficult.

"It took a long time to convince them," said Keith.

APPENDIX L

16 group members from Tumbler Ridge Inn

A group of employees from the Tumbler Ridge Inn didn't get much sleep after they hit the LOTTO 6/49 Jackpot on the August 14 draw. Their numbers were checked a few days later around 1 a.m., then all 16 group members and some of their spouses met in the hotel lobby where they work.

"The lobby was an excited buzz all night," said group trustee Debbie Haley. "Nobody knew what they were going to do, but there were sure a lot of dreams floating around!"

At exactly 6 a.m., they had the ticket validated and confirmed their $1.25 **million** win. (The Jackpot was split with two winners in Loto Quebec and one in the Atlantic region.)

Each member received $78,000. Their varied plans included spending the money on vehicles, trips and children's education.

SCRATCH & WIN tickets were among the greatest hits of 1996/97.

Richard Mineault

Richard Mineault, a guitarist and drummer in two rock bands, was rockin' to the beat of BLACKJACK after he won $21,000.

The Pouce Coupe resident had a feeling that someone in his family would win a lottery prize.

Carmelita Gonzales

Carmelita Gonzales of Vancouver plays her guitar — and lotteries. "Our whole family plays guitar and sings. We do songs from the '60, '70s and '80s," she said.

Carmelita was humming a happy tune after she selected a WINFALL ticket and won one of the 100 bonus prizes of $10,000 each.

Joan Custerson

On a ferry ride home from a Neil Diamond concert, Joan Custerson of Duncan bought two GOLD RUSH tickets. One of them turned out to be a $10,000 winning ticket.

Joan is director of the Vaudeville Express singing, dancing and comedy troupe. There was likely quite a song and dance when she discovered her win.

What is it like to be a lottery winner in British Columbia? Through a survey program, BCLC asked winners of $10,000 and up to share their insights.

Response rate for those surveyed from January through December 1996 was 28 per cent. Here are some of the results:

- *81 per cent said their prize claim experience was excellent*
- *78 per cent put the prize in the bank*
- *60 per cent shared their winnings with family*
- *51 per cent paid debts*
- *24 per cent sought financial advice*
- *5 per cent moved*
- *4 per cent retired*
- *3 per cent went back to school*

APPENDIX L

It's a Small World

How do you roll out the welcome mat for more than 70 countries to the biggest-ever lottery convention in the world? Take them on a sentimental journey — a musical roll-call highlighting the unique character of every country or lottery jurisdiction.

Lottery COLLEAGUES Unite

For a week in October, Association International des Loteries d'État, North American Association of State and Provincial Lotteries and Intertoto met under the sails of the Vancouver Trade & Convention Centre for World Meet '96. Some 1,450 delegates and trade show registrants from the lottery world united as a global community.

BCLC acted as host organizing committee for this convention. Working under the lights and behind the scenes, the Corporation's talented crew ensured the event pulled off without a hitch.

The traditional roll-call was presented in the universal language of music as featured artists and delegates performed songs relating to their home countries. The hour-long opening ceremonies included Waltzing Matilda from Australia, the Irish Washerman, Volare from Italy and I'se da Byse from Atlantic Canada.

BCLC President Guy Simonis sang Route 66 to introduce lottery organizations from the United States.

APPENDIX L

Each day began with the Travelling Music Show introducing the sessions. From there, delegates attended workshops organized under the five streams of knowledge — Administration, Case Histories, Marketing, Policies and Technology. Over the course of World Meet '96, 129 speakers shared their knowledge and experiences at 89 sessions.

World Meet '96's Trade Show opened with a spectacle of light and sound, as guests were transported from medieval Lottoburg of 1496 to Lotto World of 1996.

Funding for the $2 million budget was provided by supplier sponsorship, trade show exhibitor fees and delegate registrations. Direct delegate spending was $3 million, for a combined economic benefit of $5 million to the British Columbia economy.

BCLC has always been respected by its lottery industry colleagues worldwide. Accolades for World Meet '96 elevated the Corporation to a new level of prominence.

Performance Measures

Crown corporations in British Columbia submit quarterly and annual performance reports to the Crown Corporations Secretariat of the Province of British Columbia. BCLC measures performance against its six Corporate objectives.

OBJECTIVE: To maximize gaming revenue to the Province of British Columbia

In fiscal 1996/97, sales reached $867.5 million, exceeding budget by $17.5 million. They topped fiscal 1995/96 by $70.4 million.

Of that, $266.2 million was transferred to the Province of British Columbia and $6.7 million to the Government of Canada.

During the five-year reporting period, income to the province has increased to $266.2 million from $227 million. This represents a 17.2 per cent increase.

Per capita income is calculated by dividing the Corporation's total income by the number of people in British Columbia. During the five-year reporting period, per capita income has increased to $70.8 from $67.1.

Per capita sales are calculated by dividing the Corporation's total sales by the number of people in British Columbia. During the five-year reporting period, per capita sales have increased to $224.7 from $212.4.

OBJECTIVE: To be a responsible, trustworthy and progressive Corporation, and to be recognized by the public as such

During the three-year tracking period, the Corporation's public acceptance rating has declined slightly to 64.6 per cent from 65.2 per cent.

In the Corporate Watch section of the Winter 1996 BC Reid Report, BCLC was again placed in the Top Performer category as one of the best-managed corporations. Overall, 81 per cent of British Columbians considered the Corporation to be well-managed, up from 79 per cent in 1995. BCLC was the only Crown corporation in that category.

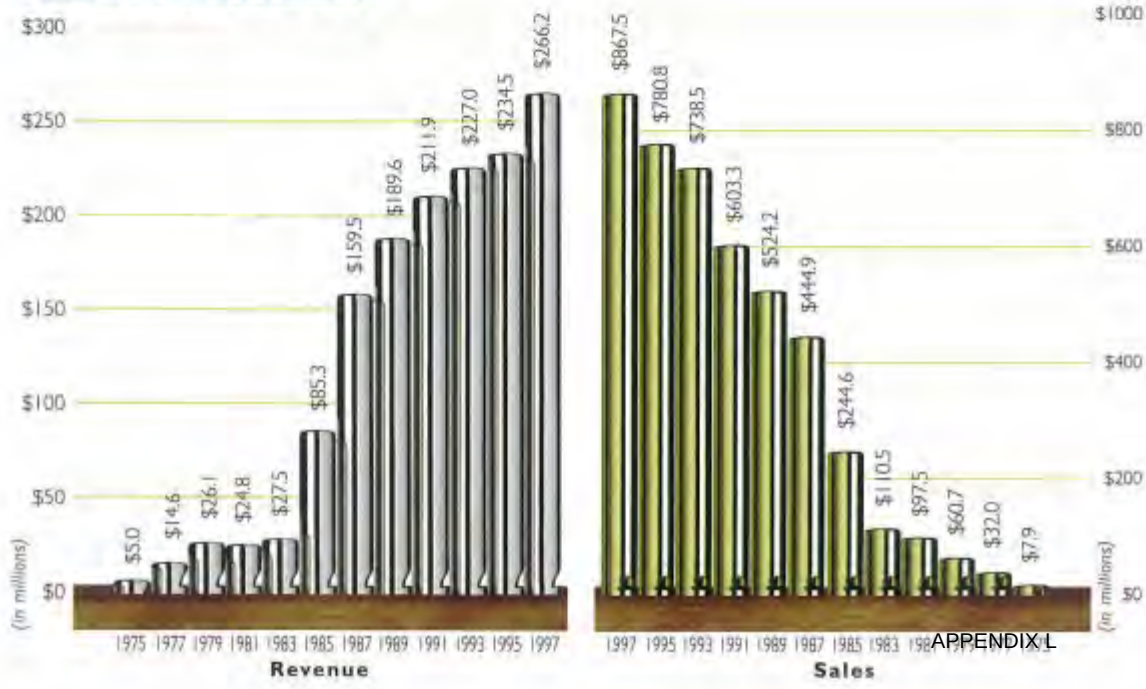
OBJECTIVE : To achieve strong and broad-based public support of the Corporation's mandate

The Corporation aims to achieve a public participation rate of at least 65 per cent on a monthly basis. During the three-year tracking period, public participation has remained stable at around 67 per cent. Average monthly participation rate in 1996/97 was 67.1 per cent.

OBJECTIVE : To have the best retailer network in the Province of British Columbia to serve and meet the needs of our players

In the three-year tracking period, retailer satisfaction has remained above 90 per cent. In a 1997 survey, 96 per cent of retailers surveyed reported they are somewhat or very satisfied with BCLC. This is six per cent above the objective set. In the same survey, BCLC's retailers rated the Corporation as their number-one supplier.

Annual **REVENUE** *to the* **Province of BC**



APPENDIX L

By managing the location and size of the retail network, the Corporation aims to maximize customer service while maintaining a high level of income to retailers. Retailer commissions have remained stable at 6.6 per cent during the five-year reporting period.

While the commission percentage paid out has remained stable, the average commission paid to retailers has increased by 15.8 per cent. In fiscal 1996/97, average retailer commissions were greater than $16,000.

Consumer satisfaction with BCLC's retailers has remained above 90 per cent during the four-year tracking period.

OBJECTIVE : **To achieve a workforce that, at all levels, reflects the gender, disabled and visible diversity of the British Columbia workforce**

During 1996/97, the Corporation continued efforts to strengthen the diversity of the workforce and general understanding. Eighty-one per cent of job competitions reached the benchmark of at least two equity group candidates qualifying for interviews. Equity group candidates were successful in 61 per cent of all external hires and 80 per cent of all internal promotions.

The acceptance rating of diversity policies among employees is high, with 90 per cent believing BCLC has done much to increase employees' acceptance of diversity. Ninety-nine per cent believe the Corporation does not discriminate and has done a good job of increasing staff awareness and acceptance of diversity.

OBJECTIVE : **To seek to ensure that every employee is valued, professionally fulfilled and feels that they play an integral role in the success of the Corporation**

BCLC regularly surveys employees on their opinions and attitudes about the Corporation. In the latest survey, 100 per cent said they like their jobs and believe that they work for a good organization.

Financial Statements

APPENDIX L

Auditors' Report

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 1997 and the consolidated statements of income, amounts due to Province of British Columbia, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG

Chartered Accountants

Kamloops, Canada

May 16, 1997

Consolidated Balance Sheet

Year ended March 31, 1997, with comparative figures for 1996

(in thousands of dollars)	*1997*	*1996*
Assets		
Cash:		
Prize funds	$ 64,516	$ 57,827
Other	4,278	7,545
	68,794	65,372
Accounts receivable (note 3)	13,805	13,921
Prepaid expenses	3,704	3,408
Capital assets (note 4)	14,122	7,198
	$ 100,425	**$ 89,899**
Liabilities		
Prizes payable	$ 64,516	$ 57,827
Payable to Interprovincial Lottery Corporation	2,377	2,604
Accounts payable and accrued liabilities	14,300	9,635
Mortgage (note 5)	4,257	4,500
Due to Province of British Columbia	14,975	15,333
	$ 100,425	**$ 89,899**

See accompanying notes to consolidated financial statements.

Approved:

Patrick Chen,
Director

Hoshiar Gosal,
Director

Consolidated Statement of Income

Year ended March 31, 1997, with comparative figures for 1996

(in thousands of dollars)	*1997*	*1996*
Sales (note 6)	$ 867,452	$ 797,003
Direct expenses:		
Prizes	456,448	416,739
Retailer commissions	57,599	54,396
Ticket printing and bingo paper	15,670	15,616
	529,717	486,751
Sales less direct expenses	337,735	310,252
Operating expenses:		
Advertising, draws and promotions	16,333	17,451
Data processing and network	15,334	15,191
Administration	14,757	14,079
Sales	6,362	6,004
Depreciation	5,680	3,279
Less: Interest and other income	(5,168)	(6,381)
	53,298	49,623
Income from operations	**$ 284,437**	**$ 260,629**
GST expense	11,557	10,047
Net income	**$ 272,880**	**$ 250,582**
Allocation of net income:		
Province of British Columbia	$ 265,860	$ 244,058
Government of Canada (note 7)	6,714	6,524
Payments pursuant to ministerial direction (note 11)	306	–
	$ 272,880	**$ 250,582**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Province of British Columbia

Year ended March 31, 1997, with comparative figures for 1996

(in thousands of dollars)	*1997*	*1996*
Balance, beginning of year	$ 15,333	$ 6,459
Net income	272,880	250,582
	288,213	257,041
Payments to Province of British Columbia	266,524	235,184
Payments to Government of Canada	6,714	6,524
	273,238	241,708
Due to Province of British Columbia	**$ 14,975**	**$ 15,333**

See accompanying notes to consolidated financial statements.

Year ended March 31, 1997

2. Significant accounting policies (continued):

(b) Capital assets (continued):

The Corporation's capital assets are recorded at their original cost and are depreciated on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Building and leasehold improvements	5 years
Furniture and equipment	5 years
Computer equipment	3 years
On-line gaming terminals	3 years
Breakopen vending machines	3 years
Signs and fixtures:	
Computer	3 years
Non-Computer	5 years

Depreciation is prorated in the year the assets are put in use.

(c) Revenue recognition:

Revenue from the sale of lottery tickets is included in the statement of income in the period the ticket is sold. The associated selling costs and prize expenses are also included in the statement of income in the period the ticket is sold.

(d) Prize expenses:

The Corporation provides for prize expenses for all British Columbia games to fund expected prize payouts.

Prize expenses for Interprovincial Lottery Corporation games are British Columbia's proportionate share of prizes funded which is based on the number of tickets sold.

(e) Software development costs:

Software development costs are expensed in the period in which they are incurred.

Year ended March 31, 1997

3. Accounts receivable:

(in thousands of dollars)	1997	1996
Retailers	$ 12,013	$ 13,361
Other	1,792	560
	$ 13,805	**$ 13,921**

4. Capital assets:

(in thousands of dollars)			1997	1996
	Cost	Accumulated depreciation	Net	Net
Land	$ 700	$ –	$ 700	$ 700
Building and leasehold improvements	22,600	20,735	1,865	1,675
Furniture and equipment	3,240	3,021	219	43
Central system computer	18,371	17,392	979	895
On-line gaming terminals	31,231	23,042	8,189	2,698
Breakopen vending machines	7,945	6,167	1,778	1,007
Signs and fixtures	3,772	3,380	392	180
	$ 87,859	**$ 73,737**	**$ 14,122**	**$ 7,198**

5. Mortgage:

(in thousands of dollars)	1997	1996
CIBC Mortgage Corporation, payable in monthly instalments of $52,651 including interest at 9.14%, secured by land and building and a general assignment of rental income, due June 1, 1997	$ 4,257	$ 4,500
	$ 4,257	**$ 4,500**

Year ended March 31, 1997

2. Significant accounting policies (continued):

(b) Capital assets (continued):

The Corporation's capital assets are recorded at their original cost and are depreciated on the straight-line basis over their estimated useful lives, as follows:

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Signs and fixtures:	
Computer	3 years
Non-Computer	5 years

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	$ 4,257	**$ 4,500**

Year ended March 31, 1997

6. Sales:

(in thousands of dollars)	1997	1996
Mass market games:		
6/49	$ 291,001	$ 270,801
INSTANT	172,386	177,514
BC/49	89,396	82,762
EXTRA	60,959	49,660
	613,742	580,737
Niche games:		
SPORT LOTTERY	21,460	23,833
CLUB KENO	70,724	27,940
SPECIAL EVENT	4,146	4,645
DAILY 3	5,175	5,123
	101,505	61,541
Social games:		
BREAKOPEN	148,132	150,509
Bingo paper	4,073	4,216
	152,205	154,725
	$ 867,452	**$ 797,003**

7. Payments to Government of Canada:

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $6.8 million for the next fiscal year ending March 31, 1998.

8. Interprovincial Lottery Corporation Expenses and Interest Revenue:

The Corporation's share of the Interprovincial Lottery Corporation prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

Year ended March 31, 1997

9. Lease obligations:

The Corporation is committed to payments under operating leases for premises. Minimum annual rental payments for the next five years are approximately as follows:

(in thousands of dollars)	
1998	$881
1999	$705
2000	$551
2001	$224
2002	$69

10. Pension plan:

The market value of pension plan assets as at March 31, 1997 is approximately $20.4 million (1996 - $16.4 million) and the actuarial present value of accrued pension benefits for services rendered to March 31, 1997 is approximately $15.6 million (1996 - $13.8 million), resulting in a net surplus of $4.8 million.

11. Payments pursuant to ministerial direction:

Pursuant to Section 22 of the Financial Administration Act, the Ministry of Employment and Investment has directed the Corporation to pay the costs of the Gaming Project Office for fiscal 1997 from lottery proceeds.

12. Fair value of financial assets and liabilities:

The carrying value of accounts receivable, prizes payable, payable to the Interprovincial Lottery Corporation, accounts payable and accrued liabilities, long-term debt and payable to Province of British Columbia approximate their fair value due to the relatively short periods to maturity of the instruments.

British Columbia Lottery Corporation is a Crown Corporation. At this time, the Corporation reports to the Ministry of Employment and Investment through a Board of Directors. Board members are appointed by the Provincial Government.

Chair

Patrick Chen

Vice-Chair

Hoshiar Gosal

Directors

Jann L.M. Bailey

J.F. Raymond Chouinard

Kenneth H. Isomura

Gerard Janssen

Lloyd Munro

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APPENDIX L

APPENDIX L

Appendix M – 1997/98:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1997-1998,* (Kamloops: British Columbia Lottery Corporation, 1998).

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SCRATCH & WIN PAGE 6

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RETAIL PAGE 14

BUSINESS PAGE 16

Annual REPORT

British Columbia Lottery Corporation

1997/1998

British Columbia Wins!

ANOTHER RECORD-BREAKING YEAR FOR BCLC

Fiscal 1997/98 could be described as a win-win year in British Columbia.

For Brian and Mary Yuzwa, it was the year they headed off to the bank with a $15,000,001 prize cheque.

The Port Moody couple claimed their Lotto 6/49 prize won on the November 15 draw. Theirs was the only ticket in Canada to match all six numbers on that date, plus they won $1 by playing the Extra.

Because of that Extra dollar, they hold the record for receiving the biggest prize ever paid by British Columbia Lottery Corporation (BCLC). Their modest plans at the time included shock absorbers for Brian's car and, possibly, a new sewing machine for Mary.

The Yuzwas were among thousands of British Columbia winners who claimed prizes in 1997/98. In total, the Corporation paid out a record $483 million.

Lottery retailers, casino service providers and bingo operators earned $72.1 million in commissions.

Just prior to fiscal 1997/98, the Provincial Government gave BCLC the responsibility to conduct and manage electronic and linked bingo. Players discovered the thrill of a nightly provincewide game when BCLC launched SuperStar Bingo. Each night through the linked system, the minimum $20,000 jackpot was won or shared.

British Columbia residents won the opportunity to try their luck on slot machines after the government approved a moderate expansion of gaming. BCLC was given responsibility to conduct and manage slot machines and introduced them into selected casinos.

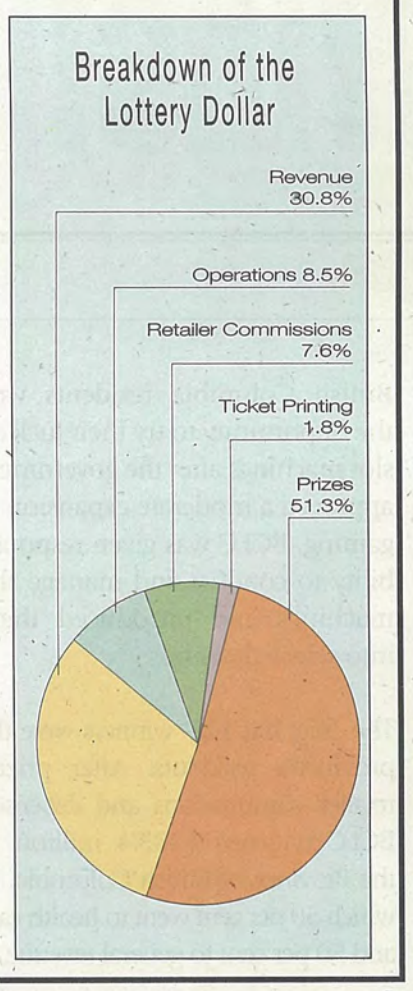
The "big, big, big" winners were the province's residents. After prizes, retailer commissions and expenses, BCLC returned $283.4 million to the Province of British Columbia, of which 50 per cent went to health care and 50 per cent to general revenue.

Hey Revenue return to British Columbia **$283.4 million**

EDITORIAL

VIEWPOINT

Lotto '97 Retailer Forum



Hey Total Sales $942.2 million

President's Perspective

Sales figures climbed as British Columbia Lottery Corporation rode a roller-coaster of growth and change during fiscal 1997/98.

In the 24th consecutive year of lotteries in British Columbia, the Corporation set a sales record just shy of the $1 billion mark. The year closed at $942.2 million, the 24th time a sales increase has been achieved.

Record profits in 1997/98 meant a revenue return of $283.4 million to the Province of British Columbia and $6.9 million to the Government of Canada. Prizes paid reached a record $483 million.

During fiscal 1997/98, the Provincial Government announced a new gaming policy that significantly expanded BCLC's role in the conduct and management of gaming activities. The policy meant opportunities for substantial revenue and profit growth after a decade of limited growth in the traditional market.

The Corporation was given responsibility to conduct and manage casinos, and electronic and linked bingo.

Driven by the new gaming initiatives, the Corporation evaluated and selected slot machine suppliers and games and a slot management system to provide central control of all slot machines. About 850 slot machines were installed at six casinos.

A provincewide linked bingo system was selected and implemented, resulting in the launch of SuperStar Bingo at 84 bingo halls around the province.

BCLC employees rolled up their sleeves and all of this was accomplished in a mere five months.

In the meantime, the Corporation strived to achieve the objectives of its core lottery business. Under a new marketing structure, cross-functional product teams focused clearly on bottom-line accountability.

BCLC upgraded its computer system to give staff the tools to get the job done in an increasingly competitive and technological marketplace. And the Corporation established its presence on the World Wide Web.

Despite the successes, some concerns remained. While overall sales and profit grew, they were less than what was projected. Because the jackpots in Lotto 6/49 were won so often, there were far fewer "big, big" jackpots than the previous year, with the result that Lotto 6/49 sales dropped to 80 per cent of their previous year's record high.

BCLC's public acceptance rating took a drop due to controversy surrounding expanded gaming policies and a court decision prohibiting government from sharing in revenue from charitable gaming.

Fiscal 1998/99 is anticipated to be another year of growth and transition in a complex environment. With the expansion in casinos and electronic and linked bingo, and projected sales increases in lottery and social gaming, BCLC will break that $1 billion mark.

Guy Simonis

President

British Columbia Lottery Corporation

LOTTO

THAT'S ENTERTAINMENT

Sales Trends

Reflect Jackpot Rollovers

Birthdays are special, and lottery birthdays are no exception. The national game Lotto 6/49, BCLC's Blue game, celebrated 15 years in June.

Sales on the flagship game are closely tied to the number of jackpot rollovers during the year. Higher jackpots mean higher sales.

In fiscal 1997/98, total sales of $233.4 million were under the $265 million budget. This is attributed to fewer jackpot rollovers. For example, the jackpot reached $10 million only three times, compared to 9 in 1996/97. However, that also meant the smaller jackpots were won more often.

Sales for BC/49, the Red game, and Extra, the White game, are pulled along by Lotto 6/49. Therefore, both games missed budget.

When BCLC introduced a contest for non-winning BC/49 and Lotto 6/49 tickets, players cheered, "Encore!"

The Encore contest launched in June, coinciding with the redesign of BCLC's weekly Luck Magazine to a tabloid from a broadsheet format. Players checked the current issue of Luck for the Encore numbers and matched them to their non-winning tickets for specific draws.

BCLC received an average of 5,000 entries for each weekly draw of five prizes of $1,000 each.

Lotto 6/49's The Big 3 bonus returned, offering consecutive jackpots of $8 million, $12 million and $15 million on November 8, 12 and 15.

BCLC aimed to equal sales achieved when The Big 3 was held the previous February. The objective was exceeded, with Red, White and Blue sales up three per cent. BCLC was one of two lottery jurisdictions to record increased sales.

Total payout on The Big 3 retailer incentive was about $258,500. An average of 54 per cent of the retailer network qualified on *all* three draws.

BCLC introduced 222, a new Red, White and Blue Quick Pick package of six plays for $5. After a promising test market, 222 was launched provincewide March 1.

Product Team

Marketing support included a consumer promotion, retailer incentive, radio and print advertising. For the consumer promotion, held in partnership with VTV, players entered a 222 proof-of-purchase for the chance to appear on television and win the top prize of a 1998 Jeep Cherokee Grizzly Edition. Response rate was 84 per cent, based on the number of tickets sold with a proof-of-purchase.

More than $61,000 was paid out on the retailer incentive. The campaign was judged a success. Over a six-week period, the Corporation achieved $600,000 in incremental Red, White and Blue sales.

Hey Lotto Sales $377.9 million

SCRATCH & WIN

THAT'S ENTERTAINMENT

Point-of-Sale

Crossword

Tops Best-seller List

They scratched up, down and across. They used coins, thumbnails and novelty scratchers. Players liked BCLC's new Crossword ticket so much, it became the best-selling Scratch & Win ticket on the market.

Released in June, Crossword recorded sales of more than $29 million by the end of the fiscal year. It consistently represents more than 16 per cent of total Scratch & Win sales.

Because of Crossword and other popular new tickets, more British Columbia adults played Scratch & Win games in 1997/98. Of those surveyed, 33 per cent had participated in the past month, up from 29 per cent the previous year.

Scratch & Win sales in 1997/98 reached almost $180 million, the highest ever for BCLC. They exceeded budget by 3.4 per cent and were up 4.4 per cent over the previous year.

4X4 Fortune, offering 4X4 Jeep Grand Cherokees or GMC Jimmys or $35,000 cash equivalent, was another great success. Launched in the fall, the ticket sold out in merely five weeks instead of the usual 12 to 15.

To support the ticket, Canadian actor Leslie Nielsen dispensed his advice on luck in broadcast advertisements and point-of-sale materials. When Nielsen appears in BCLC Scratch & Win campaigns, they always have a humorous twist.

Retailers were supplied with 4X4 Fortune scratchers shaped like licence plates to use as a sales tool.

In addition, the Corporation held a second-chance draw consumer promotion. Players sent in non-winning 4X4 Fortune tickets for the chance to win $4,444.

More than 70,000 entries were received, which is one of the best response rates for a BCLC second-chance draw promotion.

Product Team

Hey Scratch & Win Sales **$180 million**

Scratch & WiN

LUCKY CHARMS
win up to
$10,000

$1
Scratch & WiN
GOLD DUST
WIN UP TO
$10,000

SPORTS

BRAGGING RIGHTS

Really Intense

Year for Sports Action

Sports Action made watching sports even more exciting in 1997/98.

After two years of declining sales, Sports Action took an upswing. Sales finished at $22.5 million, which was $1.5 million ahead of budget. That final figure also represented a $1 million increase over the previous fiscal year.

When compared to other Canadian lottery jurisdictions, BCLC was one of only two to register a sales increase in their sports lottery product.

Sports Action players who won prizes during the hockey playoffs reinvested their winnings. When the hockey season ended, they tested their expertise on baseball.

Two additional Sports Action Toto menus were offered on hockey playoffs this year. Regular season college basketball was added to the sports mix, and international men's hockey was well-received.

Sports Action players took up the Hot Seat Challenge, a promotion integrated with a campaign of "hot seat" chairs and the slogan,

Hey Sports Action Sales $22.5 million

BRAGGING RIGHTS

SPORTS ACTION

SPORTS ACTION ODDSET

SPORTS ACTION TOTO

"Intense. Really intense." Participants had the chance to win merchandise prizes, game tickets and a trip to the Stanley Cup finals.

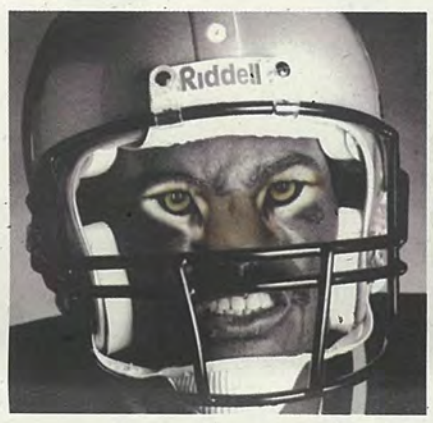
The promotion involved sports personality Don Taylor, The Province and a weekly segment on Global TV. Players checked the paper for the broadcaster's picks for game outcomes, based on Sports Action Oddset, and phoned in their predictions. Interactive Voice Response (IVR) technology was used for the first time by BCLC.

Some 3,800 entries were received between October and mid-April. Of those, 77 per cent were current players and 31 per cent of the remaining non-players had tried Sports Action subsequent to the promotion.

In a BCLC advertising tracking study, players indicated the television segment was informative and showed how Sports Action is different from other lottery games. These were two of the segment's primary goals.

Another move to improve Sports Action's profile involved a niche group of retailers who had high sales and were enthusiastic about sports. They were identified as Sports Action Centres and received a special selection of point-of-sale materials.

A seven-week incentive rewarded the top 30 retailers with high-value, professional hockey-related prizes. One of the objectives was to increase sales by five per cent over the same period last year. Actual increase achieved was 14.8 per cent.



Product Team

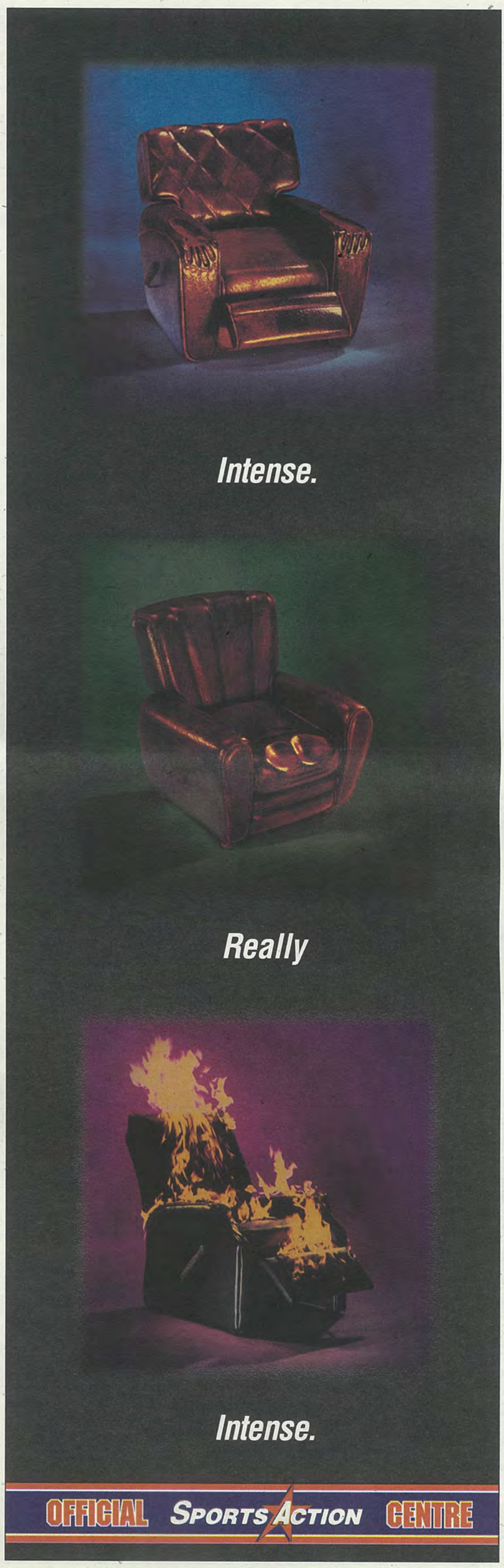
HOT SEAT CHALLENGE WINNERS

DAILY winners (Canucks merchandise)	GRAND PRIZE WINNER Trip for two to the Stanley Cup Finals
Jack Young Curtis Montgomery Gordon Gimenes Lorraine Sellers Laurie Lomas	**Kevin Scott**

Thanks to everyone who played The Hot-Seat Challenge!

Don Taylor's Scoreboard
This week's record: 5 correct out of 12 games played this week.
Overall Record: 47%

SPORTS ACTION



SOCIAL

WHERE PEOPLE MEET

Join the Club

Around the Korner

Club Keno created winners every five minutes during fiscal 1997/98. It's the nature of the game.

BCLC's social gaming network consists of about 1,200 bars and pubs that sell Breakopen tickets and about half of those locations also sell Club Keno.

This fiscal year, BCLC continued to make Club Keno available through its existing network of Breakopen retailers. Another 234 locations, known as Club Keno Korners (CKKs), were added to bring the total to 662, nearing the goal of 800.

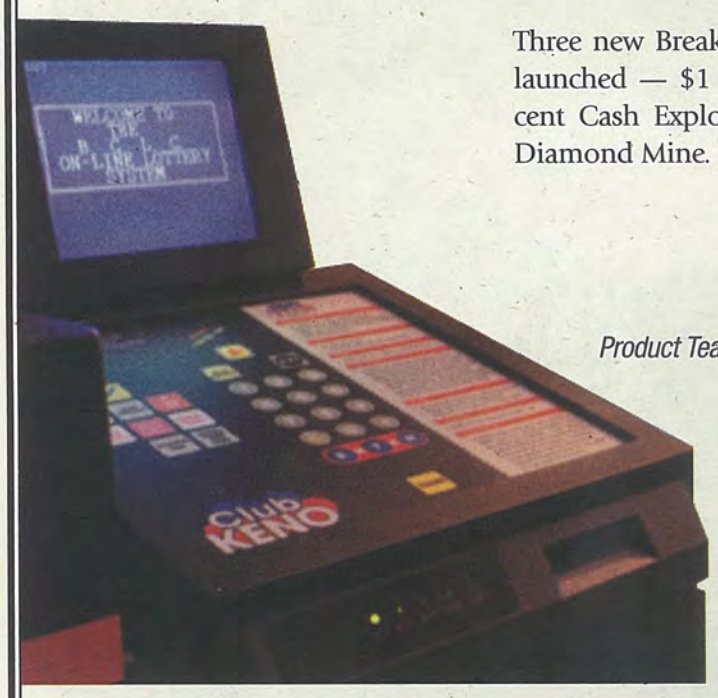
Combined Club Keno sales for Club Keno Korners and Lottery Ticket Centres reached just more than $166 million, surpassing budget by 3.8 per cent. This achievement is especially notable as projected figures were based on 800 CKK locations.

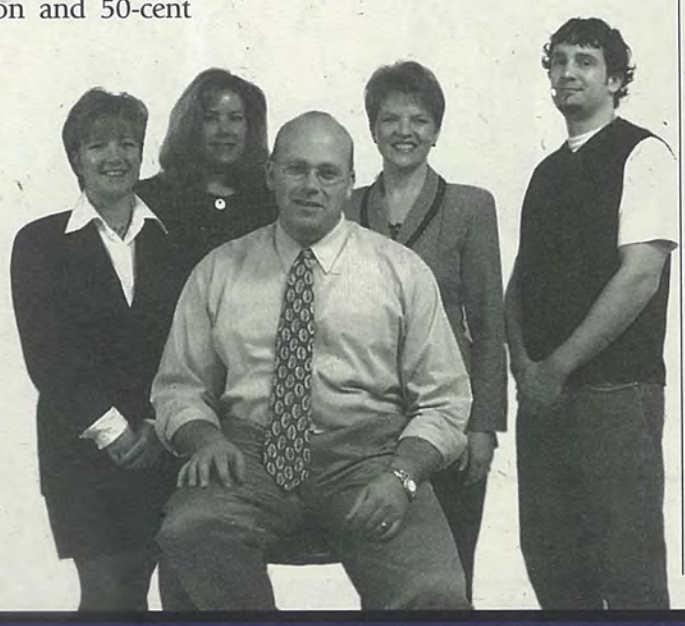
In addition to regular commission earned, Club Keno retailers were offered incentives for their sales performance. This resulted in a retailer incentive payout that exceeded $800,000.

Three new Breakopen tickets were launched — $1 Monte Carlo, 50-cent Cash Explosion and 50-cent Diamond Mine.

These tickets were well-received, partially due to the retailer incentives that were developed for all three. In addition, Diamond Mine included a second-chance draw component that offered consumers a chance to win a diamond pendant. This was the first time a consumer promotion was held provincewide for a Breakopen product. A total of 17,000 entries were received.

Breakopen sales fell just short of the $135 million target. It is believed that the successes of the Breakopen promotions contributed to minimizing this shortfall as some consumers appear to be shifting their spending to Club Keno.



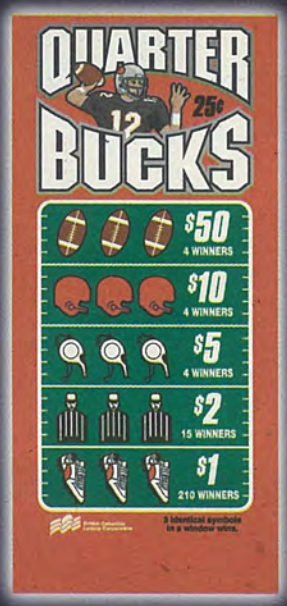


Product Team

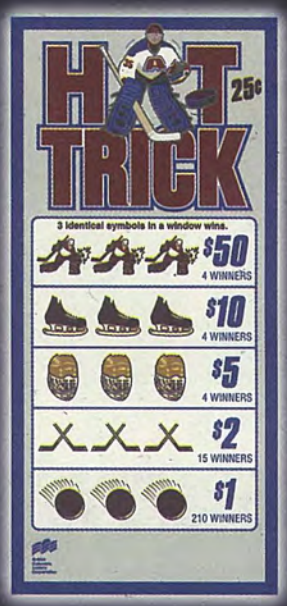
Hey Club Keno Sales $166.1 million

EASY MONEY
$60
2 WINNERS
3 IDENTICAL SYMBOLS IN A WINDOW WINS.
$40
2 WINNERS
$5
6 WINNERS
$1
180 WINNERS
50¢
260 WINNERS

SLAM DUNK
25¢
$50
4 winners
$10
4 winners
$5
4 winners
$2
15 winners
$1
210 winners


QUARTER BUCKS
25¢
$50
4 WINNERS
$10
4 WINNERS
$5
4 WINNERS
$2
15 WINNERS
$1
210 WINNERS
3 identical symbols in a window wins.

GRAND SLAM
25¢
Three identical symbols in a window wins.
$50
4 WINNERS
$10
4 WINNERS
$5
4 WINNERS
$2
15 WINNERS
$1
210 WINNERS


HAT TRICK
25¢
3 identical symbols in a window wins.
$50
4 WINNERS
$10
4 WINNERS
$5
4 WINNERS
$2
15 WINNERS
$1
210 WINNERS

PRIZE FIGHT
.50¢
$50
12 WINNERS
$25
3 WINNERS
$15
4 WINNERS
$2
40 WINNERS
$1
337 WINNERS

CASH EXPLOSION
British Columbia Lottery Corporation

PLAY!
PULL TAB

$1
B.C. CASINO
3 IDENTICAL SYMBOLS IN A WINDOW WINS.
JACK POT
$500
1 WINNER
DIAMOND
$400
1 WINNER
POT
$300
1 WINNER
ROULETTE
$200
1 WINNER
KENO
$150
1 WINNER
MONEY BAG
$100
1 WINNER
BAR
$50
2 WINNERS
ORANGE
$10
2 WINNERS
CHERRY
$1
390 WINNERS
018766

CASH EXPLOSION
50¢
Three identical symbols in a window wins.
$100
Monte Carlo
$1
$10
DIAMOND MINE
50¢
Three identical symbols in a window wins.
$125
2 WINNERS
$50
4 WINNERS
$25
4 WINNERS
$10
10 WINNERS
$2
50 WINNERS
$1
330 WINNERS
British Columbia Lottery Corporation

Monte Carlo
$1

BREAK
OPEN

WHERE PEOPLE MEET

Linked Bingo

Creates SuperStars

When players get together for the nightly SuperStar Bingo game, they know the $20,000 minimum jackpot will be won or shared. But where in the province that "bingo!" holler will be heard is always a surprise.

BCLC has long been sole distributor of bingo paper to bingo halls. In 1997, as part of the Government of British Columbia's gaming expansion initiatives, the Corporation implemented SuperStar linked bingo.

BCLC is responsible for the conduct, management and operation of electronic bingo products.

SuperStar was introduced at licensed bingo halls where paper bingo was operated by charities. The game launched with a three-night preview for merchandise prizes in early October, and then players began to daub for the $20,000 nightly minimum jackpot.

Halls provincewide steadily came online to total 84 SuperStar locations by the end of the fiscal year.

Preparations also began to expand Starship electronic bingo beyond the flagship location Planet Bingo on Main Street in Vancouver, where the hall has operated since 1988.

During its partial year of operation, SuperStar Bingo achieved sales of more than $10 million. Starship Bingo sales amounted to more than $4 million.

SuperStar BINGO
Better Together

Hey Bingo Sales $18.1 million

Slot Machines

Introduced in British Columbia

Another chapter in British Columbia gaming history was written in fiscal 1997/98 when slot machines were introduced at selected casinos and BCLC entered the casino gaming market.

The first 191 slot machines were activated October 23 at Great Canadian Casino's Surrey location.

In March 1997, the Government of British Columbia announced its new gaming policy, which had a profound impact on the Corporation. Government charged BCLC with a new mandate to conduct and manage slot machines at casinos.

During the year, the Corporation installed about 850 slot machines at six casinos. To provide players with a variety of slot machine games, BCLC decided that each site would be a multi-vendor environment and purchased slot machines and games from three major manufacturers. A unique slot management system was installed to provide central management and control of all slot machines.

While expanded gaming had been accepted in some areas, some municipalities expressed strong opposition and challenged the Government in court. In December, the City of Vancouver won a decision that its zoning bylaws could prohibit the introduction of slot machines. The decision was still under appeal at fiscal year-end. A similar zoning bylaw court challenge in Surrey also remained undecided.

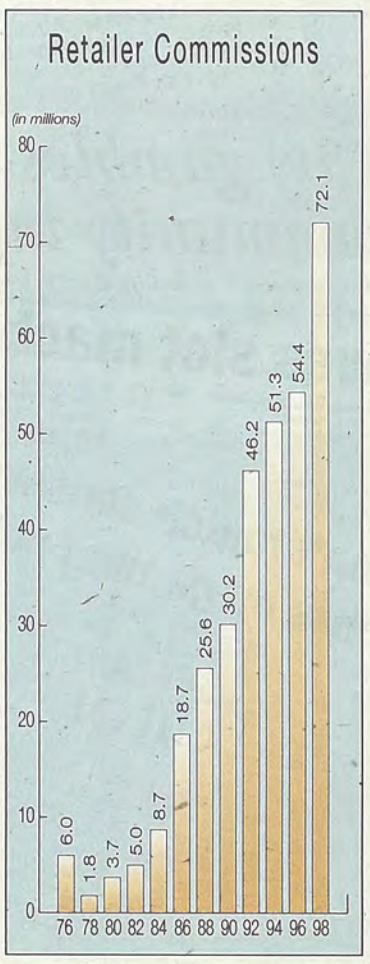
In addition, the new gaming revenue distribution model, which saw Government sharing in the proceeds from charitable gaming, was declared illegal. As a result, Government was re-evaluating its policy options and legal framework for charitable gaming at fiscal year-end.

Hey Slot Machine Revenue $40.7 million

RETAIL

WINNING WAYS

LOTTERY TICKET CENTRE



Good Service

A Business Cornerstone

Tutu fun at Mason's Store & Patio in Shawnigan Lake. Staff dressed up in their tutus to surprise their BCLC Territory Manager during a sales call.

BCLC's lottery retailers appreciate their customers' business. And the customers appreciate their retailers, a survey shows.

The Lottery Ticket Centre network comprises a variety of businesses, such as family-owned shops, convenience stores and supermarket chains. Staff sell and validate tickets, pay prizes, educate players about lottery products and participate in retailer and consumer promotions. In fiscal 1997/98, lottery retailers shared commissions and bonuses totalling $32,865,000 and the average per retailer totalled $16,000.

Just prior to the end of the fiscal year, the Corporation's research supplier surveyed 400 British Columbia adults who had visited a Lottery Ticket Centre during the past month. Questions were based on the objectives of BCLC's Service Leadership Program, an extension of the basic retailer training provided by the Corporation. By being attentive, informed, competent and reliable, retailers strengthen all aspects of the businesses they operate, and customers can only benefit.

Overall service ratings were stable with previous years, with 88 per cent of retailers rating a four or five on a five-point scale.

Consistent with past surveys, retailers were given high marks for competency with the lottery terminal, and for being fast, efficient, friendly and polite.

BCLC gets a report card, too, by regularly surveying retailers on their perceptions of and satisfaction with the Corporation and its services. In March of 1998, overall satisfaction was 94 per cent, consistent with findings since 1992.

As in recent years, BCLC was ranked as the best supplier by 26 per cent of retailers. Punctuality was mentioned most often as the quality that "makes the best supplier the best."

Once again, the Corporation rated highly in keeping retailers informed about relevant issues, on its clear communication of business objectives, for honesty in dealing with the public and for supporting retailers.

As of October 1, the minimum age for participating in gaming in British Columbia increased to 19 from 16 years. This government regulation applies to all gaming in British Columbia, including the purchase of lottery products.

Hey Total Bonuses & Commissions **$72.1 million**

Players Win

With a Little Bit of Luck

"FEEL LIKE A MILLION"

was more than an expression for 29 lottery players in British Columbia in 1997/98. They joined the special rank of winners who have claimed prizes of $1 million or greater.

Of the 29 winners, 18 claimed prizes on Lotto 6/49 and 11 on BC/49.

Winners on all games pocketed $483 million in prizes paid out on some 54 million winning tickets.

November's Lotto 6/49 The Big 3 bonus turned into a big event for BCLC. Brian and Mary Yuzwa of Port Moody won $15 million – plus $1 on the Extra – on the November 15 draw. That Extra dollar meant they were the recipients of the biggest prize ever paid by BCLC.

Suspense surrounded the win because the Yuzwas waited six weeks before coming forward to claim their prize. In the meantime, the mystery winner was the talk of British Columbia. Excitement grew as people searched their glove compartments, sock drawers and trash cans for the lucky ticket.

There are four ways to claim a prize, depending on the amount. Players can claim at retail, automatically through a subscription service, by sending their tickets to BCLC or by appearing in person at one of the three Corporate offices.

More than 16,000 tickets were received by mail at BCLC, and about 12,700 winners claimed at the counter. BCLC issued almost 160,000 subscription cheques.

IN THE WORDS OF WINNERS

Through a survey program, British Columbia Lottery Corporation asked winners of $10,000 and greater to comment on their winning experiences. Here is what some of them said when asked about the one thing they were able to accomplish with their lottery prize.

"I have always wanted to make sure I had money in the bank for when I am older and retired. Just a little safeguard to know you're going to have a happy and great retirement."

"Peace of mind regarding debts from family education. A few extras that wouldn't have been possible."

"Put money away for a spring vacation, redecorate living room furniture, give my mom diamond earrings for her 60th birthday."

"What is family for but to help each other. I invested and tried not to spend foolishly. Money is always hard to come by for some, so I felt I had accomplished a lot by helping my children when they needed it most."

"Buy my kids the big gifts they would have liked to have, but didn't expect. Put maximum amount into RRSPs and put away some for a vacation later."

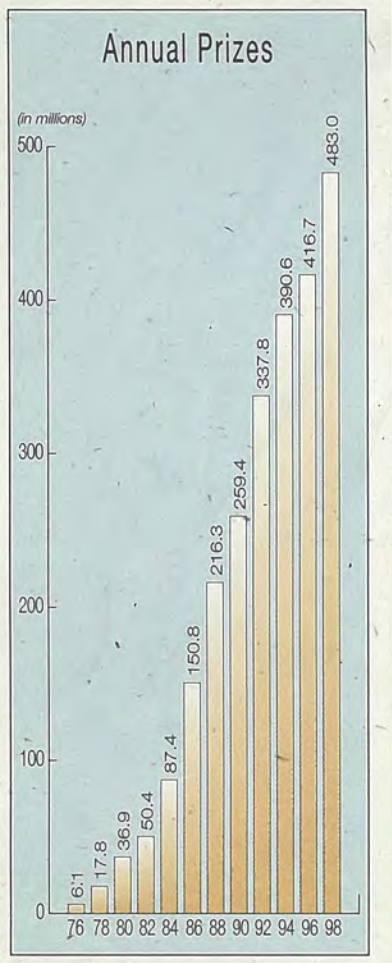
When asked if they did anything out of the ordinary with their prize, winners replied:

"I loaned some money to my brother, something I've never been able to do before in my life. It made me feel really good."

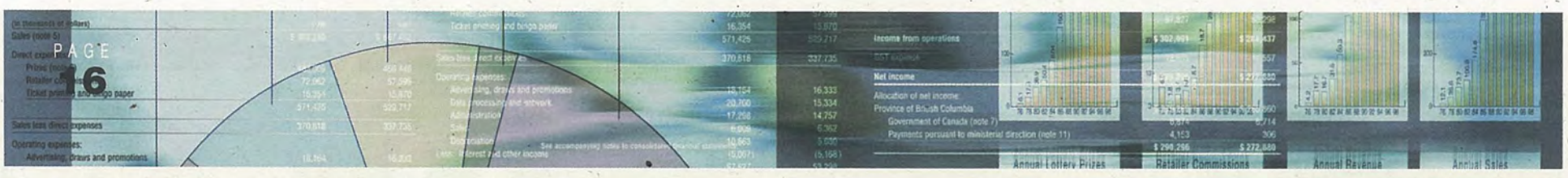
"Purchased a seven-passenger mini-van we really didn't need. There are only two of us and now we have five empty seats. But, 'Hey, you never know,' the extra seating could maybe come in handy!"

"I treated all the staff where I buy all my lottery tickets. Took them all out for dinner (15 in all). Everyone had a great time and it gave me great pleasure."

"Silly surprises for family and friends before the news broke. Bought them vehicles, sent them on trips, gave cash. Probably the best part of winning was the looks on their faces when they opened their gifts and learned of the news."



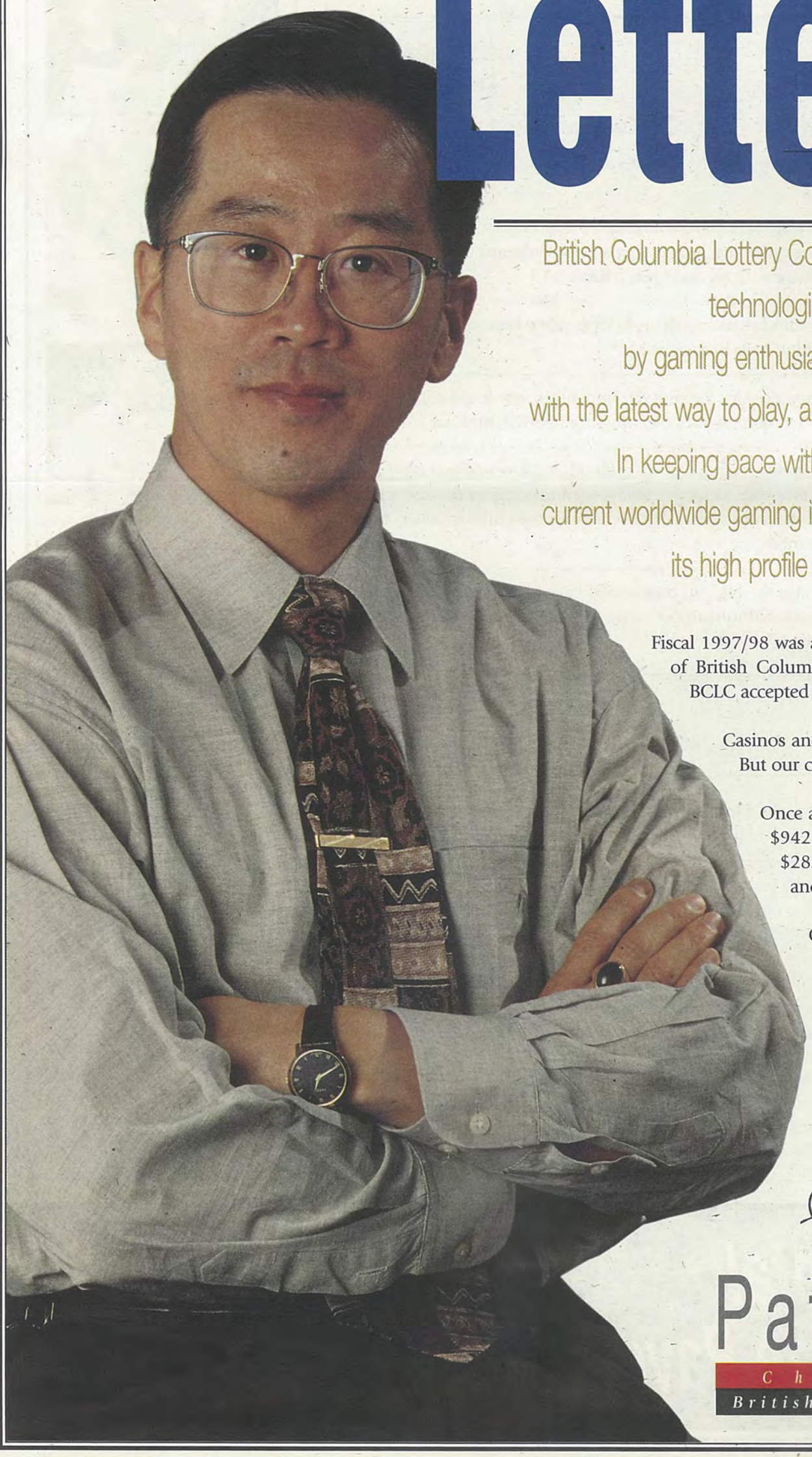
Hey Total Prize Payout $483 million



BUSINESS

FROM THE CHAIR

Letter of Transmittal



British Columbia Lottery Corporation continues to be driven by technological advancements, by gaming enthusiasts ready to be entertained with the latest way to play, and by innovative marketing methods. In keeping pace with, and often steps ahead of, current worldwide gaming initiatives, the Corporation maintains its high profile in the gaming industry.

Fiscal 1997/98 was a year of excitement. Pursuant to the Government of British Columbia's directives for enhancing gaming programs, BCLC accepted new challenges and responsibilities.

Casinos and electronic bingo are new areas of responsibility. But our core lottery business continues.

Once again the Corporation posted a sales record at the $942.2 million mark. That translated into a return of $283.4 million to the Province of British Columbia and $6.9 million to the Government of Canada.

On behalf of British Columbia Lottery Corporation's Board of Directors, management, employees and retailers, I am pleased to present the annual report for fiscal 1997/98.

Patrick Chen

Chair

British Columbia Lottery Corporation

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.

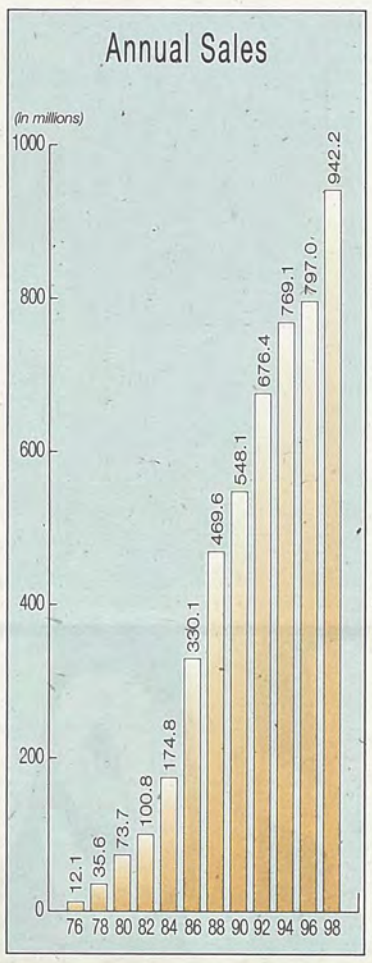
As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia, including the marketing of nationwide and regional lottery games in association with other provinces of Canada.

Mission Statement

As the major advocate on gaming policies and the principal operational agency of commercial gaming within the jurisdiction of British Columbia, the Corporation will contribute significantly to government revenues and economic growth through providing top-quality gaming entertainment to the public in a socially responsible manner.

Corporate Objectives

- To maximize gaming revenue to the Province of British Columbia
- To operate the Corporation in the most effective and efficient manner possible
- To be recognized as a responsible, trustworthy and progressive Corporation, and to achieve strong and broad-based public support of the Corporation's mandate
- To have the best retailer networks in the Province of British Columbia to serve and meet the needs of our players
- To foster an organization climate that welcomes and values diversity within the organization and through the services it provides to the public and its retailers
- To seek to ensure that every employee is valued, professionally fulfilled and feel that they play an integral role in the success of the Corporation



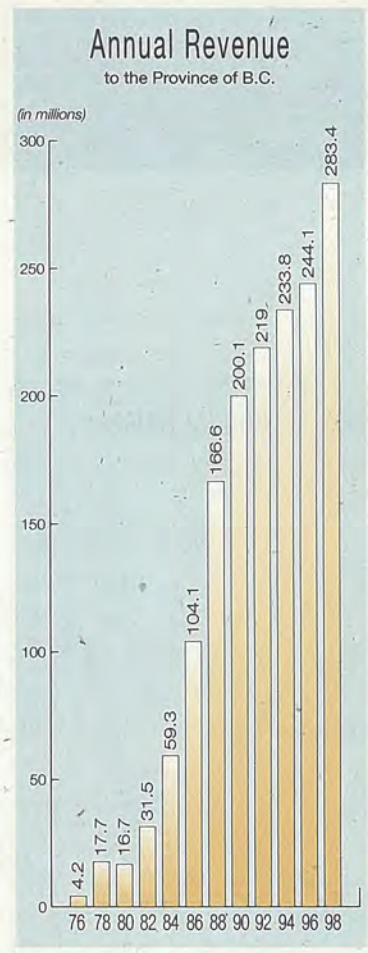
Performance Measures

OBJECTIVE

To maximize gaming revenue to the Province of British Columbia

In fiscal 1997/98, sales were $942.2 million, $35.6 million less than budget and $74.8 million greater than fiscal 1996/97. Sales targets were not achieved largely as a result of fewer Lotto 6/49 jackpot rollovers than expected, and delays in introducing slot machines and electronic bingo.

Distribution to the Province of British Columbia was $283.4 million, $18.4 million less than budget and $17.2 million greater than fiscal 1996/97. Return to the Government of Canada was $6.9 million.



OBJECTIVE

To operate the Corporation in the most effective and efficient manner possible

Operating expenses are a major cost category for the Corporation. As a percentage of total expenses, operating expenses were 10.40 per cent in fiscal 1997/98. This was slightly more than budget and an increase of $14.5 million over fiscal 1996/97. The increase reflects the start-up costs associated with slot machines, electronic bingo and linked bingo.

As a percentage of sales, operating expenses were 7.20 per cent, slightly greater than both budget and fiscal 1996/97.

BCLC's online gaming system operates 24 hours, and is available for sales from 6 a.m. to midnight daily except December 25. Online game availability in fiscal 1997/98 was 99.99 per cent. This compares to the target of 99.95 per cent and 99.86 per cent in fiscal 1996/97.

OBJECTIVE

To be recognized as a responsible, trustworthy and progressive Corporation, and to achieve strong and broad-based public support of the Corporation's mandate

BCLC tracks the public's attitude towards the Corporation. The acceptance rating for 1997/98 was 47.6 per cent. This compares to the target of 60 per cent and 66.7 per cent in fiscal 1996/97.

The decrease in the Corporation's public acceptance rating was largely attributable to the implementation of the Provincial Government's new gaming policy. With the introduction of slot machines and electronic bingo, there was considerable media coverage, much of it negative.

Through a random survey conducted by an external research agency, adults are asked if they have played any lottery games within the last two years. Public participation rate for fiscal 1997/98 was 64.7 per cent. This compares to the target of 65 per cent and 66.7 per cent in fiscal 1996/97.

Providing part-time and full-time employment opportunities for youth also advances this objective. In fiscal 1997/98, the Corporation hired 39 employees under the age of 25.

OBJECTIVE

To have the best retailer networks in the Province of British Columbia to serve and meet the needs of our players

Services to retailers include sales support, technical assistance, marketing support, product delivery, and retailer training. By tracking retailer satisfaction, BCLC measures the effectiveness of current retailer programs. Retailer satisfaction for 1997/98 was 94 per cent. This compares to the target of 90 per cent and 96 per cent in fiscal 1996/97.

To achieve the objective of the best retailer network, BCLC has managed the network's size with the goal of maximizing customer service while maintaining high levels of income for retailers.

As a percentage of sales, commissions were 7.65 per cent for fiscal 1997/98. This was slightly less than budget, but $14.5 million greater than fiscal 1996/97. The increase in commissions largely reflects the introduction of slot machines and bingo, which are higher commission games.

BCLC has a comprehensive selection process and training program for lottery retailers. By tracking customer satisfaction, this provides a measure of the effectiveness of these programs and overall achievement of the objective. Customer ranking of retailer services for fiscal 1997/98 was 88 per cent, two per cent less than target.

OBJECTIVE

To foster an organization climate that welcomes and values diversity within the organization and through the services it provides to the public and its retailers

BCLC measures the number and percentage of applicants from four designated equity groups – women, people with disabilities, aboriginal Canadians and visible minorities. This includes applicants for internal and external job postings. In fiscal 1997/98, there were 785 (63 per cent) applicants from designated equity groups and 90 (60 per cent) new hires. Of all regular and part-time employees in the BCLC workforce, 272 (65 per cent) were from designated equity groups.

OBJECTIVE

To seek to ensure that every employee is valued, professionally fulfilled and feel that they play an integral role in the success of the Corporation

As one measure to gauge employee satisfaction, the Corporation tracks the number of grievances and arbitrations each year. There were 26 grievances filed in fiscal 1997/98 and four arbitrations, up from 17 and two respectively in fiscal 1996/97.

Labour costs represent the Corporation's largest administrative expenditure. Absenteeism is a measure of the Corporation's productivity. In fiscal 1997/98, absenteeism was down to 2.3 per cent from 2.6 per cent in fiscal 1996/97.

Hey Total Transfer to Government $290.3 million

Auditor's Report

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 1998 and the consolidated statements of income, amounts due to Province of British Columbia, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG

Chartered Accountants

Kamloops, Canada
May 8, 1998

Consolidated Balance Sheet

Year ended March 31, 1998, with comparative figures for 1997

(in thousands of dollars)	*1998*	*1997*
Assets		
Cash:		
Prize funds	$ 65,896	$ 64,516
Other	5,922	4,278
	71,818	68,794
Accounts receivable (note 3)	20,132	13,805
Prepaid expenses	3,307	3,704
Capital assets (note 4)	41,491	14,122
	$136,748	**$100,425**
Liabilities		
Prizes payable	$ 65,896	$ 64,516
Payable to Interprovincial Lottery Corporation	1,935	2,377
Accounts payable and accrued liabilities	27,623	14,300
Mortgage	–	4,257
Due to Province of British Columbia	41,294	14,975
	$136,748	**$100,425**

See accompanying notes to consolidated financial statements.

Approved:

Patrick Chen,
Director

Hoshiar Gosal,
Director

Consolidated Statement of Income

Year ended March 31, 1998, with comparative figures for 1997

(in thousands of dollars)	*1998*	*1997*
Sales (note 5)	$942,243	$867,452
Direct expenses:		
Prizes (note 6)	483,009	456,448
Retailer commissions	72,062	57,599
Ticket printing and bingo paper	16,354	15,670
	571,425	529,717
Sales less direct expenses	370,818	337,735
Operating expenses:		
Advertising, draws and promotions	18,164	16,333
Data processing and network	20,700	15,334
Administration	17,298	14,757
Sales	6,009	6,362
Depreciation	10,663	5,680
Less: Interest and other income	(5,007)	(5,168)
	67,827	53,298
Income from operations	**$302,991**	**$284,437**
GST expense	12,695	11,557
Net income	**$290,296**	**$272,880**
Allocation of net income:		
Province of British Columbia	$279,269	$265,860
Government of Canada (note 7)	6,874	6,714
Payments pursuant to ministerial direction (note 11)	4,153	306
	$290,296	**$272,880**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Province of British Columbia

Year ended March 31, 1998, with comparative figures for 1997

(in thousands of dollars)	*1998*	*1997*
Balance, beginning of year	$ 14,975	$ 15,333
Net income	290,296	272,880
	305,271	288,213
Payments to Province of British Columbia	257,103	266,524
Payments to Government of Canada	6,874	6,714
	263,977	273,238
Due to Province of British Columbia	**$ 41,294**	**$ 14,975**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year ended March 31, 1998, with comparative figures for 1997

(in thousands of dollars)	*1998*	*1997*
Cash provided by (used in):		
Operations:		
Net income	$290,296	$272,880
Depreciation, which does not involve cash	10,663	5,680
	300,959	278,560
Changes in non-cash operating items:		
Accounts receivable	(6,327)	116
Prepaid expenses	397	(296)
Prizes payable	1,380	6,689
Payable to Interprovincial Lottery Corporation	(442)	(227)
Accounts payable and accrued liabilities	13,323	4,665
	309,290	289,507
Financing:		
Payments to Province of British Columbia	(257,103)	(266,524)
Payments to Government of Canada	(6,874)	(6,714)
Reduction of long-term debt	(4,257)	(243)
	(268,234)	(273,481)
Investments:		
Additions to capital assets	(38,032)	(12,604)
	(38,032)	(12,604)
Increase in cash	3,024	3,422
Cash, beginning of year	68,794	65,372
Cash, end of year	**$ 71,818**	**$ 68,794**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended March 31, 1998

1. Nature of the Corporation:

The British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

DAILY 3, INSTANT, BC/49, CLUB KENO, EXTRA, SPORTS ACTION, BREAKOPEN games, slot machines, STARSHIP BINGO AND SUPERSTAR BINGO are conducted and managed solely by the Corporation in the Province of British Columbia. In addition, the Corporation is the sole distributor of Bingo paper.
The Corporation is the regional marketing organization for the SPECIAL EVENT and LOTTO 6/49 games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant accounting policies:

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Capital assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased will be capitalized.

The Corporation's capital assets are recorded at their original cost and are depreciated on the straight-line basis over their estimated useful lives, as follows:

Asset	*Rate*	*Asset*	*Rate*
Building and leasehold improvements	5 years	Signs and fixtures: Computer	3 years
Furniture and equipment	5 years	Non-computer	5 years
Computer equipment	3 years	Bingo equipment	3 years
On-line gaming terminals	3 years	Casino equipment	3 years
Breakopen vending machines	3 years		

Depreciation is prorated in the year the assets are put in use.

(c) Revenue recognition:

Lottery games:

Revenue from the sale of lottery tickets is included in the statement of income in the period the ticket is sold. The associated selling costs and prize expenses are also included in the statement of income in the period the ticket is sold.

Bingo games:

Revenue from the operation of electronic and linked Bingo is included in the statement of income in the same period the game is played. The associated selling costs and prize expenses are also included in the statement of income in the period the game is played.

Casinos:

Revenue from casino slot machines is recorded on the statement of income, net of prizes paid out. Related operating costs are recorded in the statement of income in the period they are incurred.

(d) Prize expenses:

The Corporation provides for prize expenses for all British Columbia games to fund expected prize payouts. Prize expenses for Interprovincial Lottery Corporation games are British Columbia's proportionate share of prizes funded which is based on the number of tickets sold.
Prizes for casino slot machines are paid out immediately and netted against revenues. Accordingly, no provision for these expenses is required in the financial statements.

Notes to Consolidated Financial Statements (page 2)

Year ended March 31, 1998

(e) Software development costs:
Software development costs are expensed in the period in which they are incurred.

(f) Estimates:
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(g) Income taxes:
As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

3. Accounts receivable:

(in thousands of dollars)	*1998*	*1997*
Retailers	$ 13,490	$ 12,013
Other	6,642	1,792
	$ 20,132	**$ 13,805**

4. Capital assets:

(in thousands of dollars)			*1998*	*1997*
	Cost	*Accumulated depreciation*	*Net*	*Net*
Land	$ 700	$ –	$ 700	$ 700
Building and leasehold improvements	22,970	21,352	1,618	1,865
Furniture and equipment	3,240	3,080	160	219
Central system computer	20,806	18,654	2,152	979
On-line gaming terminals	34,935	27,577	7,358	8,189
Breakopen vending machines	7,215	5,686	1,529	1,778
Signs and fixtures	4,097	3,562	535	392
Bingo equipment	5,147	282	4,865	–
Casino equipment	24,393	1,819	22,574	–
	$123,503	**$ 82,012**	**$ 41,491**	**$ 14,122**

5. Sales:

(in thousands of dollars)	*1998*	*1997*
Lottery:		
6/49	$233,437	$ 291,001
INSTANT	179,962	172,386
CLUB KENO	166,067	70,724
BREAKOPEN	132,420	148,132
BC/49	83,305	89,396
EXTRA	56,303	60,959
SPORT LOTTERY	22,535	21,460
DAILY 3	4,812	5,175
SPECIAL EVENT	4,542	4,146
	883,383	863,379
Casinos:		
Slot machines	40,746	–
Bingo:		
SUPERSTAR BINGO	10,085	–
STARSHIP BINGO	4,142	–
Paper	3,887	4,073
	18,114	4,073
	$942,243	**$867,452**

Notes to Consolidated Financial Statements (page 3)

Year ended March 31, 1998

6. Prizes:

Prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. By their nature, the estimates of theoretical expense are subject to measurement uncertainty and the impact on the financial statements of future changes in such estimates could be material.

7. Payments to Government of Canada:

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $ 6.9 million for the next fiscal year ending March 31, 1999.

8. Interprovincial Lottery Corporation Expenses and Interest Revenue:

The Corporation's share of the Interprovincial Lottery Corporation prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

9. Lease obligations:

The Corporation is committed to payments under operating leases for premises.
Minimum annual rental payments for the next four years are approximately as follows:

(in thousands of dollars)

1999	$551
2000	409
2001	91
2002	14

10. Pension plans:

The market value of pension plan assets as at March 31, 1998 is approximately $ 26.8 million (1997 - $ 20.4 million) and the actuarial present value of accrued pension benefits for services rendered to March 31, 1998 is approximately $ 19.5 million (1996 - $ 15.6 million), resulting in a net surplus of $ 7.3 million.
The cost of the deferred benefit plans reflects management's best estimates of the pension plans' expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire, and is therefore subject to measurement uncertainty.

11. Payments pursuant to ministerial direction:

Pursuant to Section 22 of the Financial Administration Act, the Ministry of Employment and Investment has directed the Corporation to pay for the Problem Gambling Program costs administered by the Ministry of Human Resources and Ministry for Children and Families and the costs of the Lottery Advisory Committee.

12. Fair value of financial assets and liabilities:

The carrying value of accounts receivable, prizes payable, due to the Interprovincial Lottery Corporation, accounts payable and accrued liabilities, mortgage and due to Province of British Columbia approximate their fair value due to the relatively short periods to maturity of the instruments.

About the Corporation

British Columbia Lottery Corporation is a Crown Corporation. At this time, the Corporation reports to the Ministry of Employment and Investment through a Board of Directors. Board members are appointed by the Provincial Government.

Chair
Patrick Chen

Vice-Chair
Hoshiar Gosal

Directors
Jann L.M. Bailey
J.F. Raymond Chouinard
Kenneth H. Isomura
Gerard Janssen
Lloyd Munro

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74 West Seymour Street
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Telephone: (604) 270-0649

Victoria
770 Hillside Avenue
Victoria, British Columbia
V8T 1Z6
Telephone: (250) 383-4433

Scratch & Win
THAT'S ENTERTAINMENT

Appendix N – 1998/99:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1998-1999,* (Kamloops: British Columbia Lottery Corporation, 1999).

BRITISH COLUMBIA LOTTERY CORPORATION

ANNUAL REPORT 1998-1999

APPENDIX N

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Minister Responsible for

British Columbia Lottery Corporation

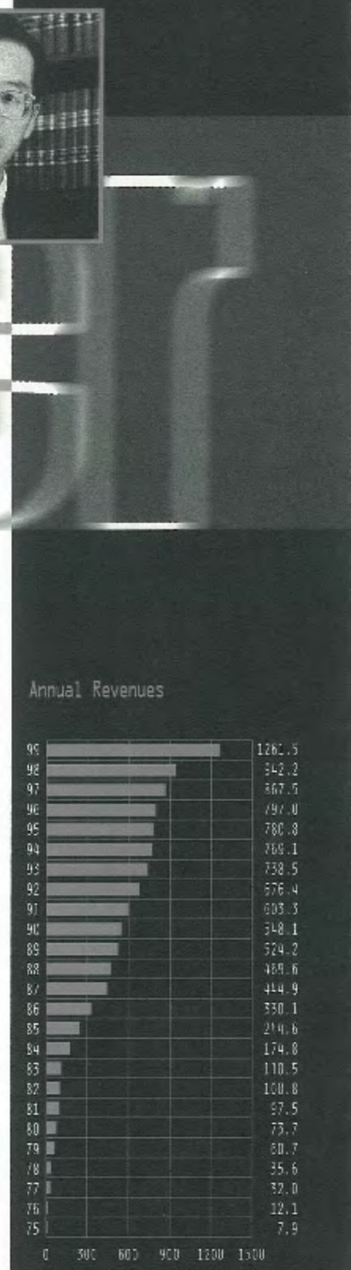
Dear Minister:

British Columbia Lottery Corporation experienced another year of significant growth and accomplishments in fiscal 1998/99. Revenues reached a record $1.26 billion, translating into a record net income return of $456 million, of which $449 million was distributed to the Government of British Columbia and $7 million to the Government of Canada.

On behalf of the Corporation, I respectfully submit the Annual Report for fiscal year ended March 31, 1999.

Patrick Chen

Chair, Board of Directors

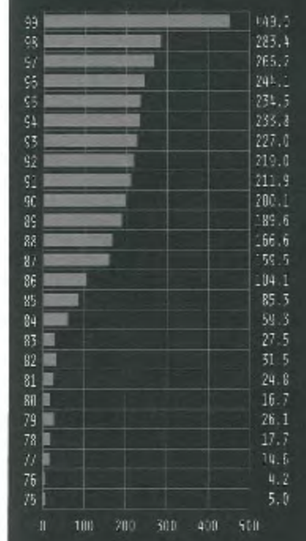


APPENDIX N

As the major advocate on **gaming policies** and the principal operational agency of commercial gaming within the jurisdiction of British Columbia, the Corporation will **contribute significantly** to government revenues and **economic growth** through providing **top-quality gaming entertainment** to the public in a socially responsible manner.

- To maximize gaming revenue to the Province of British Columbia
- To operate the Corporation in the most effective and efficient manner possible
- To be recognized as a responsible, trustworthy and progressive Corporation, and to achieve strong and broad-based public support of the Corporation's mandate
- To have the best retailer networks in the Province of British Columbia to serve and meet the needs of our players
- To foster an organizational climate that welcomes and values diversity within the organization and through the services it provides to the public and its retailers
- To seek to ensure that every employee is valued, professionally fulfilled and feels that they play an integral role in the success of the Corporation

Annual Net Income to Government of British Columbia



APPENDIX N

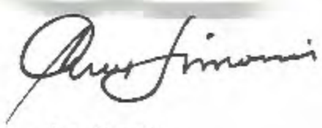
FISCAL 1998/99 WAS A YEAR OF CHANGE, CONTROVERSY AND OPPORTUNITY FOR BRITISH COLUMBIA LOTTERY CORPORATION (BCLC) AS IT MET THE CHALLENGES OF THE EVOLVING GAMING INDUSTRY IN THE PROVINCE.

BCLC continues to successfully manage increased responsiblities. In addition to operating the well-established lottery gaming business, marking its 25th year of sales in British Columbia in 1999, the Corporation became fully responsible for all casino gaming and electronic and linked bingo. Employment opportunities were created and qualified staff were recruited and trained to meet the new business needs.

The forecast for another year for record sales and profits exceeded expectations. A memorable milestone was reached when the Corporation passed the $1 billion mark in annual revenues, eventually reaching $1.26 billion by year's end. After prizes, retailer commissions and expenses were paid, a record $456 million in net income was generated.

While successes were many, the Corporation was affected by growing public debate related to gaming policies. The Corporation will devote its energy to regaining the status of the high public approval rating of years past by continuing to earn the respect of players and citizens of British Columbia.

Fiscal 1999/00 calls for defined direction, focus and structure in the expanded business environment, and readiness for the new millennium and beyond. Among its key objectives, the Corporation will strive to enhance the player experience and hence the causes that benefit from the proceeds of gaming in British Columbia.



Guy Simonis

President

APPENDIX N

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 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, BCLC IS THE DESIGNATED 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.

BCLC experienced significant change when it entered the casino gaming market under the Government of British Columbia's new gaming policies announced in 1997 and 1998. In addition to the responsibility to conduct and manage slot machines and electronic and linked bingo, in fiscal 1998/99 the Corporation assumed responsibility to conduct and manage all casino gaming as of June 1.

In fiscal 1998/99 annual revenues from the three business segments – lottery gaming, casino gaming and bingo gaming – exceeded $1 billion for the first time, reaching $1.26 billion by fiscal year-end. Net income of $449 million was paid to the Government of British Columbia and a further $7 million to the Government of Canada.

Lottery, the most established business segment, contributed the majority of the fiscal 1998/99 revenues at 72 per cent. Casino gaming contributed 25 per cent and electronic and linked bingo gaming three per cent. Lottery retailers and casino and bingo service providers earned commissions totalling $175.5 million.

Lottery sales revenues reached $910.7 million. Throughout the province, 2,400 Lottery Ticket Centres sell the full range of lottery products. An additional 1,200 locations form the social gaming network in adult social settings, offering Club Keno and Breakopen (pull-tabs) in about 700 Club Keno Corners and Breakopen only in the remaining locations.

Sales performance was strong from Lotto 6/49, BC/49 and Extra, but lower than expected from Scratch & Win, Sports Action and Special Event.

Club Keno revenues increased to more than $100 million in the social gaming network. However, Breakopen experienced a $16.6 million decrease in revenues.

In 1997, changes in Government gaming policy authorized the Corporation to introduce slot machines into British Columbia's existing charitable casinos, with net income to be shared between Government and licensed charities.

In 1998, in order to establish a stronger legal framework for casino gaming in the province, the Government of British Columbia transferred the responsibility for casino table gaming to BCLC, making BCLC responsible to conduct and manage all casino gaming in the province.

By the end of fiscal 1998/99 there were 16 community casinos in operation, including eight with slot machines.

Revenues from slot machines and table games are recorded net of prizes paid out. Casino revenues in fiscal 1998/99 were $305.1 million, finishing ahead of budget by $28.1 million. Of the total, slot machines accounted for $146.8 million and table games for $161.3 million.

About one third of all casino net income generated from the operation of slot machines and casino table gaming is used to assist in the funding of the Government's guarantee of a minimum of $125 million annually to charities from gaming.

As well as being the sole distributor of bingo paper to bingo halls, BCLC is responsible to conduct, manage and operate electronic bingo products in the province.

SuperStar Bingo (linked bingo) completed its first full year of operation in October, and Starship Bingo (electronic bingo) expanded from one to eight sites during the fiscal year. Total bingo revenues of $42.7 million were $1.8 million less than budget and $24.6 million greater than the previous fiscal year.

BCLC returned to lottery and bingo players a record amount of prizes in fiscal 1998/99, with winners claiming $508.2 million. In total, there were 26 winners in British Columbia of $1 million or greater, including 16 millionaires on Lotto 6/49, nine on BC/49 and one group of seven who shared an $8.5 million prize on the nationwide game Lotto Super 7, which launched November 1 in British Columbia.

During the year, almost 62 million lottery prizes were won in British Columbia. Top prize of the year was paid to a Merritt resident who claimed $14 million on Lotto 6/49. She shared the windfall with her two daughters.

Lottery retailers pay prizes up to $200 and may, at their discretion, pay prizes up to $3,000. Players can also claim prizes by sending their tickets to BCLC or appearing in person at one of the three offices.

In 1999, BCLC is celebrating the 25th anniversary of lotteries in the province. As the next century prepares to unfold, fiscal 1999/00 is anticipated to be a year of stabilization in a varied gaming marketplace.

Objective:

To maximize gaming revenue to the Province of British Columbia

Result:

In fiscal 1998/99, British Columbia Lottery Corporation (BCLC) generated net income of $456 million, $21.1 million greater than budget and $165.7 million greater than fiscal 1997/98. Of this, $449 million was distributed to the Government of British Columbia, including payments pursuant to ministerial direction and payments to the British Columbia Charitable Gaming Funding Society.

The increase in net income over fiscal 1997/98 reflects additional income generated from expanded gaming initiatives – slot machines, table games and electronic bingo.

Total revenues of $1.26 billion were $11 million greater than budget and $319.3 million greater than fiscal 1997/98. Continued growth in casino operations, strong performance from Lotto 6/49, BC/49 and Extra, and the introduction of Lotto Super 7 and Mega Millions 2000 resulted in overall revenue growth of 33.9 per cent over the previous year.

Lottery sales revenues of $910.7 million were $15.3 million less than budget and $27.3 million greater than fiscal 1997/98. Lower than expected revenues from Scratch & Win, Sports Action and Special Event were partially offset by strong performance from Lotto 6/49, BC/49 and Extra, and the introduction of the nationwide game Lotto Super 7.

Casino revenues of $308.1 million were $28.1 million greater than budget and $267.4 million greater than fiscal 1997/98. Fiscal 1998/99 was the first complete year of slot machine operations in British Columbia. The Corporation generated slot machine revenues of $146.8 million through the operation of 1,730 slot machines in eight locations throughout British Columbia.

On June 1, 1998, the Corporation assumed responsibility to conduct and manage table games in British Columbia. In 10 months of operation, the Corporation generated table game revenues of $161.3 million in 10 different casinos.

Bingo revenues of $42.7 million were $1.8 million less than budget and $24.6 million greater than fiscal 1997/98. The increase reflects the operation of SuperStar Bingo for a complete year and the expansion of Starship Bingo from one to eight sites.

Objective:

To operate the Corporation in the most effective and efficient manner possible

Result:

Direct expenses related to the sale of gaming products – prizes, retailer commissions, ticket printing – represent more than 85 per cent of the Corporation's total expenditures. Direct expenses of $699.1 million were $2.7 million less than budget and $127.7 million greater than fiscal 1997/98.

Prize payments represent the Corporation's single largest expenditure. In fiscal 1998/99 the Corporation paid out prizes of $508.2 million, $25.1 million greater than fiscal 1997/98. The increase reflects additional prize payments for an increase in lottery and bingo sales of $51.9 million.

Retailer commissions represent one of the Corporation's largest expenditures. Cost containment is a major goal, but the Corporation also has the objective of ensuring that lottery retailers and casino and bingo service providers are fairly remunerated for their services.

In fiscal 1998/99, the Corporation paid out commissions of $175.6 million, an increase of $103.5 million over fiscal 1997/98. The increase reflects the expansion of casino and bingo operations. A breakdown of commissions paid to lottery retailers and casino and bingo service providers is as follows:

	Fiscal 1998/99	Fiscal 1997/98
Lottery retailers	$ 59.9	$ 58.7
Casino service providers	110.5	11.4
Bingo service providers	5.2	2.0
	$175.6	$ 72.1

Operating expenses, which include administration, operations, amortization, Goods and Services Tax, interest and other income, represent about 13 per cent of total costs.

Operating expenses of $106.4 million were $7.3 million less than budget and $25.9 million greater than fiscal 1997/98. The increase reflects additional costs to manage and conduct expanded gaming operations, including slot machines, table games, electronic bingo and linked bingo.

BCLC operates an online lottery game system that is available for sales from 6 a.m. to midnight daily except December 25. In fiscal 1998/99, the Corporation generated online sales of $612.3 million through a network of more than 3,100 lottery retailers. Online game availability for fiscal 1998/99 was 99.99 per cent, compared to the target of 99.5 per cent and 99.99 per cent in fiscal 1997/98.

Objective:

To be recognized as a responsible, trustworthy and progressive Corporation, and to achieve strong and broad-based public support of the Corporation's mandate

Result:

Through an external research agency, BCLC tracks the public's attitude toward the Corporation. The Corporation's public acceptance rating was 45.9 per cent, compared to the target of 60 per cent and 47.6 per cent in fiscal 1997/98. It is likely that the Corporation's public acceptance rating was negatively affected by the controversy and high public profile associated with the change in gaming policy last year.

BCLC measures the public's participation rate in lotteries. Through a random survey, adults are asked if they have played any lottery games in the previous 30 days. The public participation rate for fiscal 1998/99 was 66.9 per cent, compared to the target of 65 per cent and 64.7 per cent for fiscal 1997/98.

BCLC measures per capita income by dividing the Corporation's total income by the number of residents over the age of 18 living in British Columbia. Per capita income of $148.10 was $6.90 greater than budget and $52.60 greater than fiscal 1997/98. The increase reflects the introduction of table games, slot machines, electronic bingo and linked bingo.

The Corporation also advances the objective by providing part-time and full-time employment opportunities for youth under the age of 25. In fiscal 1998/99, the Corporation hired 72 employees under the age of 25, which is 33 more than in fiscal 1997/98. Employment opportunities have been created through expanded gaming initiatives.

Objective:

To have the best retailer networks in the Province of British Columbia to serve and meet the needs of our players

Result:

The Corporation has a comprehensive selection process and training program for lottery retailers. By tracking customer satisfaction, this provides a measure of the effectiveness of retailer recruitment and training programs. Customer ranking of retailer services for fiscal 1998/99 was 92 per cent, compared to the target of 90 per cent and the ranking of 93 per cent for fiscal 1997/98.

By evaluating retailer satisfaction, BCLC measures the effectiveness of its retailer programs, including sales support, technical assistance, product order and delivery, training, accounting, marketing support and retailer incentives. Retailer satisfaction for fiscal 1998/99 was 95 per cent, compared to the target of 90 per cent and 94 per cent in fiscal 1997/98.

Objective:

To foster an organizational climate that welcomes and values diversity within the organization and through the services it provides to the public and its retailers

Result:

BCLC measures the number of applicants from designated equity groups – women, people with disabilities, aboriginal Canadians and visible minorities – for internal and external job postings. In fiscal 1998/99, the Corporation received 4,296 job applications, of which 2,191 were from the designated equity groups. BCLC hired 218 new employees, of which 120 were from the designated equity groups.

Employment opportunities and job recruitment have increased over fiscal 1997/98 as a result of expanded gaming initiatives.

Objective:

To seek to ensure that every employee is valued, professionally fulfilled and feels that they play an integral role in the success of the Corporation

Result:

BCLC measures the effectiveness of its employee relations practices. The employee turnover rate of permanent full-time employees leaving the Corporation was 4.16 per cent in fiscal 1998/99.

Labour costs represent the Corporation's largest administrative expenditure. Absenteeism, which includes sick days and short-term disability only, is a measure of the Corporation's productivity. At 1.85 per cent, BCLC continues to maintain a very low level of absenteeism.

Auditors' Report

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 1999 and the consolidated statements of income, amounts due to Government of British Columbia, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants
Kamloops, Canada
April 30, 1999

APPENDIX N

Consolidated Balance Sheet

March 31, 1999, with comparative figures for 1998

(in thousands of dollars)	1999	1998
ASSETS		
Cash:		
Prize funds	$ 64,822	$ 65,896
Other	33,085	5,922
	97,907	71,818
Accounts receivable (note 3)	25,822	20,132
Receivable from Interprovincial Lottery Corporation	710	–
Prepaid expenses	3,873	3,307
Capital assets (note 4)	35,441	41,491
	$ 163,753	**$ 136,748**
LIABILITIES		
Prizes payable	$ 64,822	$ 65,896
Payable to Interprovincial Lottery Corporation	–	1,935
Accounts payable and accrued liabilities	21,761	27,623
Due to Government of British Columbia	75,410	41,294
Due to Government of Canada	1,760	–
	$ 163,753	**$ 136,748**

See accompanying notes to consolidated financial statements.

Approved:

Patrick Chen
Director

Jann L.M. Bailey
Director

Consolidated Statement of Income

Year ended March 31, 1999, with comparative figures for 1998

(in thousands of dollars)	1999	1998
Revenues (note 5)	$ 1,261,494	$ 942,243
Direct expenses:		
Prizes (note 2d)	508,150	483,009
Retailer commissions	175,550	72,062
Ticket printing and bingo paper	15,396	16,354
	699,096	571,425
Revenues less direct expenses	562,398	370,818
Operating expenses:		
Advertising, draws and promotions	20,305	18,164
Data processing and network	23,587	20,700
Administration	25,143	17,454
Sales	5,990	5,853
Amortization	18,773	10,663
Less: Interest and other income	(5,089)	(5,007)
	89,209	67,827
Income from operations	**473,189**	**302,991**
GST expense	17,227	12,695
Net income	**$ 455,962**	**$ 290,296**
Allocation of net income:		
Government of British Columbia	$ 440,628	$ 279,269
Government of Canada (note 6)	6,998	6,874
Payments pursuant to ministerial direction (note 7)	4,958	4,153
Payments to British Columbia Charitable Gaming Funding Society	3,378	–
	$ 455,962	**$ 290,296**

See accompanying notes to consolidated financial statements.

APPENDIX N

Consolidated Statement of Amounts Due to Government of British Columbia

Year ended March 31, 1999, with comparative figures for 1998

25

(in thousands of dollars)	1999	1998
Balance, beginning of year	$ 41,294	$ 14,975
Net income	455,962	290,296
	497,256	305,271
Payments to Government of British Columbia	414,848	257,103
Allocation of income to Government of Canada	6,998	6,874
	421,846	263,977
Due to Government of British Columbia	**$ 75,410**	**$ 41,294**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year ended March 31, 1999, with comparative figures for 1998

25

(in thousands of dollars)	1999	1998
CASH PROVIDED BY (USED IN):		
Operations:		
Net income	$ 455,962	$ 290,296
Amortization, which does not involve cash	18,773	10,663
	474,735	300,959
Changes in non-cash operating items:		
Accounts receivable	(5,690)	(6,327)
Prepaid expenses	(566)	397
Prizes payable	(1,074)	1,390
Receivable from/payable to Interprovincial Lottery Corporation	(2,645)	(442)
Accounts payable and accrued liabilities	(5,862)	13,323
Payable to Government of Canada	1,760	–
	460,658	309,290
Financing:		
Payments to Government of British Columbia	(414,848)	(257,103)
Allocation of income to Government of Canada	(6,998)	(6,874)
Reduction of long-term debt	–	(4,257)
	(421,846)	(268,234)
Investments:		
Additions to capital assets	(12,723)	(38,032)
	(12,723)	(38,032)
Increase in cash	26,089	3,024
Cash, beginning of year	71,818	68,794
Cash, end of year	**$ 97,907**	**$ 71,818**

See accompanying notes to consolidated financial statements.

APPENDIX N

1. NATURE OF THE CORPORATION:

British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia and to co-operate in the conducting and marketing of national and regional lottery schemes with other Provinces of Canada.

The Corporation conducts and manages the following lottery schemes in British Columbia: DAILY 3, SCRATCH & WIN, BC/49, CLUB KENO, EXTRA, SPORTS ACTION, BREAKOPEN, STARSHIP BINGO, SUPERSTAR BINGO and casino games including slot machines and table games.

The Corporation is the regional marketing organization for the SPECIAL EVENT, LOTTO 6/49, LOTTO SUPER 7 and MEGA MILLIONS 2000 games in British Columbia. These games are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Capital assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased will be capitalized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(b) Capital assets (continued):

The Corporation's capital assets are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Building and leasehold improvements	5 years
Furniture and equipment	5 years
Computer equipment	3 years
Online gaming terminals	3 years
Breakopen vending machines	3 years
Signs and fixtures:	
Computer	3 years
Non-computer	5 years
Bingo equipment	3 years
Casino equipment	3 years

Amortization is prorated in the year the assets are put in use.

(c) Revenue recognition:

Lottery games:

Revenue from the sale of lottery tickets is included in the statement of income in the period the ticket is sold. The associated selling costs and prize expenses are also included in the statement of income in the period the ticket is sold.

Bingo games:

Revenue from the operation of electronic and linked Bingo is included in the statement of income in the same period the game is played. The associated selling costs and prize expenses are also included in the statement of income in the period the game is played.

Casinos:

Revenues from casino slot machines and table games are recorded on the statement of income, net of prizes paid out. Related operating costs are recorded in the statement of income in the period they are incurred.

(d) Prize expenses:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense.

APPENDIX N

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(e) Software development costs:

Software development costs are expensed in the period in which they are incurred.

(f) Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(g) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

3. ACCOUNTS RECEIVABLE:

(IN THOUSANDS OF DOLLARS)	1999	1998
Retailers	$ 23,535	$ 13,490
Other	2,287	6,642
	$ 25,822	**$ 20,132**

4. CAPITAL ASSETS:

(IN THOUSANDS OF DOLLARS)	1999			1998
	Cost	Accumulated amortization	Net	Net
Land	$ 700	$ –	$ 700	$ 700
Building and leasehold improvements	23,248	21,982	1,266	1,618
Furniture and equipment	3,394	3,167	227	160
Central system computer	21,919	20,231	1,688	2,152
Online gaming terminals	35,483	32,372	3,111	7,358
Breakopen vending machines	7,587	6,131	1,456	1,529
Signs and fixtures	4,357	3,800	557	535
Bingo equipment	11,219	4,021	7,198	4,865
Casino equipment	26,969	7,731	19,238	22,574
	$134,876	**$ 99,435**	**$ 35,441**	**$ 41,491**

5. REVENUES:

(IN THOUSANDS OF DOLLARS)	1999	1998
Lottery:		
LOTTO 6/49	$ 249,141	$ 233,437
SCRATCH & WIN	176,587	179,962
CLUB KENO	173,674	166,067
BREAKOPEN	115,793	132,420
BC/49	85,618	88,305
EXTRA	68,402	56,303
SPORT LOTTERY	22,782	22,535
LOTTO SUPER 7	12,940	–
DAILY 3	4,740	4,812
SPECIAL EVENT	5,981	4,542
	910,658	883,383
Casinos:		
Slot machines	146,772	40,746
Table games	161,365	–
	308,137	40,746
Bingo:		
SUPERSTAR BINGO	18,972	10,085
STARSHIP BINGO	20,348	4,142
Paper	3,379	3,887
	42,699	18,114
	$1,261,494	**$ 942,243**

6. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $7.0 million for the next fiscal year ending March 31, 2000.

7. PAYMENTS PURSUANT TO MINISTERIAL DIRECTION:

Pursuant to Section 22 of the Financial Administration Act, the Ministry of Employment and Investment has directed the Corporation to pay for the Problem Gambling Program costs administered by the Ministry of Human Resources and Ministry for Children and Families and the costs of the Gaming Policy Secretariat.

APPENDIX N

8. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the Interprovincial Lottery Corporation prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

9. LEASE OBLIGATIONS (in thousands of dollars):

The Corporation is committed to payments under operating leases for premises. Minimum annual rental payments for the next four years are approximately as follows:

2000	$1,465	2002	$ 426
2001	$ 672	2003	$ 289

10. PENSION PLANS:

An actuarial valuation was made as of March 31, 1997 by William M. Mercer Ltd., a firm of consulting actuaries, and was then extrapolated to March 31, 1999. The market value of pension plan assets as at March 31, 1999 is approximately $28.1 million (1998 - $26.8 million) and the actuarial present value of accrued pension benefits for services rendered to March 31, 1999 is approximately $22.1 million (1998 - $19.5 million), resulting in a net surplus of $6.0 million (1998 - $7.3 million).
The cost of the deferred benefit plans reflects management's best estimates of the pension plans' expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire, and is therefore subject to measurement uncertainty.

11. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

The carrying value of accounts receivable, prizes payable, due to the Interprovincial Lottery Corporation, accounts payable and accrued liabilities and due to Government of British Columbia approximate their fair value due to the relatively short periods to maturity of the instruments.

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE:

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect a Company's ability to conduct normal business operations. The Corporation has developed and implemented a process designed to mitigate the expected effects of the Year 2000 Issue on the Corporation. As at March 31, 1999, the identification and assessment phases of the Year 2000 process, which address the Year 2000 readiness of the Corporation's computer systems, and of third parties, such as customers, suppliers and others, are ongoing. The Corporation has commenced the remediation phase, which is intended to modify, retire or replace computer systems identified to date which are not Year 2000 ready. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

BRITISH COLUMBIA LOTTERY CORPORATION IS A CROWN CORPORATION. THE CORPORATION REPORTS TO THE MINISTER RESPONSIBLE FOR BRITISH COLUMBIA LOTTERY CORPORATION THROUGH A BOARD OF DIRECTORS APPOINTED BY THE GOVERNMENT OF BRITISH COLUMBIA.

CHAIR

Patrick Chen

VICE-CHAIR

Hoshiar Gosal

DIRECTORS

Jann L.M. Bailey
Pietro Calendino, M.L.A.
J.F. Raymond Chouinard
Marylou Curtis
Diane Ferleyko
Kenneth H. Isomura
Lloyd Munro

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APPENDIX N

APPENDIX N

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Appendix O – 1999/2000:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 1999-2000,* (Kamloops: British Columbia Lottery Corporation, 2000).

CREATING WINNING WAYS

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LETTER OF TRANSMITTAL

MINISTER RESPONSIBLE FOR BRITISH COLUMBIA LOTTERY CORPORATION

Dear Minister:

Fiscal 1999/2000 was a year of significant challenges, achievements and change for British Columbia Lottery Corporation (BCLC). On the eve of the new century, BCLC celebrated 25 years of lotteries in British Columbia in 1999.

Total revenues in fiscal 1999/2000 reached $1.4 billion, an increase of 11 per cent over the previous year. This resulted in net income of $532 million, of which $524.8 million was distributed to the Government of British Columbia and $7.2 million to the Government of Canada.

On behalf of BCLC, I respectfully submit the Annual Report for fiscal year ended March 31, 2000.

Mervyn Romilly
Chair, Board of Directors

Creating Winning BRITISH COLUMBIANS

Lottery ticket sales began in British Columbia on August 4, 1974, with the province participating as a partner in Western Canada Lottery Foundation.

Over a decade later, the scope of the lottery business warranted the province becoming a separate organization. Government announced that the newly formed British Columbia Lottery Corporation (BCLC) would locate its headquarters in Kamloops. Substantive economic benefits would be generated for the province. BCLC officially opened April 1, 1985.

During 1999, the Corporation celebrated 25 years of lotteries and winning ways. Over that span, lotteries in British Columbia have generated significant benefits, including:

- **$4 billion in net income distributed to the Government of British Columbia and returned to British Columbians through government programs;**
- **$982 million in commissions earned by lottery retailers, many of them from small retail businesses, and casino and bingo service providers; and**
- **$5.7 billion in prizes won by players, including more than 300 millionaires created since 1985.**

Gaming In Canada

Five Canadian lottery jurisdictions, including BCLC, operate as partners in Interprovincial Lottery Corporation to offer nationwide and special event lottery games. The gaming market has grown largely by consumer demand, with players seeking new entertainment experiences and game innovations.

Security and integrity are paramount to the business, and BCLC has built its solid reputation on that foundation. Players can have the highest confidence that they will have an equal and fair chance to win on all gaming products offered by BCLC, while enjoying the fun of participating in a popular form of adult entertainment.

We Win All Ways

BCLC distributes net income to the Government of British Columbia, which returns this money to British Columbians through government programs.

In 1974, the inaugural year of lotteries in British Columbia, the Government of British Columbia began administering lottery grants to fund thousands of projects in the areas of sport, recreation, arts and culture, heritage and medical research.

For example, lottery grants have helped support the B.C. Summer and Winter Games and Special Olympics, B.C. Heritage Trust and B.C. Health Care Research Foundation, Expo 86 and the BC Pavilion in Vancouver, 1993 Canada Games in Kamloops and XV Commonwealth Games in Victoria. A host of community initiatives, ranging from heritage restoration projects to volunteer fire departments to seniors groups and arts organizations, have also received support.

In 1991, Government announced a policy of dedicating 50 per cent of lottery profits to health care. Currently, up to 50 per cent goes into the Health Special Account, while the balance is directed to general revenue in support of other government programs.

In March 1997, Government announced a new gaming policy that gave BCLC responsibility to conduct and manage slot machines and electronic and linked bingo. The Corporation assumed responsibility for all commercial casino gaming in June 1998.

Government protects the interests of charitable gaming through a guaranteed minimum funding level of $125 million to charities annually, funded through casino, bingo and electronic bingo net income.

Corporate Citizen

Through its Corporate sponsorship programs, BCLC contributes to the well-being and development of communities throughout the province by supporting a variety of community celebrations, activities and initiatives.

In summer 1998, BCLC thanked British Columbians for their continued support by rolling out the Hey Wagon Community Stage Program, a mobile stage and production unit that accepted invitations to 22 community festivals and events around the province. The Hey Wagon again lent its support and presence in 1999.

A 25th Anniversary Contest celebrated the overall benefits of lotteries and gaming to communities. Promotional events held in 63 communities involved thousands of players, retailers and citizens.

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Board Governance

Message from the Chair

In 1993, BCLC formally adopted a mission statement and developed a set of objectives to guide the Corporation, which then operated in the single gaming business of lotteries. These became key elements in the Corporation's 1994-1999 strategic plan.

As part of Government's 1997 announcement of a new gaming policy, the Corporation was given responsibilities to conduct and manage casinos and electronic and linked bingo. BCLC subsequently focused much of its efforts on these areas, resulting in increases in annual revenues and organizational growth.

Financial Growth

Fiscal 1999/2000 was the second of two consecutive years in which BCLC experienced significant growth.

Lottery gaming continued to account for the largest portion of the total $1.4 billion in annual revenues at $907.2 million in sales revenues. However, lottery gaming is a maturing business that is achieving only marginal growth across Canada.

BCLC came through its first full year of casino operations in fiscal 1999/2000, after assuming responsibility to conduct and manage slot machines in 1997 followed by table games in 1998. Overall annual revenue growth came primarily from casino gaming, which is becoming an increasingly greater source of revenue for the Corporation.

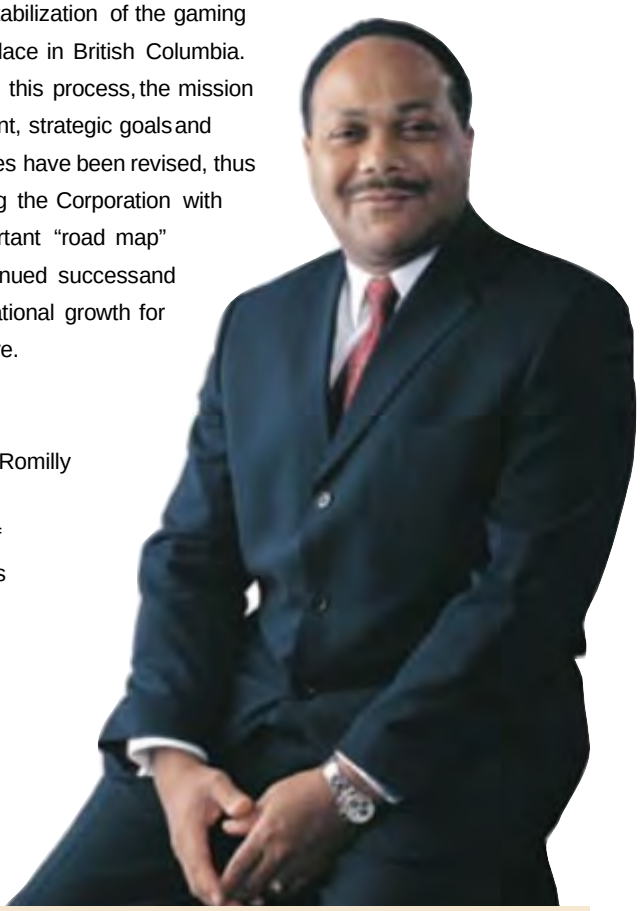
New President

A significant change in leadership occurred with the retirement of long-time President Guy Simonis at the end of September. After a national search process, the Board selected Vic Poleschuk as President and CEO. The former BCLC Vice-President started his career with the Corporation in 1985 and assumed his new position effective October 1.

Strategic Plan

As fiscal 1999/2000 drew to a close, the Corporation was developing a new strategic plan to position itself in the gaming marketplace, establish a clear direction for growth and contribute to the stabilization of the gaming marketplace in British Columbia. Through this process, the mission statement, strategic goals and objectives have been revised, thus providing the Corporation with an important "road map" for continued success and organizational growth for the future.

Mervyn Romilly
Chair,
Board of
Directors



Board Structure

BCLC reports to the Minister Responsible for British Columbia Lottery Corporation through a Board of Directors. Through order-in-council, Government appoints board members from around the province. The Board of Directors is responsible for supervising the management of the Corporation's affairs and for guiding its activities to meet statutory objectives as outlined in the Lottery Corporation Act of British Columbia. Directors' involvement, commitment and accountability is evident by their:

- knowledge of the Corporation's history, current operations and culture
- regular, informed participation in Board and committee meetings
- preparation and active participation in setting the strategic direction
- ensuring the Corporation performs in the interests of the Government of British Columbia

Board Of Directors 1999/2000

Chair	
Mervyn Romilly	*Appointed November 25, 1999*
Vice-Chair	
Hoshiar Gosal	*Reappointed September 11, 1999*
Directors	
Jann L.M. Bailey	*Reappointed May 27, 1998*
Pietro Calendino, MLA	*Appointed April 1, 1998*
J.F. Raymond Chouinard	*Reappointed September 11, 1999*
Marylou Curtis	*Appointed May 6, 1998*
Diane Ferleyko	*Appointed May 27, 1998*
Kenneth H. Isomura	*Reappointed May 27, 1998*

APPENDIX O

Creating Winning DIRECTIONS

Government announced a new gaming policy in 1997 that resulted in BCLC's swift transition from a lottery company to a broader business encompassing casinos and electronic and linked bingo.

Fiscal 1999/2000, BCLC experienced continued growth and success, as well as some significant changes in provincial gaming policy.

The Corporation finished fiscal 1999/2000 with total revenues of $1.4 billion, an increase of 11 per cent over the previous fiscal year attributed mainly to a full fiscal year of casino gaming. Net income to the Government of British Columbia was $524.8 million, an increase of 16.9 per cent over the previous year.

One community casino, Lake City Casino Kelowna, was relocated and British Columbia's first destination casino, the Royal City Star riverboat, opened in New Westminster. These full service casinos contributed to total casino revenues of $445.2 million, an increase of $137 million over the previous year.

GAMING POLICY

Fiscal 1999/2000 was marked by a significant change in Government policy direction with the June 1999 announcement of new gaming policies, including a Memorandum of Agreement with the Union of B.C. Municipalities, under which local governments direct and define the extent, scope and type of casino and bingo gaming permitted within their boundaries, and receive a 10 per cent share of community casino income and a one-sixth share of destination casino income.

A Memorandum of Agreement was also signed with the B.C. Association for Charitable Gaming. This affirmed the role of licensed charities as sole beneficiary of bingo revenue and their exclusive domain over all bingo activities, subject to licensing by the British Columbia Gaming Commission and provisions of the federal Criminal Code.

With Government's commitment for a greater role in gaming decisions for municipalities and charities, BCLC will intensify its commitment to build effective and mutually beneficial business relationships with its many stakeholders.

COMMUNITY EVENTS

For a second season, as part of the Corporation's community events sponsorship program, BCLC's Hey Wagon community stage hit the highway to visit 22 community festivals and events around the province.

This high-profile, travelling performance stage comes complete with a state-of-the-art sound and lighting system and crew. The Hey Wagon, provided as an in-kind sponsorship, allows organizers to focus their resources on delivering the best possible event to their communities. BCLC is proud to be able to be a part of many very successful community festivals and events held throughout the province each year.

Y 2 K

The Year 2000 Project, a major Corporate initiative, was initiated in early 1998.

Extensive planning and testing resulted in the Corporation making a smooth rollover to the new century. The three-day transition period over January 1, 2000, was seamless and transparent, with no impact on revenue generation or business continuity. Leap Year 2000 and fiscal year-end were equally uneventful.

Creating Winning DIRECTIONS

Organizational Structure

In 1999, BCLC took the first steps to review and restructure the organization. The Corporation's functional structure for the lottery gaming business was no longer effective in a multi-faceted gaming environment. A new organizational structure based on business units will be implemented in the coming fiscal year.

Guy Retires

The 25th anniversary of lotteries in British Columbia in 1999 was a celebration of the community benefits created through lotteries. BCLC started operating in 1985 with the slogan, "Whether you play a little, or a lot, or not at all, in British Columbia we all win." The slogan has been reworded from time to time over the years, but the message will always remain the same.

Twenty-five years also marked the end of an era with the retirement of President Guy Simonis, a man synonymous with lotteries not only in British Columbia, but worldwide. His vision shaped the Corporation, motivated the lottery industry and helped BCLC attain its respected position among lottery organizations worldwide.

Guy's resume is extensive and his list of achievements lengthy. He began his lottery career in 1970 in Manitoba, starting North America's first sports lottery. In 1973, Guy was instrumental in the establishment of Western Canada Lottery Foundation (WCLF), of which British Columbia was a member. A founding director of Interprovincial Lottery Corporation, Guy was the General Manager of WCLF from 1974 to 1985 and then President of BCLC when the province struck out on its own in 1985.

Guy served in many capacities in lottery associations around the globe, and in 1999 became the first President of the newly formed World Lottery Association (WLA).

We thank Guy for his dedicated public service and his extraordinary commitment to the development of lotteries, not just in British Columbia but worldwide.

Year Ahead

Collectively, fiscal 1999/2000 events set the stage for another challenging year ahead. New lottery retail opportunities will be explored to deal with the maturing market, and casino gaming will continue to see improvements through new facilities, products and customer services.

As well, the Corporation will take an even greater role in ensuring that its products are played in a socially responsible manner, and that the Corporation continues to play an important role in supporting worthwhile community events throughout the province.

Fiscal 2000/01 is expected to be a year of stabilization in the gaming marketplace and marginal growth for BCLC revenues and net income to Government.

As BCLC moves into the next millennium, past accomplishments will serve as the building blocks for the future as we continue to create winning directions.

Vic Poleschuk
President and CEO

APPENDIX O

Creating Winning RESULTS

Amid an exciting, changing and complex gaming marketplace in fiscal 1999/2000, BCLC continued its winning ways to reach its social, corporate and financial objectives.

Financial Picture

The Corporation operates in three gaming business segments: Lottery gaming (traditional and social products); casino gaming (slot machines and table games); and bingo gaming (electronic and linked).

Revenues of $1.4 billion translated into a net income return of $532 million, of which $524.8 million was distributed to the Government of British Columbia and $7.2 million to the Government of Canada.

Commissions earned by lottery retailers and casino and bingo service providers increased to $220.9 million, mainly due to the addition of casino operations for a full year.

Lottery and bingo players won almost 66 million prizes, collecting a total of $509.8 million.

Where the Money Goes

BCLC distributes net income to the Government of British Columbia, which returns the money to British Columbians through government programs. These include:

- health care
- general revenue
- direct access grants to charities
- municipal revenue sharing
- funding to support problem gambling programs and gaming regulatory agencies

In fiscal 1999/2000, the Corporation earned $524.8 million in net income for Government, which was in part distributed as follows:

- **$272.5 million to general revenue**
- **$143.5 million to the Health Special Account**
- **$86 million to some 4,800 charities**
- **$20 million to municipalities**
- **$2 million to the Problem Gambling Program**

Jobs

Gaming has created significant direct and indirect employment opportunities in British Columbia. In addition to the 650 office and field staff employed by BCLC, there are some 3,300 people employed by casino service providers throughout 17 casinos in British Columbia. Thousands more are working where lottery products are sold, at bingo halls and at a variety of companies that provide services and support to the industry.

Lottery Gaming

Lottery gaming is the Corporation's most established and popular business, with a participation rate of 70 per cent among British Columbia adults. At $907.2 million in sales revenues, this business segment continues to account for the largest portion of revenues. The flagship nationwide game Lotto 6/49 was the strongest performer at $218.2 million.

As is the case with other Canadian lottery jurisdictions, BCLC's lottery market continues to mature and has achieved only marginal annual growth over the past few years. To realize growth opportunities in lottery gaming will require a renewed marketing approach. Programs slated for the next fiscal year include testing the expansion of the retail network and alternative merchandising methods.

The majority of the Corporation's lottery business is conducted through online computer systems. In fiscal 1999/2000, BCLC issued a Request for Proposal (RFP) for an online gaming system and equipment to meet its lottery needs of the next 10 years. It is expected that this new lottery system will be implemented over the next two to three years, offering better customer services and new, innovative products to players and retailers alike.

Casino Gaming

BCLC's casino gaming responsibilities consist of community casinos and destination casinos. The Corporation conducts and manages casino gaming and contracts with private-sector service providers for facility and day-to-day operational services.

BCLC completed its first full year of casino operations in fiscal 1999/2000. Of the total $445.2 million in revenues, slot machines accounted for $230.5 million and table games for $214.7 million.

During fiscal 1998/99, Government announced approval-in-principle for eight destination casinos and BCLC commenced negotiations with proponents. Royal City Star riverboat in New Westminster became British Columbia's first destination casino when it opened in October 1999. Lake City Casino Penticton is scheduled to open early in 2000/01.

The community casino Lake City Casino Kelowna was relocated successfully and opened in May 1999.

Creating Winning RESULTS

Bingo Gaming

Bingo gaming finished fiscal 1999/2000 with sales revenues of $49.1 million. SuperStar Bingo, the nightly linked game in which up to 85 participating halls play for a minimum jackpot of $20,000, accounted for $16.8 million in revenues. Starship Bingo, a console-based electronic bingo offered in eight commercial bingo halls, achieved $29.2 million in revenues.

The Corporation contracts for facility and operational services for linked and electronic bingo. The same companies provide operational services to charities, which conduct and manage paper bingo.

BCLC has been the sole distributor of bingo paper in the province for many years. Revenues for fiscal 1999/2000 were just under $3.1 million.

Government signed a Memorandum of Agreement with the B.C. Association for Charitable Gaming in June 1999. The agreement affirmed the role of licensed charities as sole beneficiary of bingo revenue, both paper and electronic, and charities' exclusive domain over all bingo activities subject to licensing by the British Columbia Gaming Commission and provisions of the federal Criminal Code.

BCLC's long-term role in bingo is uncertain, but efforts will continue to develop and implement new electronic bingo products and facilities to attract new customers and assist in improving the overall competitiveness of bingo in British Columbia's gaming marketplace.

Customer Service

BCLC receives thousands of consumer inquiries not only from within British Columbia, but from across North America and around the world. During fiscal 1999/2000, the Customer Service department responded to 36,400 telephone inquiries, an average of 700 a week. The department sent out more than 1,000 information packages and corresponded with more than 1,000 customers by mail and a growing number of e-mails.

www.bclc.com

Web site visitors clicked onto the new bclc.com as of late 1999. Information access was streamlined and the most-requested information was brought to the home page. Features that customers requested, such as easy access to winning numbers and a simplified way to contact BCLC, were added and low-traffic areas eliminated.

Wednesday, Saturday and Sunday are the busiest days on the site. Traffic was highest during February and the highest day was February 19, the day after the $18.2 million jackpot on Lotto Super 7 was won.

BCLC will continue to utilize and improve its information content on this new "e-communications" medium to provide players and the general public easier access to corporate and product information.

25th Anniversary Contest

A highlight of the fiscal year was the 25th Anniversary Contest. Scratch & Win tickets with an anniversary bonus play area were the primary means of promoting the contest. Players who revealed the word "entry" received an entry form into a draw for the chance to participate in one of 63 community events around British Columbia.

Winners of the highest cash prize at each community event advanced to one of seven regional events, and those seven winners advanced to the grand finale at the Lotto '99 Retailer Forum. Lottery retailers who sold the lucky Scratch & Win tickets to the contestants also participated in this 25th anniversary contest.

APPENDIX O

Creating Winning COMMUNITIES

Community Events

The Hey Wagon Community Stage program put BCLC on the map for a second seasonwhen it participated in 22 community events and festivals around the province in fiscal 1999/2000.

Sponsorships and community support are among the ways that BCLC shows a "lotto support" and goodwill to British Columbia communities.

The Hey Wagon is an eye-catching, tractor-trailer unit that converts to a stage complete with sound, lights and staging crew. The stage can be set up in a number of sizes and configurations to accommodate a variety of needs.

The Hey Wagon is provided to event organizers as an in-kind sponsorship. From April through September, the Hey Wagon zigzaggedits way around the province.

The L'Auto Game, held on the Hey Wagon stage, offered five lucky contestants the chance to win a 1999 Chevrolet Cavalier. Players entered a draw at retail in their communities prior to the Hey Wagon's visit or at the event.

Horse Racing Sponsorship

The Corporation formed an alliance with horse racing by launching a major sponsorship initiative at the fifth annual BC Cup race day at Hastings Park Racecourse. BCLC was the title sponsor of the BC Cup V race. A Super 7 Stakes cross-promotion involving Lotto Super 7 followed every Friday night for 14 weeks.

Sponsorship at Fraser Downs began in October with the funding of the purse for the seventh race on opening weekend. During the 14-week Super 7 Stakes promotion, 1,000 promotional packageswere distributed every Friday night.

Chinese New Year

BCLC was a silver-level sponsor of the sixth annual Canadian Airlines East Meets West Chinese Festival in late January in Vancouver.

The Corporation's booth featured Lotto 6/49 and the Year of the Dragon Scratch & Win tickets. Visitors who purchased a Lotto 6/49 ticket at the booth received an entry form for the chance to participate in the Lotto Spin. Twice daily, six contestants tried their luck at winning cash and merchandise prizes.

Tournamentof Hearts

The Scott Tournament of Hearts, a premier event for women's curling, was held in Prince George in February. BCLC was a gold-level sponsor for this event that involved more than 800 volunteers.

Head Office Community

Of BCLC's 650 employees, nearly half work, live and raise their families in Kamloops where the head office is located. As a proud corporate citizen, BCLC supports a cross-section of the community in the areas of business, arts and culture, sports and recreation.

During fiscal 1999/2000, the Corporation was involved with such groups as the Kamloops Pro Rodeo, Kamloops Community YM-YWCA Women of Distinction celebration, 1999 Seniors Show & Exhibit, Canada Day/Folkfest, Kamloops Symphony Orchestra and Western Canada Theatre Company.

BCLC was the presenting sponsor of the second annual Rotary Invitational Golf Classic, from which Rotary donated the $30,000 in proceeds to local charities.

The Corporation was among

APPENDIX O

Creating Winning COMMUNITIES

sponsors of the Wildlights exhibit at the Kamloops Wildlife Park during December, and as one of the sponsors of First Night joined the community in ringing in the new century.

Volunteers are an essential component of a vibrant community. The Corporation recognizes and supports volunteers for their effort and commitment in making many community events possible throughout the province. Through sponsorship opportunities and by forming partnerships, BCLC contributes resources and expertise to events that enhance a community's lifestyle.

Responsible Gambling

Gaming entertainment takes many forms in people's daily lives. Part of BCLC's mission statement is to offer top-quality gaming entertainment to the public in a socially responsible manner.

Research shows that about 96 per cent of adults who participate in gaming activities do so for social and recreational purposes. However, up to four per cent of people either have difficulty or have a propensity for not stopping when the fun is over. BCLC partners with Government and social agencies to address these issues through public awareness, education and treatment.

Government currently provides $2 million of the net income generated by BCLC to the Problem Gambling Program administered by the Ministry for Children and Families.

The program's services include a 24-hour, toll-free information and referral line, which received 758 calls in fiscal 1999/2000. Brochures describing problem gambling characteristics and how to get help, as well as posters and stickers advertising the toll-free number, are available at gaming establishments and counselling services.

Since the program's inception in October 1997, some 300 addiction services counsellors and allied professionals from various community agencies have been trained in the course, Introduction to Problem Gambling. About 160 have completed the advanced course, Advanced Clinical Skills for Problem Gambling.

Currently, about 35 counsellors who specialize in problem gambling deliver specifically funded problem gambling services across the ministry's 11 regions throughout British Columbia.

During fiscal 1999/2000, BCLC began to expand its initiatives by working co-operatively with social agencies and groups to encourage responsible gambling and raise awareness of problem gambling issues and available services.

By fiscal year-end, the Corporation had developed a Keeping the Fun in Gambling workshop scheduled for seven communities at the invitation of local organizers. Further engagements would be scheduled.

BCLC addressed the topic of legal and illegal gaming in the province by providing a workshop facilitator and guest speaker for the B.C. Crime Prevention Association Symposium 99. Similar workshops were presented to the provincial meeting of the Aboriginal Counselling Specialists and at the Kamloops community workshop, When Gambling Becomes a Problem.

During the next fiscal year, BCLC will work with the Ministry for Children and Families to develop a responsible gambling program that addresses education and training, prevention and treatment.

The Corporation will strive to ensure that responsible gambling messages reach a widespread audience, and to improve processes for individuals choosing to self-exclude themselves from British Columbia casinos.

ROUTE '99 B.C.

April 24
Mountie Stomp '99 (Kamloops)

April 24
24 Hour Relay for a Cure (Prince George)

May 8~9
PNE Playland (Vancouver)

May 15~16
Cloverdale Rodeo & Exhibition

May 21~24
Ladner Pioneer May Days

May 28~30
Lumby Days

June 4~6
Sam Steele Days (Cranbrook)

June 18~20
24 Hour Relay for the Kids (Victoria)

June 26~27
Canada Day (Kamloops)

July 1
PNE Playland (Vancouver)

July 4~5
Comox Valley MusicFest '99 (Courtenay)

July 9~11

A lotto support for

Merritt Mountain Music Festival

July 15~18 — Maple Ridge Fair

July 23~25 — Abbotsford Agrifair

July 29~ August2 — Restoration Music Festival (Vernon)

August6~8 — Prince George Exhibition

August12~15 — Vancouver Island Exhibition (Nanaimo)

August20~22 — 1999 BC Seniors Games (Elkford)

August25~28 — Interior Provincial Exhibition (Armstrong)

September1~5 — Alberni District Fall Fair (Port Alberni)

September9~12 — Salmon Arm Fair

September17~19 — AIDS Walk'99 (Vancouver)

September26

your community event!

Creating Winning EXPERIENCES

Whether it was millions that attracted nationwide attention, thousands that meant a measure of financial comfort, or a few coins that jingled in the pocket, players had winning experiences in fiscal 1999/2000.

During the year, almost 66 million lottery prizes worth a total of $509.8 million were won in British Columbia. Among the winners were 23 new lotto millionaires.

Lotto 6/49

Peter Milkowski of Burnaby collected a windfall of $5 million when he won the Lotto 6/49 February 5 jackpot prize. He had been playing the same set of numbers for nearly seven years.

After checking his numbers at retail, he headed home and later shared the news with his brother. Peter told him he might want to sit down because he had something important to tell him.

"We sat there looking at the ticket for about two hours, saying, 'Is that real?'" said Peter.

His plans included purchasing a boat and sharing with family members.

BC/49

Vinnie Parker, a Vancouver Island logger, waited a month before claiming his $1 million prize on BC/49 in August. Vinnie planned to purchase property and possibly a hot rod.

"This will help me and my son, but it won't change my life," he said. "I will continue to work and play."

Extra

Sidney couple Lonnie Thompson and Nadine Crowhurst were two times lucky. They won a trip to Mexico through a radio station contest, then returned from their travels to discover they had won $500,000 on the December 10 Extra draw.

Lotto Super 7

A Vancouver father of three started the new century with $10 million in the bank. December 24, Minh Le noticed the Lotto Super 7 jackpot was $10 million and purchased a $2 ticket.

New Year's Eve, he checked his numbers at retail and in Luck Magazine, and then ran home.

His daughter reported that he was yelling to his family, "Everybody come here. I won the jackpot! I won the jackpot!"

With his good fortune he planned to pay for his children's education and help out family members.

Mega Millions 2000

The new year was prosperous for Jack Mitchell of Richmond, who won $1 million on the MegaMillions Grand Millennium TV Draw held January 9 in Montreal.

To become eligible, Jack scratched three "$1,000+TV Draw" symbols on his MegaMillions 2000 ticket in July. He pocketed the $1,000, but had to wait six months for the TV draw.

The evening consisted of three rounds of eliminating draws with cash consolation prizes. After Jack won the $1 million, he was handed a cellular phone on stage and called his son.

"I'm on the stage. Your dad's a millionaire," he said.

Jack's plans for the winnings included a trip to somewhere warm and sharing with family members.

APPENDIX O

Creating Winning EXPERIENCES

Scratch & Win

Frank Tekutis-Collins of Nanaimo planned to bank the $10,000 he won scratching a Gold Rush ticket in February.

"I really don't need more than what I have, so I wasn't that excited when I won, but the extra money is nice," said Frank.

Just as the fiscal year closed, Fernie resident Martha Gladue claimed her $10,000 prize on Bonus Bingo.

"The night I bought the ticket I picked up a Luck Magazine at the lottery store," said Martha. "At dinner, I looked through and said, 'I wonder if my picture will ever be in here?' A little while later I scratched my ticket and won $10,000."

Martha planned to put her winnings toward home improvements and taking a holiday.

Bingo

SuperStar Bingo players participate in a nightly provincewide linked game to win or share a minimum $20,000 jackpot. A total of $7.3 million was won around British Columbia. There were 509 jackpot winners, of which 268 won $20,000 or more.

March was a month of bingo promotions throughout British Columbia. Activities were offered at individual Starship Bingo and selected SuperStar Bingo halls, where players could win merchandise prizes.

SuperStar Bingo offered a jackpot of a minimum $50,000 when a MoneyDay bonus draw was held March 2.

Marlene Everett of Brakendale, playing at the Croatian Cultural Centre, won the $53,325.90 jackpot.

As Marlene's last five numbers matched the bingo caller's numbers one by one, her friend put an angel figurine on the remaining number on her card.

G-58 was called and Marlene yelled, "Bingo!"

APPENDIX O

Creating Winning OPPORTUNITIES

At Retail

A full range of BCLC lottery products is available through a network of about 2,400 Lottery Ticket Centres (LTCs), the majority of which are operated by small, independent businesses. Larger corporate chains operate about one quarter of the LTCs.

Within adult social settings, such as bars and pubs, 740 Club Keno Korners (CKKs) offer Club Keno and Breakopen pull-tab tickets and another 410 locations offer Breakopen only.

Retailers earn a commission on every lottery ticket sold through a percentage structure that varies by product. In fiscal 1999/2000, retailers earned just more than $60 million in commissions.

Retailer Support

BCLC supports retailers to help them succeed in business and provide exceptional customer service. Territory Managers working in the field make visits to retail locations, while Hotline operators provide information and technical help when retailers call a toll-free line.

Tel-Sell telephone representatives co-ordinate the sale of Scratch & Win and Breakopen tickets to retailers and the distribution of point-of-sale materials and supplies. A total of 130,000 scheduled calls are made in a fiscal year.

Newsletters and informational materials are produced and distributed on a regular basis.

Training

During fiscal 1999/2000, the Corporation delivered more than 1,000 Technical Training and Service Leadership classes to more than 6,700 retailers around British Columbia.

The Retailer Training department introduced a new Business Management Training program based on four modules: Security, Employee Relations, Finance and Retailing.

A highly successful Lotto '99 Retailer Forum was held in June at the Vancouver Trade and Convention Centre. About 500 retailers and international visitors attended the trade show and educational sessions on topics such as business management training, Y2K, crime prevention, retailer recruitment and getting the competitive advantage at retail.

Lotto '99 was immediately followed by a two-day world lottery Retail Development Seminar, which was attended by delegates representing 16 countries and 48 lottery organizations around the world.

Satisfaction Ratings

BCLC began tracking lottery retailer satisfaction in 1990 to provide insight into retailers' attitudes and opinions about the Corporation and its services. Telephone interviews were conducted by an independent research company with 300 LTC retailers and 150 CKK retailers during February 2000.

Overall satisfaction ratings by LTC retailers continued to be high, with 95 per cent stating they were very satisfied or somewhat satisfied with BCLC. Overall satisfaction ratings by CKK retailers remained consistent at 82 per cent.

Once again, the Corporation was highly rated as a supplier, with 29 per cent of LTC retailers and 12 per cent of CKK retailers naming BCLC as their best supplier.

APPENDIX O

Creating Winning ENTERTAINMENT

Lottery Gaming

Lottery gaming sales revenues continue to account for BCLC's largest portion of annual revenues. At $907.2 million, they represented nearly 65 per cent of total revenues in fiscal 1999/2000.

Lotto 6/49

Lotto 6/49, the nationwide game and BCLC's flagship brand, finished the year at $218.2 million in sales revenues. The game has faced challenges, including a maturing lottery market and competition from the nationwide Lotto Super 7 game.

Lotto Super 7

Lotto Super 7 was introduced in British Columbia in November 1998, becoming Canada's second nationwide online game to be offered in British Columbia. In fiscal 1999/2000, Lotto Super 7 became more established in the British Columbia marketplace and increased its market share.

Club Keno

Total Club Keno sales revenues in both the LTC and CKK networks were $185.2 million.

The CKK network increased sales over the previous year, due in part to the addition of about 35 new locations. The Workers Compensation Board non-smoking regulations were implemented January 1 and struck down March 22. During this period, sales were negatively affected by about 11 per cent.

Breakopen ticket sales of $108.6 million were also affected by the non-smoking regulations.

In order to assist the hospitality industry with the impact of the non-smoking regulations, BCLC conducted a number of on-site product promotions and promotional contests to stimulate interest and activity within the CKK retail locations.

Scratch & Win

Scratch & Win recorded sales revenues of $182 million during fiscal 1999/2000.

Scratch & Win prize payout has historically been maintained at 50 per cent. An in-depth analysis of other Canadian lottery jurisdictions was conducted and BCLC developed a strategic payout increase plan, some elements of which were implemented in fiscal 1999/2000.

Special Edition Bonus Bingo, released in August, was one of the Corporation's first increased prize return games. Payout was increased to 65 per cent. The $3 Year 2000 ticket, released in December, also featured a 65 per cent payout.

Recognition of the Lotto 6/49 logo, as well as overall odds of winning at 1:2.95, made Instant 6/49 one of the biggest hits of the year.

The Scratch & Win brand's general growth continues to be in games with higher price points. BCLC launched five games at a new $3 price point during fiscal 1999/2000.

Sports Action

Sports Action revenues reached $22.2 million in fiscal 1999/2000.

During the football season, BCLC sponsored a Catch 2 Win contest. Contestants entered by purchasing a $5 Sports Action ticket and filling out an entry form. A draw took place prior to each BC Lions home game and 50 winners received two platinum tickets each to the game.

Of those 50, one was chosen to attempt to catch a punt from 40 yards, then from 50 yards and finally from 60 yards to win the grand prize of $5,000. Victoria resident Andy White, dressed in full gear, took to the field October 30 when the BC Lions met Hamilton. He caught three punts and won the grand prize before a crowd of almost 19,000 football fans.

APPENDIX O

Creating Winning ENTERTAINMENT

Casino Gaming

Casinos operating as charity casinos with limited hours and small bet limits, have operated in British Columbia since 1987. BCLC was given responsibility to conduct and manage slot machines when they were introduced in the province in 1997 as part of the Government's expanded gaming initiatives.

Effective June 1, 1998, BCLC assumed responsibility to conduct and manage table games, making the Corporation responsible for all commercial casino gaming. Fiscal 1999/2000 marked the Corporation's first full year of casino gaming.

Casino revenues are recorded net of prizes paid out. In fiscal 1999/2000, total casino revenues were $445.2 million. Slot machines accounted for $230.5 million and table games for $214.7 million.

Charity Guarantee

In April 1998, Government announced a new gaming model that included funding to charities of a guaranteed minimum level of $125 million annually from gaming. A direct charitable access grant program administered by the British Columbia Gaming Commission replaced revenue previously available through casino licences, and volunteers would no longer be involved in casino nights.

This guarantee was reaffirmed in June 1999 when Government reached a Memorandum of Agreement (MOA) with the B.C. Association for Charitable Gaming.

Revenue Sharing

An MOA reached in June with the Union of B.C. Municipalities included an agreement that municipalities where community casinos are located would receive a 10 per cent share of the net income generated by the casino, paid quarterly. Host local governments would also receive one-sixth of the net revenues from any destination casino in their community.

From July 1 through March 31, local governments shared almost $19.6 million.

Casinos

Community casinos were formerly known as charitable casinos. Destination casinos are new casinos approved by Government through the Request for Proposal process. Both may have up to 300 slot machines, 30 gaming tables and six poker tables, with table betting limits up to $500.

By fiscal year-end there were 16 community casinos and one destination casino in operation, nine of which had slot machines.

Lake City Casino Kelowna relocated in May to a high-profile location. Community benefits included a direct investment of more than $8 million in the casino facility. Sixty jobs were created in addition to the 180 staff employed locally by Lake City Casinos.

Designed on a cruise ship theme, the casino features unique lighting, wall murals of ocean life, a rockscape and waterfall.

Of the eight destination casinos granted approval-in-principle by Government, three received final approval during fiscal 1999/2000.

Royal City Star

Royal City Star riverboat in New Westminster, British Columbia's first destination casino, opened in October.

Royal City Star is a 75-metre-long replica of an 1800s sternwheeler. Built in 1994, the vessel was renovated and refurbished to reflect the Fraser River's proud history.

Fraser River Discovery Centre, a museum that recognizes the heritage of the Fraser River, was incorporated into the Royal City Star's development plans. The centre was under construction at fiscal year-end.

Lake City Casino Penticton, the Okanagan's first and British Columbia's second destination casino, is scheduled to open early in 2000/01.

BCLC's Role

BCLC has responsibility to conduct and manage casino gaming, and contracts with private sector casino service providers for facility and operational services. The Corporation owns all gaming equipment and slot machines, selects and approves games, sets bet limits and operating hours, monitors and manages slot machines through a central computer system, establishes operating standards and procedures, and approves advertising and promotion programs.

On-site Gaming Control Managers assist in BCLC's role to conduct and manage gaming, supervise cash counts and ensure compliance to standard operating procedures. Slot technicians provide maintenance services.

In fiscal 2000/01, casino revenues are expected to remain relatively stable. BCLC will revitalize the mix of slot machine game themes to maintain entertainment value to players.

APPENDIX O

Creating Winning ENTERTAINMENT

BRITISH COLUMBIA LOTTERY CORPORATION CASINO REVENUES FOR FISCAL YEAR ENDING MARCH 31, 2000

Casino	Service Provider	City	BCLC Slot Machine Revenue	Number of Slot Machines at March 31	BCLC Table Game Revenue	Number of Tables at March 31	BCLC Combined Casino Revenue
Community Casinos							
BILLY BARKER CASINO	585 HOLDINGS LTD.	Quesnel	$ 8,573,116	134	$ 739,052	6	$ 9,312,168
CASINO HOLLYWOOD	PRINCE GEORGE CASINO SUPPLY CO. INC.	Prince George	17,807,522	220	2,621,420	9	20,428,941
GATEWAY CASINO BURNABY	GATEWAY CASINOS INC.	Burnaby	56,079,836	300	29,965,089	32	86,044,925
GATEWAY CASINO MANDARIN CENTRE	GATEWAY CASINOS INC.	Vancouver	–		14,835,778	30	14,835,778
GATEWAY CASINO ROYAL TOWERS	GATEWAY CASINOS INC.	New Westminster	28,637,546	169	14,393,655	29	43,031,201
GRAND CASINO	GRAND CASINO EQUIPMENT MANAGEMENT LTD.	Vancouver	–	–	19,029,432	32	19,029,432
GREAT CANADIAN CASINO HOLIDAY INN	GREAT CANADIAN CASINOS INC.	Vancouver	–	–	23,014,761	36	23,014,761
GREAT CANADIAN CASINO MAYFAIR	GREAT CANADIAN CASINOS INC.	Victoria	–	–	7,361,186	20	7,361,186
GREAT CANADIAN CASINO NANAIMO	GREAT CANADIAN CASINOS INC.	Nanaimo	36,464,150	300	5,955,764	18	42,419,913
GREAT CANADIAN CASINO NEWTON	GREAT CANADIAN CASINOS INC.	Surrey	–	185	16,852,008	28	16,852,008
GREAT CANADIAN CASINO RENAISSANCE	GREAT CANADIAN CASINOS INC.	Vancouver	–	–	11,692,260	24	11,692,260
GREAT CANADIAN CASINO RICHMOND	GREAT CANADIAN CASINOS INC.	Richmond	–	–	36,452,613	33	36,452,613
LAKE CITY CASINO KAMLOOPS	LAKE CITY CASINOS LIMITED	Kamloops	24,964,885	275	3,015,590	15	27,980,475
LAKE CITY CASINO KELOWNA	LAKE CITY CASINOS LIMITED	Kelowna	27,384,072	300	4,851,806	20	32,235,878
LAKE CITY CASINO VERNON	LAKE CITY CASINOS LIMITED	Vernon	18,392,061	177	1,798,607	10	20,190,668
ROYAL DIAMOND CASINO	ROYAL DIAMOND CASINOS INC.	Vancouver	–	–	15,457,568	30	15,457,568
			$ 218,303,187	**2060**	**$ 208,036,588**	**372**	**$ 426,339,776**
Destination Casino							
ROYAL CITY STAR CASINO	STAR FORTUNE GAMING MANAGEMENT (BC) CORP.	New Westminster	12,222,695	300	6,644,864	30	18,867,558
			$ 230,525,882	**2360**	**$ 214,681,452**	**402**	**$ 445,207,334**

Notes

The number of tables represents the maximum authorized tables (including poker tables) per casino. The actual number of tables open fluctuates daily and there are rules outlining the number of tables open at any one time. The number of authorized maximum tables has fluctuated throughout the year.

Lake City Casino Kelowna relocated May 20, 1999, adding 145 slots (total 300) and 8 tables (total 20).

Royal City Star Casino opened October 5, 1999.

Slot machines have not been in play at Great Canadian Casino Newton since April 17, 1998.

APPENDIX O

Creating Winning ENTERTAINMENT

Bingo Gaming

In 1997, as part of Government's gaming expansion initiatives, BCLC assumed responsibility to conduct and manage electronic bingo products.

SuperStar Bingo, a nightly, provincewide linked game with a minimum $20,000 jackpot, was introduced at licensed bingo halls where paper bingo was operated by charities. Preparations began to expand Starship Bingo console-based electronic bingo from its one flagship location to another seven sites within the following fiscal year.

In fiscal 1999/2000, total bingo revenues were $49.1 million, with Starship Bingo accounting for the largest share at $29.2 million and SuperStar Bingo at $16.8 million.

Charities

Charities have the responsibility to conduct and manage paper bingo as licensed by the British Columbia Gaming Commission. BCLC is the long-time, sole supplier of bingo paper for all bingo halls in British Columbia and recorded revenues of $3.1 million in fiscal 1999/2000.

A new gaming model announced by Government in 1998 included a funding guarantee to charities of a minimum level of $125 million annually from gaming.

Elements of the guarantee included the provision that charitable bingo facilities would receive a revenue guarantee at the facility level to be divided among charities in that hall. The guarantee would provide the better of their facility revenue from 1995/96 or 1996/97 plus five per cent, or their net facility revenues from paper, linked and electronic bingo.

Charities could accessthe $125 million through licensed bingo events or the direct accessprogram, both administered by the British Columbia Gaming Commission.

In June 1999, Government reached agreements with the B.C. Association for Charitable Gaming and the Charitable Bingo Association Committee of the Bingo Council of British Columbia that reaffirmed the minimum guarantee of $125 million annually, tied to the consumer price index in Vancouver, as well as the continuation of the bingo facility revenue guarantee.

BCLC's Role

BCLC contracts with service providers for facility and operational services for linked and electronic bingo. The Corporation provides the computer system, furnishings and on-site employees to operate the electronic bingo system.

Service providers are responsible for providing required space within their facility, as well as all necessary customer services, such as sales and cash handling. BCLC pays service providers a commission on electronic bingo sales.

Up to 85 halls participate in the nightly SuperStar game, which is controlled by a central computer system located in BCLC's Kamloops headquarters.

Promotions

BCLC worked co-operatively with the Bingo Council as preparations began for MoneyDay, the fourth such SuperStar Bingo event. The Council is made up of bingo industry representatives, including hall management and charitable organizations.

MoneyDay, held March 21, offered a minimum jackpot of $50,000, which could be exceeded depending on bingo sales volume. Spring-themed radio and community advertisements provincewide supported the bonus day. Salesresulted in a jackpot of $53,325.90.

Hand-held Unit Test

In another co-operative effort, BCLC worked with the Bingo Council to strengthen the bingo market by implementing a second test of hand-held bingo units. A hand-held bingo unit is a way to play paper bingo electronically and provides an opportunity for bingo halls to attract new players.

A Request for Proposal was issued in January and the Bingo Council provided a list of potential halls where the one-year test could be conducted. Halls that applied had to receive municipal approval and provide a financial analysis before BCLC could install the equipment.

Up to 10 halls were being selected at fiscal year-end. The test is scheduled to start May 1, 2000.

Corporate Profile

Mission Statement

As the major advocate on gaming policies and the principal operational agency of commercial gaming within the jurisdiction of British Columbia, the Corporation will contribute significantly to Government revenues and economic growth by providing top-quality gaming entertainment to the public in a socially responsible manner.

Corporate Objectives

- To maximize gaming revenue to the Province of British Columbia
- To operate the Corporation in the most effective and efficient manner possible
- To be recognized as a responsible, trustworthy and progressive Corporation, and to achieve strong and broad-based public support of the Corporation's mandate
- To have the best retailer networks in the Province of British Columbia to serve and meet the needs of our players
- To foster an organizational climate that welcomes and values diversity within the organization and through the services it provides to the public and its retailers
- To seek to ensure that every employee is valued, professionally fulfilled and feels that they play an integral role in the success of the Corporation

Mandate

The mission statement and objectives reflect the Corporation's principal mandate to generate, through Government-controlled gaming, substantial economic benefits for Government to improve the life of British Columbians.

This is balanced by BCLC's conscious effort to act as a good corporate citizen in conformation with its social responsibilities and Government gaming policies.

The Corporation will strive to excel in its mandate within the existing gaming policy framework in British Columbia.

Business Overview

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia 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 Western Canada Lottery Foundation.

As an agent of the Crown, the Corporation is authorized by Government to:

- conduct and manage lottery gaming, including both traditional lotteries and social gaming products and including the marketing of nationwide and regional lottery games in association with other provinces of Canada;
- conduct and manage casino gaming, including both community casinos (formerly charitable casinos) and destination casinos; and
- conduct and manage bingo gaming, both electronic and linked.

In calculating revenues, BCLC remains consistent with other lottery jurisdictions across Canada. Lottery sales revenues are calculated on gross sales before prizes; casino revenues are recorded on the basis of net win after prizes.

Corporate Structure

BCLC's head office is located in Kamloops, its sales and marketing office in Richmond and branch office in Victoria. The Corporation employs about 650 people, and these employees are based within the three offices, in the field as lottery territory managers, and at casino and bingo sites.

Head Office
74 West Seymour Street
Kamloops, British Columbia
V2C 1E2
(250) 828-5500

Richmond
10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1
(604) 270-0649

Victoria
770 Hillside Avenue
Victoria, British Columbia
V8T 1Z6
(250) 383-4433

PERFORMANCE MEASURES

OBJECTIVE:

To maximize gaming revenue to the Province of British Columbia

RESULT:

In fiscal 1999/2000, BCLC generated net income of $532 million, which was $2.1 million greater than budget and $76 million greater than fiscal 1998/99. The positive variance over budget reflects the strong revenue performance from casino operations and lower than expected operating expenses. The increase over fiscal 1998/99 reflects strong revenue performance from casino games and a full year of operation of table games. All net income is distributed to Government. Of the $532 million, $524.8 million was distributed to the Government of British Columbia, including payments pursuant to ministerial direction.

All lottery sales revenues are recorded net of free games and revenue is recognized in the period the product is sold. Slot machine and table game revenues are recorded net of prizes.

Total revenues of $1.4 billion were $1.5 million greater than budget and $140 million greater than fiscal 1998/99. Strong performance from casino operations and the lottery social gaming network (adult social settings that sell Club Keno and Breakopen pull-tabs or Breakopen only) were partially offset by lower than expected sales from the lottery retail network.

Total lottery sales revenues were $907.2 million. Sales of $688.2 million within the lottery retail network were $20.8 million less than budget and $2.5 thousand less than fiscal 1998/99. Sales of Lotto 6/49, BC/49 and Extra were less than budget due to fewer jackpot rollovers than anticipated. Additionally, sales of the Special Event ticket MegaMillions 2000 did not perform to expectations.

Lottery social gaming sales revenues of $219 million were $10 million greater than budget and $.9 million less than fiscal 1998/99. Strong sales performance from Club Keno was partially offset by weaker than expected Breakopen sales.

Casino revenues of $445.2 million were $14.7 million greater than budget and $137 million greater than fiscal 1998/99. The strong performance reflects the earlier than planned opening of the relocated Gateway Casino Burnaby and stronger than anticipated revenues from slot machines and table games.

Bingo revenues of $49.1 million were $2.4 million less than budget and $6.4 million greater than fiscal 1998/99. The increase reflects the operation of eight Starship Bingo electronic bingo sites for a complete year.

BCLC measures per capita income by dividing the Corportion's total income by the number of people over the age of 18 living in British Columbia. Per capita income of $170.8 was $.7 greater than budget and $22.1 greater than fiscal 1998/99. The increase reflects the continuing growth of casino operations.

To operate the Corporation in the most effective and efficient manner possible

RESULT:

Direct expenses related to the sale of gaming products – prizes, retailer commissions and ticket printing – represent about 85 per cent of BCLC's total expenditures. Direct expenses of $745.9 million were $6.6 million less than budget and $46.8 million greater than fiscal 1998/99. The increase reflects additional service provider commissions and prizes required to support higher sales from casino and bingo operations.

Prize payments represent BCLC's single largest expenditure at $509.8 million, or 53.3 per cent of representative sales revenues.

Commissions paid to lottery retailers and casino and bingo service providers represents another one of BCLC's largest expenditures. In fiscal 1999/2000, a total of $220.9 million in commissions was paid to lottery retailers and casino and bingo service providers. The increase reflects the continuing growth of slot machines, table games, and electronic and linked bingo, which are all higher commission games. Commissions include lottery sales commissions, casino and bingo service provider commissions, retailer bonuses and retailer incentives.

Operating expenses include administration, operations, amortization, and interest and other income. At about 6.7 per cent of total revenues, operating expenses of $94.1 million were $5.0 million greater than fiscal 1998/99.

BCLC operates a lottery online gaming system that is available for sales from 6 a.m. to midnight daily except December 25. The Corporation generated online sales of $613.6 million through

PERFORMANCE MEASURES

a network of some 3,100 retailers. System availability was 99.9 per cent, compared to the target of 99.95 per cent and 99.9 per cent in fiscal 1998/99.

OBJECTIVE:

To be recognized as a responsible, trustworthy and progressive Corporation, and to achieve strong and broad-based public support of the Corporation's mandate

RESULT:

Through an external research agency, BCLC tracks the public's attitude toward the Corporation. BCLC's acceptance rating was 48.1 per cent, compared to the target of 50 per cent and 45.9 per cent in fiscal 1998/99. After several years of declining ratings, the Corporation's public image began to improve.

BCLC measures the public's participation rate in lotteries. Through a random survey, adults are asked if they have played any lottery games in the previous 30 days. The public participation rate was 65.6 per cent, compared to the target of 65 per cent and 66.9 per cent in fiscal 1998/99.

To have the best retailer networks in the Province of British Columbia to serve and meet the needs of our players

RESULT:

BCLC has a comprehensive selection process and training program for lottery retailers. Tracking customer satisfaction provides a measure of the effectiveness of the retailer recruitment and training programs. Customer ranking of retailer services was 95 per cent, compared to the target of 90 per cent and 92 per cent in fiscal 1998/99.

By evaluating retailer satisfaction, BCLC measures the level of service provided by the Corporation to retailers. Services include sales support, technical assistance, product order and delivery, marketing support, training, accounting and retailer incentives.

Retailer satisfaction was 95 per cent, compared to the target of 90 per cent and 95 per cent in fiscal 1998/99.

To foster an organizational climate that welcomes and values diversity within the organization and through the services it provides to the public and its retailers

RESULT:

BCLC measures the number and percentage of people from designated equity groups – women, people with disabilities, aboriginal Canadians and visible minorities – who are employees in regular and part-time positions. About 400, or 60 per cent, of the Corporation's employees are among those four equity groups. The Corporation received 3,689 job applications, of which 2,066 were from the equity groups. Of 74 new hires, 34 were among the equity groups.

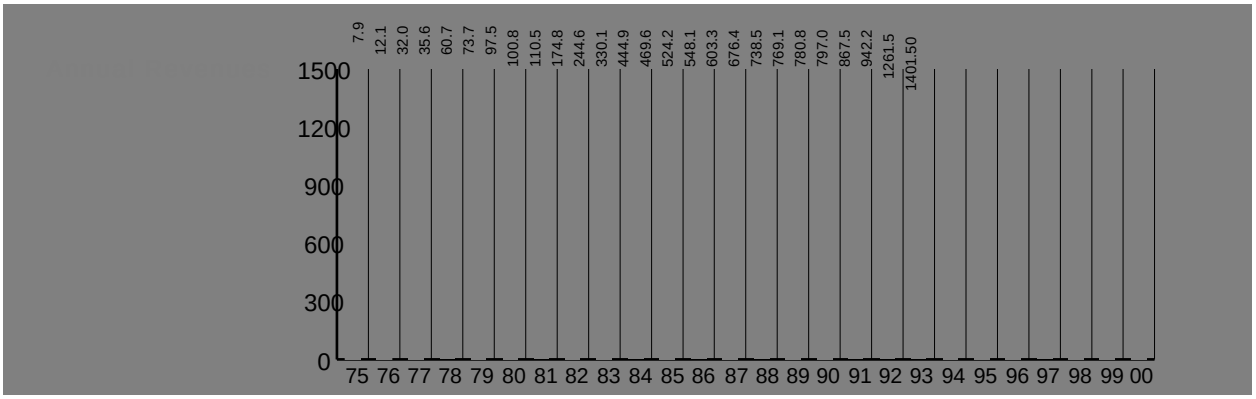
To seek to ensure that every employee is valued, professionally fulfilled and feels that they play an integral role in the success of the Corporation

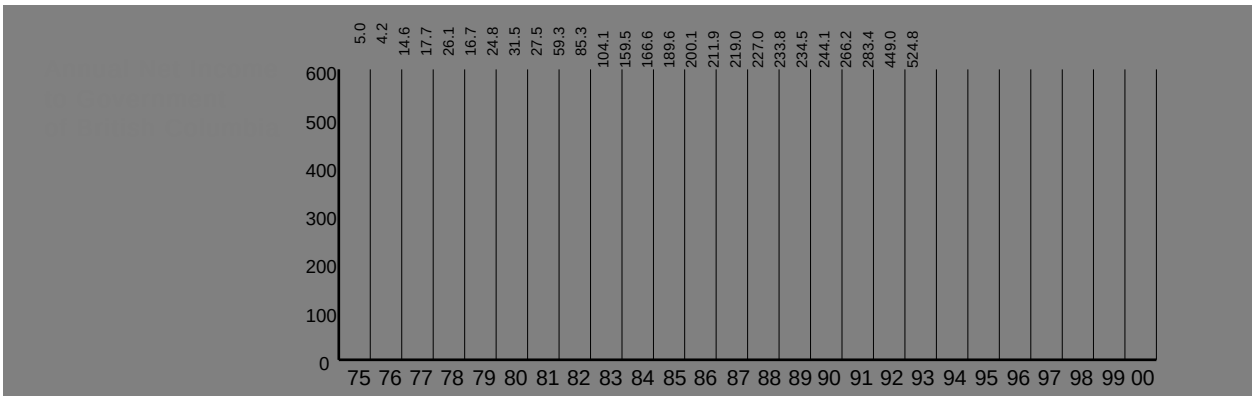
RESULT:

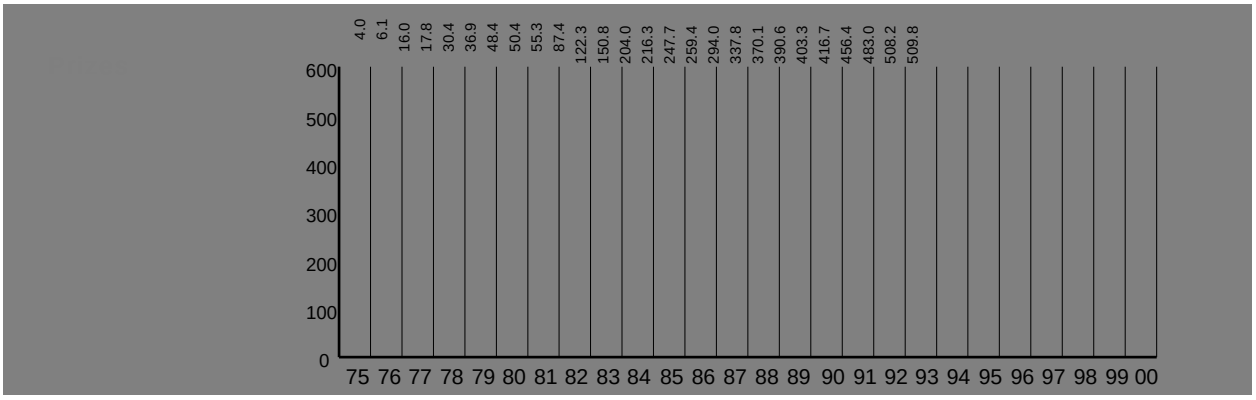
BCLC measures the effectiveness of its employee relations practices. The turnover rate of permanent full-time employees leaving the Corporation was 3.04 per cent, compared to 4.16 per cent in fiscal 1998/99.

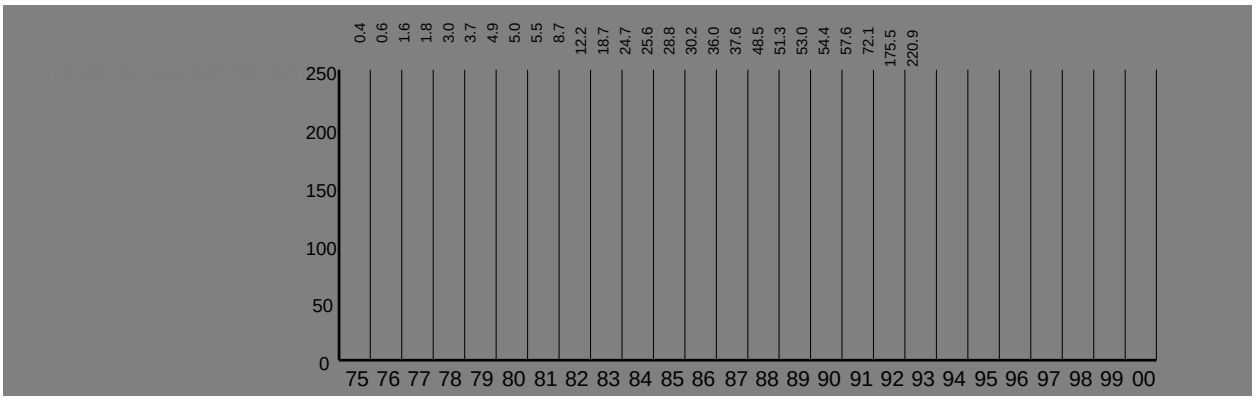
Labour costs represent the Corporation's largest administrative expenditure. Absenteeism, which includes sick days and short-term disability only, is a measure of the Corporation's productivity. The absenteeism rate was 1.92 per cent, compared to 1.85 per cent in fiscal 1998/99.

Growth Charts









APPENDIX O

Auditors Report

To the Directors of

British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2000 and the consolidated statements of income, amounts due to Province of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation 's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessingthe accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these princ iples have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Kamloops, Canada

April 19, 2000

Consolidated Balance Sheet

March 31, 2000, with comparative figures for 1999

(in thousands of dollars)	2000	1999
ASSETS		
Cash:		
Short-term investments	**$ 91,870**	$ 89,932
Bank	**2,303**	7,975
	94,173	97,907
Accounts receivable (note 3)	**28,504**	25,822
Receivable from Interprovincial Lottery Corporation	**4,745**	710
Prepaid expenses	**6,346**	3,873
Capital assets(note 4)	**25,872**	35,441
	$ 159,640	**$ 163,753**
LIABILITIES		
Prizes payable	**$ 57,804**	$ 64,822
Accounts payable and accrued liabilities	**28,339**	21,761
Due to Government of British Columbia	**73,497**	75,410
Due to Government of Canada	**–**	1,760
	$ 159,640	**$ 163,753**

See accompanying notes to consolidated financial statements.

Approved:

Mervyn Romilly
Chair

Jann L.M. Bailey
Director

Consolidated Statement of Income

Year ended March 31, 2000, with comparative figures for 1999

(in thousands of dollars)	2000	1999
Revenues (note 5)	**$ 1,401,530**	$ 1,261,494
Direct expenses:		
Prizes	**509,788**	508,150
Retailer commissions	**220,925**	175,549
Ticket printing and bingo paper	**15,192**	15,397
	745,905	699,096
Revenues less direct expenses	**655,625**	562,398
Operating expenses (note 13):		
Administrative expenses	**80,577**	75,525
Amortization	**19,752**	18,773
Less: Interest and other income	**(6,235)**	(5,089)
	94,094	89,209
Income from operations	**561,531**	**473,189**
GST expense	**29,530**	17,227
Net income	**$ 532,001**	**$ 455,962**
Allocation of net income:		
Government of British Columbia	**$ 522,875**	$ 440,628
Government of Canada (note 6)	**7,214**	6,998
Payments pursuant to ministerial direction (note 7)	**1,912**	4,958
Payments to British Columbia Charitable Gaming Funding Society	**–**	3,378
	$ 532,001	**$ 455,962**

Segmented information (note 13)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Governmen

Year ended March 31, 2000, with comparative figures for 1999

(in thousands of dollars)	2000	1999
Balance, beginning of year	$ 75,410	$ 41,294
Net income	532,001	455,962
	607,411	497,256
Payments to Government of British Columbia	526,700	414,848
Allocation of income to Government of Canada	7,214	6,998
	533,914	421,846
Due to Government of British Columbia	**$ 73,497**	**$ 75,410**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2000, with comparative figures for 1999

(in thousands of dollars)	2000	1999
CASH PROVIDED BY (USED IN):		
Operations:		
Net income	$ 532,001	$ 455,962
Amortization, which does not involve cash	19,752	18,773
	551,753	474,735
Changes in non-cash operating items	(11,390)	(14,077)
	540,363	460,658
Financing:		
Payments to Government of British Columbia	(526,700)	(414,848)
Allocation of income to Government of Canada	(7,214)	(6,998)
	(533,914)	(421,846)
Investments:		
Additions to capital assets	(10,183)	(12,723)
	(10,183)	(12,723)
Increase (decrease) in cash	(3,734)	26,089
Cash, beginning of year	97,907	71,818
Cash, end of year	**$ 94,173**	**$ 97,907**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended March 31, 2000

1. Nature of the Corporation

British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia and to co-operate in the conducting and marketing of national and regional lottery schemes with other Provinces of Canada.

The Corporation conducts and manages the following lottery schemes in British Columbia: DAILY 3, SCRATCH & WIN, BC/49, CLUB KENO, EXTRA, SPORTSACTION, BREAKOPEN, STARSHIP BINGO, SUPERSTAR BINGO and casino games including slot machines and table games.

The Corporation is the regional marketing organization for the SPECIAL EVENT, LOTTO 6/49, LOTTO SUPER7 and MEGA MILLIONS games in British Columbia. These games are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant Accounting Policies

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation.

(b) Short-term investments

Short-term investments are valued at the lower of cost and market.

(c) Capital assets:

The Corporation 's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased will be capitalized.

The Corporation 's capital assets are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset		Rate
Building and leasehold improvements		5 years
Furniture and equipment		5 years
Computer equipment		3 years
On-line gaming terminals		3 years
Breakopen vending machines		3 years
Signs and fixtures:	Computer	3 years
	Non-computer	5 years
Bingo equipment		3 years
Casino equipment		3 years

Amortization is prorated in the year the assets are put in use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(d) Revenue recognition:

Lottery games:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

Bingo games:

Revenue from the operation of electronic and linked Bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played.

Casinos:

Revenues from casino slot machines and table games are recorded on the statement of income, net of prizes paid. Related operating costs are recorded in the statement of income in the period they are incurred.

(e) Prize expenses:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out through bonus draws, promotions and retailer incentives.

(f) Software development costs:

Software development costs are expensed in the period in which they are incurred.

(g) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(h) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

3. ACCOUNTS RECEIVABLE (IN THOUSANDS OF DOLLARS):

	2000	1999
Retailers	**$ 25,748**	$ 23,535
Other	**2,756**	2,287
	$ 28,504	**$ 25,822**

4. CAPITAL ASSETS (IN THOUSANDS OF DOLLARS):

	Cost	Accumulated amortization	2000 Net	1999 Net
Land	$ 700	$ –	**$ 700**	$ 700
Building and leasehold improvements	26,383	23,043	**3,340**	1,266
Furniture and equipment	3,522	3,280	**242**	227
Central system computer	22,674	21,799	**875**	1,688
On-line gaming terminals	35,552	35,179	**373**	3,111
Breakopen vending machines	7,484	6,958	**526**	1,456
Signs and fixtures	4,948	4,088	**860**	557
Bingo equipment	11,425	7,830	**3,595**	7,198
Casino equipment	31,948	16,587	**15,361**	19,238
	$ 144,636	$ 118,764	**$ 25,872**	$ 35,441

5. REVENUES (IN THOUSANDS OF DOLLARS):

	2000	1999
Lottery:		
LOTTO 6/49	**$ 218,208**	$ 249,141
CLUB KENO	**185,234**	173,674
SCRATCH & WIN	**182,091**	176,587
BREAKOPEN	**108,566**	115,793
BC/49	**75,603**	85,618
EXTRA	**64,908**	63,402
LOTTO SUPER7	**43,030**	12,940
SPORTSACTION	**22,230**	22,782
DAILY 3	**4,465**	4,740
SPECIAL EVENT	**2,915**	5,981
	907,250	910,658
Bingo:		
SUPERSTAR BINGO	**16,833**	18,972
STARSHIP BINGO	**29,179**	20,348
Paper	**3,061**	3,379
	49,073	42,699
Casino - net win:		
Slot machines	**230,526**	146,772
Table games	**214,681**	161,365
	445,207	308,137
Total revenues	**$1,401,530**	**$1,261,494**

6. Payments to Government of Canada

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $ 7.2 million for the next fiscal year ending March 31, 2001.

7. Payments pursuant to ministerial direction

Pursuant to Section 22 of the Financial Administration Act, the Corporation has been directed to pay for the Problem Gambling Program costs administered by the Ministry for Children and Families (and the costs of the Gaming Policy Secretariat in 1998/99).

8. Interprovincial Lottery Corporation expenses and interest revenue

The Corporation 's share of the Interprovincial Lottery Corporation (I.L.C.) prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation 's share of the I.L.C. 's interest income less operating expenses is included in interest and other income.

9. Lease obligations (in thousands of dollars):

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2001	$1,150
2002	932
2003	787
2004	592
2005	538

10. Pension plans

An actuarial valuation was made as of March 31, 1997 by William M. Mercer Ltd., a firm of consulting actuaries, and then extrapolated to March 31, 2000. The market value of pension plan assets as at March 31, 2000 is approximately $ 33.3 million (1999 - $ 28.1 million) and the extrapolated present value of accrued pension benefits for services rendered to March 31, 2000 is approximately $ 26.9 million (1999 - $ 22.1 million), resulting in a net surplus of $ 6.4 million (1999 - $ 6.0 million).

The cost of the pension plan reflects management's best estimates of the pension plan's expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire, and is therefore subject to measurement uncertainty.

11. Fair value of financial assets and liabilities

The carrying value of accounts receivable, prizes payable, due to the Interprovincial Lottery Corporation, accounts payable and accrued liabilities and due to Government of British Columbia are recorded at cost which approximates fair value.

12. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

13. SEGMENTED INFORMATION (IN THOUSANDS OF DOLLARS):

Year ended March 31, 2000				
Sector of activity	**Lotteries**	**Casinos**	**Bingos**	**Consolidated**
Revenues	$ 907,250	$ 445,207	$ 49,073	$1,401,530
Direct expenses:				
Prizes	481,611	–	28,177	509,788
Retailer commissions	60,762	154,182	5,981	220,925
Ticket printing and bingo paper	12,642	–	2,550	15,192
	555,015	154,182	36,708	745,905
Revenue less direct expenses	352,235	291,025	12,365	655,625
Operating expenses:				
Administrative expenses	52,112	23,237	5,228	80,577
Amortization	7,066	8,856	3,830	19,752
Less: Interest and other income	(6,590)	279	76	(6,235)
	52,588	32,372	9,134	94,094
Income from operations	299,647	258,653	3,231	561,531
GST expense	11,837	16,373	1,320	29,530
Net income	**$ 287,810**	**$ 242,280**	**$ 1,911**	**$ 532,001**

14. SEGMENTED INFORMATION (CONTINUED) (IN THOUSANDS OF DOLLARS):

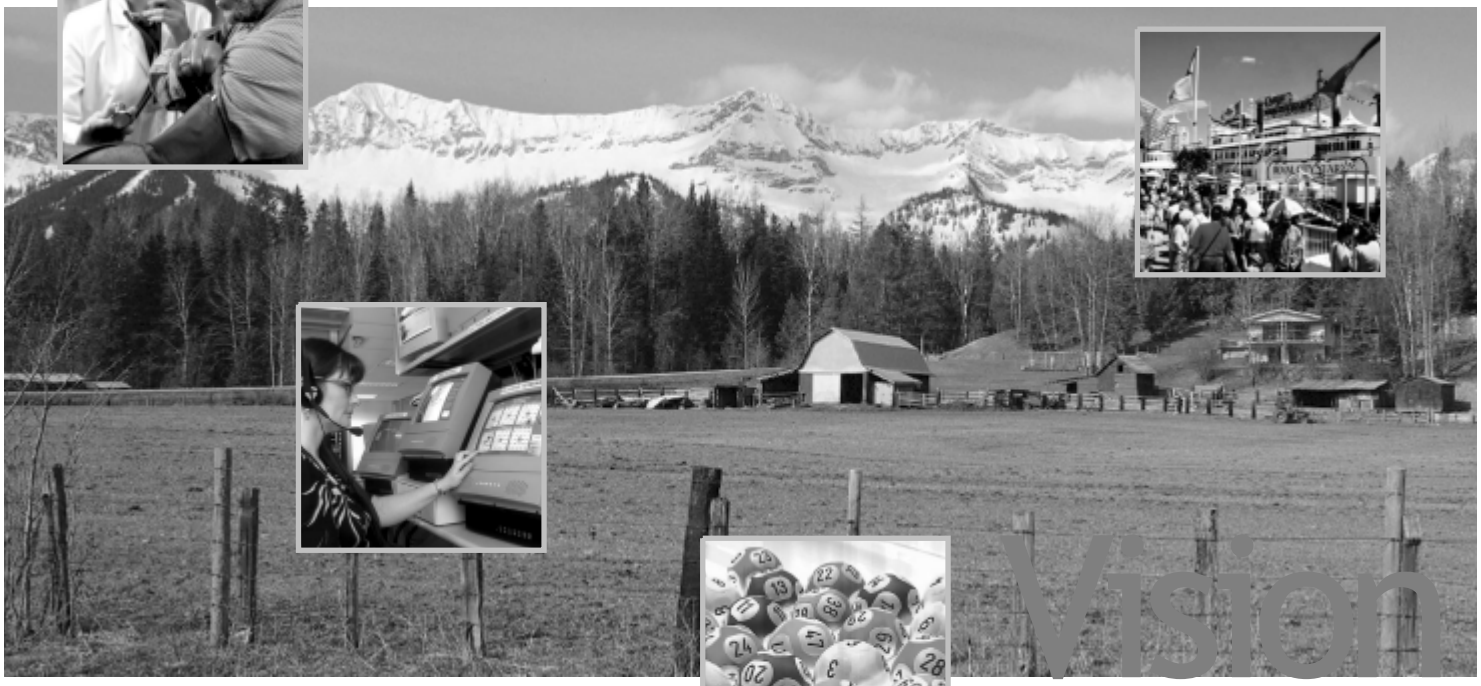
Year ended March 31, 1999

Sector of activity	Lotteries	Casinos	Bingos	Consolidated
Revenues	$ 910,657	$ 308,137	$ 42,700	$1,261,494
Direct expenses:				
Prizes	486,072	–	22,078	508,150
Retailer commissions	59,850	110,505	5,194	175,549
Ticket printing and bingo paper	12,544	–	2,853	15,397
	558,466	110,505	30,125	699,096
Revenue less direct expenses	352,191	197,632	12,575	562,398
Operating expenses:				
Administrative expenses	54,039	15,446	6,040	75,525
Amortization	9,103	5,913	3,757	18,773
Less: Interest and other income	(5,267)	126	52	(5,089)
	57,875	21,485	9,849	89,209
Income from operations	294,316	176,147	2,726	473,189
GST expense	11,854	4,644	729	17,227
Net income	**$ 282,462**	**$ 171,503**	**$ 1,997**	**$ 455,962**

Appendix P – 2000/01:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2000-2001,* (Kamloops: British Columbia Lottery Corporation, 2001).

ANNUAL
REPORT
2000/01



Vision

British Columbia Lottery Corporation

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LETTER OF TRANSMITTAL

Minister Responsible for British Columbia Lottery Corporation

Dear Minister:

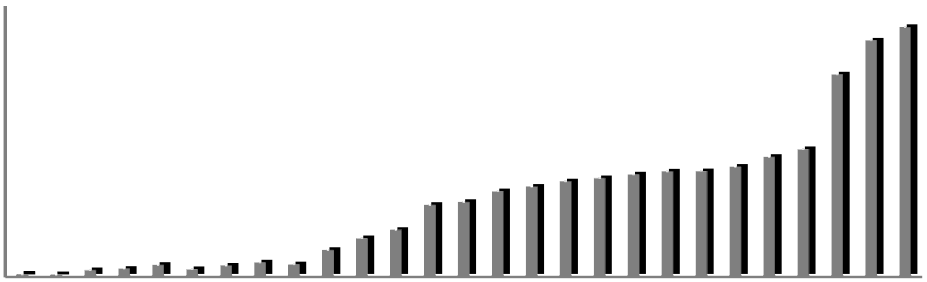
British Columbia Lottery Corporation (BCLC) experienced continued success in fiscal 2000/01 as it fulfilled its responsibilities as an agent of the Crown to conduct and manage lottery games, commercial casino gaming and electronic and linked bingo. Record revenues and net income were achieved for British Columbia for the 26th consecutive year.

Total revenues reached $1.48 billion, resulting in net income of $562 million, of which $554.6 million was distributed to the Government of British Columbia and $7.4 million to the Government of Canada.

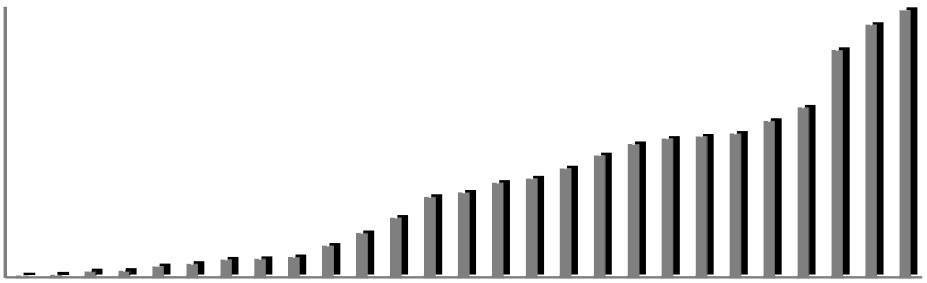
On behalf of BCLC, I respectfully submit the Annual Report for fiscal year ended March 31, 2001.

Mervyn Romilly
Chair, Board of Directors

Annual Net Income to Government of British Columbia



Annual Revenues



APPENDIX P

Board Governance

The Corporation reports to the Minister Responsible for British Columbia Lottery Corporation through a Board of Directors comprising up to nine members. By order-in-council, Government appoints board members from various backgrounds and communities around the province.

The Board of Directors is responsible for overseeing the management of the Corporation's affairs and for guiding its activities to meet statutory objectives as outlined in the Lottery Corporation Act of British Columbia.

Director's involvement, commitment and accountability is evident by their:

- knowledge of the Corporation's history, current operations and culture
- regular, informed participation in Board and committee meetings
- preparation and active participation in setting strategic direction
- ensuring the Corporation performs in the overall best interests of the Government of British Columbia

Committee Structure

The Board of Directors operated through the following committee structure:

- Audit Committee
- Compensation Committee
- Governance Committee
- Retailer Complaint Review Committee
- Marketing and Communications Committee

The Audit Committee liaises between the external and internal auditors and the Board. It ensures that the review of BCLC's financial operations by the external auditors provides an independent report of the integrity of financial data, adequacy of internal controls, adherence to sound business practices, and that the results of the annual audit are fairly presented.

The Compensation Committee examines the Corporation's strategies and practices that relate to effective and fair human resources management, and provides advice on these matters to the full Board for consideration.

The Governance Committee assists the Board in reviewing the policies and practices of the Board by ensuring the Board's continuing ability to fulfil its legislative mandate, and in implementing effective due diligence over the operations of the Corporation.

The Retailer Complaint Review Committee is an appeal body for existing, past and potential retailers who, after having exhausted appeals to management, seek redress from the Board.

The Marketing and Communications Committee establishes guidelines regarding sponsorships and corporate image programs undertaken by the Corporation.

Board Members

Chair

Mervyn Romilly | Reappointed Nov. 23, 2000
Financial and Management Consultant
North Vancouver

Vice-Chair

Jann L. M. Bailey | Reappointed August 15, 2000
Art Gallery Director
Kamloops

Directors

JaswinderBathe | Appointed November 23, 2000
Accountant
Abbotsford

Pietro Calendino | Appointed April 1, 1998
MLA
Burnaby North

Marylou Curtis | Reappointed June 29, 2000
Credit and Office Manager
Prince George

Diane Ferleyko | Reappointed June 29, 2000
Accountant
Coquitlam

Kenneth H. Isomura | Reappointed August 15, 2000
Labour Staff Representative
Canadian Labour Congress/
United Way of Lower Mainland
Vancouver

Gary Martin | Appointed December 7, 2000
Assistant Deputy Minister
Labour Programs
Ministry of Labour
Victoria

Wendy Smitka | Appointed December 7, 2000
Self-employed business owner
Nanaimo

Chair's Message

Fiscal 2000/01 was a year of continued success, growth and major accomplishments that included the completion of BCLC's new five-year strategic plan, out of which emerged a new vision.

The Corporation established an ambitious, yet simply stated, vision statement: To be a world-class gaming corporation.

This vision statement, integrated with the strategic plan, will keep BCLC striving to:

- 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 and excellent 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

In developing the new vision, the Corporation defined the core values and key operating principles that apply to every aspect of its business. BCLC will:

- Demonstrate integrity in the games that it offers and by conducting business in a way that is fair, honest and trustworthy
- Give careful consideration to social responsibility and the impact on the people and communities of British Columbia
- Strive for excellence in its work practices, products and relationships
- Foster openness, mutual respect and individual development

Our guiding operating principles are:

- Stewardship in operating the business for the long-term benefit of British Columbians
- Simplicity in easy delivery and access to products
- Focus in paying attention to customers, strategic priorities and goals, and values and relationships
- Effectiveness in using dollars, time and talent to their fullest
- Responsiveness in acting quickly in response to strategic, competitive and market changes
- Accountability in ensuring that clear objectives and targets exist throughout the organization and responsibility is widely shared

In fiscal 2001/02 the organization will focus on a number of key programs involving business improvement, an e-business strategy, corporate image program, organizational development, and new business development opportunities and technologies.

Mervyn Romilly
Chair, Board of Directors

President's Message

Benefits to British Columbians

Gaming revenue has been delivering economic benefits and funding for good works programs to the people of British Columbia since the first day of lottery sales in British Columbia on August 4, 1974.

After a 10-year partnership with the three Western provinces, BCLC officially started as a separate Crown Corporation on April 1, 1985, and is the agent of government authorized to conduct and manage gaming in British Columbia. The Corporation is committed to the highest standards for gaming entertainment, social responsibility and integrity in its mandate to generate gaming revenue for the Government of British Columbia. Government distributes this money to British Columbians through public service programs, including health care, general revenue, grants to charities, municipal revenue sharing, and problem gambling programs.

In fiscal 2000/01, for the 26th consecutive year, BCLC achieved record revenues and profit. Revenues of $1.48 billion resulted in net income of $562 million, of which $554.6 million was distributed to the Government of British Columbia and $7.4 million to the Government of Canada. Over the 26 years of lotteries in British Columbia, a total of $4.6 billion in net income has been distributed to the Government of British Columbia.

Strategic Plan

The development of BCLC's new strategic plan involved a re-examination of the Corporation's core purpose, values and vision. The critical issues, opportunities and challenges facing BCLC were assessed in order to position the organization for continued growth in the future.

Finalized in the last quarter of fiscal 2000/01, the plan sets out a new vision and objectives for the Corporation. Major strategic initiatives were identified:

- Increase the entertainment value of our products
- Prepare for transformational growth in a changing marketplace
- Build a stronger social contract with British Columbians and their communities
- Strengthen government relationships
- Focus on operational excellence in people, practices, systems, margins and competition
- Align principles, values, behaviour and culture with the new vision, and integrate the strategic plan with next fiscal year's business plan
- Increase annual revenues to $2 billion over the next five years

Community Involvement

BCLC strives to be a socially responsible, trustworthy and community-orientated organization.

Through its community support and sponsorship program, the Corporation proudly supported a variety of community events throughout the province in fiscal 2000/01. Celebrations, festivals, tournaments, sporting events, exhibitions and conferences benefited from BCLC's involvement. The Corporation salutes the work of the thousands of volunteers whose dedication makes so many of these events possible. We are especially pleased to be recognizing their efforts during the International Year of Volunteers 2001.

For a third season, the Hey Wagon Community Stage program provided a performance stage, sound and lighting system and crew to community events throughout the province. This in-kind sponsorship gave local organizers greater opportunity to increase the quality of events for their communities. The stage travelled 17,000 kilometres to visit 25 events in 21 communities.

The Hey Wagon participated in a number of charity events in its schedule, helping event organizers to raise a total of $1.1 million for worthy community causes.

Responsible Gambling

BCLC offers high-quality gaming entertainment to adults who wish to play games of chance. The Government of British Columbia has established the minimum gaming age as 19 years, a policy that BCLC adheres to and supports.

Of the adults who participate in gaming entertainment, the vast majority do so for social and recreational purposes. However, a small percentage have varying degrees of difficulty deciding how much is too much.

The Corporation recognizes the importance of ensuring that problem gambling issues are addressed through public

Senior Executive

President and CEO
Vic Poleschuk

Vice-President, Corporate Development and Information Technology
Rob Egan

Vice-President, Finance & Corporate Services
Doug Penrose

Vice-President, Casino Gaming
Brian Lynch

Vice-President, Lottery Gaming
Jim Lightbody

President's Message

awareness, education and treatment programs. Since 1997, Government has annually provided $2 million of BCLC net income to the Problem Gambling Program administered by the Ministry for Children and Families.

The program provides a wide range of support, including prevention activities, community-based counselling, outpatient services and a toll-free help line. BCLC plays a key role in providing resources, expertise and assistance to the Ministry, and participates in joint initiatives such as training sessions, community information workshops and conferences that have targeted specific risk groups.

BCLC supported Government's initiative to increase program funding to $4 million annually. The Corporation looks forward to continuing partnerships with the Problem Gambling Program in helping to provide public awareness, education and treatment for those who struggle with gambling addictions.

Destination Casino

The Okanagan's first destination casino and British Columbia's second, Lake City Casino Penticton, opened in May ahead of schedule. Set on the shores of scenic Okanagan Lake in the Penticton Lakeside Resort, Convention Centre & Casino, the facility offers gaming entertainment in the atmosphere of a lively Caribbean wharfside village.

In addition to the direct investment of more than $13 million in phase one of the project, the casino generated new employment opportunities and economic benefits for the city of Penticton.

Casino Service Provider Contracts

BCLC contracts with private sector casino service providers for facility and operational services.

In January, the two parties reached an agreement in principle on the terms and conditions of a 10-year contract with an option to renew for an additional 10 years. This contract will provide greater certainty and stability for the Corporation and casino service providers to partner in developing the casino industry and provide high-quality casino gaming entertainment, excellent customer service and Canadian industry casino operational standards.

Technology

Another electronic bingo site, Starship Neptune, opened at the Campbell River Bingo Palace in January.

This is the first of the Corporation's electronic bingo systems to be operated by a central controller system, developed jointly by BCLC and British Columbia-based technology company Jenosys Inc. Through this technology BCLC can compete with other types of high-tech gaming entertainment

and conduct more effective and efficient business operations.

E-business has significantly changed the way organizations operate. During the past several years, BCLC has developed **www.bclc.com** where visitors can check winning numbers and access corporate and product information.

Over the next fiscal year, the Corporation will position itself to take full advantage of emerging technologies by identifying opportunities, developing a comprehensive e-business plan, enhancing and refining its Web site and continuing to integrate Web-based technologies into business unit programs.

Building Our Future Together

In January 2000, BCLC conducted an employee survey and an action plan was subsequently initiated. Training and development programs that strengthen the organization and support effective and efficient business operations are being conducted over a two-year period.

The Year 2001/02

BCLC's strategic plan identifies initiatives and establishes the baseline for the 2001/02 business plan. Among its goals, the Corporation will focus on growing the current gaming business by providing its customers with high-quality gaming entertainment, building a stronger social contract with British Columbians, including more comprehensive social responsibility programs, and being a better business in the areas of people, practices, systems, margins and competition.

Vic Poleschuk
President and CEO

Lottery Gaming

SALES REVENUES

Lotteries face many challenges, including a maturing market and competition from other forms of entertainment. In fiscal 2000/01, sales revenues of $937 million exceeded budget and were $29.7 million greater than the previous fiscal year. Lotto Super 7, Club Keno and Breakopen performed strongly, but sales were lower than expected from Lotto 6/49 and Scratch & Win.

NATIONWIDE GAMES

Nationwide game sales totalled $266.6 million, up marginally from the previous fiscal year. These include Lotto 6/49, Lotto Super 7 and the Celebration games. Lotto Super 7 and Lotto 6/49 have experienced favourable jackpot patterns in recent years, with larger jackpots attracting greater player interest and increased sales. Larger jackpots also correspond to increased sales on BC/49 and Extra.

In fiscal 2000/01, Lotto Super 7 reached a jackpot level of $10 million or higher 20 times. Highest jackpot of the year was $20 million, the last in a three-jackpot bonus series. Lotto 6/49 reached a jackpot of $5 million or higher 44 times. The highest jackpot of $15 million occurred twice during the year.

CLUB KENO

Club Keno is offered in both the LTC and CKK networks. Forty-five new locations were added to the CKK network during the year.

Sales of $204 million were $18.8 million greater than the previous year. A Club Keno consumer promotion that offered one draw free with a five-draw purchase resulted in a net sales increase.

Chaser, a game with a guaranteed winner every draw, launched January 7 in the social gaming network. CKK retailers earn a higher commission rate on this game. Sales had reached $1.59 million by fiscal year-end.

Breakopen sales of $108 million were on par with the previous fiscal year.

SCRATCH & WIN

Scratch & Win sales of $191.5 million, an increase of $9.4 million over the previous fiscal year, were well supported by the popular base games Gold Rush, Blackjack, Bingo and Crossword. Variations of these games are always available. In addition, a holiday lineup offering $6.5 million in prizes was successful.

BC's Set for Life, a $4 Scratch & Win that launched in September, offers a top prize of $1,000 a week for 25 years. Winners have the option of the annuity prize or a lump sum payment of $675,000. The fiscal year's sixth winner of the top prize became the first to choose the annuity prize option.

One of the strongest Scratch & Wins of the year, BC's Set for Life maintained base game status. The annuity prize has proved appealing to a core group of players.

Wheel of Fortune® was based on the television game show theme. A consumer promotion offered prizes of a trip to Hollywood to audition for the show and subsidiary merchandise prizes. The game achieved excellent sales performance.

SPORTS ACTION

Sports Action is the umbrella for Oddset, Toto and Point Spread. Fiscal 2000/01 sales of $22.3 million were on par with last fiscal year.

A Catch to Win consumer contest ran from July through November at BC Lions home games. Sports Action players had the chance to win tickets and cash. A Catch to Win contest was also held when Sports Action sponsored the annual Shrum Bowl football game between the University of British Columbia and Simon Fraser University.

WINNERS

More than 71 million lottery prizes worth a total of $539.2 million were won in British Columbia in fiscal 2000/01, another record-setting year.

There were 47 lottery jackpot or grand prizes won in the province, of which 23 were $1 million or greater.

PARTNERS AT RETAIL

BCLC offers lottery products through a network of about 2,650 Lottery Ticket Centre (LTC) retailers, many of them small businesses. About 800 Club Keno Korner (CKK) locations in the social gaming network, mainly bars and pubs, sell Club Keno, Chaser and Breakopen pull-tabs, and another 360 offer Breakopen only.

At fiscal year-end, more than 900 convenience stores comprised the largest segment of the LTC network. Gas/convenience stores were the next largest segment at almost 700. Among other locations are ticket centres, newsstands, drugstores, variety and services stores, and non-profit organizations that sell tickets on behalf of charity, usually in a kiosk setting.

To help retailers succeed in business, the Corporation provides a toll-free information and help

line, sales representatives, technical and customer service training, point-of-sale materials, supplies and newsletters.

COMMISSIONS EARNED

Lottery retailers earn a commission on every lottery ticket sold through a percentage structure that varies by product. In fiscal 2000/01, lottery retailers from across the province earned a total of $63.7 million in commissions.

Additional income was also earned through bonus and incentive programs. The LTC Bonus Program offered a total of $3 million in potential earnings by rewarding retailers for outstanding sales and service through the categories of Sales Bonus, Service Reward and Club Elite. Overall, 75 per cent of retailers achieved a bonus payment.

In the CKK Bonus Program, $2.5 million in potential earnings was available through the categories of Sales and Service Reward and Sales Increase Bonus. Almost 71 per cent of retailers achieved a bonus payment overall.

RETAILER FORUM

BCLC took its annual Retailer Forum on the road in fiscal 2000/01, holding one-day regional conferences in Prince George, Victoria and Kelowna.

Lotto 2000 offered retailers opportunities to learn about such topics as sales and retailing trends, managing people and security tips. They exchanged information and ideas with their peers and BCLC staff.

RETAILER AWARDS

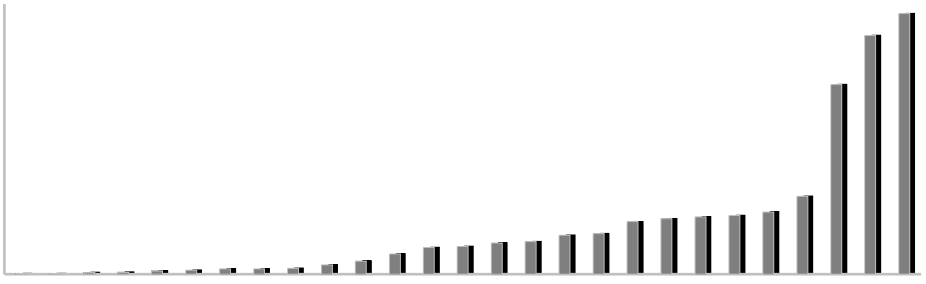
At Lotto 2001 in Vancouver, BCLC held its annual Retailer Awards for fiscal 2000/01, created to recognize the dedication and hard work of retailers across the province.

The award for best sales achievement went to Joan Trotter. Joan is owner-operator of the Northbound Stop and Wash in Mackenzie, a combined business of laundromat, snack bar, bus depot and LTC. She has more than doubled her lottery sales since she started two years ago.

Serge Laprise of the Valleyfair Mall LTC in Maple Ridge won for best overall retailer. Noted for going the extra mile in his business, Serge offers customers second chances on non-winning lottery tickets by entering them into an in-house draw. He donates his BC/49 profits from the last Wednesday of the month to the Multiple Sclerosis Society.

Wayne Richmond, who runs the 49th Parallel Grocery #1 in Ladysmith, was honoured with the best community award. He sponsors a variety of community sports teams, provides staff with unique benefits, such as helping with their first-home purchases, and gives back more than $6,000 to the community through his customer cash-back program.

Commissions and service fees paid to Lottery Retailers, Casino Service Providers and Bingo Operators



APPENDIX P

Casino Gaming

Casinos that offered only table games began operating in British Columbia in 1987. In 1997, as part of the Government of British Columbia's change in gaming policy, BCLC was given responsibility to conduct and manage slot machines when they were introduced in the province.

The Corporation became responsible for all commercial casino gaming when it assumed responsibility to conduct and manage table games effective June 1, 1998.

There are two types of commercial casinos in British Columbia. Community casinos are existing sites that were formerly known as charitable casinos. Destination casinos are new casinos that Government approved in principle in fiscal 1998/99 through a Request for Proposal process. Both may have up to 300 slot machines, 30 tables and table betting limits up to $500.

Revenues

Casino revenues are recorded after prizes are paid. In fiscal 2000/01, total revenues of $492.3 million were $47.1 million greater than the previous fiscal year. Slot machine revenues were $268.9 million and table game revenues $223.4 million.

Lake City Casino Penticton, British Columbia's second destination casino, opened in May. An earlier than expected implementation coupled with a full year of operation from the Royal City Star riverboat destination casino contributed to overall strong sales performance.

With the opening of the Penticton casino, there were 16 community casinos and two destination casinos in operation over the fiscal year. At fiscal year-end, there were a total of 2,399 slot machines throughout 10 locations.

Revenue Sharing

A Memorandum of Agreement reached between the Government of British Columbia and Union of British Columbia Municipalities in June 1999 included an agreement that a municipality where a community casino is located receives a 10 per cent share of the net income generated by that casino. In a community where a destination casino is located, the host local government receives one-sixth of the net income from that casino.

BCLC transfers net income to Government, which disburses the municipal share quarterly. In fiscal 2000/01, local governments received about $29.5 million.

Casino Relocations

In June 2000, the Corporation introduced a five-stage process for relocating community casinos. The process provides for broad-based community input from local governments, the public and casino service providers.

Communities in the Southern Vancouver Island region followed the process in considering community casino relocations. View Royal went on to receive final approval as the preferred site for a relocated, full-service casino, expected to open in late 2001.

Construction began on the new site in Coquitlam for a full-service casino, relocated from a table games only facility in Surrey. A fall 2001 opening is anticipated.

Service Provider Partnerships

BCLC contracts with private sector casino service providers for facility and operational services.

There are eight casino service providers in British Columbia: 585 Holdings Ltd. (Billy Barker Casino); Prince George Casino Supply Co. Inc. (Casino Hollywood); Gateway Casinos Inc. (three Gateway locations); Grand Casino Equipment & Management Ltd. (Grand Casino); Great Canadian Casinos Inc. (six Great Canadian Casino locations); Lake City Casinos Ltd. (four Lake City Casino locations); Royal Diamond Casinos Inc. (Royal Diamond Casino); and Star of Fortune Gaming Management (BC) Corp. (Royal City Star).

From net win, the casino service provider receives service fees of 40 per cent on table games and 25 per cent on slot machines, plus three per cent on each for facility development. Destination casinos receive the same game service fees as community casinos.

In fiscal 2000/01, casino service providers earned a total of $170.3 million in service fees.

Slot Machine Entertainment

To maintain entertainment value to customers the Corporation revitalized its slot machine game mix during fiscal 2000/01, the first time since slot machines were introduced in the province in October 1997. While the number of slot machines remained the same at each casino site, some machines were retrofitted with new themes or replaced with new games. Multiple paylines

became available, increasing the top prize available to be won on a slot machine game in British Columbia to $20,000.

The province's first novelty slot machine was installed at Lake City Casino Penticton. Known as a mini-Bertha, the machine stands eight feet tall and three feet wide and features the image of the legendary lake monster Ogopogo.

GUARANTEE TO CHARITIES

In April 1998, Government announced a new gaming model that included funding to charities of a guaranteed minimum level of $125 million annually from gaming. A Direct Access program administered by British Columbia Gaming Commission replaced revenue previously available through casino licences, and volunteers would no longer be involved in casino nights.

The funding guarantee was reaffirmed in June 1999 when Government reached a Memorandum of Agreement with British Columbia Association for Charitable Gaming. The minimum of $125 million annually is tied to the consumer price index in Vancouver.

In fiscal 2000/01, the guarantee was $127.7 million. From the net income generated by BCLC in fiscal 2000/01, Government allocated $96.2 million to charities as part of the guarantee commitment of $127.7 million, with the balance being earned directly by charities through bingo gaming.

BRITISH COLUMBIA LOTTERY CORPORATION CASINO REVENUES — FOR FISCAL YEAR ENDING MARCH 31, 2001

Casino	Service Provider	City	BCLC Slot Machine Revenue	Number of Slot Machines at March 31	BCLC Table Game Revenue	Number of Tables at March 31	BCLC Combined Casino Revenue
Community Casinos							
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 8,345,977	134	$ 615,150	6	$ 8,961,126
Casino Hollywood	Prince George Casino Supply Co. Inc.	Prince George	20,136,712	220	2,528,809	9	22,665,520
Gateway Casino Burnaby	Gateway Casinos Inc.	Burnaby	68,426,775	300	35,214,385	31	103,641,160
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver			14,933,429	28	14,933,429
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	23,711,248	169	13,019,630	24	36,730,878
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver			18,470,139	32	18,470,139
Great Canadian Casino Holiday Inn	Great Canadian Casinos Inc.	Vancouver			20,288,363	35	20,288,363
Great Canadian Casino Mayfair	Great Canadian Casinos Inc.	Victoria			7,957,931	18	7,957,931
Great Canadian Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo	40,409,295	300	6,004,378	16	46,413,673
Great Canadian Casino Newton	Great Canadian Casinos Inc.	Surrey			18,987,341	28	18,987,341
Great Canadian Casino Renaissance	Great Canadian Casinos Inc.	Vancouver			9,969,276	24	9,969,276
Great Canadian Casino Richmond	Great Canadian Casinos Inc.	Richmond			40,548,014	33	40,548,014
Lake City Casino Kamloops	Lake City Casinos Limited	Kamloops	22,142,320	275	2,517,587	12	24,659,907
Lake City Casino Kelowna	Lake City Casinos Limited	Kelowna	24,707,429	300	3,971,926	16	28,679,355
Lake City Casino Vernon	Lake City Casinos Limited	Vernon	16,485,501	177	1,631,285	8	18,116,786
Royal Diamond Casino	Royal Diamond Casinos Inc.	Vancouver			12,657,789	30	12,657,789
			$224,365,255	**1,875**	**$ 209,315,432**	**350**	**$ 433,680,687**
Destination Casinos							
Lake City Casino Penticton	Lake City Casinos Limited	Penticton	$ 13,212,795	224	$ 1,893,555	12	$ 15,106,350
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	31,319,913	300	12,170,784	30	43,490,697
			$ 44,532,708	524	$ 14,064,339	42	$ 58,597,047
			$268,897,963	**2,399**	**$223,379,771**	**392**	**$ 492,277,734**

Notes

The number of tables represents the maximum authorized tables (including poker tables) per casino. The actual number of tables operated fluctuated daily and there are rules outlining the number of tables operated at any one time. The number of authorized maximum tables has fluctuated throughout the year.

Lake City Casino Penticton opened May 15, 2000.

Bingo Gaming

BCLC has responsibility to conduct and manage electronic bingo products and offers these through existing commercial and self-managed bingo halls.

Starship Bingo electronic bingo operates in conjunction with paper bingo at 10 sites. The provincewide SuperStar Bingo game links up to 80 halls for one nightly jackpot game offering a minimum $20,000 jackpot.

Hand-held bingo units, a way to play paper bingo electronically, are operated by the Corporation in 11 locations.

Sales

Total bingo sales in fiscal 2000/01 were $53.8 million, an increase of $4.7 million over the previous fiscal year.

New Starship Halls

Starship Neptune at Campbell River Bingo Palace opened in January and became the first Starship Bingo site to be operated by a central controller system located in BCLC's Kamloops head office.

Starship Pioneer, which opened in March at Lucky's The Bingo Centre in Williams Lake, was the other new hall to join the Starship group in fiscal 2000/01.

SuperStar Appears at PNE

To help increase the profile of SuperStar Bingo, the game was offered at the 2000 Pacific National Exhibition.

Players could also enter a draw for the chance to win promotional merchandise prizes.

Winners

SuperStar Bingo prizes totalled $8.3 million in fiscal 2000/01. More than 500 players won or shared the nightly jackpot.

In September, the first B.C. Bingo Championships were held using hand-held units. The event showed the public this new trend in play and was a way for halls to work together to promote bingo. Finalists from halls across the province participated and a Nanaimo player emerged as champion.

Bingo Operator Partnerships

BCLC contracts with bingo operators for facility and operational services for electronic and linked bingo. Operators are responsible for providing space within their facility and customer services such as sales and cash handling.

BCLC pays bingo operators a service fee based on a sales formula. In fiscal 2000/01, bingo operators earned $7.3 million in service fees.

Good Works

Where the Money Goes

Net income generated by BCLC serves to benefit the entire province by flowing back into communities through Government programs for the public good.

Over the 26 years since lottery ticket sales began in the province, $4.6 billion has been generated for the Government of British Columbia for public purposes.

In fiscal 2000/01, BCLC earned $554.6 million in net income for Government, which was distributed in part as follows:

- $277.3 to general revenue
- $136.4 to the Health Special Account
- $96.2 million to charities
- $29.5 million to municipalities
- $2.1 million to the Problem Gambling Program

Health and Education

Since 1991, Government has dedicated up to 50 per cent of lottery profits to health care and directed the balance to the Consolidated Revenue Fund, which is primarily spent on health and education programs. In fiscal 2000/01, $136.4 million was allocated to the Health Special Account and $277.3 million to the general purse.

Funding for Charities

As part of the Government of British Columbia's 1997 announcement of a new gaming policy, the Corporation was given responsibilities to conduct and manage casinos and electronic and linked bingo.

The following year, Government announced a new gaming model that included a guarantee to charities of a minimum $125 million annually, funded through casino, bingo and electronic bingo net income. A direct charitable access grant program administered by British Columbia Gaming Commission replaced revenue previously available through casino licences. Eligible organizations receive financial contributions toward their community charitable work without conducting a licensed gaming event.

The guarantee to charities is indexed annually, based on Vancouver's consumer price index. For fiscal 2000/01, the guarantee was set at $127.7 million. From the net income generated by BCLC in fiscal 2000/01, Government allocated $96.2 million to charities as part of the guarantee commitment of $127.7 million.

Revenue Sharing

In June 1999, Government reached a Memorandum of Agreement with the Union of British Columbia Municipalities. This included an agreement that a municipality where a community casino is located receives a 10 per cent share of the net income generated by the casino, paid quarterly.

In a community where a destination casino is located, the net income is divided. Two-thirds goes to Government, one-sixth to the host local government and one-sixth to the destination casino proponent for development assistance compensation.

Net income is transferred to Government and the municipal share disbursed accordingly. In fiscal 2000/01, Government distributed about $29.5 million to municipalities. Funds support projects and services chosen by local governments.

Local Government	Casino	2000/01
Burnaby	Gateway Casino Burnaby (c)	$ 5,881,648
Kamloops	Lake City Casino Kamloops (c)	1,486,791
Kelowna	Lake City Casino Kelowna (c)	1,713,061
Nanaimo	Great Canadian Casino Nanaimo (c)	2,783,780
New Westminster	Gateway Casino Royal Towers (c)	2,075,800
	Royal City Star Casino (d)	4,183,392
Penticton	Lake City Casino Penticton (d)	1,537,189
Prince George	Casino Hollywood (c)	1,364,426
Quesnel	Billy Barker Casino (c)	544,427
Richmond	Great Canadian Casino Richmond (c)	1,920,587
Surrey	Great Canadian Casino Newton (c)	906,496
Vancouver	Gateway Casino Mandarin Centre (c)	701,308
	Grand Casino (c)	863,025
	Great Canadian Casino Holiday Inn (c)	967,965
	Great Canadian Casino Renaissance (c)	472,427
	Royal Diamond Casino (c)	591,117
Vernon	Lake City Casino Vernon (c)	1,095,963
Victoria	Great Canadian Casino Mayfair (c)	378,468
Total municipal share		**$29,467,870**

c = Community casino (municipal share 10 per cent)
d = Destination casino (municipal share one-sixth)

Employment

BCLC employs a full-time equivalent of 624 people. These employees are based in the Corporate offices in Kamloops, Richmond and Victoria, and in the field throughout the province.

The gaming industry in British Columbia is estimated to have created more than 8,500 direct employment opportunities. These include people employed by casino service providers throughout the province's 18 casinos, and those working where lottery products are sold, at bingo halls and at companies providing services and support to the gaming industry.

Economic Benefits

BCLC's purchasing policy reflects the Public Purchasing Policy of the Province of British Columbia. The primary objective is to provide quality goods and services at the best value to the Corporation.

During fiscal 2000/01, BCLC issued 10 major Requests for Proposal and Invitations to Quote for products and services in all three gaming divisions.

Total expenditure was about $78 million, of which $69 million was spent with British Columbia-based suppliers.

COMMUNITY SUPPORT

Corporate sponsorships are one of the ways BCLC proudly participates in a variety of community festivals, celebrations and events throughout British Columbia. The Corporation may provide a financial contribution, resources, expertise or in-kind involvement to support a community in delivering a successful event.

Many community events are founded and organized through the involvement and commitment of a volunteer force. The Corporation salutes these individuals who play important roles in helping their communities thrive.

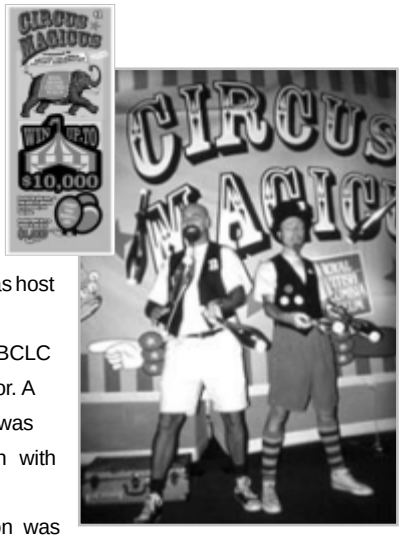
BCLC was actively involved in community sponsorships around British Columbia in fiscal 2000/01.

The Corporation was on the waterfront for New Westminster's Hyack Festival, and again for FraserFest, a celebration of the Fraser River's heritage. Later in the year, an official opening was held for the Fraser River Discovery Centre tourist attraction that showcases the river.

As a partner in the BC 2000 Exhibit Tour, the Corporation helped bring the exhibit to Parksville, Port Alberni, Terrace, Dawson Creek, Kamloops, Revelstoke, Fernie, Trail, Penticton, Coquitlam, North Vancouver and Burnaby.

BCLC was a supporter of Rootsfest, which brought the Victoria community together in a multicultural and musical celebration. The BC Summer Games, held in Victoria this year, saw the Corporation participate as a member of the corporate partner family.

In showing support for the horse racing industry in British Columbia, BCLC was a sponsor of the BC Derby at Hastings Park. Support continued at the Interior Horse Racing Festival at Sagebrush Downs, during the standard-bred season at Fraser Downs, and at the Cloverdale racetrack's opening weekend and Breeders Cup Day.



Royal British Columbia Museum was host to the Circus Magicus exhibition, for which BCLC was presenting sponsor. A Scratch & Win ticket was released in conjunction with the exhibition.

The Corporation was among the sponsors of the first Burnaby Business Excellence Awards 2000 and the BC Yukon & Community Newspaper Association awards in Vancouver.

BCLC was a co-sponsor of the nine-day Festival of Trees in New Westminster, a fund-raiser for the Simon Fraser Society for Community Living. Festivals were also supported in Victoria and Kamloops.

"Catch Mackenzie's Spirit" was the theme for the Mackenzie 2001 Northern BC Winter Games, of which the Corporation was official volunteer sponsor.

COMMUNITY SUPPORT

BCLC stepped forward as presenting sponsor of the Shell PaylessOpen Golf Tournament in Victoria. The commitment will secure the tournament for June 2001 and give the Corporation a unique marketing opportunity with its Shell Paylesslottery retailers.

Among other events involving a BCLC sponsorship were the North Central Municipalities Association Convention in Dawson Creek, BizTech 2000 Conference and Tradeshow in Kamloops, Okanagan Mainline Municipal Association convention in Salmon Arm, Municipal Officers Association provincial conference in Prince George, International Women's Fastpitch in White Rock and the Annual BC Elders Conference in Campbell River.

Nearly half of BCLC's employees live in Kamloops where the head office is located. The Corporation is an active corporate citizen and over fiscal 2000/01 supported arts and culture, business, recreation and sports in the community.

BCLC was a partner with the Rotary Clubs of Kamloops for the annual Rotary Invitational Golf Classic, which raises money for charity.

Kamloops Art Gallery, Millennium Choral Fest, Western Canada Theatre and Kamloops Wildlife Park received sponsorship support.

BCLC's role as official volunteer sponsor of Masters Athletics 2000, an international track and field event, involved hosting the volunteer tent.

FOUNDING SUPPORTER 2010™ VANCOUVER WHISTLER British Columbia Lottery Corporation

Kamloops Museum and Volunteer Kamloops centre hosted Volunteering through Time, a travelling exhibit celebrating the history and future of volunteering in Canada. BCLC was the local corporate sponsor of the exhibit.

The Hey Wagon Community Stage was on the road throughout the province for a third season, visiting 25 community-supported events in 21 locations over 164 days. This high-profile performance stage, complete with a state-of-the-art sound and lighting system and crew, is provided to event organizers as an in-kind sponsorship. The Hey Wagon participated in a number of charity events, helping organizers raise a total of $1.1 million for worthy community causes.

At fiscal year-end, BCLC became the second founding supporter of the bid team to bring the 2010 Olympic Winter Games and Paralympic Games to Vancouver and Whistler. The Corporation has committed $1.5 million in a combination of cash and in-kind sponsorship over the next three years. Working with the 2010 Bid Corporation, BCLC will focus on a provincewide supporter and volunteer program.

Social Responsibility

Keeping the Fun in Gambling

BCLC has long reminded players that games of chance are a form of adult entertainment to be played for fun and with discretionary dollars. Research shows that the overwhelming majority (better than 96 per cent) of adults participate in gambling as a social and recreational activity. For the other small percentage, gambling can result in problems that affect family, finances, employment or self-esteem.

By working in partnership with the Government of British Columbia, 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 2000/01, the Corporation participated in problem gambling workshops, conferences and training sessions. A Keeping the Fun in Gambling workshop visited British Columbia communities at the invitation of local organizers.

From the net income earned by BCLC, Government has annually provided $2 million to the Problem Gambling Program implemented in 1997 and administered by the Ministry for Children and Families.

BCLC supported Government's initiative to increase funding to $4 million annually to provide more prevention and treatment services, to enhance training for service providers and staff, and to provide better access to services in remote communities.

The Problem Gambling Program's services include a 24-hour, toll-free information and referral line. Brochures, stickers and posters informing the public of the program and toll-free number are produced by the Ministry and available at gaming establishments and counselling services.

During 2000, the Problem Gambling Help Line received 755 calls, an average of 63 monthly. The majority of callers obtained the toll-free number from stickers in gaming venues. Of those callers, 64 per cent were referred to a counselling program and 46 per cent to a self-help group.

In fiscal 2001/02, BCLC will develop and implement a more comprehensive responsible gambling program. The goal is to provide a reliable and accurate information resource toward greater public awareness and understanding of gaming and its social and economic impacts. BCLC will play a key role in continuing to mitigate the social costs related to gaming in British Columbia through program initiatives and as the result of continued joint efforts with the Government of British Columbia and problem gambling organizations.

STRATEGIC PLAN

MISSION STATEMENT

To provide high-quality gaming entertainment in a socially responsible manner for the benefit of all British Columbians

VISION STATEMENT

To be a world-class gaming corporation

VALUES

Integrity

We are fair, honest and trustworthy in the games we offer and the way we conduct business

Social Responsibility

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

STRATEGIC OBJECTIVES

The Corporation's performance plan for fiscal 2001/02 – 2003/04 has identified six key objectives that will provide the strategic direction for the organization over the next three-year planning horizon.

TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT

The Corporation will meet or exceed consumer demands for high-quality gaming entertainment through product innovation, new and enhanced distribution channels and improved customer service.

TO BE A SOCIALLY RESPONSIBLE, TRUSTWORTHY, COMMUNITY-ORIENTATED ORGANIZATION WITH A BROADENED BASE OF PUBLIC SUPPORT

The Corporation will continue to expand its role in assisting in the development and implementation of sound policies that support responsible gaming and economic development in communities throughout British Columbia.

TO BE A RESPONSIVE, CUSTOMER-FOCUSED ORGANIZATION

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

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 will continue to promote the key values and operating principles identified in the strategic plan that support the well-being and culture of the organization and its employees.

TO BE AN EFFICIENT AND EFFECTIVE BUSINESS, MANAGING OUR RESOURCES WELL AND DELIVERING TANGIBLE RESULTS FOR BRITISH COLUMBIANS

Through the Corporation's ongoing business improvement program, the organization will continue to challenge existing processes and procedures with the objective of eliminating redundancies, improving service levels and reducing costs.

TO GENERATE GAMING REVENUE AND CONTINUE OUR CONTRIBUTIONS TO THE ECONOMIC DEVELOPMENT OF BRITISH COLUMBIA COMMUNITIES

Through innovative product development, improved service levels and the continuing development of distribution channels, the Corporation is targeting net income of $650 million in fiscal 2003/04, an increase of $100 million over fiscal 2000/01 projections. While the projected growth in gaming over the next three-year period is significant, British Columbia will continue to have one of the most moderate gaming policies of any province in Canada.

Increasing competition, changing demographics and rapidly evolving technology are just a few of the issues that the organization will face over the next several years. These issues, along with the Corporation's focus on responsible gambling, effective and efficient operations and maintaining and building the trust of British Columbians, will provide the organization with many challenges and opportunities.

Management Discussion and Analysis

This Management Discussion and Analysis reviews the financial condition and the results of operation of British Columbia Lottery Corporation (BCLC) for the fiscal year ended March 31, 2001 and should be read in conjunction with the Corporation's audited financial statements.

Financial Results ($ in Millions)	1996/97	1997/98	1998/99	1999/00	2000/01 Actual	Budget	Variance
Sales:							
Lottery	$863.4	$883.4	$910.6	$907.2	$937.0	$927.0	$10.0
Casino	0	40.7	308.2	445.2	492.3	450.0	42.3
Bingo	4.1	18.1	42.7	49.1	53.7	54.8	(1.1)
	867.5	**942.2**	**1,261.5**	**1,401.5**	**1,483.0**	**1,431.8**	**51.2**
Direct Expenses	529.7	571.4	699.1	745.9	796.1	763.1	33.0
Operating Expenses	64.9	80.5	106.4	123.6	124.9	127.6	(2.7)
Net Income:							
Lottery	272.3	267.5	282.5	287.8	285.4	292.3	(6.9)
Casino	0	22.0	171.5	242.3	271.7	244.1	27.6
Bingo	.6	.8	2.0	1.9	4.9	4.7	0.2
	$272.9	**$290.3**	**$456.0**	**$532.0**	**$562.0**	**$541.1**	**$20.9**

Overview

For the 26th consecutive year, BCLC achieved record sales and profits. Sales of $1.48 billion exceeded budget by $51.2 million and the previous year by $81.5 million. Net income exceeded budget by $20.9 million and the previous year by $30 million. Strong performance from casino operations was partially offset by increasing cost pressures from lottery operations.

Direct costs of $796.1 million were $33 million greater than budget and $50.2 million greater than the previous year. The increase in direct costs reflects additional prizes and commissions directly related to the growth in sales, a shift to higher prize expense lottery games and an increase in prizes for Lotto 6/49 and Lotto Super 7.

Operating costs of $124.9 million were $2.7 million less than budget and $1.3 million greater than fiscal 1999/00. One-time cost savings realized in data communications and higher interest revenues were partially offset by higher expenditures for professional fees and staffing.

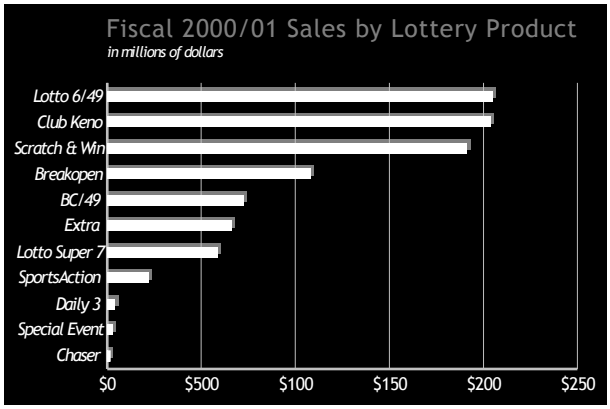
Lottery Operations

The Corporation's lottery network consists of about 2,650 retail locations and 1,200 social gaming retailers who operate in bars and pubs.

Fiscal 2000/01 lottery sales of $937 million exceeded budget by $10 million and the previous year by $29.8 million. Strong sales performance from Lotto Super 7, Club Keno and Breakopen was partially offset by lower than expected sales from Lotto 6/49 and Scratch & Win games.

While the lottery division realized strong sales, net income generated by the division did not achieve budget. A shift to higher prize games such as Club Keno, increased costs for ticket printing and the decision to increase prize funds to support Lotto 6/49 and Lotto Super 7 all contributed to lower than expected profit.

Lotteries in British Columbia are considered a mature market. Over the last four-year period, sales growth has roughly matched inflation. Competition from other forms of entertainment, an aging population, shifts in consumer demand and significant changes at retail have all contributed to a flattening of lottery sales. The maintenance of the existing lottery market share and any future growth will only result from the introduction of new innovative product lines and the continued development and refinement of the retail network.



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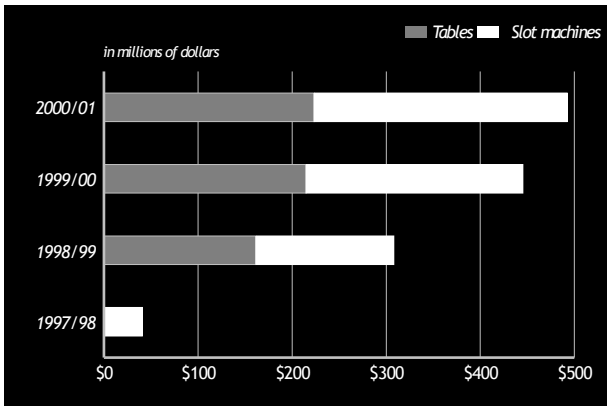
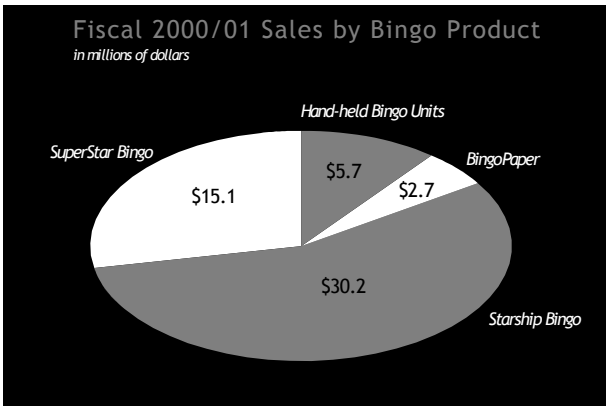




CASINO OPERATIONS

The Corporation's casino network includes 16 community and two destination casinos that operate 2,399 slot machines and 392 gaming tables.

Fiscal 2000/01 casino net win (after prizes) of $492.3 million exceeded budget by $42.3 million and the previous year by $47.1 million. The lifting of Workers' Compensation Board smoke-free regulations, the conversion and revitalization of 20 per cent of the slot machine network, the earlier than planned implementation of the Penticton casino and a full year's operation of the Royal City Star riverboat casino all contributed to the strong sales performance.

Casino net income of $271.7 million exceeded budget by $27.6 million and the previous year by $29.4 million.

On January 31, 2001, the Corporation and the Casino Service Providers who provide operational services in British Columbia casinos reached an agreement in principle that provides for a 10-year contract with an option to renew for an additional 10 years. This agreement was ratified and became effective on March 1, 2001. The terms and conditions of the new contract will provide the certainty and stability to effectively manage casino operations in British Columbia.

BINGO OPERATIONS

The Corporation's bingo network consists of 10 electronic bingo (Starship) sites, 80 linked bingo (SuperStar) locations and 705 hand-held bingo units in 11 locations. The Corporation also distributes bingo paper to more than 1,000 charities.

Fiscal 2000/01 sales of $53.7 million were $1.1 million less than budget and $4.6 million greater than the previous year. A delay in the implementation of five new Starship sites and the temporary closing of an existing bingo hall resulted in lower than expected sales.

Fiscal 2000/01 net income of $4.9 million exceeded budget by $200,000 and the previous year by $3 million. The introduction of hand-held bingo and the implementation of a new remote-operation central system both contributed to the stronger profit performance from the bingo division.

Introduction

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation (BCLC) was incorporated pursuant to the Company Act of British Columbia 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, BCLC is the designated 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 has responsibility to:

- conduct, manage and operate lottery gaming, both traditional and social products
- conduct, manage and operate casino gaming, both community and destination casinos
- conduct, manage and operate bingo gaming, both electronic and linked

In calculating revenues, BCLC remains consistent with other Canadian lottery jurisdictions. Lottery sales revenues are calculated on gross sales before prizes; casino revenues are recorded on the basis of net win after prizes.

Performance Measures

BCLC's mission statement and objectives reflect the Corporation's principal mandate to provide high-quality gaming entertainment, within the policy framework set by the Government of British Columbia, for the benefit of all British Columbians. The Corporation also strives to be socially responsible and to act as a good corporate citizen.

BCLC measures its performance against its six corporate objectives.

1. Objective: To provide high-quality gaming entertainment

BCLC focuses on products, services and distribution channels in meeting its objective to provide high-quality gaming entertainment.

Among major initiatives in fiscal 2000/01, the Corporation opened British Columbia's second destination casino, revitalized a portion of the slot machine network provincewide, opened two new Starship Bingo (electronic bingo) sites, conducted an expanded test of hand-held bingo units, and introduced the lottery game Chaser in the social gaming network.

The Corporation tracks the public participation rate in lottery gaming. In a random survey conducted every four weeks, adults are asked if they have played any lottery games in the previous 30 days. The public participation rate for fiscal 2000/01 was 66.5 per cent, compared to the target of 65 per cent and 65.6 per cent for the previous fiscal year.

Lotteries are considered a mature business segment. Competition from other forms of entertainment, an aging population, shifts in consumer demand and significant changes at retail have contributed to a flattening of lottery sales in British Columbia.

As a result of sales performance in fiscal 1999/2000, the Corporation engaged a consulting firm to complete a review of sales and distribution strategies for lottery products. Among its findings, the study concluded that adding online lottery terminals and recruiting non-traditional retail locations could increase lottery sales in British Columbia. BCLC embarked on a pilot study to validate the findings of the study. This study will conclude in fiscal 2001/02 and provide data to establish long-term strategies and objectives for the lottery division.

Lottery and bingo players collected a total of $539.2 million in prizes in fiscal 2000/01. Prize payments represent the Corporation's single, largest expenditure. As a percentage of lottery sales, prizes were 54.4 per cent, 1.4 per cent greater than budget and 1.3 per cent greater than the same period last year. The increase reflects higher prize funding for Lotto 6/49 and Lotto Super 7 and a shift to higher prize games.

2. Objective: To be a socially responsible, trustworthy, community-orientated organization with a broadened base of public support

Changing demographics and changes in political and social attitudes are among the factors impacting the way gaming is conducted and managed in British Columbia. BCLC is upheld by the pillars of security, integrity and social responsibility. As well as generating significant revenues that are returned to the people through government programs and charitable causes, the Corporation is a committed corporate citizen lending sponsorship support to community events, celebrations and volunteers throughout British Columbia.

To address problem gambling issues, BCLC has formed partnerships with the Government of British Columbia, groups

and social agencies to promote awareness and education and provide reliable information. From BCLC net income, Government provided $2 million annually to the Ministry for Children and Families to develop and deliver treatment and prevention programs. The Corporation supported Government's initiative to increase funding to $4 million annually.

BCLC is committed to developing research on many subjects related to the impact of gaming on the public. A 1994 survey on problem gambling commissioned by BCLC was replicated in 1996. In fiscal 2001/02, the Corporation will partner with the Ministry for Children and Families to replicate the survey.

BCLC tracks the public's attitude toward the Corporation. In random surveys conducted every four weeks by an external research agency, individuals are asked the degree to which they feel favourable or unfavourable toward the Corporation. The acceptance rating for fiscal 2000/01 was 47.5 per cent, below the target of 50 per cent and 48.1 per cent for the previous year. This is attributed to strong public opinion and various controversies associated with the implementation of Government's new gaming policy introduced in 1997.

The Corporation recognizes the importance of a sound, responsible gambling policy and will continue to work hard to develop the gaming industry in British Columbia in partnership with the Government of British Columbia, municipalities and other key stakeholders.

Providing part-time and full-time employment opportunities for designated equity groups – women, people with disabilities, Aboriginal Peoples and visible minorities – plus youth advances the Corporation's aims to be responsible, trustworthy and progressive.

BCLC places job advertisements in specific media outlets that are known to reach equity groups. In fiscal 2000/01, the Corporation received 3,204 job applications, of which 66 per cent were from designated equity groups.

Job applications for both internal and external job postings are reviewed as part of the equity measurement. The Corporation hired 113 new part-time and full-time employees, 85 of them from designated equity groups.

In the youth category, 52 employees under the age of 25 were hired, 17 fewer than in the previous fiscal year.

3. Objective: To be a responsive, customer-focused organization

BCLC markets and distributes gaming products to the adult population in British Columbia. Surveys conducted by external research agencies show that about 66.5 per cent of adults play lotteries on a regular basis. Key characteristics include: Lottery play is relatively equal between men and women; 69 per cent of players are over age 35; 63 per cent of players have some post-secondary education; and 63 per cent of lottery players are from households with an annual income greater than $40,000.

BCLC has a comprehensive recruitment process and training program for lottery retailers. Through various programs and support services, the Corporation helps retailers provide exceptional customer service.

An annual survey conducted by an external research agency measures consumer satisfaction with the level of service provided by retailers. In fiscal 2000/01, customer ranking of retailer services was 89 per cent. This compares to the target of 90 per cent, and the 95 per cent satisfaction rating achieved in the previous year.

BCLC measures the effectiveness of its retailer programs by annually surveying retailers about their satisfaction with the level of service provided by the Corporation. Retailer satisfaction for fiscal 2000/01 was 93 per cent, 3 per cent greater than the target of 90 per cent.

Commissions represent one of the Corporation's largest expenditures, and the Corporation aims to ensure that lottery retailers, casino service providers and bingo operators are fairly remunerated. Commissions include selling commissions, service fees, and retailer bonuses and incentives. In fiscal 2000/01, lottery retailers, casino service providers and bingo operators received $241.2 million in commissions and service fees.

4. Objective: To maintain a corporate culture that values innovation and excellence and is committed to employing the best possible people and realizing their potential

Change has been a way of life for BCLC employees in recent years. Over fiscal 2000/01, the Corporation implemented an action plan, Building Our Future Together, developed through an employee survey in the previous fiscal year.

The employee turnover rate is a measure of BCLC's human resources practices. In fiscal 2000/01, 4.4 per cent of permanent, full-time employees left the organization.

Absenteeism, which includes sick days and short-term disability only, provides one measure of the Corporation's

productivity. BCLC's absenteeism rate in fiscal 2000/01 was 1.72 per cent.

Workdays lost due to workplace accidents are a measure of workplace safety programs. There were 21 reported accidents in fiscal 2000/01 that resulted in 268 lost workdays. This increase reflects expansion into field operations and an increased number of employees.

5. Objective: To be an efficient and effective business, managing our resources well and delivering tangible results for British Columbians

BCLC's goal is to perform at or better than the best practices within the industry and to measure performance in critical areas of operation.

Operating expenses include administration, operations, amortization, and interest and other income. Operating expenses for 2000/01 were $124.9 million, $2.7 million less than budget and $1.3 million greater than the previous fiscal year. One-time costs savings realized in data communications and lower than budgeted amortization expenditures were partially offset by higher costs for professional fees, staff development and recruitment, and salaries and benefits.

BCLC operates an online gaming system 24 hours a day. Sales are available from 6 a.m. to 1 a.m. every day except December 25. In fiscal 2000/01, the Corporation generated online sales of $634.1 million through a network of about 3,450 online retailers. Online system game availability for fiscal 2000/01 was 99.98 per cent, compared to the target of 99.95 per cent and 99.90 per cent in the previous fiscal year.

6. Objective: To generate gaming revenue and continue our contributions to the economic development of British Columbia communities

BCLC distributes net income to the Government of British Columbia, which returns this money to British Columbians through government programs. These include health care and education, general revenue, direct access grants to charities, municipal revenue sharing and funding to support problem gambling programs.

Combined lottery, casino and electronic bingo revenues for fiscal 2000/01 were $1.483 billion, $51.2 million greater than budget and $81.5 million greater than fiscal 1999/2000.

BCLC generated net income of $562 million, of which $554.6 million was distributed to the Government of British Columbia and $7.4 million to the Government of Canada. This represents an increase of $20.9 million greater than budget and $30 million greater than the previous fiscal year. The positive variance over budget reflects strong sales performance from casino operations and lower than expected operating expenses.

Lottery sales of $937 million exceeded budget by $10 million and the previous fiscal year by $29.8 million. Strong performance from Lotto Super 7, Club Keno and Breakopen was partially offset by lower than expected sales from Lotto 6/49 and Scratch & Win.

Casino net win of $492.3 million exceeded budget by $42.3 million and the previous fiscal year by $47.1 million. The lifting of the Workers' Compensation Board environmental tobacco smoke regulations, the revitalization of the slot machine network, the earlier than planned opening of Lake City Casino Penticton destination casino, and a full year of operation of the Royal City Star destination casino contributed to strong sales performance.

Electronic bingo sales of $53.7 million were $1.1 million less than budget and $4.6 million greater than the previous year. A delay in implementing five new Starship Bingo (electronic bingo) sites – two sites opened in the last quarter of the fiscal year – and the temporary closing of an existing bingo hall resulted in lower than expected sales.

AUDITORS REPORT

To the Directors of
British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2001 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants
Kamloops, Canada
April 12, 2001

APPENDIX P

CONSOLIDATED BALANCE SHEET

March 31, 2001, with comparative figures for 2000 — *in thousands of dollars*

	2001	2000
ASSETS		
Cash:		
Short-term investments	**$ 78,648**	$ 91,870
Bank	**2,232**	2,303
	80,880	94,173
Accounts receivable (note 3)	**35,998**	28,504
Receivable from Interprovincial Lottery Corporation	**—**	4,745
Prepaid expenses	**5,261**	6,346
Accrued pension plan asset (note 4)	**4,642**	—
Capital assets (note 5)	**20,541**	25,872
	$ 147,322	$ 159,640
LIABILITIES		
Prizes payable	**$ 55,486**	$ 57,804
Accounts payable and accrued liabilities	**35,512**	28,339
Accrued post retirement benefit obligation (note 4)	**10,682**	—
Payable to Interprovincial Lottery Corporation	**1,865**	—
Due to Government of British Columbia	**43,777**	73,497
	$ 147,322	$ 159,640

See accompanying notes to consolidated financial statements.

Approved:

_____ Director

_____ Director

CONSOLIDATED STATEMENT OF INCOME

Years ended March 31, 2001, with comparative figures for 2000 *in thousands of dollars*

	2001	2000
Revenues (note 6)	**$ 1,483,041**	$ 1,401,530
Direct expenses:		
Prizes	**539,150**	509,788
Retail commissions	**241,220**	220,925
Ticket printing and bingo paper	**15,778**	15,192
	796,148	745,905
Revenues less direct expenses	**686,893**	655,625
Operating expenses (note 13):		
Administrative expenses	**84,351**	80,577
Amortization	**18,753**	19,752
Less: Interest and other income	**(4,846)**	(6,235)
	98,258	94,094
Income from operations	**588,635**	561,531
GST expense	**26,601**	29,530
Net income	**$ 562,034**	$ 532,001
Allocation of net income:		
Government of British Columbia	**$ 550,956**	$ 522,875
Government of Canada (note 7)	**7,427**	7,214
Payments pursuant to ministerial direction (note 8)	**3,651**	1,912
	$ 562,034	$ 532,001

Segmented information (note 13)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Government of British Columbia

Years ended March 31, 2001, with comparative figures for 2000 *in thousands of dollars*

	2001	2000
Balance, beginning of year	**$ 73,497**	$ 75,410
Net income	**562,034**	532,001
	635,531	607,411
Adjustment for accrued post retirement benefit obligation (note 2 (j))	**9,488**	—
Adjustment for accrued pension benefit asset adjustment (note 2 (j))	**(4,642)**	—
Payments to Government of British Columbia	**579,481**	526,700
Allocation of income to Government of Canada	**7,427**	7,214
	591,754	533,914
Due to Government of British Columbia	**$ 43,777**	$ 73,497

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended March 31, 2001, with comparative figures for 2000 — *in thousands of dollars*

	2001	2000
Operating:		
Net income	**$ 562,034**	$ 532,001
Adjustments for:		
Amortization of capital assets	**18,753**	19,752
	580,787	551,753
Changes in non-cash operating items	**6,250**	(11,390)
	587,037	540,363
Financing:		
Payments to Government of British Columbia	**(579,481)**	(526,700)
Allocation of income to Government of Canada	**(7,427)**	(7,214)
	(586,908)	(533,914)
Investing:		
Additions to capital assets	**(13,422)**	(10,183)
Decrease in cash	**(13,293)**	(3,734)
Cash, beginning of year	**94,173**	97,907
Cash, end of year	**$ 80,880**	$ 94,173

See accompanying notes to consolidated financial statements.

Years ended March 31, 2001 and 2000 *in thousands of dollars*

1. NATURE OF THE CORPORATION:

The British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia and to co-operate in the conduct and management of national and regional lottery schemes with other Provinces of Canada.

The Corporation conducts and manages the following lottery schemes in British Columbia: DAILY 3, SCRATCH & WIN, BC/49, CHASER, CLUB KENO, EXTRA, SPORTSACTION, BREAKOPEN, STARSHIP BINGO, SUPERSTAR BINGO, CARDMINDER BINGO and casino games including slot machines and table games.

The Corporation is the regional marketing organization for the SPECIAL EVENT, LOTTO 6/49 and LOTTO SUPER7 games in British Columbia. These games are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Short-term investments

Short-term investments are valued at the lower of cost and market.

(c) Capital assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased will be capitalized.

The Corporation's capital assets are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Building and leasehold improvements	5 years
Furniture and equipment	5 years
Computer equipment	3 years
On-line gaming terminals	3 years
Breakopen vending machines	3 years
Signs and fixtures:	
Computer	3 years
Non-computer	5 years
Bingo equipment	3 years
Casino equipment	3 years

Amortization is prorated in the year the assets are put in use.

(d) Employee future benefits:

The Corporation has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service, and the lesser of the average of the highest 60 consecutive months earnings of employment and the average of the Year's Maximum Pensionable Earnings over the same period. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the Pension Benefits Standards Act. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(e) Revenue recognition:

LOTTERY GAMES:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

BINGO GAMES:

Revenue from the operation of electronic and linked Bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played.

CASINOS:

Revenues from casino slot machines and table games are recorded in the statement of income, net of prizes paid. Related operating costs are recorded in the statement of income in the period they are incurred.

(f) Prize expenses:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out through bonus draws, promotions and retailer incentives.

(g) Software development costs:

Software development costs are expensed in the period in which they are incurred.

(h) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(i) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(j) Adoption of new accounting standard:

Effective April 1, 2000, the Corporation adopted the new accounting standard of the Canadian Institute of Chartered Accountants (CICA) relating to employee future benefits. Section 3461 of the CICA handbook requires companies to recognize the cost of retirement benefits and certain other post-employment benefits over the periods in which the employees render services to the entity in return for the benefits and with respect to pensions, requires the use of a discount rate, that is set with reference to market interest rates on high-quality debt instruments, to measure the accrued benefit obligation. Prior to the adoption of the new accounting standard, non-pension employment benefits were accounted for on a cash basis by the Corporation and pension expense was determined using a long-term rate of return to measure accrued pension benefits. The new standard has been retroactively applied with no restatement of prior year comparative amounts. The result of this application is a charge to amounts due to the Province of British Columbia in the amount of $9,488 for the accrued post retirement benefit obligation and a credit of $4,642 for the accrued pension plan asset, as of April 1, 2000.

3. ACCOUNTS RECEIVABLE:

	2001	2000
Retailers	$ 32,355	$ 25,748
Other	3,643	2,756
	$ 35,998	$ 28,504

4. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plan 2001	Post Retirement Benefit Plans 2001
Accrued benefit obligation		
Balance at beginning of year	$ 28,825	$ 9,488
Current service cost	1,773	702
Interest cost	2,094	598
Employee contributions	1,232	—
Benefits paid	(554)	(106)
Actuarial gains	(2,863)	(1,131)
Balance at end of year	30,507	9,551
Plan assets		
Fair value at beginning of year	33,467	—
Annual return on plan assets	(459)	—
Employer contributions	1,669	106
Employee contributions	1,232	—
Benefits paid	(554)	(106)
Balance at end of year	35,355	—
Funded status - surplus (deficit)	4,848	(9,551)
Unamortized net actuarial gain	(206)	(1,131)
Accrued benefit asset(liability)	$ 4,642	$ (10,682)

4. EMPLOYEE FUTURE BENEFITS (CONTINUED):

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

	Pension Plan 2001	Post Retirement Benefit Plans 2001
At beginning of period:		
Discount rate	**7.0%**	**7.0%**
Expected rate of return on plan assets	**7.0%**	**—**
Rate of compensation increase	**5.0%**	**—**
Health care cost trend rate:		
First year	**—**	**5.68%**
Ultimate	**—**	**4.10%**
Year ultimate reached	**—**	**2005**
At end of period:		
Discount rate	**7.5%**	**7.5%**
Rate of compensation increase	**5.0%**	**—**

The Corporation's net benefit plan expense is as follows:

	Pension Plan 2001	Post Retirement Benefit Plans 2001
Current service cost, net of employees' contributions (including provision for plan expenses)	**$ 1,773**	**$ 702**
Interest cost	**2,094**	**598**
Expected return on plan assets	**(2,425)**	**—**
Net benefit plan expense	**$ 1,442**	**$ 1,300**

5. CAPITAL ASSETS:

			2001	2000
	Cost	Accumulated amortization	Net	Net
Land	**$ 700**	**$ —**	**$ 700**	$ 700
Building and leasehold improvements	**28,679**	**24,345**	**4,334**	3,340
Furniture and equipment	**4,141**	**3,503**	**638**	242
Central system computer	**23,168**	**22,587**	**581**	875
On-line gaming terminals	**36,794**	**35,892**	**902**	373
Breakopen vending machines	**7,760**	**7,066**	**694**	526
Signs and fixtures	**5,555**	**4,496**	**1,059**	860
Bingo equipment	**13,434**	**12,009**	**1,425**	3,595
Casino equipment	**36,592**	**26,384**	**10,208**	15,361
Instant ticket dispensers	**28**	**28**	**—**	—
	$ 156,851	**$ 136,310**	**$ 20,541**	$ 25,872

Years ended March 31, 2001 and 2000 — *in thousands of dollars*

6. REVENUES:

	2001	2000
Lottery:		
LOTTO 6/49	**$ 204,692**	$ 218,208
CLUB KENO	**204,009**	185,234
SCRATCH & WIN	**191,478**	182,091
BREAKOPEN	**108,193**	108,566
BC/49	**72,492**	75,603
EXTRA	**66,065**	64,908
LOTTO SUPER7	**58,690**	43,030
SPORTSACTION	**22,299**	22,230
DAILY 3	**4,304**	4,465
SPECIAL EVENT	**3,168**	2,915
CHASER	**1,598**	—
	936,988	907,250
Bingo:		
SUPERSTAR BINGO	**15,099**	16,833
STARSHIP BINGO	**30,220**	28,963
CARDMINDER BINGO	**5,697**	216
Paper	**2,759**	3,061
	53,775	49,073
Casino — net win:		
Slot machines	**268,898**	230,526
Table games	**223,380**	214,681
	492,278	445,207
Total revenues	**$ 1,483,041**	$ 1,401,530

7. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $ 7,400 (2000 - $ 7,200) for the next fiscal year ending March 31, 2002.

8. PAYMENTS PURSUANT TO MINISTERIAL DIRECTION:

Pursuant to Section 22 of the Financial Administration Act, the Corporation has been directed to pay for the Problem Gambling Program costs administered by the Ministry for Children and Families (and the costs of the Gaming Policy Secretariat in 2000/01).

9. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the Interprovincial Lottery Corporation (I.L.C.) prize and ticket printing costs for national gamesis recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expensesis included in interest and other income.

10. LEASE OBLIGATIONS:

The Corporation is committed to payments under operating leasesfor premises.

Minimum annual rental payments for the next five years are approximately as follows:

2002	$ 1,246
2003	1,120
2004	906
2005	834
2006	625

11. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

The carrying value of accounts receivable, prizes payable, payable to the Interprovincial Lottery Corporation, accounts payable and accrued liabilities and due to Government of British Columbia are recorded at cost which approximates fair value.

12. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

13. SEGMENTED INFORMATION:

Year ended March 31, 2001

Sector of activity	Lotteries	Casinos	Bingos	Consolidated
Revenues	**$ 936,988**	**$ 492,278**	**$ 53,775**	**$1,483,041**
Direct expenses:				
Prizes	**509,712**	**—**	**29,438**	**539,150**
Retailer commissions	**63,657**	**170,275**	**7,288**	**241,220**
Ticket printing and bingo paper	**13,471**	**—**	**2,307**	**15,778**
	586,840	**170,275**	**39,033**	**796,148**
Revenue less direct expenses	**350,148**	**322,003**	**14,742**	**686,893**
Operating expenses:				
Administrative expenses	**55,255**	**24,654**	**4,442**	**84,351**
Amortization	**3,628**	**10,909**	**4,216**	**18,753**
Less: Interest and other income	**(5,816)**	**795**	**175**	**(4,846)**
	53,067	**36,358**	**8,833**	**98,258**
Income from operations	**297,081**	**285,645**	**5,909**	**588,635**
GST expense	**11,693**	**13,887**	**1,021**	**26,601**
Net income	**$ 285,388**	**$ 271,758**	**$ 4,888**	**$ 562,034**

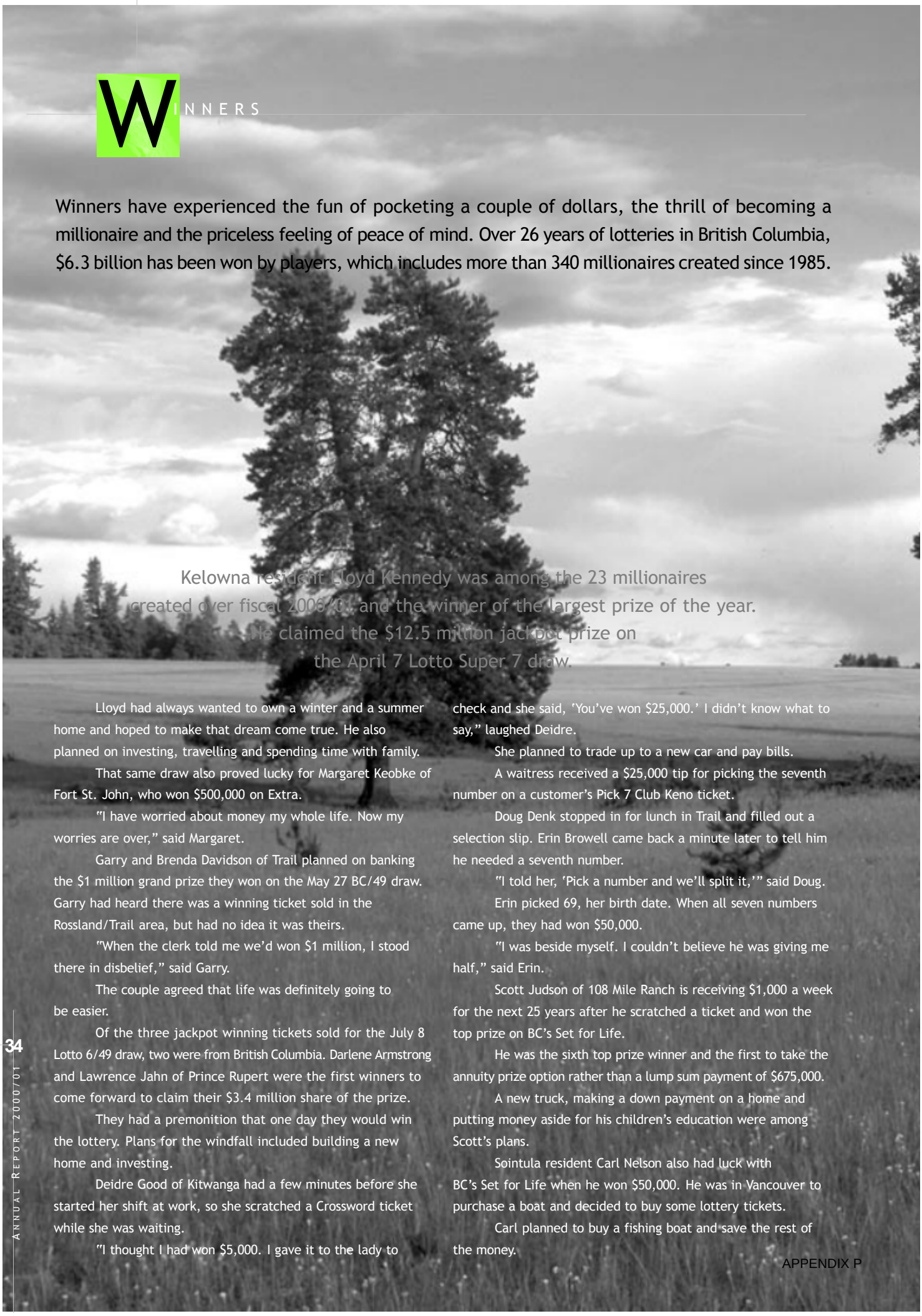
13. SEGMENTED INFORMATION (CONTINUED):

Year ended March 31, 2000

Sector of activity	Lotteries	Casinos	Bingos	Consolidated
Revenues	$ 907,250	$ 445,207	$ 49,073	$ 1,401,530
Direct expenses:				
Prizes	481,611	—	28,177	509,788
Retailer commissions	60,762	154,182	5,981	220,925
Ticket printing and bingo paper	12,642	—	2,550	15,192
	555,015	154,182	36,708	745,905
Revenue less direct expenses	352,235	291,025	12,365	655,625
Operating expenses:				
Administrative expenses	52,112	23,237	5,228	80,577
Amortization	7,066	8,856	3,830	19,752
Less: Interest and other income	(6,590)	279	76	(6,235)
	52,588	32,372	9,134	94,094
Income from operations	299,647	258,653	3,231	561,531
GST expense	11,837	16,373	1,320	29,530
Net income	$ 287,810	$ 242,280	$ 1,911	$ 532,001

WINNERS

Winners have experienced the fun of pocketing a couple of dollars, the thrill of becoming a millionaire and the priceless feeling of peace of mind. Over 26 years of lotteries in British Columbia, $6.3 billion has been won by players, which includes more than 340 millionaires created since 1985.



Kelowna resident Lloyd Kennedy was among the 23 millionaires created over fiscal 2000/01, and the winner of the largest prize of the year. He claimed the $12.5 million jackpot prize on the April 7 Lotto Super 7 draw.

Lloyd had always wanted to own a winter and a summer home and hoped to make that dream come true. He also planned on investing, travelling and spending time with family.

That same draw also proved lucky for Margaret Keobke of Fort St. John, who won $500,000 on Extra.

"I have worried about money my whole life. Now my worries are over," said Margaret.

Garry and Brenda Davidson of Trail planned on banking the $1 million grand prize they won on the May 27 BC/49 draw. Garry had heard there was a winning ticket sold in the Rossland/Trail area, but had no idea it was theirs.

"When the clerk told me we'd won $1 million, I stood there in disbelief," said Garry.

The couple agreed that life was definitely going to be easier.

Of the three jackpot winning tickets sold for the July 8 Lotto 6/49 draw, two were from British Columbia. Darlene Armstrong and Lawrence Jahn of Prince Rupert were the first winners to come forward to claim their $3.4 million share of the prize.

They had a premonition that one day they would win the lottery. Plans for the windfall included building a new home and investing.

Deidre Good of Kitwanga had a few minutes before she started her shift at work, so she scratched a Crossword ticket while she was waiting.

"I thought I had won $5,000. I gave it to the lady to check and she said, 'You've won $25,000.' I didn't know what to say," laughed Deidre.

She planned to trade up to a new car and pay bills.

A waitress received a $25,000 tip for picking the seventh number on a customer's Pick 7 Club Keno ticket.

Doug Denk stopped in for lunch in Trail and filled out a selection slip. Erin Browell came back a minute later to tell him he needed a seventh number.

"I told her, 'Pick a number and we'll split it,'" said Doug.

Erin picked 69, her birth date. When all seven numbers came up, they had won $50,000.

"I was beside myself. I couldn't believe he was giving me half," said Erin.

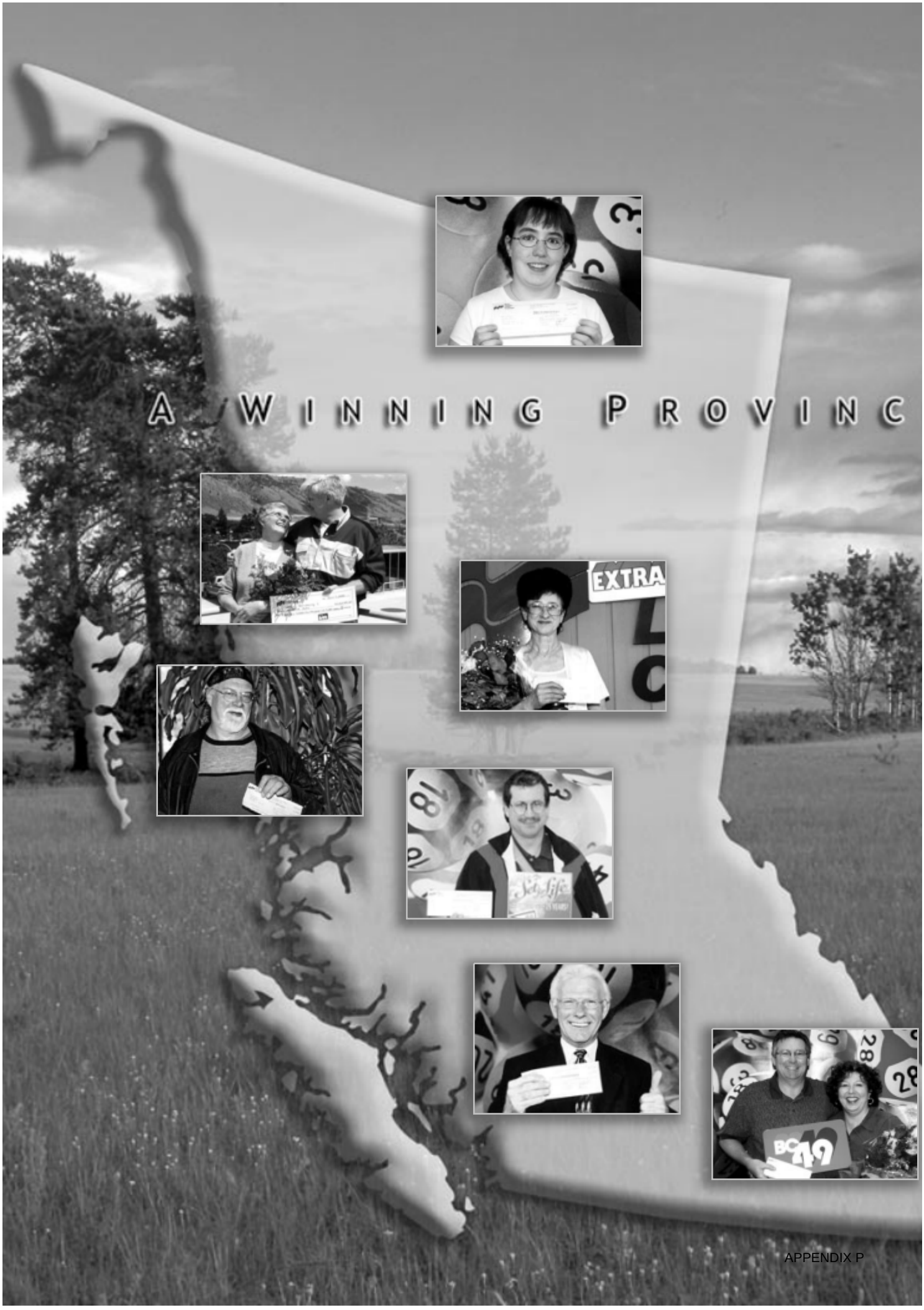
Scott Judson of 108 Mile Ranch is receiving $1,000 a week for the next 25 years after he scratched a ticket and won the top prize on BC's Set for Life.

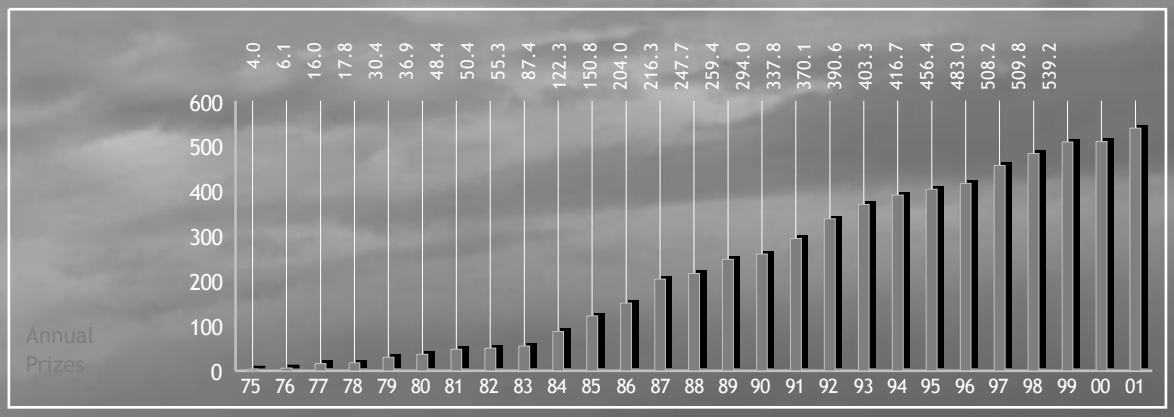
He was the sixth top prize winner and the first to take the annuity prize option rather than a lump sum payment of $675,000.

A new truck, making a down payment on a home and putting money aside for his children's education were among Scott's plans.

Sointula resident Carl Nelson also had luck with BC's Set for Life when he won $50,000. He was in Vancouver to purchase a boat and decided to buy some lottery tickets.

Carl planned to buy a fishing boat and save the rest of the money.


A WINNING PROVINC
EXTRA
BC 49



Comments on winning...

Through a voluntary survey, BCLC annually asks winners of $10,000 and greater about their winning experience.

Here are some of the comments they have shared.

"It was especially gratifying to share some of my windfall with family members. That was a promise I made when I started buying lottery tickets years ago."

"The money I won helped me to pay off most of my outstanding debts and give something to my children and grandchildren. I sat at the same table at the bingo hall with five other people and after my big win I took them and their spouses to dinner."

"Retirement is a little more comfortable."

"I have a newer vehicle, paid off all my debts, shared my winnings with my parents and I have plenty of money in the bank. I feel very comfortable with my financial situation now."

"I had just retired, so paying off my car made my pension go further."

"Enjoyed a few months of stress-free lifestyle."

"I did buy a much-needed vehicle, but more importantly I was able to pay for my daughter's wedding."

"I was able to put aside money for my children in a trust for their future."

...and advice to future lottery winners

"Enjoy your windfall and spend it wisely."

"Take time to really decide what you would like to do with your money."

"Just take your time; invest. Maybe like us you can work less and smell the roses more."

"Don't overspend on lotteries. If you are going to win, it can cost as little as $2."

"You can't win unless you have a ticket. When you do win just enjoy it all and be happy. I most certainly was."

"Share your winnings with others."

"Think seriously about your priorities, your future and your family. Take time to ground yourself."

"Play with a small amount of your money to treat yourself for your win, but sit on most of it until you can create a solid future for your family."

Appendix Q – 2001/02:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2001-2002,* (Kamloops: British Columbia Lottery Corporation, 2002).

ANNUAL REPORT

2001/02

British Columbia Lottery Corporation

Contents

Head Office

74 West Seymour Street
Kamloops, British Columbia
V2C 1E2
(250) 828-5500

Sales and Marketing Office

10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1
(604) 270-0649

www.bclc.com

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APPENDIX Q

Letter of Transmittal

To the Minister Responsible for British Columbia Lottery Corporation

Dear Minister:

British Columbia Lottery Corporation (BCLC) is proud of its long-standing record of gaming integrity and effective management in serving the interests of its shareholder, the Government of British Columbia. Annual net income generated by BCLC is distributed to Government and returned through government programs for the benefit of all citizens of the province.

In fiscal 2001/02, total revenues reached $1.61 billion, resulting in net income of $606.1 million, of which $598.5 million was distributed to the Government of British Columbia and $7.6 million to the Government of Canada.

On behalf of BCLC, I have the pleasure to submit the Annual Report for fiscal year ended March 31, 2002.

T. Richard Turner
Chair, Board of Directors

Senior Executive

PRESIDENT AND CEO

Vic Poleschuk

VICE-PRESIDENT

Rob Egan
Corporate Development and Information Technology

VICE-PRESIDENT

Jim Lightbody
Lottery Gaming

VICE-PRESIDENT

Brian Lynch
Casino Gaming

VICE-PRESIDENT

Doug Penrose
Finance and Corporate Services

Board Members

CHAIR

T. Richard Turner | **Appointed September 26, 2001**
President and CEO, International Aviation Terminals Inc.
Richmond

VICE-CHAIR

Arthur Willms | **Appointed September 26, 2001**
Corporate Director, Westcoast Energy Inc.
Vancouver

DIRECTORS

John Bell | **Appointed September 26, 2001**
President and Director, Sprucefield Management Inc.
Vancouver

Bruna Giacomazzi | **Appointed September 26, 2001**
Adviser to President, HSBC Bank Canada
Corporate Director, Vancouver International Airport Authority
Abbotsford

Evaleen Jaager Roy | **Appointed September 26, 2001**
Vice-President Human Resources, Electronic Arts
Vancouver

Mary MacGregor | **Appointed September 26, 2001**
Lawyer, Mary MacGregor Law Corporation
Kamloops

D. Neil McDonnell | **Appointed April 23, 2002**
President and CEO, Intrinsyc Software Inc.
Vancouver

Donald Pettit | **Appointed September 26, 2001**
Director and Chair, Human Resource Committee, Via Rail
Director and Past President, Phoenix Food & Drug Group
Vancouver

Kathy Stevenson | **Appointed April 23, 2002**
Senior Vice-President Finance,
Thompson Interior Savings Credit Union
Kelowna

Chair's Message

Fiscal 2001/02 represented another year of challenge, change, opportunity and success for BCLC as it pursued its mission to provide high-quality gaming entertainment in a socially responsible manner for the benefit of all British Columbians.

Gaming in British Columbia is a matter of balance. BCLC contributes to the province's economic well-being by providing high-quality gaming entertainment to adults while remaining ever mindful that the benefits derived from gaming must be balanced with the social impacts on individuals and communities.

Gaming entertainment generates significant funds for economic development and social 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, general revenue, grants to charities, revenue-sharing disbursements to host local governments where casinos are located, and problem gambling education and treatment, to name a few.

BCLC is a well-managed corporation and continued its trend of financial success in fiscal 2001/02. Revenues from lottery, casino and bingo reached $1.61 billion. This resulted in net income of $606.1 million, of which $598.5 million was distributed to the Government of British Columbia and $7.6 million to the Government of Canada.

In addition to generating income for vital public services, the gaming industry has created thousands of direct and indirect employment opportunities in British Columbia, including those working at retail and hospitality locations selling lottery tickets, in casino and bingo gaming facilities and support services, and in related areas such as tourism and construction. As well, during the fiscal year BCLC directly employed about 620 staff members who were based in the corporate offices or as field staff throughout the province.

During fiscal 2001/02, Government restructured and redefined the gaming framework for British Columbia. In September, the five agencies responsible for gaming were consolidated into two. BCLC remained the operational agency to conduct and manage the business of gaming and the Gaming Policy and Enforcement Branch was formed as the regulatory agency, both reporting to the Minister of Public Safety and Solicitor General.

In January 2002, Government provided further direction in respect to gaming policy, and in March introduced a comprehensive Gaming Control Act intended to strengthen and streamline the management of gaming in British Columbia.

As part of BCLC's strategic plan, a comprehensive business review of the Corporation's mandate and operations was undertaken during the year. This review coincided with Government's Core Services Review for all ministries and Crown corporations. The review identified opportunities where BCLC could be even more effective and cost-efficient in the delivery of products and services to the marketplace.

BCLC developed its Business and Service Plan and in early March received implementation approval from the Board of Directors and Government. Initiatives identified through the plan and review are projected to result in significant operational savings and greater net income contributions toward vital public services.

Over the next fiscal year, the Corporation will continue to operate within the gaming policy framework established by Government and meet fiscal expectations by further developing its current lines of business, broadening its customer base and increasing the entertainment value of its products. The Corporation will apply rigour and discipline to its business initiatives and remain poised to take on new challenges and opportunities all within Government gaming policy.

The Corporation upholds the highest standards in its responsibilities to conduct and manage gaming in British Columbia and balances social considerations through active participation in responsible gambling education, awareness and research programs and by supporting problem gambling treatment programs and services. By sharing responsibility among BCLC, its service providers, Government, community agencies and those adults who choose to participate in gaming activities, we will continue to ensure a healthy, balanced gaming industry in British Columbia.

T. Richard Turner
Chair, Board of Directors

President's Message

2001/02

After more than 25 years of operations, BCLC continues to generate significant economic benefits for British Columbia by providing high-quality gaming entertainment in a socially responsible manner to its customers and by supporting communities throughout the province.

In this fiscal year, through the hard work and dedication of our employees and business partners, the Corporation is proud to have generated $606.1 million in net income for Government to support vital public service programs for health, social, charitable and municipal purposes. Government appointed a new Board of Directors in September, and we thank both past and current directors for their leadership.

Lottery and bingo players had another year of winning experiences, collecting nearly 72 million prizes totalling $575 million. The nature of casinos had players collecting their winnings as they participated in slot machine and table gaming entertainment.

Gaming 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. Lottery retailers achieve earnings through sales commissions and incentive programs, and casino and bingo service providers receive service fees based on a sales formula. Commissions and service fees earned by our private sector partners during the fiscal year totalled $273 million.

We are equally proud of our contributions to communities throughout British Columbia, both in providing economic benefits through gaming and community event support. Festivals, celebrations, fairs, arts and culture, charity and sporting events, along with their forces of dedicated volunteers, contribute to the vitality of a community. As a corporate citizen, BCLC showed our community spirit by providing financial contributions, resources and on-site involvement to a host of activities.

Our travelling Community Stage program visited some 20 communities over the summer season, adding profile and staging expertise to locally organized events. BCLC is a founding supporter of the bid team to bring the 2010 Winter Games to Vancouver and Whistler, and at Community Stage events we invited people to sign bid books to indicate their support for this exciting provincial initiative.

We joined the team of sponsors of HSBC PowerSmart Celebration of Light and presented the Symphony in the Park free concert featuring the Vancouver Symphony Orchestra.

From a financial standpoint, fiscal 2001/02 continued a

trend of managed growth and financial success for the Corporation. Revenues from lottery, casino and bingo operations reached $1.61 billion, an overall increase of $124.4 million or 8.4% over the previous fiscal year. This resulted in total net income of $606.1 million being generated for Government purposes.

All three lines of business – lottery, casino and bingo – contributed to the overall successful financial results. Lottery sales totalled $962.7 million, an increase of $25.7 million over the previous fiscal year, mainly due to game enhancements and the continued development and refinement of the lottery retail network.

Casino revenues totalled $552.4 million, an increase of $60.1 million over the previous fiscal year, attributed to the opening of two relocated community casinos to "flagship" full-service casino facilities in Coquitlam and View Royal, and by the introduction of a greater variety of new slot machine games. During the fiscal year, slightly over 10 million adults visited one of the 18 community and destination casinos in British Columbia to participate in casino gaming.

In bingo, significant changes were made by Government during the year that resulted in the Corporation assuming greater management responsibilities for commercial bingo halls in the province. As a result, bingo sales revenues for the year totalled $92.3 million, including electronic and linked bingo revenues for the entire fiscal year and paper bingo sales for about three months of the year.

Under the new bingo management model, the Corporation will work closely and co-operatively with the many charitable organizations that will continue to be involved in the

bingo industry and that will continue to be the beneficiaries of bingo revenues generated within their communities.

While the ability to take on new opportunities and responsibilities is second nature to our dynamic organization, business improvement initiatives identified in our strategic plan and Core Services Review served as the catalyst for fundamental changes to our business operations.

As part of our Core Services Review, we used best practice research to benchmark the organization against industry-leading companies and gaming organizations. Over a five-month period, project teams completed a comprehensive review of all business units, support divisions and major operational functions.

We looked at how we service our customers, business partners and ourselves. We aimed to develop the best business model for the future, one that would give us the capability to grow, to be more customer focused, competitive, effective and efficient, and to provide a greater return to Government in order to protect funding for vital public services. And we wanted to maintain a corporate culture that is fair, healthy and progressive because we value our employees' contributions to the Corporation's success.

By early March, BCLC received approval from our Board of Directors and Government to implement our strategic business and service plan. This plan positions the Corporation to achieve annual operational savings of about $14 million (15%) and improve our annual net income contributions to Government through fiscal 2004/05.

2002/03

The fiscal year ahead will see continuing development of innovative new products and enhancements to lottery, casino and bingo, with a target of $660 million in net income to Government.

Operating within Government's current gaming policy framework, we will direct our resources to the strategic areas that will drive the success of our business. We will focus on operational excellence in our people, practices and systems.

Growth in casinos will come from the start of the relocation process of four community casinos and the opening of two destination casinos in Wells and Cranbrook. These facilities will create substantive economic benefits and employment opportunities for their communities.

BCLC will also continue to work in partnership with the horse racing industry to develop joint opportunities to improve the economic viability of horse racing in British Columbia.

We will continue to play a strong leadership role in the stewardship of the gaming business to ensure that responsible gambling awareness and research programs are in place and that treatment programs are available for the small percentage of the adult population who experience problems with gambling.

Change is a constant as we strive to provide high-quality gaming entertainment and continually seek to improve ourselves as an organization. We operate in a highly competitive environment, and we will always look for ways to improve and enhance our business and gaming entertainment for our customers.

BCLC is proud of our history of success, of the significant financial benefits generated for public service programs, communities and charitable organizations, and of the economic and employment benefits generated through a healthy, balanced gaming industry in British Columbia.

Vic Poleschuk
President and CEO

Benefits for British Columbians

Lottery sales began in British Columbia in 1974. Over 27 years, gaming has generated:

- $5.2 billion in net income distributed to the Government of British Columbia
- $141 million in net income distributed to the Government of Canada
- $6.8 billion in prizes won by players
- $1.5 billion in commissions and service fees earned by lottery retailers, many of them small business owners, and casino and bingo service providers

About BCLC

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 Western Canada Lottery Foundation.

Mandate

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 and commercial bingo in British Columbia. The Corporation's specific role in horse racing is yet to be determined.

BCLC's head office is located in Kamloops with a sales and marketing office in Richmond for the principal Lower Mainland market. As a result of business initiatives identified in BCLC's Business Plan and Government's Core Services Review, a prize payout office in Victoria closed at fiscal year-end.

Market

The Corporation markets its lottery, casino and bingo products to adults. Under the recently introduced Gaming Control Act legislation, 19 years of age will become the legal age to participate in gaming in British Columbia.

While gaming in British Columbia has grown significantly over the last few years, relative to other Canadian provinces, adult per capita levels of gaming net income are moderate.

In 1992, British Columbia ranked fourth in per capita net income among the provinces. By 1999/2000, the province was at eighth position at $171. Per capita net income for fiscal 2001/02 was $189.

The province's lower per capita net income reflects a more rapid expansion of gaming in other provinces, specifically related to the introduction of large-scale casinos and video-lottery terminals in liquor-licensed facilities. Government gaming policy does not permit video-lottery terminals in licensed premises in British Columbia, a policy that BCLC fully supports.

Vision Statement

- To be a world-class gaming corporation
- 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

Values

Integrity	We are fair, honest and trustworthy in the games we offer and the way we conduct business
Social Responsibility	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

Guiding Operating Principles

Stewardship	We operate the business for the long-term benefit of British Columbians
Simplicity	We make it easy to deliver and access products and services
Focus	We focus on and pay attention to our customers, our strategic priorities and goals, our values and relationships
Effectiveness	We use our resources of dollars, time and talent to their fullest
Responsiveness	We decide and act quickly in response to strategic, competitive and market changes
Accountability	Clear objectives and targets exist throughout the organization and responsibility and accountability are widely shared and owned

Strategic Objectives

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

To provide **high-quality** gaming entertainment

To maintain a **corporate culture** that values innovation and excellence and is committed to employing the best possible people and realizing their potential

To be a **responsive** customer-focused organization

To be a socially **responsible**, trustworthy, community-orientated organization with a broadened base of public support

To be an **efficient and** effective business, managing our resources well and delivering tangible results for British

To generate **gaming revenue** and continue our contributions to the economic development of British Columbia communities

Highlights and Community Events

April

- BCLC begins efforts as a founding supporter of the bid team to bring the 2010 Winter Games to Vancouver and Whistler
- Lotto 2001 lottery retailer forum is hosted in Vancouver
- Community Stage program rolls out for its fourth season, starting in Kamloops

May

- "6/49 Wednesdays" horse racing sponsorship begins at Hastings Park
- Community Stage visits Chilliwack International Jazz Festival, CASCAR Super Series Race in Vernon, Cloverdale Rodeo & Exhibition, Ladner Pioneer May Days

June

- Government announces Core Services Review
- Problem Gambling Help Line toll-free number is included on the back of lottery products
- BCLC sponsors the Alcan Dragon Boat Festival in Vancouver
- BCLC sponsors the Asia Pacific Trade & Convention Fair in Coquitlam
- Community Stage visits Port Alberni community celebration, Lumby Days, Sam Steele Days in Cranbrook, Vancouver Island 24 Hour Relay for the Kids in Victoria
- BCLC is Presenting Sponsor of Shell Payless Open in Victoria
- BCLC sponsors Mainstage 2001 theatre festival in Kamloops

July

- BCLC joins team of sponsors of HSBC PowerSmart Celebration of Light in Vancouver
- BCLC presents Symphony in the Park free concert in Stanley Park
- Community Stage visits Canada Day at Canada Place, Canada Day in Kamloops, Vancouver Island MusicFest in Courtenay, Merritt Mountain Music Festival, Discovery Coast Music Festival in Bella Coola
- BCLC sponsors FraserFest in New Westminster

August

- BC/49 ticket worth $1 million expires, despite strong media attention
- BCLC is title sponsor of BC Cup at Hastings Park
- Community Stage visits Abbotsford Agrifair, City of Trail Centennial Music Festival, Vancouver Island Exhibition in Nanaimo, BC Seniors Games in Surrey

September

- Government appoints a new BCLC Board of Directors
- Government announces the restructuring of the gaming regulatory and operational model in British Columbia
- Lotto 6/49 is Third Round Sponsor of Air Canada Championship in Surrey
- Community Stage visits Air Canada Championship volunteer acknowledgement, Rotary Fall Fair in 100 Mile House, Cloverdale Fall Fair, AIDS Walk in Vancouver, UBC alumni homecoming
- B.C. Bingo Championships are held in Vancouver
- BCLC is title sponsor of the 56th B.C. Derby at Hastings Park
- Starship Endeavour electronic bingo opens in Penticton

October

- Great Canadian Casino Coquitlam opens after relocation
- Lotto 6/49 BMW Bonus runs for five draws and produces seven winners from British Columbia
- Warfield resident claims $5.2 million on Lotto 6/49, the largest prize paid out in British Columbia during 2001/02
- Professional basketball returns to Sports Action after Vancouver's NBA team moves to Memphis

November

- BCLC is a sponsor of live harness racing season at Fraser Downs
- Government releases advisory committee report on British Columbia bingo halls
- Starship Northern Crown electronic bingo opens in Fort St. John

December

- Great Canadian Casino View Royal opens after relocation
- Government announces changes to charitable gaming policies

January

- Government provides further direction on gaming policy and community casino relocations

February

- Keno Bonus launches
- Starship Kermode electronic bingo opens in Terrace

March

- Government introduces Gaming Control Act legislation intended to strengthen and streamline the management of gaming in British Columbia
- BCLC receives approval to implement the Business and Service Plan
- SuperStar Gold Bingo progressive bingo is introduced, replacing SuperStar Bingo
- Starship Odyssey electronic bingo opens in Chilliwack
- Prince Rupert resident wins the largest-ever bingo jackpot in British Columbia, $99,300 on SuperStar Gold Bingo

Highlights and Community Events

2010 VANCOUVER FOUNDING SUPPORTER™

Growth and change, new responsibilities, and a rigorous examination of all business programs characterized fiscal 2001/02.

Sales and profit from the lottery, casino and bingo gaming business units exceeded budget. Total sales revenues of $1.61 billion surpassed the previous year by $124.4 million. Net income of $606.1 million resulted in a distribution of $598.5 million to the Government of British Columbia and $7.6 million to the Government of Canada.

Gaming Structure

In September, Government announced a new gaming management structure. The five agencies responsible for gaming – Gaming Policy Secretariat, British Columbia Gaming Commission, British Columbia Racing Commission, Gaming Audit and Investigation Office and BCLC – were consolidated into two.

BCLC retained responsibilities to conduct and manage lotteries, casinos and bingo, and acquired new responsibilities for paper bingo in commercial bingo halls and horse racing. At fiscal year-end, the Corporation's specific role in managing horse racing had yet to be fully determined.

The other four agencies were consolidated into the Gaming Policy and Enforcement Branch (GPEB), responsible for policy, standards, regulation, licensing and enforcement for all gaming sectors.

Gaming Legislation

Early in March, Government introduced a new Gaming Control Act. The Gaming Control Act replaces the Lottery Corporation Act and the Lottery Act and provides the legislative authority to conduct, manage and regulate gaming in British Columbia. Gaming regulation will be separated from operations.

BCLC endorsed and supported Government's 1997 policy that the minimum age to participate in gaming activities is 19 years by previously implementing policies to prevent participation in gaming by minors. Under the Act, 19 years will now become the legal age and selling products to minors will be a statutory offence punishable by fine. The Corporation will take further steps to ensure that the legal age is broadly conveyed and adhered to by consumers, lottery retailers, and casino and bingo service providers.

Employment

About 620 full-time equivalent staff members were employed by BCLC in fiscal 2001/02 in the three Corporate offices and in the field throughout the province in support of the three business units.

British Columbia's gaming industry is estimated to have created more than 8,500 direct employment opportunities and thousands more indirect opportunities. These include people employed by casino and bingo service providers and working where lottery products are sold, and staff at companies that provide gaming-related service and support.

World Wide Web

The Internet and e-commerce provides organizations with effective channels to conduct business with partners, suppliers and customers.

BCLC's Web site, www.bclc.com, continued to evolve as a medium to share winning numbers, product information, corporate publications and news. During the year, a comprehensive e-business strategy was developed that will be actively implemented in fiscal 2002/03.

Lottery Business Unit

Lottery ticket sales began in British Columbia in 1974. The Corporation contracts for the sale of its lottery products through a private sector network of retailers who receive an industry standard commission rate and have opportunities to earn additional income though bonus programs.

At fiscal year-end, about 2,650 retail locations were offering a full range of lottery games designed for a variety of player preferences. These businesses range from small family stores to large corporate chains. About 1,185 locations in bars and pubs were offering a limited selection of games suited to adult social settings.

In British Columbia, 65% of adults play lotteries on a regular basis, play is relatively equal between males and females, 63% have some post-secondary education, and 61% have annual household income greater than $40,000.

In fiscal 2001/02, lottery sales revenues reached $962.7 million. From that, players claimed $521.8 million in prizes ranging from a dollar to millions of dollars. Retailers earned $65.4 million in commissions paid though a commission structure that varies by product.

Keno sales of $223 million topped all lottery products for the first time. Keno Bonus launched in February with positive results, attracting a greater player participation rate than projected.

Scratch and Win achieved its best fiscal year ever with sales of $199.3 million. Set for Life, a $4 ticket with an annuity or cash prize option, established itself as a base game and accounted for about 16% of sales. A strong Christmas holiday lineup interested new players and regular players looking for variety.

Lotto 6/49, the flagship game, finished third at $194.9 million. Sales below budget and below the previous fiscal year's levels were consistent with national results. BC/49, at $70.8 million, exceeded budget, but was below the previous fiscal year. Extra, with sales of $64.9 million, was below budget and the previous fiscal year.

Lotto Super 7 sales of $61.3 million were above budget and greater than the previous year. Sales typically increase at jackpot levels of $10 million or greater.

Breakopen pull-tabs, available in the network of adult social settings, recorded sales of $113 million. Sales for Chaser, introduced in the same network during the previous fiscal year, were $2.4 million.

Sports Action sales rose to $25.9 million, a 16.1% increase over the previous fiscal year. The increase is attributed to the return of professional basketball to the menu as a result of Vancouver's professional team relocating.

Lottery Retailers

Retailers receive a commission on every product sold. During fiscal 2001/02, bonus programs offered opportunities to increase earnings by achieving outstanding sales and service.

In total, about 3,800 retailers received $65.4 million in sales commissions and incentive earnings.

Casino Business Unit

BCLC was given responsibility to conduct and manage slot machines when they were introduced in British Columbia in 1997 as part of Government's change in gaming policy. BCLC assumed responsibility to conduct and manage all casino gaming in 1998.

There are two types of casinos in British Columbia – community and destination. Community casinos are existing facilities formerly known as charitable casinos. Destination casinos are new casinos approved in principle in fiscal 1998/99 through Government's Request for Proposal process. Sixteen community casinos and two destination casinos were operational at fiscal year-end.

Government policy restricts casino facilities to a maximum of 300 slot machines, 30 gaming tables and six poker tables, but not all locations offer the full complement. Twelve of the 18 casinos offer slot machines. At fiscal year-end, about 3,000 slot machines and 375 tables were operational.

Of casino players in British Columbia, 54% are male, 56% have some post-secondary education and 56% have annual household income greater than $40,000.

In fiscal 2001/02, slot machine revenues totalled $311.7 million and table game revenues were $240.7 million. The increases over the previous fiscal year reflect the openings of the two relocated casinos, new table games and different slot machine themes to enhance existing games and maintain player interest.

Of the seven destination casinos that were approved in principle by Government in fiscal 1998/99, one is operational in New Westminster and one in Penticton. Casinos in Cranbrook and in Wells are scheduled to open in fiscal 2002/03. Three others are in various stages of negotiation.

In January, Government provided policy direction on the development of community and destination casinos. Government identified four community casinos that are eligible for possible relocation or facility expansion under certain conditions. BCLC's Service Plan provides for two relocations in fiscal 2003/04 and a further two in 2004/05.

CASINO REVENUES
FOR FISCAL YEAR ENDING MARCH 31, 2002

Casino	Service Provider	City	BCLC Slot Machine Revenue	Number of Slot Machines at March 31	BCLC Table Game Revenue	Number of Tables at March 31	BCLC Combined Casino Revenue
Community Casinos							
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 8,670,747	134	$ 565,955	6	$ 9,236,702
Casino Hollywood	Prince George Casino Supply Co. Inc.	Prince George	20,944,233	220	2,775,967	9	23,720,201
Gateway Casino Burnaby	Gateway Casinos Inc.	Burnaby	72,225,149	300	40,012,137	31	112,237,286
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver	–	–	16,070,761	28	16,070,761
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	20,266,193	169	13,326,521	24	33,592,714
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver	–	–	20,224,446	31	20,224,446
Great Canadian Casino Coquitlam	Great Canadian Casinos Inc.	Coquitlam	26,948,014	300	14,434,582	35	41,382,597
Great Canadian Casino Holiday Inn	Great Canadian Casinos Inc.	Vancouver	–	–	27,880,291	36	27,880,291
Great Canadian Casino Mayfair	Great Canadian Casinos Inc.	Victoria	–	–	6,332,785	18	6,332,785
Great Canadian Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo	40,097,431	300	5,521,456	16	45,618,888
Great Canadian Casino Newton	Great Canadian Casinos Inc.	Surrey	–	–	11,767,822	34	11,767,822
Great Canadian Casino Renaissance	Great Canadian Casinos Inc.	Vancouver	–	–	11,046,720	24	11,046,720
Great Canadian Casino Richmond	Great Canadian Casinos Inc.	Richmond	–	–	42,286,443	33	42,286,443
Great Canadian Casino View Royal	Great Canadian View Royal	View Royal	12,552,543	300	3,254,072	30	15,806,615
Lake City Casino Kamloops	Lake City Casinos Limited	Kamloops	19,386,203	275	2,353,960	12	21,740,164
Lake City Casino Kelowna	Lake City Casinos Limited	Kelowna	23,645,747	300	3,574,559	16	27,220,306
Lake City Casino Vernon	Lake City Casinos Limited	Vernon	15,444,636	177	1,327,122	8	16,771,759
Royal Diamond Casino	Royal Diamond Casinos Inc.	Vancouver	–	–	3,314,491	30	3,314,491
			$ 260,180,896	**2,475**	**$226,070,093**	**421**	**$ 486,250,989**
Destination Casinos							
Lake City Casino Penticton	Lake City Casinos Limited	Penticton	$ 14,649,314	224	$ 1,222,136	12	$ 15,871,449
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	36,908,432	300	13,354,812	30	50,263,244
			51,557,745	**524**	**14,576,947**	**42**	**66,134,693**
			$ 311,738,642	**2,999**	**$240,647,040**	**463**	**$ 552,385,682**

Notes

The number of tables represents the maximum authorized tables (including poker tables) per casino. The actual number of tables open fluctuates daily and there are rules outlining the number of tables open at any one time. The number of authorized maximum tables has fluctuated throughout the year.

Royal Diamond Casino closed due to a labour disruption July 15, 2001
Great Canadian Casino Surrey closed October 5, 2001
Great Canadian Casino Coquitlam opened October 5, 2001
Great Canadian Casino View Royal opened December 6, 2001
Great Canadian Casino Mayfair closed January 1, 2002

Casino Service Providers

BCLC has partnered with eight private sector casino service companies that provide, under contract, both facility and day-to-day operational services for a service fee based on revenue generated.

From net win, recorded after prizes, service providers receive service fees of 40% on table games and 25% on slot machines. Operating costs of the facility are covered through these service fees. An additional 3% on each of the service fees is available for facility development.

Service providers earned $193.1 million in service fees in fiscal 2001/02.

Host Local Governments

Under a 1999 Memorandum of Agreement reached between the Government of British Columbia and Union of British Columbia Municipalities, the host local government where a community casino is located receives a 10% share of the net income, after service fees, generated by that casino.

For destination casinos, net income is divided, with two-thirds going to the Government of British Columbia, one-sixth to the host local government and one-sixth to the casino proponent for Development Assistance Compensation.

In fiscal 2001/02, Government made quarterly payments totalling $32.5 million to host local governments. They are permitted to use these funds for any projects or services, but are required to submit quarterly reports on expenditures.

Development Assistance Compensation totalled $6.2 million. This represents partial funding for the development of ancillary facilities that contribute to the economic development associated with destination casinos.

HOST LOCAL GOVERNMENT SHARE OF CASINO REVENUE
FISCAL 2001/02

Local Government	Casino	2001/02 Total
Burnaby	Gateway Casino (c)	$ 6,274,000
Coquitlam	Great Canadian Casino (c)	2,280,000
Kamloops	Lake City Casino (c)	1,288,000
Kelowna	Lake City Casino (c)	1,598,000
Nanaimo	Great Canadian Casino (c)	2,680,000
New Westminster	Gateway Casino Royal Towers (c)	1,842,000
	Royal City Star Casino (d)	4,741,000
New Westminster Total		**$ 6,583,000**
Penticton	Lake City Casino (d)	1,584,000
Prince George	Casino Hollywood (c)	1,390,835
Quesnel	Billy Barker Casino (c)	549,000
Richmond	Great Canadian Casino (c)	1,957,000
Surrey*	Great Canadian Casino (c)	527,000
Vancouver	Grand Casino (c)	924,000
	Great Canadian Casino Holiday Inn (c)	1,278,000
	Gateway Casino Mandarin Centre (c)	749,000
	Great Canadian Casino Renaissance(c)	498,000
	Royal Diamond Casino (c)	152,000
Vancouver Total		**$ 3,601,000**
Vernon	Lake City Casino (c)	996,000
View Royal	Great Canadian Casino (c)	881,000
Victoria*	Mayfair Casino (c)	280,000
TOTAL		**$ 32,478,000**

c = community casinos (10% share)
d = destination casinos (one-sixth share)
* Permanently closed

Royal Diamond Casino closed due to a labour disruption July 15, 2001
Great Canadian Casino Surrey closed October 5, 2001
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APPENDIX Q

Bingo Business Unit

Bingo was one of the earliest forms of legal gaming introduced in British Columbia and it provides a critical source of revenue to charitable and religious organizations. In recent years, bingo throughout North America has faced static or declining revenues due to changes in demographics, technology and competition from other forms of gaming.

In 1997, Government gave BCLC responsibility to conduct and manage electronic bingo products. The Corporation assumed additional responsibility for paper bingo in commercial bingo halls in January 2002.

At fiscal year-end, touch-screen electronic bingo was available in 14 of 37 commercial halls. Linked bingo was being offered in all commercial halls and about 40 independent halls operated by charities. Hand-held bingo units, a way to play paper bingo electronically, were operational in 11 sites.

Of British Columbia bingo players, 72% are female, 48% have some post-secondary education, and 36% have annual household incomes greater than $40,000.

In fiscal 2001/02, BCLC opened four additional electronic bingo systems at existing halls. Starship Endeavour opened in Penticton in September, followed in November by Starship Northern Crown in Fort St. John, in February by Starship Kermode in Terrace and in March by Starship Odyssey in Chilliwack.

BCLC's responsibility to conduct and manage paper bingo was a major initiative that included: Implementation of a new bingo paper management system; the development and implementation of new service, facility, operational and security standards; and contracts with bingo service providers.

SuperStar Gold Bingo launched in March to replace SuperStar Bingo. This new game links up to 80 participating halls nightly to play for a progressive jackpot.

In fiscal 2001/02, total bingo sales grew from $53.7 million to $92.3 million, an increase of $38.6 million or 72% over the previous fiscal year. The majority of the increase ($27.2 million) was the result of BCLC assuming responsibility for paper bingo sales in commercial halls on January 15, 2002.

Starship Bingo sales reached $40.2 million, while SuperStar Bingo sales were $14.2 million. Sales for hand-held bingo were $8.9 million.

BCLC remained responsible for distributing bingo paper to all halls. Revenues from the sale of bingo paper totalled $1.9 million over the fiscal year.

Players collected $53.2 million in prizes, including the largest prize ever paid out in British Columbia bingo history, $99,300 on SuperStar Gold Bingo.

Bingo Service Providers

BCLC pays bingo service providers a service fee based on a gross monthly sales formula. Bingo service providers earned $14.3 million in fiscal 2001/02.

Charities

While the management structure of bingo was changed during the year whereby charities no longer are responsible to conduct and manage paper bingo, charitable organizations continue to play an important role in bingo. Charitable organizations continue to be directly involved in bingo through certificates of affiliation that establish individual charitable organizations as the beneficiaries of all bingo gaming profits from a designated bingo hall, thus keeping all bingo gaming profits in their respective communities.

Government also guarantees funding to charities of a minimum level of $125 million annually from gaming. GPEB, under which British Columbia Gaming Commission was consolidated, manages the distribution of funds through licensed and direct access programs.

In fiscal 2001/02, $103.2 million of BCLC net income was distributed to charities as part of the guarantee commitment of $130 million.

Where the Money Goes

Total revenues

$1.61 billion

Prizes Paid to Winners	$575 million
Commissions and Service Fees Paid to Lottery Retailers Casino and Bingo Service Providers	$273 million
Operating Expenses	$109 million
Ticket Printing and Bingo Paper	$15 million
GST	$29 million

Net income

$606.1 million

Distribution to Government of Canada

$7.6 million

Distribution to Government of British Columbia

$598.5 million

General Revenue	$308.0 million
Health Special Account	$144.5 million
Charities	$103.2 million
Host Local Governments	$32.5 million
Development Assistance Compensation	$6.2 million
Problem Gambling Program	$2.5 million
Gaming Policy Secretariat	$1.6 million

Every company is obligated to ensure that its product or service is used appropriately and for the intended purpose. BCLC's mission statement is built on a foundation of providing high-quality gaming entertainment in a socially responsible manner.

Legal gambling occurs in a regulated environment. Individuals carry the primary responsibility to understand the very nature of games of chance, to make informed choices and to manage their gaming participation. BCLC, Government and communities share the responsibility to ensure people have the information they need to make reasonable decisions about their participation in gaming and are supported by health, social service, awareness and prevention programs.

Studies show that more than 96% of adults enjoy the social, recreational and anticipatory elements of gambling and do so within a sensible spending limit. The other small percentage may experience problems that require intervention. Treatment programs are available for these individuals and those who care about them.

BCLC works in partnership with Government and those involved in prevention and treatment to address issues and provide reliable and accurate information.

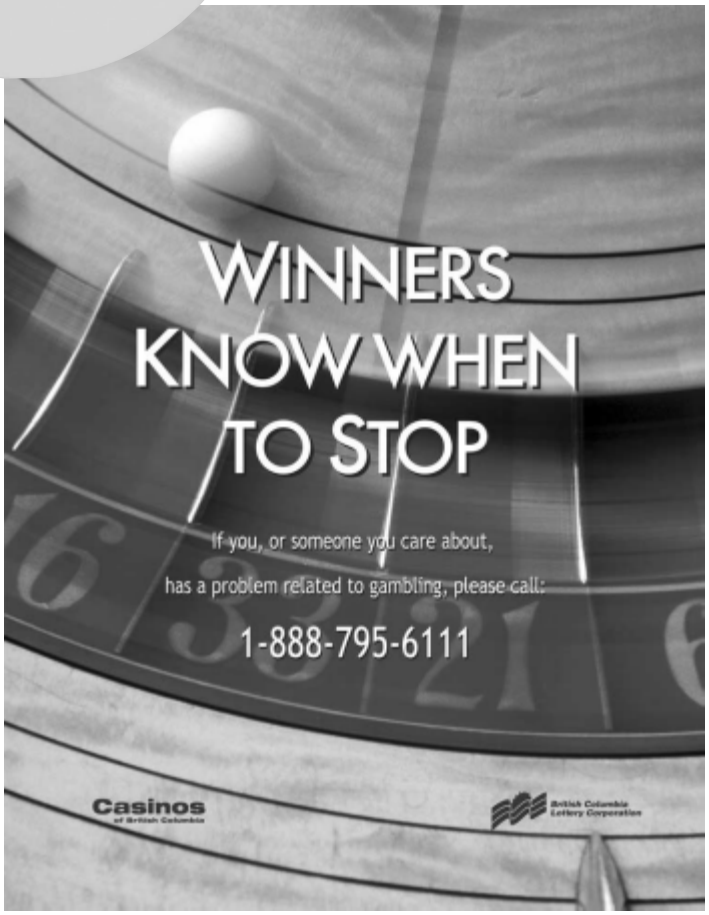
Of the net income earned by BCLC, $4 million is dedicated annually to the Government's Problem Gambling Program. As the request to increase the Problem Gambling Program funding was approved after the beginning of the fiscal year, for fiscal 2001/02 the program expended $2.5 million.

If gambling is a problem, one of the first steps a person can take is to call the 24-hour Problem Gambling Help Line at 1-888-795-6111 for information and referral to counselling and other services. During 2001, the toll-free line received 1,600 calls. Currently, 45 addiction counsellors are delivering problem gambling treatment, awareness and prevention services throughout British Columbia.

All BCLC lottery products carry the Help Line number as one of the ways of informing people that support services are available no matter where they live in the province. Brochures, stickers and posters that provide information about the Problem Gambling Program and Help Line are available at gaming establishments.

BCLC's Casino Self-Exclusion Program is another tool available to those experiencing gambling problems. Individuals may choose to be voluntarily restricted from casinos for a specified period of time.

Through collective action and shared responsibility, BCLC will continue to play a key leadership role by acting as an information resource and supporting program initiatives that encourage responsible gambling practices and mitigate any negative social impacts related to gambling.



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.

By order-in-council, Government appointed a new BCLC Board of Directors September 26, 2001.

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 the long-term interests of the shareholder, the Government of British Columbia.

DIRECTORS

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.

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.

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, note findings and recommendations.

The following committees have been established:

STANDING COMMITTEES

Audit, Finance and Budget

Chair: Bruna Giacomazzi

Members: Arthur Willms, Kathy Stevenson

- Liaises between the external and internal auditors and the Board
- Oversees the review of the Corporation's financial operation by the external auditors and makes a recommendation to the Board with respect to approval of audited financial statements
- Ensures compliance with financial and accounting policies and has the right at all reasonable times to inspect all books and records of the Corporation as it deems necessary

Governance

Chair: Mary MacGregor

- Reviews the policies and practices of the Board
- Ensures the Board's continuing ability to fulfil its legislative mandate
- Implements effective due diligence over the Corporation's operations
- Establishes and implements good corporate governance practices throughout the Corporation

Human Resources and Compensation

Chair: Evaleen Jaager Roy

Members: Donald Pettit, Arthur Willms

- Examines the Corporation's strategies and practices that relate to effective and fair employee relations management 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: Donald Pettit

Members: John Bell, Neil McDonnell

- Liaises with the Corporation to ensure that funds allocated for marketing and sponsorship activities are effectively spent to further the awareness of and goals of the Corporation
- Assists in developing a policy and strategy that will govern the Corporation's role in community and provincially based sponsorships
- Ensures that sponsorships undertaken will enhance the objectives of the Corporation in those communities where the Corporation conducts its business
- Works with the Corporation in recommending to the Board actions and strategies that will further enhance the public image of the Corporation

AD HOC COMMITTEE

Retailer Complaint Review Committee

Chair: Mary MacGregor

- Provides an appeal mechanism for existing, past and potential retailers who, after having exhausted appeals to management, seek an objective review from the Board
- Decisions made by this committee are binding on the Corporation

Ex-officio members of all committees:

Chair T. Richard Turner

President and CEO Vic Poleschuk

Financial Highlights

Sales of $1.61 billion exceeded budget by $69.4 million and the previous fiscal year by $124.4 million

Record revenues and net income for the 27th consecutive year

Net income of $606.1 million exceeded budget by $21.1 million and the previous fiscal year by $44.1 million

Direct expenses of $863.5 million, reflecting strong sales performance, exceeded budget by $44.4 million and the previous fiscal year by $67.3 million

Administrative expenses of $88.1 million were $3.7 million less than budget and $3.8 million more than the previous fiscal year

Ratio of administrative expenses to sales of 5.5% was the lowest since BCLC's first year in 1986

This Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for fiscal year ended March 31, 2002, and should be read in conjunction with the Corporation's audited financial statements.

Financial Results ($ in Millions)	1997/98	1998/99	1999/00	2000/01	Actual	2001/02 Budget	Variance
Sales:							
Lottery	$883.4	$910.6	$907.2	$937.0	$962.7	$950.0	$12.7
Casino	40.7	308.2	445.2	492.3	552.4	523.0	29.4
Bingo	18.1	42.7	49.1	53.7	92.3	65.0	27.3
	942.2	**1,261.5**	**1,401.5**	**1,483.0**	**1,607.4**	**1,538.0**	**69.4**
Direct Expenses	571.4	699.1	745.9	796.1	863.5	819.1	(44.4)
Operating Expenses	80.5	106.4	123.6	124.9	137.8	133.9	(3.9)
Net Income:							
Lottery	267.5	282.5	287.8	285.4	293.8	289.3	4.5
Casino	22.0	171.5	242.3	271.7	299.5	287.4	12.1
Bingo	.8	2.0	1.9	4.9	12.8	8.3	4.5
	$290.3	**$456.0**	**$532.0**	**$562.0**	**$606.1**	**$585.0**	**$21.1**

Overview

In fiscal 2001/02, for the 27th consecutive year, BCLC achieved record revenues and profits. Revenues of $1.61 billion exceeded budget by $69.4 million and the previous fiscal year by $124.4 million. Relocations of existing community casinos to new full-service facilities in Coquitlam and View Royal, continued network growth and product innovation from the lottery division, and the addition of paper bingo in commercial bingo halls into operations all contributed to the strong results.

Direct costs of $863.5 million were $44.4 million greater than budget and $67.3 million greater than the previous fiscal year. The increase in direct costs reflects additional prizes and commissions directly related to the growth in sales, a shift to higher prize expense lottery games and an increase in prizes related to the addition of paper bingo in commercial bingo halls into operations.

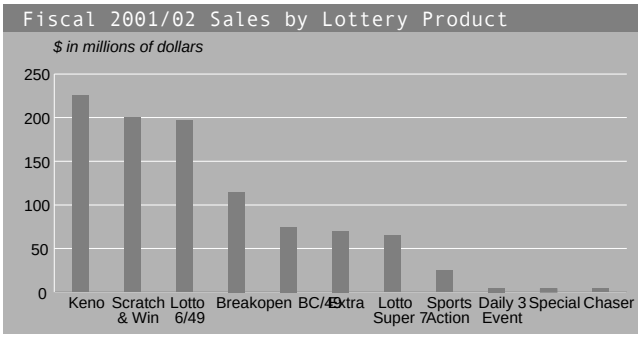
Operating costs of $137.8 million were $3.9 million greater than budget and $12.9 million greater than fiscal 2000/01.

In June 2001, Core Services Review was announced as one of Government's major initiatives under its new mandate. Crown corporations and ministries were required to undertake a comprehensive and rigorous review of both their overall purpose and the effectiveness of their operations.

Government approved BCLC's Core Services Review recommendations. These recommendations will result in the Corporation reducing operating costs by about $14.0 million or 15% from the fiscal 2001/02 baseline budget.

While the majority of cost savings will be realized in fiscal 2002/03, the Corporation began reducing operating costs in fiscal 2001/02. Cost savings realized during the year in staffing, network communications, advertising and marketing were partially offset by additional expenditures required to integrate paper bingo into operations and one-time restructuring costs resulting from Core Services Review.

Net income of $606.1 million exceeded budget by $21.1 million and the previous year by $44.1 million.



Lottery Operations

The Corporation's lottery network consists of about 2,650 retail locations and 1,185 retailers in bars and pubs.

Fiscal 2001/02 lottery sales of $962.7 million exceeded budget by $12.7 million and the previous fiscal year by $25.7 million. Strong sales performance from Keno, BC/49, Sports Action and Breakopen pull-tabs were partially offset by lower than expected sales from Lotto 6/49, Extra and Chaser.

Lottery net income of $293.8 million exceeded budget by $4.5 million and the previous fiscal year by $8.4 million.

Lotteries in British Columbia are considered a mature market. Over the last four-year period, sales growth has roughly matched inflation. Competition from other forms of entertainment, an aging population, shifts in consumer demand and significant changes at retail have all contributed to a flattening of lottery sales. The maintenance of current lottery market sales revenues and any future growth will result from the introduction of new innovative product lines and the continued development and refinement of the lottery network.

Casino Operations

The Corporation's casino network includes 16 community and two destination casinos that operate about 3,000 slot machines and 375 tables. During the year, two existing community casinos were relocated to full-service facilities, one casino was closed, and four casinos operated under reduced hours for two months due to a labour disruption.

Fiscal 2001/02 casino net win of $552.4 million exceeded budget by $29.4 million and the previous fiscal year by $60.1 million. The introduction of new slot machine and table games and refinements to the slot machine game mix contributed to increased revenue.

Casino net income of $299.5 million exceeded budget by $12.1 million and the previous fiscal year by $27.8 million.

In January 2002, Government provided direction on the future of casino gaming in British Columbia. This direction provides for the relocation of a limited number of community casinos that, based on discussions with Government or BCLC, had made significant investments or taken significant steps in relocating their existing operations. The Corporation 's plans provide for the relocation of four existing community casinos over the next three years.

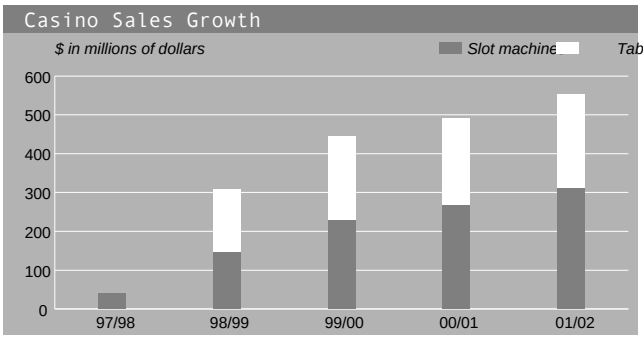
Bingo Operations

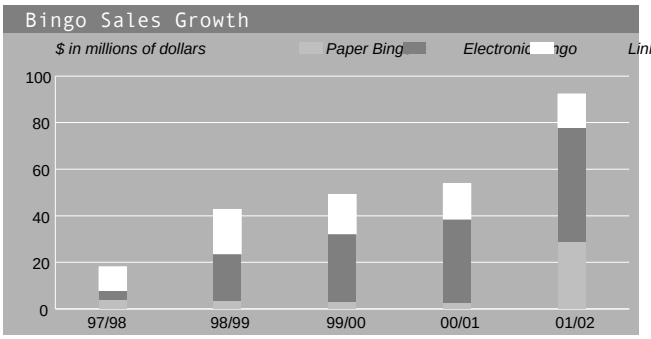
The Corporation offers bingo products through a network of 37 commercial halls and about 80 independent operators. These products include electronic bingo (14 Starship Bingo sites), linked bingo (80 SuperStar Bingo sites), and paper bingo in commercial halls.

In September 2001, as part of Core Services Review, the Corporation assumed responsibility to conduct and manage paper bingo in commercial halls. On January 15, 2002, BCLC assumed operational responsibility for these sites with the implementation of a new management control system, operational policies, and facility, service and security standards.

Fiscal 2001/02 sales of $92.3 million were $27.3 million greater than budget and $38.6 million greater than the previous fiscal year.

Fiscal 2001/02 net income of $12.8 million exceeded budget by $4.5 million and the previous fiscal year by $7.9 million.





BCLC's mission statement and objectives reflect the Corporation's principal mandate to provide high-quality gaming entertainment in a socially responsible manner, within the policy framework set by the Government of British Columbia, for the benefit of all British Columbians.

The Corporation measures performance against six key objectives, which provide the strategic direction for the organization.

TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT

Objectives

- 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 economic and tourism benefits for the province
- Reposition bingo to attract a broader customer base and to increase the entertainment value of products

Strategies

- Provide more interactive products to increase the level of entertainment
- Develop and enhance distribution channels to make it more convenient for 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	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Revenue growth generated by new products	n/a	baseline	0% actual 1% target	5%	10%	no target set
Customer satisfaction rating (lottery)	95%	89%	86% actual 90% target	90%	90%	95%
Relocate or open new casinos	1 new/ 1 relocation	1 new	2 relocations	2 new	2 relocations	2 relocations

In fiscal 2001/02, while BCLC did not introduce any products that were considered new transformational games, the Corporation did introduce product enhancements or game extensions that resulted in about $30.0 million or 2% in incremental sales growth. Lottery product enhancements introduced during the year included Keno Bonus and Sports Action basketball. Slot machine game enhancements included game conversions, nickel play, mystery bonus and participation games. Table game enhancements included Fortune Pai Gow, Electronic Sic Bo, Progressive Blackjack and Rapid Roulette. In March 2002, the Bingo Business Unit introduced a new progressive bingo game, SuperStar Gold.

At 86%, customer satisfaction of lottery games was just below the target level of 90%.

During the year, the Corporation relocated two existing community casinos to new full-service facilities in Coquitlam and View Royal. Of the 18 casinos operational in British Columbia at March 31, 2002, 12 now operate in facilities that offer both slot machines and table games.

In fiscal 2002/03, the Corporation's plans provide for the opening of two new destination casinos, one in Wells (Jack o' Clubs 1930s Casino & Music Hall) and one in Cranbrook (Casino of the Rockies). As per Government policy, the Corporation's Service Plan provides for the relocation of four existing community casinos to new facilities by fiscal 2004/05.

TO BE A SOCIALLY RESPONSIBLE, TRUSTWORTHY, COMMUNITY-ORIENTATED ORGANIZATION WITH A BROADENED BASE OF PUBLIC SUPPORT

Objectives

- Build a corporate image that reinforces the following attributes: Social responsibility, community focus, collaborative relationships, integrity, fun and entertainment, well managed
- To be a strong, community-minded, good corporate citizen
- Actively participate in improving education, awareness,and accessto information and resources for problem gambling
- Support the appropriate funding of problem gambling programs

Strategies

- Create greater public awarenessof the benefits and beneficiaries of gaming
- Support communities through select community event sponsorships
- Develop industry-leading risk management strategies and responsible gambling programs
- Support Government in the development and maintenance of an effective problem gambling program

Performance Measures	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Public support rating	48.1%	47.5%	52%actual 55%target	55%	60%	65%
Problem gambling funding	$1.8 million	$2.1 million	$2.5 million actual $4.0 million target	$4.0 million	$4.0 million	$4.0 million

BCLC's public support ratings increased to 52%from 47.5%in fiscal 2001/02. The introduction of new gaming legislation and clear direction from Government on the future development of gaming contributed to growing support for the Corporation and gaming in British Columbia.

The Ministry of Health Planning spent $2.5 million on problem gambling programs. While this was $1.5 million less than the provision of $4 million, it represented a $450,000 increase over fiscal 2000/01. In fiscal 2002/03, the Ministry of Health Services' plans call for the replication of the Problem Gambling Prevalence Study that was last completed in 1996.

TO BE A RESPONSIVE, CUSTOMER-FOCUSED ORGANIZATION

Objectives

- 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

- Develop products and services with customers' needs in mind
- Review all existing policies and processesfrom our business partners' perspective and make changeswhere necessary
- Develop a closer relationship with individual customers and business partners

Performance Measures	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Customer satisfaction rating (lottery)	95%	89%	86%actual 90%target	90%	90%	90%
Business partner satisfaction ratings (lottery)	95%	93%	95%actual 90%target	90%	95%	95%
Establish baseline customer and business partner satisfaction ratings for casino and bingo operations	N/A	N/A	establish baselines	1% > baseline	5% > baseline	10% > baseline

During fiscal 2001/02, BCLC maintained high levels of satisfaction from both lottery players and the retailers who market and sell these products. Baseline satisfaction ratings for the casino and bingo divisions are nearing completion, and the Corporation will begin to track these performance measures in fiscal 2002/03.

TO MAINTAIN A CORPORATE CULTURE THAT VALUES INNOVATION AND EXCELLENCE AND IS COMMITTED TO EMPLOYING THE BEST POSSIBLE PEOPLE AND REALIZING THEIR POTENTIAL

Objectives

- 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

- 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	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Employee satisfaction rating	74%	not measured	not measured 75% target	>75%	>75%	>75%
Employee turnover rate	3.0%	4.4%	6.6% actual 5% target	<5%	<5%	<5%
Employee absenteeism	1.9%	1.7%	2.2% actual 2.5% target	<2.5%	<2.5%	<2.5%

The Corporation conducts periodic employee surveys, most recently in fiscal 1999/2000. A survey scheduled for fiscal 2001/02 was postponed due to Core Services Review.

BCLC completed Government's Core Services Review in the last quarter of the fiscal year. This major business review resulted in a restructuring of operations and a staffing reduction of about 80 full-time equivalents. The increase in employee turnover to 6.6% from 4.4% reflects the implementation of the Core Services Review staffing reductions.

With the review complete, the Corporation is positioned to continue to grow, to be more customer-focused, competitive, effective and efficient, and to continue to be a healthy, progressive and fair organization for all employees.

TO BE AN EFFICIENT AND EFFECTIVE BUSINESS, MANAGING OUR RESOURCES WELL AND DELIVERING TANGIBLE RESULTS FOR BRITISH COLUMBIANS

Objectives

- 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 re-engineering business processes or divesting non-core, non-strategic functions that can be done more effectively and efficiently elsewhere

Strategies

- 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	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Reduce administrative costs as a percentage of sales	5.8%	5.7%	5.5% actual 6.0% target	5.0%	4.7%	4.7%
Implement business improvement opportunities identified in Core Services Review	n/a	n/a	identify opportunities and benchmarks	projects initiated	targeted for completion	continuous improvement
Online game system availability	99.90%	99.98%	99.87% actual 99.90% target	99.90%	99.90%	99.90%

BCLC's goal is to perform at or better than best practices within the industry and to measure performance in critical areas of operation.

In fiscal 2001/02, BCLC achieved an administrative cost ratio of 5.5%, the lowest ratio since the Corporation's start-up in 1985. The continuing improvement in cost effectiveness reflects savings achieved as part of Core Services Review and economies of scale realized through growth in business operations.

Projects identified through Core Services Review are scheduled to continue in fiscal 2002/03 with completion scheduled for fiscal 2003/04.

At 99.87% availability, the Corporation's online game system continued to operate at a very high level of reliability in fiscal 2001/02.

TO GENERATE GAMING REVENUE AND CONTINUE OUR CONTRIBUTIONS TO THE ECONOMIC DEVELOPMENT OF BRITISH COLUMBIA COMMUNITIES

Objectives

- Improve operating results through continued development and introduction of innovative new products and distribution channels that meet marketplace demand

Strategies

- 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	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Achieve revenue targets	$1.40 billion	$1.48 billion	$1.61 billion actual $1.54 billion target	$1.8 billion	$1.9 billion	$2.0 billion
Achieve income targets	$532.0 million	$562.0 million	$606.1 million actual $585.0 million target	$660.0 million	$715.0 million	$765.0 million

BCLC distributes net income to the Government of British Columbia, which returns this money to British Columbians through government programs. These include health care and education, general revenue, direct access grants to charities, revenue sharing with host local governments where casinos are located, and funding to support problem gambling programs.

In fiscal 2001/02, for the 27th consecutive year, BCLC achieved record sales and profits. Sales of $1.61 billion exceeded budget by $69.4 million and the previous fiscal year by $124.4 million. The relocation of existing community casinos to new facilities in Coquitlam and View Royal, continued network growth and product innovation from the lottery division, and the addition of commercial bingo into operations all contributed to the strong results. Net income of $606.1 million exceeded budget by $21.1 million and the previous fiscal year by $44.1 million.

The Corporation's projections from fiscal 2002/03 through to fiscal 2004/05 have been revised to reflect the addition of commercial bingo into operations and more current projections for the lottery and casino bingo units.

WINNERS

They might have had a favourite set of numbers or made a purchase on a whim, liked the anticipation of the draw or knowing in an instant, enjoyed making predictions or the atmosphere of a crowd. Whatever the reason, they chose to play. Lottery and bingo players collected a total of $575 million in prizes in fiscal 2001/02, including 21 prizes of $1 million or more.

Rossland couple Bill Postnikoff and Karen Hubert won the $500,000 top prize on Extra in 1994 and history repeated itself in 2001. Karen explained that Bill told her, "I hit the thing again." The couple planned to share with family and invest for retirement.

Doris McKay and her daughter, Donna Larsen, both of Chilliwack, took home a BC/49 $1 million grand prize only days before their ticket was set to expire. While searching for postage stamps in her wallet, Doris found the ticket tucked behind a photograph.

Two acquaintances each won a lottery jackpot one day apart, but neither knew about the other until they arrived on the same morning at BCLC's Kamloops office. Holly Marie Heppner of Trail claimed $500,011 on Lotto Super 7 Extra, while Jim Bradshaw of Warfield claimed $5.2 million on Lotto 6/49.

Whenever Comox resident Roger De Arburn bought a Set for Life ticket, he routinely said to his lottery retailer, "Set me for life." Over coffee together, his wife scratched three cash symbols. Roger immediately visited his retailer. He won the top prize and chose the lump sum payment of $675,000.

Helmer Gysler of Harrison Hot Springs travelled to Hull, Quebec, for the live television draw on Celebration 2002 and won $100,000. When the show and draw ended, Helmer called family and friends, including the friend who gave him the Celebration 2002 game as a Christmas gift.

A Fort St. John resident planned a long-awaited trip to Texas with an $85,000 windfall claimed on Lotto 6/49.

"I'm a really positive person," said Bob Oslund. "I always thought I was going to win."

A Surrey man who won $5 million on Lotto 6/49 planned to stay on the job.

Steve Serbic said he had won two other lotteries in life — his wife and his job as a City of Surrey firefighter.

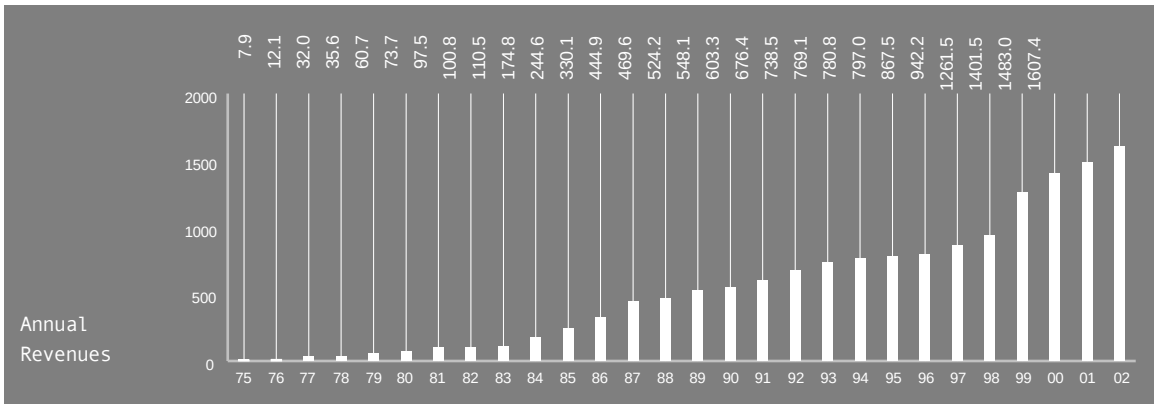
Playing the same eight numbers since 1991 paid off for Sidney Ho of Vancouver. He won just more than $1 million on Lotto 6/49 when his Combo 8 ticket matched five numbers and the Bonus number.

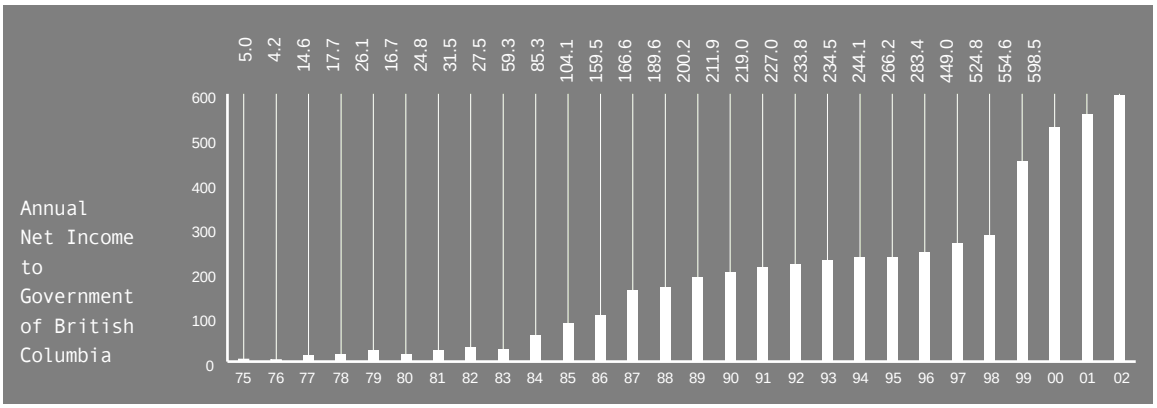
Brian Laliberte of Prince Rupert won the largest-ever bingo jackpot in British Columbia on the SuperStar Gold Bingo provincewide linked game. Everyone in the hall stood up and clapped when Brian called "bingo" for the progressive jackpot of $99,300.

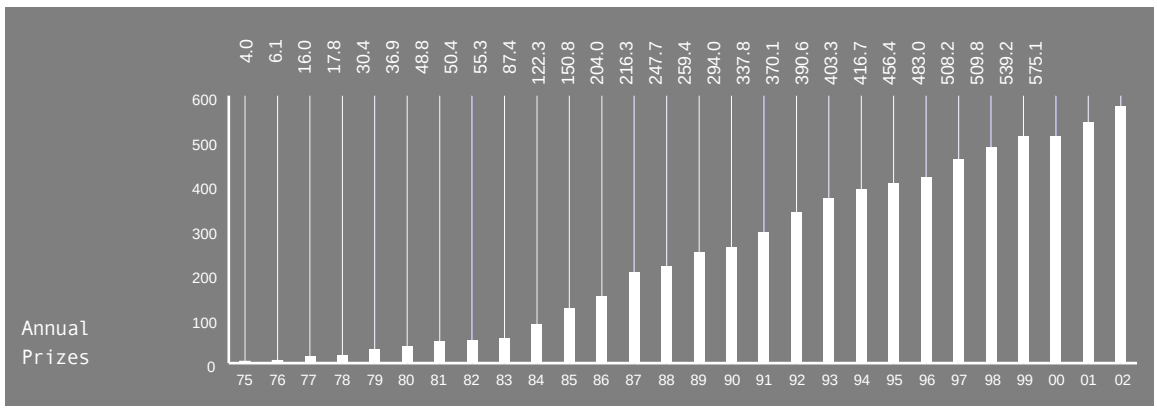
BCLC was a major sponsor of the second annual B.C. Bingo Championships held in September in Vancouver. Players used hand-held electronic bingo units for the chance to win cash and merchandise prizes.

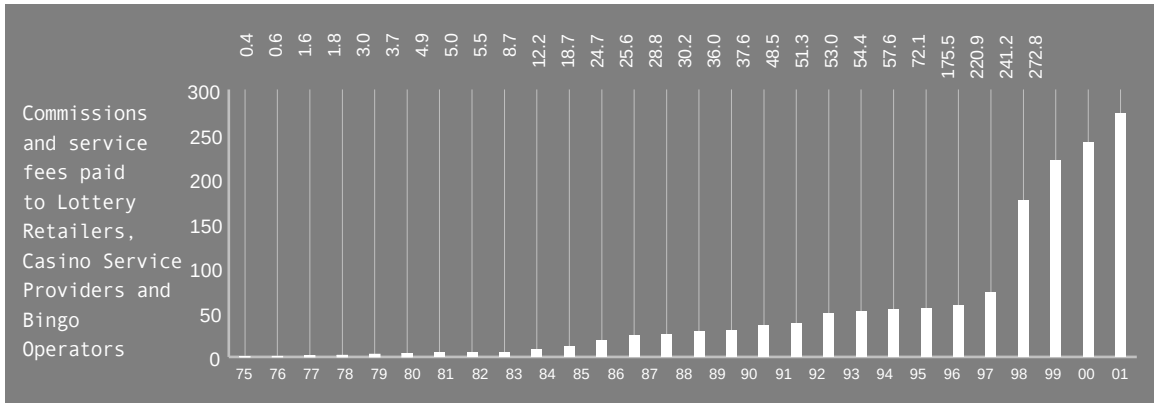
Grand prize of a trip to Miami to board a ship for the 13th Annual $200,000 Bingo Tournament and Gaming Cruise was won by Robbie McAffee of Nanaimo.

Sales and Profit History









AUDITORS' REPORT

To the Directors of
British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2002, and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Kamloops, Canada
April 12, 2002

CONSOLIDATED BALANCE SHEET

March 31, 2002, with comparative figures for 2001 *(in thousands of dollars)*

	2002	2001
ASSETS		
Cash and short-term investments	**$ 80,973**	$ 80,880
Accounts receivable (note 3)	**46,024**	35,998
Prepaid expenses	**5,663**	5,261
Accrued pension plan asset (note 4)	**5,162**	4,642
Capital assets (note 5)	**22,168**	20,541
	$ 159,990	$ 147,322
LIABILITIES		
Prizes payable	**$ 49,248**	$ 55,486
Accounts payable and accrued liabilities	**46,356**	35,512
Accrued post retirement benefit obligation (note 4)	**12,062**	10,682
Payable to Interprovincial Lottery Corporation	**2,250**	1,865
Due to Government of British Columbia	**50,074**	43,777
	$ 159,990	$ 147,322

See accompanying notes to consolidated financial statements.

Approved:

T. Richard Turner
Director

Mary MacGregor
Director

Consolidated Statement of Income

Year ended March 31, 2002, with comparative figures for 2001 *(in thousands of dollars)*

	2002	2001
Revenues(note 6)	**$ 1,607,418**	$ 1,483,041
Direct expenses:		
Prizes	**575,057**	539,150
Retail commissions	**272,848**	241,220
Ticket printing and bingo paper	**15,584**	15,778
	863,489	796,148
Revenuesless direct expenses	**743,929**	686,893
Operating expenses(note 14):		
Administrative expenses	**88,144**	84,351
Special operating costs (note 7)	**7,000**	–
Amortization	**18,598**	18,753
Less: Interest and other income	**(5,241)**	(4,846)
	108,501	98,258
Income from operations	**635,428**	588,635
GST expense	**29,360**	26,601
Net income	**$ 606,068**	$ 562,034
Allocation of net income:		
Government of British Columbia	**$ 594,420**	$ 550,956
Government of Canada (note 8)	**7,567**	7,427
Payments pursuant to ministerial direction (note 9)	**4,081**	3,651
	$ 606,068	$ 562,034

Segmentedinformation (note 14)

Seeaccompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Government of British Columbia

Year ended March 31, 2002, with comparative figures for 2001 *(in thousands of dollars)*

	2002	2001
Balance, beginning of year	**$ 43,777**	$ 68,651
Net income	**606,068**	562,034
	649,845	630,685
Payments to Government of British Columbia	**592,204**	579,481
Allocation of income to Government of Canada	**7,567**	7,427
	599,771	586,908
Due to Government of British Columbia	**$ 50,074**	$ 43,777

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001 *(in thousands of dollars)*

	2002	2001
Operating:		
Net income	**$ 606,068**	$ 562,034
Adjustments for:		
Amortization of capital assets	**18,598**	18,753
	624,666	580,787
Changes in non-cash operating items	**(4,577)**	6,250
	620,089	587,037
Financing:		
Payments to Government of British Columbia	**(592,204)**	(579,481)
Allocation of income to Government of Canada	**(7,567)**	(7,427)
	(599,771)	(586,908)
Investing:		
Additions to capital assets	**(20,225)**	(13,422)
Increase (decrease) in cash	**93**	(13,293)
Cash, beginning of year	**80,880**	94,173
Cash, end of year	**$ 80,973**	$ 80,880

See accompanying notes to consolidated financial statements.

1. NATURE OF THE CORPORATION:

The British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia and to co-operate in the conduct and management of national and regional lottery schemes with other Provinces of Canada.

The Corporation conducts and manages the following lottery schemes in British Columbia: KENO, SCRATCH & WIN, BREAKOPEN, BC/49, EXTRA, SPORTS ACTION, DAILY 3, CHASER, STARSHIP BINGO, SUPERSTARBINGO, CARDMINDER BINGO, paper bingo games, and casino games, including slot machines and table games.

The Corporation is the regional marketing organization for the LOTTO 6/49, LOTTO SUPER7, AND SPECIAL EVENT games in British Columbia. These games are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Short-term investments

Short-term investments are valued at the lower of cost and market.

(c) Capital assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect net income in the year purchased will be capitalized.

The Corporation's capital assets are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset		Rate
Building and leasehold improvements		5 years
Furniture and equipment		5 years
Computer equipment		3 years
On-line gaming terminals		3 years
Breakopen vending machines		3 years
Signs and fixtures:	Computer	3 years
	Non-computer	5 years
Bingo equipment		3 years
Casino equipment		3 years

Amortization is pro-rated in the year the assets are put in use.

(d) Employee future benefits:

The Corporation has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service, and the lesser of the average of the highest 60 consecutive months earnings of employment and the average of the Year's Maximum Pensionable Earnings over the same period. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post-retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(d) Employee future benefits (continued):

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the Pension Benefits Standards Act. A funding excess may be applied immediately to reduce required employer current service contributions; however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(e) Revenue recognition:

LOTTERY GAMES:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

BINGO GAMES:

Revenue from the operation of paper, electronic, and linked Bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played.

CASINOS:

Revenues from casino slot machines and table games are recorded in the statement of income, net of prizes paid. Related operating costs are recorded in the statement of income in the period they are incurred.

(f) Prize expenses:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out through bonus draws, promotions and retailer incentives.

(g) Software development costs:

Software development costs are expensed in the period in which they are incurred.

(h) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(i) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

3. ACCOUNTS RECEIVABLE:

	2002	2001
Retail	**$ 43,303**	$ 32,355
Other	**2,721**	3,643
	$ 46,024	$ 35,998

4. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan and a post-retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plan		Post Retirement Benefit Plans	
	2002	2001	**2002**	2001
Accrued benefit obligation				
Balance at beginning of year	**$ 30,507**	$ 28,825	**$ 9,551**	$ 9,488
Current service cost	**1,554**	1,773	**766**	702
Interest cost	**2,373**	2,094	**770**	598
Employee contributions	**1,306**	1,232	**–**	–
Benefits paid	**(795)**	(554)	**(148)**	(106)
Actuarial loss (gain)	**(44)**	(2,863)	**2,052**	(1,131)
Balance at end of year	**34,901**	30,507	**12,991**	9,551
Plan assets				
Fair value at beginning of year	**35,355**	33,467	**–**	–
Annual return on plan assets	**1,370**	(459)	**–**	–
Employer contributions	**1,881**	1,669	**148**	106
Employee contributions	**1,306**	1,232	**–**	–
Benefits paid	**(795)**	(554)	**(148)**	(106)
Balance at end of year	**39,117**	35,355	**–**	–
Funded status – surplus (deficit)	**4,216**	4,848	**(12,991)**	(9,551)
Unamortized net actuarial loss (gain)	**946**	(206)	**929**	(1,131)
Accrued benefit asset (liability)	**$ 5,162**	$ 4,642	**$ (12,062)**	$ (10,682)

4. EMPLOYEE FUTURE BENEFITS (CONTINUED):

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

	Pension Plan		Post Retirement Benefit Plans	
	2002	2001	**2002**	2001
At beginning of period:				
Discount rate	**7.5%**	7.0%	**7.5%**	7.0%
Expected rate of return on plan assets	**7.0%**	7.0%	**–**	–
Rate of compensation increase	**5.0%**	5.0%	**–**	–
Health care cost trend rate:				
First year	**–**	–	**5.68%**	5.68%
Ultimate	**–**	–	**4.10%**	4.10%
Year ultimate reached	**–**	–	**2005**	2005
At end of period:				
Discount rate	**7.5%**	7.5%	**7.5%**	7.5%
Rate of compensation increase	**5.0%**	5.0%	**–**	–

The Corporation's net benefit plan expense is as follows:

	Pension Plan		Post Retirement Benefit Plans	
	2002	2001	**2002**	2001
Current service cost, net of employees' contributions (including provision for plan expenses)	**$ 1,554**	$ 1,773	**$ 766**	$ 702
Interest cost	**2,373**	2,094	**770**	598
Expected return on plan assets	**(2,566)**	(2,425)	**–**	–
Amortization of net actuarial gain	–	–	**(8)**	–
Net benefit plan expense	**$ 1,361**	$ 1,442	**$ 1,528**	$ 1,300

5. CAPITAL ASSETS:

			2002	2001
	Cost	Accumulated amortization	Net	Net
Land	$ 700	$ –	**$ 700**	$ 700
Building and leasehold improvements	29,194	25,587	**3,607**	4,334
Furniture and equipment	4,744	3,805	**939**	638
Central system computer	24,481	23,123	**1,358**	549
Online gaming terminals	37,840	36,150	**1,690**	934
Breakopen vending machines	7,881	7,311	**570**	694
Signs and fixtures	7,058	5,129	**1,929**	1,059
Bingo equipment	18,069	14,906	**3,163**	1,425
Casino equipment	42,748	34,536	**8,212**	10,208
	$ 172,715	$ 150,547	**$ 22,168**	$ 20,541

6. REVENUES:

	2002	2001
Lottery:		
KENO	**$ 222,849**	$ 204,009
SCRATCH & WIN	**199,311**	191,478
LOTTO 6/49	**194,941**	204,692
BREAKOPEN	**113,047**	108,193
BC/49	**70,781**	72,492
EXTRA	**64,891**	66,065
LOTTO SUPER7	**61,275**	58,690
SPORTSACTION	**25,862**	22,299
DAILY 3	**4,459**	4,304
SPECIAL EVENT	**2,851**	3,168
CHASER	**2,428**	1,598
	962,695	936,988
Bingo:		
STARSHIPBINGO	**40,176**	30,220
Bingo paper retail	**27,195**	–
SUPERSTARBINGO	**14,237**	15,099
CARDMINDERBINGO	**8,874**	5,697
Bingo paper distribution	**1,855**	2,759
	92,337	53,775
Casino – net win:		
Slot machines	**311,739**	268,898
Table games	**240,647**	223,380
	552,386	492,278
Total revenues	**$1,607,418**	$ 1,483,041

7. SPECIAL OPERATING COSTS:

Special operating costs relate to the estimated restructuring costs associated with the Corporation's Core Services Review. Included in the costs are employee severance and early retirement costs and other costs related to the restructuring of the business.

8. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $7,600 for the next fiscal year ending March 31, 2003.

9. PAYMENTS PURSUANT TO MINISTERIAL DIRECTION:

Pursuant to Section 22 of the Financial Administration Act, the Corporation has been directed to pay for the Problem Gambling Program costs administered by the Ministry of Health Planning and the costs of the Gaming Policy Secretariat.

10. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the Interprovincial Lottery Corporation (I.L.C.) prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

11. LEASE OBLIGATIONS:

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2003	$ 1,227
2004	1,053
2005	982
2006	770
2007	549

12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

The carrying value of accounts receivable, prizes payable, accounts payable and accrued liabilities and payable to the Interpro vincial Lottery Corporation are recorded at cost which approximates fair value.

13. COMPARATIVE FIGURES:

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

14. SEGMENTED INFORMATION:

Year ended March 31, 2002				
Sector of activity	**Lotteries**	**Casinos**	**Bingos**	**Consolidated**
Revenues	**$ 962,695**	**$ 552,386**	**$ 92,337**	**$1,607,418**
Direct expenses:				
Prizes	**521,848**	**–**	**53,209**	**575,057**
Retailer commissions	**65,424**	**193,076**	**14,348**	**272,848**
Ticket printing and bingo paper	**13,454**	**–**	**2,130**	**15,584**
	600,726	**193,076**	**69,687**	**863,489**
Revenue less direct expenses	**361,969**	**359,310**	**22,650**	**743,929**
Operating expenses:				
Administrative expenses	**55,406**	**26,793**	**5,945**	**88,144**
Special operating costs	**2,989**	**3,746**	**265**	**7,000**
Amortization	**3,536**	**13,153**	**1,909**	**18,598**
Less: Interest and other income	**(5,712)**	**290**	**181**	**(5,241)**
	56,219	**43,982**	**8,300**	**108,501**
Income from operations	**305,750**	**315,328**	**14,350**	**635,428**
GST expense	**11,921**	**15,854**	**1,585**	**29,360**
Net income	**$ 293,829**	**$ 299,474**	**$ 12,765**	**$ 606,068**

14. SEGMENTED INFORMATION (CONTINUED):

Year ended March 31, 2001				
Sector of activity	**Lotteries**	**Casinos**	**Bingos**	**Consolidated**
Revenues	$ 936,988	$ 492,278	$ 53,775	$ 1,483,041
Direct expenses:				
Prizes	509,712	–	29,438	539,150
Retailer commissions	63,657	170,275	7,288	241,220
Ticket printing and bingo paper	13,471	–	2,307	15,778
	586,840	170,275	39,033	796,148
Revenue less direct expenses	350,148	322,003	14,742	686,893
Operating expenses:				
Administrative expenses	55,255	24,654	4,442	84,351
Amortization	3,628	10,909	4,216	18,753
Less: Interest and other income	(5,816)	795	175	(4,846)
	53,067	36,358	8,833	98,258
Income from operations	297,081	285,645	5,909	588,635
GST expense	11,693	13,887	1,021	26,601
Net income	$ 285,388	$ 271,758	$ 4,888	$ 562,034

Lotto 6/49, Canada's first lottery to allow players to pick their own numbers, debuted June 3, 1982.
In 2002, the game celebrates 20 years of making dreams come true.

The first draw was held June 12 for a minimum $500,000 jackpot. Since then, some 626 million winning experiences have been created. Winners have shared $1.5 billion in prizes, including more than $2 billion won in British Columbia. Today, the game still costs $1 for a chance to win a jackpot that has grown to a minimum $2 million.

Players dream about winning the big one, and for many British Columbians that dream has come true.
Four of the largest Lotto 6/49 jackpots were won in the province,
including $15 million prizes in 1997 and 1993, $14 million in 1998 and $13.8 million in 1996.

The largest jackpot ever was $26.4 million on the September 2, 1995, draw,
which was shared by four winning tickets.

More than $1 billion in Lotto 6/49 proceeds have supported good works programs in British Columbia.
Lotto 6/49 is BCLC's most successful and longest-running lottery,
and the Corporation takes pride in sharing in this 20-year milestone.

British Columbia Lottery Corporation

www.bclc.com

Printed in British Columbia on recycled paper using environmentally friendly vegetable-based ink

Appendix R – 2002/03:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2002-2003,* (Kamloops: British Columbia Lottery Corporation, 2003).

British Columbia Lottery Corporation

APPENDIX R

2002/2003 ANNUAL REPORT

SENIOR EXECUTIVE

President & CEO

Vic Poleschuk

Vice-President

Rob Egan
Corporate Development
& Information Technology

Vice-President

Jay-Ann Fordy
Human Resources
& Organizational Development

Vice-President

Jim Lightbody
Lottery Gaming

Vice-President

Brian Lynch
Casino Gaming

Vice-President

Doug Penrose
Finance & Corporate Services

Board Members

Chair

T. Richard Turner
West Vancouver
Appointed September 26, 2001

Vice-Chair

Arthur Willms
North Vancouver
Appointed September 26, 2001

Directors

John Bell
West Vancouver
Appointed September 26, 2001

Bruna Giacomazzi
Abbotsford
Appointed September 26, 2001

Mary MacGregor
Kamloops
Appointed September 26, 2001

D. Neil McDonnell
North Vancouver
Appointed April 23, 2002

Tazeem Nathoo
West Vancouver
Appointed July 26, 2002

Donald Pettit
West Vancouver
Appointed September 26, 2001

Kathy Stevenson
Kelowna
Appointed April 23, 2002

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APPENDIX R

APPENDIX R

To the Minister Responsible for British Columbia Lottery Corporation

Dear Minister:

In fiscal 2002/03, British Columbia Lottery Corporation (BCLC) experienced a year of challenges and opportunities, continued development and growth.

For the 28th consecutive year, the Corporation achieved record revenues of nearly $1.8 billion. This resulted in record net income of $670.9 million, of which $663.2 million was distributed to the Government of British Columbia to support public service programs, charitable organizations and communities. A further $7.7 million in net income was distributed to the Government of Canada.

On behalf of the Board of Directors, senior management and employees, retailers and service providers, it is my privilege to submit BCLC's Annual Report for fiscal year ended March 31, 2003.

T. Richard Turner
Chair, Board of Directors

Chair's Message

The British Columbia Lottery Corporation enjoyed another successful year in fiscal 2002/03 as it pursued its mission to provide high quality gaming entertainment in a socially responsible manner while generating significant net income for the benefit of all British Columbians.

While delivering its business objectives, "play responsibly" is a commitment that the Corporation takes seriously. Whether it is the games played or the programs and public information available, responsible gaming is a cornerstone of the way our business is conducted.

To this end, BCLC has partnered with the Government of British Columbia to establish the B.C. Partnership for Responsible Gambling which sets out the shared commitment, roles and responsibilities of Government, BCLC and gaming service providers. Of adults who participate in gaming activities, 96 per cent do so in a responsible manner.

For those who struggle with gambling issues, help is available. During the year, $3.3 million from the net income earned by BCLC was spent by Government to provide problem gambling treatment, awareness and education programs.

Gaming in British Columbia continues to be a matter of balance. Working within the approved Government policy framework, BCLC must work to find the right balance between the financial and economic benefits generated through gaming, which provides significant funding for vital government, charitable and community programs and services and the potential social impacts of gaming on individuals and communities.

While the gaming business continues to grow in British Columbia, public policy has mandated a moderate approach in comparison to other Canadian provinces with per capita expenditures on gaming in British Columbia continuing to be one of the lowest in Canada.

During this year, BCLC through its lottery, casino and commercial bingo business achieved record sales revenues of nearly $1.8 billion. Record net income of just under $671 million was also achieved, with just over $663 million being distributed to the Government of British Columbia and $7.7 million being distributed to the Government of Canada.

Of the $663 million distributed to the Province, almost half a billion dollars was allocated through Government general revenues to vital public sector programs in healthcare, education and social services, benefiting people all across the province. As well, many community and charitable initiatives were supported through gaming revenues. From hospice to 4H and emergency rescue to sports equipment for youth, gaming revenues have made a significant difference to over 5,000 charitable and community organizations. In this year alone, of Government's guarantee commitment of $133.2 million, BCLC's net income provided $126 million for these organizations' very important programs and services. In addition, municipalities and First Nations from all across the province shared in over $38 million for vital municipal and community services and programs from casino net revenues.

Benefiting British Columbians through healthcare, education and many worthwhile charitable and community causes is only one aspect of our gaming business. Another is the economic benefit of the business of gaming. Over 8,500 people are directly employed in the gaming business in British Columbia with an additional 5,000 indirect jobs being created annually. From the construction of facilities, to employment, to services purchased as well as commissions and fees paid to our valued business partners, significant economic benefits are created in British Columbia through gaming.

In this past year alone, BCLC paid $322 million in sales commissions to our private sector business partners to deliver lottery, casino and bingo products and services to our players. These business partners include 4,000 independent retailers that sell BCLC lottery products, nine casino service provider companies and 25 bingo service provider companies contracted to provide facility and operational services.

Of the Corporation's total expenditures, not including prizes, direct commissions or GST, BCLC paid $101 million, or approximately 75% of this category, to private sector partners and suppliers.

And our players were winners too with over $650 million in lottery and bingo prizes being awarded, including 27 new lottery millionaires in British Columbia alone.

Over the next year, the Corporation will continue to operate within the gaming policy framework established by Government and meet fiscal expectations by further developing its current lines of business, increasing its customer base and improving the entertainment value of its products, recognizing that consumers continue to have many more competitive choices on how they choose to spend their discretionary entertainment dollars.

The Corporation will continue to uphold the highest standards in its responsibilities to conduct and manage gaming in British Columbia and in balancing both its fiscal and social objectives. By doing so, not only will we continue to ensure a healthy balanced gaming industry in British Columbia, but also an industry where every play makes a difference for all British Columbians.

T. Richard Turner
Chair, Board of Directors

President's Message

For the 28th consecutive year, the British Columbia Lottery Corporation achieved record sales and profit. The Corporation finished the fiscal year with total revenues from lottery, casino and bingo operations of $1.79 billion, an overall increase of $185 million or 11.5%. Net income increased from $606.1 million to $670.9 million or 10.7%, supporting public service programs for Government health, education, social programs as well as charitable, community and municipal programs and services.

The introduction of new innovative products, the first full year's management of commercial bingo, new lottery distribution channels and technology, the opening of two destination casinos, record Lotto Super 7 jackpots and operating efficiencies resulting from the implementation of the Core Services Review recommendations contributed to our business growth.

Lottery sales totalled $968.6 million, an increase of $5.9 million from the previous fiscal year. A record $37.8 million Lotto Super 7 jackpot early in the year and a $22 million jackpot near fiscal year-end were primarily responsible for this increase. Gaming enhancements and the development and refinement of the lottery retail network continued throughout the year.

Casino revenues of $628.1 million exceeded budget by $13.1 million and the previous year by $75.7 million. A full year of casino operations in Coquitlam and View Royal, new industry standard products, and the opening of new destination casinos in Wells and Cranbrook contributed to this increase.

Within Government's gaming policy framework and in partnership with our casino service providers, the Corporation focused on initiatives to enhance the entertainment value for casino players through better facilities, services and products.

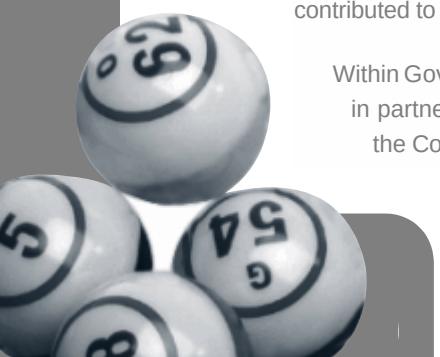
In our first full year of responsibility for the conduct and management of commercial bingo, significant steps were initiated in building a healthy and revitalized bingo industry for the benefit of charities, communities and players who enjoy bingo. New contracts were signed with bingo service providers with a renewed commitment to improving the player experience through improved facilities, products and services.

A new state of the art destination style bingo hall was opened in Kelowna and six new electronic Starship bingo sites were launched. The bingo hall relocation process, introduced in fiscal 2002/03, is positioned to revitalize bingo facilities in B.C. As part of the revitalization process, the Corporation commenced a review of the viability of specific bingo products.

BCLC provides regulated high quality gaming while remaining mindful that the benefits derived from gaming must be weighed against the social impacts on individuals and communities.

In fiscal 2002/03 BCLC continued its commitment to promoting social responsibility and responsible gaming practices through initiatives that included the appointment of a Director, Corporate Social Responsibility.

We will continue to play a strong role in the stewardship of the gaming business to ensure that responsible gambling awareness and research programs are in place and that treatment programs are available for the small percentage of the adult population who experience problems with gambling.



The Gaming Control Act, a new law to strengthen and streamline the management of gaming in British Columbia came into effect on August 19. This law stipulates that individuals must be 19 years of age or older to participate in gaming.

We are equally proud of our contributions to communities in British Columbia through our event sponsorship program. As an involved corporate citizen, BCLC provided financial support, resources and on-site involvement to a variety of community-based initiatives including the bid to bring the 2010 Olympic and Paralympic Winter Games to Vancouver and Whistler.

In January, Government approved BCLC's three-year, 2003/04 - 2005/06, service plan which outlines our planned growth within the overall Government gaming policy framework. The fiscal year ahead will bring increased competition for the consumer's discretionary entertainment dollar. Our challenge, like all consumer entertainment companies is to keep the products we offer attractive and fresh to consumers with varied preferences.

While the overall success of the Corporation is measured by the contributions of all business areas, casino gaming will experience the greatest growth. The plan provides for consolidation of casinos thereby creating fewer but higher quality, mid-sized, top-notch casino entertainment centres that appeal to British Columbian players and tourists alike.

At BCLC we realize that our greatest asset is our employees. We value our employees' contributions to the Corporation's success and will continue to foster a high performance organization that embraces our values of integrity, social responsibility, innovation and respect as we work together to achieve our strategic objectives.

We look forward to the challenges and opportunities that the three-year service plan will provide for improving our business and enhancing gaming entertainment for our customers. Our service plan initiatives will continue our proud history of high-quality gaming entertainment in a socially responsible manner whereby every play makes a difference for British Columbians.

Vic Poleschuk
President and CEO

BENEFITS FOR BRITISH COLUMBIANS

Lottery sales began in British Columbia in 1974. Over 28 years, gaming has generated:

- $5.8 billion in net income distributed to the Government of British Columbia
- $148.3 million in net income distributed to the Government of Canada
- $7.5 billion in prizes won by players
- $1.8 billion in commissions and service fees earned by lottery retailers, and casino and bingo service providers

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 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.

The Corporation's mandate includes responsibility to:

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

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

BCLC's head office is located in Kamloops. A sales and marketing office in Richmond serves the principal Lower Mainland market.

BCLC markets its lottery, casino and bingo products to adults. Under the Gaming Control Act, which came into effect in August, 19 years is the legal age to participate in gaming in British Columbia.

Since Government introduced gaming policy changes in 1997, the Corporation's gross revenue has increased by $925 million or 107%. The majority of gaming growth over this period is attributed to the introduction of new, full-service casinos with slot machines and higher table game betting limits.

While gaming in British Columbia has grown significantly over the last few years, relative to other Canadian provinces, adult per capita levels of gaming net income are moderate.

As detailed in BCLC's fiscal 2003/04 - 2005/06 service plan, British Columbia ranked fourth among the provinces in 1992. Since this date, British Columbia's per capita gaming income has declined to eighth position, about two-thirds of the national average. This reflects the more rapid expansion of gaming in other provinces, specifically related to the introduction of large-scale casinos and video-lottery terminals.

To provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good

BCLC will be a performance-driven

We believe integrity is fundamental

STRATEGIC OBJECTIVES

"I played the ticket upside down. I try it all the time. It's luckier."

- Prizes paid to lottery and bingo winners
- Commissions and service fees paid to lottery retailers, casino and bingo service providers
- Operating expenses
- Ticket printing and bingo paper
- GST

- Distribution to Government of Canada
- Distribution to Government of British Columbia

- Consolidated revenue
- Charitable and community organizations
- Host Local Governments
- Development Assistance Compensation
- Problem Gambling Program

"We phoned each of our girls and said to them, 'How would you like to have your mortgage paid off?'"

Year in Review

Gaming Legislation

British Columbia's Gaming Control Act came into effect on August 19, 2002. The Act establishes a comprehensive framework for regulating and managing gaming and brings certainty and stability to the gaming marketplace in British Columbia.

Core Services Review

In April the Corporation commenced implementation of the changes it recommended through the Core Services Review process. The changes were consistent with the Corporation's strategic plan that focuses on continually improving and growing the business within Government's gaming policy. The changes resulted in annual operational savings of about $10 million, a reduction of more than 100 full-time equivalent staff positions, and the closing of the Victoria prize payout office. Operating costs as a percentage of sales were reduced from 5.5% to 4.6%.

Lottery Business Unit

Fiscal 2002/03 was an especially exciting year of lottery jackpots, with records broken in Canada and in British Columbia.

In April, Lotto Super 7 offered a three-draw bonus series of guaranteed jackpots. The third jackpot of $20 million was not won and began a rolling pattern. By the May 17 draw the jackpot reached $34 million, garnering much attention as the largest jackpot in Canadian history.

Ticket sales pushed the final jackpot total to $37.8 million. Four winning tickets split the prize, including a ticket held by a Kelowna couple.

Near the end of the fiscal year, a Fort Nelson woman became a multi-millionaire on the March 14 Lotto Super 7 draw when she claimed the $17.2 million jackpot, the largest prize in British Columbia history. That record stood for merely two weeks when it was broken by a group of 20 female co-workers who shared the $22 million jackpot on the March 28 draw.

BCLC's strong sales performance from Lotto Super 7 was offset by lower than budgeted sales for Keno, Scratch & Win and Pull Tab. Competition from other forms of entertainment, shifts in consumer demand and changes in retailing have slowed the growth of lottery sales over the years.

Total lottery sales of $968.6 million exceeded the previous year by $5.9 million, but were $11.4 million less than budget.

The total number of Lotto 6/49 and Lotto Super 7 jackpots was comparable to the previous fiscal year. However, there were 15 Lotto Super 7 jackpots greater than $15 million, compared to five in the previous year.

Lottery net income to Government of $293.5 million was equal to budget, but less than the previous fiscal year by $0.3 million.

Players

Players won more than 76 million prizes worth a total of $650 million during fiscal 2002/03. This included 27 prizes of $1 million or more.

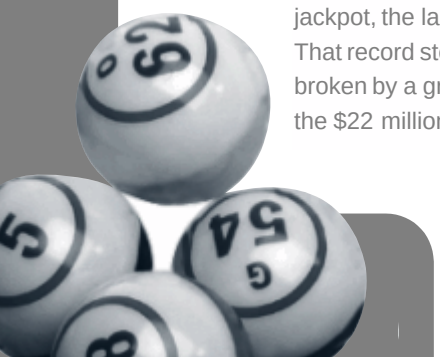
Key characteristics of the British Columbia lottery player include:

- Play is relatively equal between men and women
- 70% are over the age of 35
- 69% have some post-secondary education
- 58% are from households with an annual income in excess of $40,000

Lottery Retailers

BCLC offers lottery products through a network of about 2,885 retail locations and another 1,265 hospitality locations in licensed premises.

Retailers receive an industry standard commission rate on every product sold. Bonus programs offer opportunities for retailers to increase their earnings by achieving outstanding sales and service.



In fiscal 2002/03, lottery retailers earned $65.4 million in sales commissions and incentive earnings.

Over fiscal 2002/03, 340 new retail locations were added to the lottery network. In addition, the British Columbia Liquor Control and Licensing Branch's approved changes to policy and a pilot to install lottery terminals into 40 Licensee Retail Stores was completed in November.

Technology

BCLC's current online gaming system is 18 years old and does not meet the processing needs required to support projected sales volumes and gaming complexity.

After issuing a Request for Proposal for next-generation lottery terminals for replacement and growth of the lottery networks, the Corporation selected a preferred supplier. Phase 1, taking place in fiscal 2003/04 will involve software development, integration with the central game system and a pilot implementation of new state-of-the-art lottery terminals.

Games

Keno sales of $191.4 million plus Keno Bonus sales of $35 million, for a total of $226.4 million, topped all lottery products again in fiscal 2002/03. Keno Bonus continued to attract greater player participation than projected.

Scratch and Win achieved sales of $183.3 million, below budget and the previous year's record sales. Set For Life, a $4 ticket with an annuity or cash option, continued to account for about 16% of Scratch & Win sales.

Living Large Lottery

Living Large Lottery launched in December as a British Columbia-only game and a direct replacement for the $20 interprovincial Celebration game.

The regular prize fund was supplemented with bonus prizing from the Unclaimed Prize Fund and players were rewarded with better overall odds of winning. Top prize was an annuity of $100,000 a year for 25 years or a lump sum of $1.5 million.

Living Large Lottery achieved budgeted sales of $8 million.

Lotto 6/49, the flagship game, finished third at $171.7 million. Sales below budget and below the previous fiscal year's sales were consistent with national results. BC/49, at $64.7 million, was slightly below budget and below the previous fiscal year. Extra, with sales of $72.2 million, exceeded budget and the previous fiscal year.

Lotto Super 7 sales of $111.2 million were above budget and greater than the previous fiscal year. A record $37.8 million jackpot early in the fiscal year and a $22 million jackpot in March, as well as several jackpots in excess of $15 million, contributed to the increase in sales.

>

"Now I don't have to worry about the price of anything - I can just buy it!"

Coquitlam Casino>

There are two types of casinos in British Columbia—community and destination. Community casinos are existing facilities formerly known as charitable casinos. Destination casinos are new casinos approved in principle in fiscal 1998/99 through Government's Request for Proposal process. At fiscal year-end, there were 16 community casinos. One of these casinos has been closed since July 15, 2001 due to a labour disruption.

In 1998 Government approved in principle seven destination casinos subject to final approval. Since that date, four destination casinos have opened, two have been rescinded and one, Campbell River Indian Band, is in negotiation. Two of the four destination casinos were opened during the fiscal year, one in Wells and the second in Cranbrook.

On July 25, the Corporation initiated a formal process for the relocation of four community casinos to full-service facilities. Government previously determined that Royal Diamond (Vancouver), Royal Towers (New Westminster), The Grand (Vancouver) and Casino Hollywood (Prince George) are eligible to relocate.

In December, Government, Great Canadian Gaming Corporation and BCLC reached a tentative legal settlement, which if finalized will result in the relocation of the Richmond Casino as a full-service casino within Richmond and the closure of a company-serviced casino in Vancouver.

As a customer-focused company, the Corporation continued to respond to player interest through the introduction of the newest slot games. Among these were Money Time, Regis Cash Club and an updated version of the Wheel of Fortune. A new horse racing theme game, Sega Royal Ascot, was introduced into some casino sites.

PLAY! PULL TAB

Chaser

Pull Tab, available in the hospitality network of licensed premises, recorded sales of $94.4 million, below budget and below the previous fiscal year. Sales for Chaser were $2.1 million.

SPORTS ACTION

Sports Action sales rose above budget to $30.4 million, a 17.5% increase over the previous fiscal year.

Casino Business Unit

BCLC was given responsibility to conduct and manage slot machines when they were introduced in British Columbia in 1997 as part of Government's change in gaming policy. BCLC assumed responsibility to conduct and manage all casino gaming in 1998.

Bingo Kelowna entertainment centre **>**

The Corporation commenced implementation of a table game management system for casinos in January. This system automates manual processes, improves internal controls and reporting and strengthens the overall integrity of management of casinos in British Columbia.

The total casino net win of $628.1 million exceeded the budget by $13.1 million and the previous year by $75.7 million. A full year of operation of casinos in Coquitlam and View Royal, the introduction of interactive slot machines, new table games and the opening of new casinos in Cranbrook and Wells contributed to the strong sales growth.

Bingo Business Unit

In 1997, Government gave BCLC responsibility to conduct and manage electronic bingo products. The Corporation assumed additional responsibility for paper bingo in commercial bingo halls in January 2002. In January 2003, two-year contracts were signed with 33 commercial bingo halls with a view to negotiating long-term contracts at the end of the term.

At fiscal year end, touch-screen electronic bingo was available in 19 of 33 commercial halls. SuperStarGold (linked) nightly progressive bingo was being offered in all commercial halls and about 40 independent halls operated by charities. Hand-held bingo units, a way to play paper bingo electronically, were operational in 27 sites, an increase of 16 locations since fiscal 2001/02.

Of British Columbia bingo players, 71% are female, 63% have some post-secondary education and 43% have annual household incomes greater than $40,000. Since last fiscal year the percentage of players with some post-secondary education has increased by 15% and the percentage of those with an annual household income greater than $40,000 has increased by 7%. Bingo players collected $118.2 million in prizes during the year.

In fiscal 2002/03 significant steps were initiated in building a healthy and revitalized bingo industry for the benefit of charitable and community organizations, communities and players who enjoy bingo.

The Corporation continued to work with service providers to develop a viable bingo model that is more profitable and sustainable for the bingo industry and BCLC. In February, BCLC launched a process that will provide for upgrading of bingo facilities within a community and in some cases the relocation of bingo facilities to best service the marketplace. As part of an analysis of product viability, BCLC commenced a review of where SuperStarGold Bingo equipment should be placed to service market demand.

During the year, four commercial halls closed and one commercial hall opened. In fiscal 2001/02 two existing Kelowna bingo halls consolidated. The result was the construction and September 26, 2002 opening of Bingo Kelowna, the first purpose-built facility in the province. This 800-seat facility offers state-of-the-art bingo equipment, technology and a climate controlled environment to ensure optimum comfort for players in smoking and non-smoking areas. Featuring a full-service restaurant and offering a private suite for group bookings, Bingo Kelowna represents the beginning of a new era in bingo facilities designed to attract new players by offering an enhanced bingo gaming experience.

At the end of the fiscal year, Bingo Kelowna had exceeded the pre-consolidation sales for the same time period and had attracted visits from more than 2,000 players new to the Kelowna bingo experience.

> *Charitable and community organizations supporting the enhancement of youth benefited from more than $3 million in gaming grants. Big Brothers and Big Sisters, Scouts and 4H were just some of the worthwhile organizations supporting this key initiative.*

Bingo Service Providers

BCLC pays bingo service providers according to a graduated scale based on a net win (net of prizes) formula. In fiscal 2002/03, service providers earned $36 million in service fees.

Charitable and Community Organizations

While the management structure was changed in 2001/02 whereby charitable and community organizations no longer are responsible to conduct and manage paper bingo, charitable organizations continue to play an important role in commercial bingo. Some charitable associations exercised their option to act as bingo service providers and continue to operate commercial bingo facilities on behalf of their member charities. Other charitable organizations continue to be directly involved in commercial bingo through certificates of affiliation that establish individual charitable organizations as the beneficiaries of bingo gaming revenues throughout the province.

Government also guarantees funding to charitable and community organizations of a minimum of $125 million indexed annually since 1998. In fiscal 2002/03 this funding totalled $133.2 million. Gaming Policy and Enforcement Branch manages the distribution of funds through government grant programs.

In today's marketplace bingo must compete for its share of dollars with other gaming and entertainment options. BCLC is working with its bingo service provider partners to improve the quality of the games and facilities in order to ensure that bingo players enjoy their bingo entertainment experience.

In fiscal 2002/03 BCLC opened six new electronic bingo systems at existing halls. Starship Triumph opened in Maple Ridge in April, followed in July by Starship Super Nova in Vernon, in September by Starship Aquarius in Nanaimo, in October by Starship Quasar in Cranbrook, in December by Starship Millennium in Victoria and in March by Starship Atlantis in Burnaby.

In fiscal 2002/03, total bingo sales grew from $92.3 million to $195.7 million, an increase of $103.4 million over the previous fiscal year. This increase reflects the first full year's operation of commercial bingo, the opening of six new electronic bingo sites during the year and the introduction of hand-held bingo into 16 new locations.

Starship Bingo sales reached $55.8 million, while SuperStarGold Bingo sales were $11.9 million. Sales for hand-held bingo were $11.8 million. Revenues from the sale and distribution of bingo paper totalled $116.2 million over the fiscal year. About $341,000 of this revenue is attributed to bingo paper distribution to licensed bingo facilities in British Columbia by the Corporation.

BINGO REVENUES– FOR FISCAL YEAR ENDING MARCH 31, 2003

BINGO HALL	SERVICE PROVIDER	CITY	BCLC BINGO SALES	NO. OF SEATS
711 Bingo Emporium	City Bingo Association	Victoria	$ 663,308	325
Abbotsford Bingo	Abbotsford Bingo Association	Abbotsford	7,489,541	604
Bear Mountain Bingo Hall	Vetter Management Service Ltd.	Dawson Creek	1,601,489	350
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria	3,543,155	140
Bingo City	Bingo City Games Inc.	Prince George	2,309,751	600
Bingo Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	11,926,397	780
Brock Bingo Hall	Brock Bingo Inc.	Kamloops	9,912,724	598
Burnaby Bingo Country	427967 BC Ltd. (DBA Bingo Country)	Burnaby	7,441,251	440
Campbell River Bingo Palace	Pacific Fundraising Ltd.	Campbell River	7,229,300	310
Chilliwack Bingo	Chilliwack Bingo Association	Sardis	12,168,142	484
Cordial Bingo Hall	Cordial Bingo Association	Vancouver	541,116	522
Dob City	Alberni Valley Bingo Association	Port Alberni	2,918,382	336
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon	5,840,773	525
Good Time Bingo Hall	Good Time Bingo Hall Inc.	Prince George	11,473,979	730
Haney Bingo Plex	Ridge Meadows Bingo Operators Society	Maple Ridge	7,870,292	500
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	7,237,092	500
Inkspot Bingo	Duncan Dabber Bingo Society	Duncan	4,812,376	625
Langford Drop-In Bingo	Pacific Fundraising Ltd.	Victoria	1,864,467	255
Langley Bingo Palace	Pacific Fundraising Ltd.	Langley	9,458,411	717
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	5,554,449	300
Lucky's – The Bingo Centre	Lucky's Ventures Ltd.	Williams Lake	3,913,576	400
Mission Bingo Association (RCL #57)	Mission Bingo Association	Mission	808,803	210
Nanaimo Bingo Palace	Pacific Fundraising Ltd.	Nanaimo	4,983,713	460
Newton Square Bingo Country	427967 BC LTD. (DBA Bingo Country)	Surrey	17,468,095	680
Nordley's Bingo Hall	Bute Street Bingo Association	Port Alberni	1,174,511	114
North Star Bingo Hall	Astel Canada Holdings Ltd.	Fort Nelson	835,357	155
Penticton Bingo Palace	Pacific Fundraising Ltd.	Penticton	4,561,427	420
Planet Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver	17,148,158	800
Play It Again Bingo	Yarwood Enterprises Ltd.	Kamloops	1,679,674	500
Quesnel Bingo Hall (2 Rivers)	Astel Canada Holdings Ltd.	Quesnel	804,069	182
Rainbow Bingo Hall	243045 Alberta Ltd.	Fort St. John	3,679,340	310
River City Bingo	River City Bingo Association	Powell River	1,043,136	250
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook	3,200,080	400
Totem Bingo Palace	Prince Rupert Bingo Association	Prince Rupert	2,545,946	240
Tri-City Bingo Palace	Pacific Fundraising Ltd.	Port Moody	365,282	600
Valley Entertainment Palace	Pacific Fundraising Ltd.	Courtenay	3,767,809	312
Victoria Bingo Palace	Pacific Fundraising Ltd.	Victoria	3,548,313	470
			$193,383,684	16,144
Independent Bingo Hall Revenue			$ 1,952,731	
Paper Bingo Distribution Revenue			$ 341,423	
			$195,677,838	16,144

N O T E S :
Tri-City Bingo Palace closed July 27, 2002
711 Bingo Emporium closed October 2, 2002
Play It Again Bingo closed November 15, 2002
Bingo City closed January 11, 2003

AS OF MARCH 31, 2003

Commercial Halls offering Hand Held Bingo	27
Commercial Halls offering Starship Bingo	19
Commercial Halls offering Starship Bingo (Personal Play)	16
Commercial Halls offering Paper Bingo	33
Commercial Halls offering Super Star Gold Bingo	33

APPENDIX R

CASINO REVENUES – FOR FISCAL YEAR ENDING MARCH 31, 2003

CASINO	SERVICE PROVIDER	CITY	BCLC SLOT MACHINE REVENUE	NUMBER OF SLOT MACHINES AT MARCH 31	BCLC TABLE GAME REVENUE	NUMBER OF TABLES AT MARCH 31	BCLC COMBINED CASINO REVENUE
CASINOS:							
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 9,055,493	134	$ 563,199	6	$ 9,618,692
Casino Hollywood	Prince George Casino Supply Co. Inc.	Prince George	21,776,003	220	2,662,938	9	24,438,941
Gateway Casino Burnaby	Gateway Casinos Inc.	Burnaby	64,079,966	300	40,258,205	32	104,338,171
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver			18,155,967	32	18,155,967
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	18,582,709	169	14,948,320	24	33,531,029
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver			20,995,602	32	20,995,602
Great Canadian Casino Coquitlam	Great Canadian Casinos Inc.	Coquitlam	56,896,345	300	32,332,678	33	89,229,023
Great Canadian Casino Holiday Inn	Great Canadian Casinos Inc.	Vancouver			30,606,016	37	30,606,016
Great Canadian Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo	34,131,958	300	4,907,425	16	39,039,383
Great Canadian Casino Renaissance	Great Canadian Casinos Inc.	Vancouver			11,664,714	24	11,664,714
Great Canadian Casino Richmond	Great Canadian Casinos Inc.	Richmond			44,810,593	35	44,810,593
Great Canadian Casino View Royal	Great Canadian Casinos Inc.	View Royal	41,593,325	300	10,393,258	30	51,986,583
Lake City Casino Kamloops	Lake City Casinos Ltd	Kamloops	23,061,400	275	2,665,083	10	25,726,483
Lake City Casino Kelowna	Lake City Casinos Ltd	Kelowna	28,944,882	300	4,366,895	12	33,311,777
Lake City Casino Vernon	Lake City Casinos Ltd	Vernon	18,989,454	177	1,341,769	8	20,331,223
Royal Diamond Casino	Royal Diamond Casinos Inc.	Vancouver			-		-
DESTINATION CASINOS:							
Lake City Casino Penticton	Lake City Casinos Ltd	Penticton	$ 17,099,491	224	$ 1,425,542	10	$ 18,525,033
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	34,578,070	300	11,813,474	28	46,391,544
Casino of the Rockies	Lake City Casinos Ltd	Cranbrook	4,535,017	225	575,637	10	5,110,654
Jack o' Clubs	Jack o' Clubs Gaming Hall Ltd.	Wells	302,800	80	9,318	4	312,118
			$ 56,515,378	829	$ 13,823,971	52	$ 70,339,349
			$373,626,913	3,304	$254,496,633	392	$628,123,546

NOTES: The number of tables represents the maximum tables (including poker tables) per casino. The actual number of tables open fluctuates daily and there are rules outlining the number of tables open at any one time. The number of maximum tables has fluctuated throughout the year.

Casino of the Rockies opened on September 21, 2002. Lake City Casinos Limited operates the casino on behalf of Ktunaxa/Kinbasket Tribal Council Society and 554381 B.C. Ltd.
Jack o' Clubs opened on June 21, 2002 and closed September 2, 2002. Reopens June 20, 2003 for the season

Royal Diamond Casino closed due to a labour disruption July 15, 2001

HOST LOCAL GOVERNMENT SHARE OF CASINO REVENUE – FOR FISCAL YEAR ENDING MARCH 31, 2003

LOCAL GOVERNMENT	CASINO	2002/2003 TOTAL
Burnaby	Gateway Casino (c)	$ 5,968,000
Coquitlam	Great Canadian Casino (c)	5,091,000
Kamloops	Lake City Casino (c)	1,560,000
Kelowna	Lake City Casino (c)	2,001,000
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies (d)	475,000
Nanaimo	Great Canadian Casino (c)	2,338,000
New Westminster	Gateway Casino Royal Towers (c)	1,868,000
	Royal City Star Casino (d)	4,497,000
New Westminster Total		$ 6,365,000
Penticton	Lake City Casino (d)	1,877,000
Prince George	Casino Hollywood (c)	1,480,000
Quesnel	Billy Barker Casino (c)	584,000
Richmond	Great Canadian Casino (c)	2,186,000
Vancouver	Grand Casino (c)	1,024,000
	Great Canadian Casino Holiday Inn (c)	1,485,000
	Gateway Casino Mandarin Centre (c)	885,000
	Great Canadian Casino Renaissance (c)	561,000
Vancouver Total		$ 3,955,000
Vernon	Lake City Casino (c)	1,241,000
View Royal	Great Canadian Casino (c)	3,068,000
Wells	Jack o' Clubs (d)	32,000
TOTAL		$ 38,221,000

c = community casinos (10% share)
d = destination casino (one-sixth share)

Casino of the Rockies opened September 21, 2002
Jack o' Clubs opened June 21, 2002 and closed September 2, 2002. Due to reopen for the season on June 20, 2003.

Our Employees

As a dynamic and responsible marketing company, change is a constant. We continually strive to provide high-quality adult gaming entertainment and to improve our consumer services and business practices. This vision has provided 28 consecutive years of significant financial benefit for all British Columbians.

The Corporation's success is a credit to the spirited contribution of our 536 enthusiastic employees. From slot technician to retailer trainer to consumer service representative, all share in the challenges and opportunities from our casino, bingo and lottery business initiatives.

Our employees provide direction, services and support to about 4,000 private sector businesses that sell lottery products, nine professional casino service companies that are contracted to provide day-to-day operational services at casino properties and 25 contracted professional bingo service companies that provide operational services at 33 commercial bingo halls. Collectively more than 8,500 private sector jobs have been created by the gaming industry.

In fiscal 2002/03 our employees met the challenges of our strategic business plan and focused on positioning our organization for continued improvement and growth in the future. This included the implementation of changes identified through Core Service Review including a reduction of more than 100 full-time equivalent staff and the closing of the Victoria prize payout office.

In November, BCLC held organizational wide employee sessions and, as a result, an employee team has been mandated and empowered to lead BCLC through a process of fundamental change with the objective of creating a high performance culture.

Committed to the long term success of our business, our employees will continue to serve the people of British Columbia by offering games of chance that are fun, fair and honest and conducted with the greatest integrity.

This commitment is felt not just in the workplace. Our employees are proud to live, work and play in the communities where they work. United Way not-for-profit organizations and various Christmas charities benefit from the volunteer commitment of employees whose innovative fund-raising efforts throughout the year raise thousands of dollars for these worthwhile causes.

We value our employees' contributions to the Corporation's success and to the communities in which they live and we will continue to foster a corporate culture that is fair, healthy and progressive and promotes an empowered, high performance culture for the benefit of all.

> *More than $2.5 million in gaming grants was directed to charitable and community organizations supporting environmental conservation and wildlife preservation.*

Social Responsibility

BCLC is committed to promoting social responsibility and responsible gaming practices.

The Corporation ensures that:

- games are operated with a high degree of security and integrity
- the right prizes are paid to rightful winners
- audited financial statements are published annually
- laws concerning the legal age to participate in gaming in British Columbia are upheld and conveyed through a visual-identity program.

BCLC works in partnership with the Government of British Columbia and those involved in prevention and treatment to address issues and provide reliable and accurate information. Objectives are to:

- Promote responsible participation in gambling
- Improve awareness of the risks associated with gambling and that help is available to those experiencing problems
- Support prevention and education initiatives and participate where it is appropriate
- Provide funding for responsible and problem gambling programs.

Problem Gambling Help Line
1-888-795-6111
BRITISH COLUMBIA

Legal gaming occurs in a regulated environment. Individuals carry the responsibility to understand potential outcomes of games of chance, to make informed choices about gaming participation and to manage the extent of that involvement.

BCLC provides full information about products, including the odds of winning and losing and the risks associated with gambling, so that those who choose to gamble will have access to the information they need to make choices that are right for them.

19+ YEARS

The sale of lottery tickets to anyone under 19 years is prohibited by law.

Studies show that more than 96% of adults who participate in gaming enjoy the entertainment and social elements and do so within a sensible spending limit. For the other small percentage who may experience problems that require intervention, treatment programs are available.

Of the net income earned by BCLC, $3.3 million was spent by Government on British Columbia's Problem Gambling Program. The program is co-ordinated through the Ministry for Public Safety and Solicitor General. Key components focus on treatment, prevention and Help Line referrals.

The Problem Gambling Help Line at 1-888-795-6111 is a 24-hour resource providing information and referral to counselling and other services throughout British Columbia.

Brochures developed by the Problem Gambling Program target those at risk, their families, co-workers and employees. The brochures have been widely distributed through gaming venues, including lottery retailers, and a variety of health and social service agencies.

BCLC has been instrumental in increasing the public's awareness that help for problem gambling is available. All BCLC lottery products carry the Help Line number. Brochures, stickers and posters that provide information about the Problem Gambling Program and Help Line are strategically placed at gaming establishments.

BCLC's Casino and Commercial Bingo Hall Voluntary Self-exclusion Program is another tool available to those experiencing gambling problems. Individuals may choose to be voluntarily restricted from casinos or bingo halls for a specified period of time.

Sports for youth and the disabled benefited with more than $17 million in gaming grants targeted towards these charitable and community organizations. This money went to a number of worthy initiatives including sport equipment, safety equipment and medical supplies.

Community Events

Broad-based Community Support

Fiscal 2002/03 saw the continuation of a long tradition of support to events in communities across British Columbia, with a more focused approach. Following an extensive review of all BCLC event and community initiatives, and in conjunction with the Core Services Review process, the four-year community stage program was retired.

BCLC's commitment to municipalities, communities and charitable organizations was demonstrated through product- and corporate-branded event sponsorships. As a proud corporate citizen, BCLC supports a cross-section of community-based events in the areas of business, arts and culture and sports and recreation. Following is a sampling of events supported in fiscal 2002/03:

2010 - It's Our Winning Number

The Corporation recognizes the contributions of individuals and organizations that carry the torch of volunteer spirit in their communities. Volunteer effort and commitment creates vibrant, winning communities throughout the province. As founding supporter of the bid to bring the 2010 Olympic and Paralympic Winter Games to Vancouver and Whistler, the Corporation championed the supporter and volunteer recruitment drives. Since the drives left the starting block more than 118,000 supporters and 47,000 Team 2010 volunteers have signed up.

Partnerships – A Winning Combination

Through sponsorship opportunities and forming partnerships, BCLC contributes resources and expertise to events that enhance a community's lifestyle.

British Columbia's alliance with the horse racing industry was continued through Keno sponsorships for the live racing season at Hastings Racecourse in Vancouver and Fraser Downs in Surrey/Cloverdale BCLC also partnered with regional tracks through featured event race days in Kamloops, Sidney and Vernon.

In the Interior, BCLC partnered with our casino service provider Lake City Casinos as co-presenting sponsors for the 5th Annual Rotary Invitational Golf Tournament, from which Rotary donated more than $34,000 to local charities and valued community projects.

BCLC's technical knowledge contributed to the success of a Black Tie Bingo charity event that resulted in more than $20,000 being raised for Royal Inland Hospital's pediatric playroom.

Sports Action sponsored the Air Canada Championship, introducing sports-minded enthusiasts to this lottery product. The event organizer directed a portion of the Championship proceeds to the United Way.

Sports Action also sped into the Molson Indy as a sponsor. Sports Action players entered for a chance to win a Once in a Lifetime Molson Indy Vancouver Experience by "test driving" an Internet simulated Sports Action Oddset game. On site Sports Action "pit stops" featured game information, tickets and promotional coupons.

Celebrating Culture and Heritage in British Columbia Communities

CORPORATE GOVERNANCE

Authority

Board of Directors

Directors

Chair

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, note findings and recommendations.

The following committees have been established:

STANDING COMMITTEES

Audit

Chair: Bruna Giacomazzi
Members: Arthur Willms, Kathy Stevenson

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

STANDING COMMITTEES

Governance and Corporate Social Responsibility

Chair: Mary MacGregor
Members: Bruna Giacomazzi, Arthur Willms

- Reviews the policies and practices of the Board and makes recommendations regarding Board effectiveness
- Examines and makes 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: Donald Pettit
Members: John Bell, Neil McDonnell

- 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

Ex-officio members of all committees:

Chair, T. Richard Turner
President and CEO, Vic Poleschuk

More than $3.3 million in gaming grants went to charitable and community organizations supporting the enhancement of public safety. A wide range of search and rescue groups as well as volunteer fire fighters benefited from funding.

"There's lots to think about."

> were just short of budget by $7.6 million, but exceeded the previous fiscal year by $185 million

> and net income for the 28th consecutive year

> of $670.9 million exceeded budget by $5.9 million and the previous fiscal year by $64.8 million

> of $987 million were $7.0 million less than budget, but exceeded the previous year by $123.5 million

> of $83 million were $2.5 million less than budget and $5.1 million less than the previous fiscal year

> to sales of 4.6 % was the lowest since BCLC's first year in 1986

Management Discussion & Analysis

> *View Royal Casino*

– Car Winner

Mia Justus

This Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for fiscal year ended March 31, 2003, and should be read in conjunction with the Corporation's audited financial statements.

FINANCIAL RESULTS ($) IN MILLIONS	1998 1999	1999 2000	2000 2001	2001 2002	2002-2003 ACTUAL	2002-2003 BUDGET	2002-2003 VARIANCE
SALES:							
Lottery	$910.6	$907.2	$937.0	$962.7	$968.6	$980.0	($11.4)
Casino	308.2	445.2	492.3	552.4	628.1	615.0	13.1
Bingo	42.7	49.1	53.7	92.3	195.7	205.0	(9.3)
	1,261.5	1,401.5	1,483.0	1,607.4	1,792.4	1,800.0	(7.6)
DIRECT EXPENSES	699.1	745.9	796.1	863.5	987.0	994.0	7.0
OPERATING EXPENSES	106.4	123.6	124.9	137.8	134.4	141.0	6.6
NET INCOME:							
Lottery	282.5	287.8	285.4	293.8	293.5	293.5	0
Casino	171.5	242.3	271.7	299.5	354.6	346.0	8.6
Bingo	2.0	1.9	4.9	12.8	22.8	25.5	(2.7)
	$456.0	$532.0	$562.0	$606.1	$670.9	$665.0	$5.9

Management Discussion & Analysis

Financial Overview

For the 28th consecutive year, BCLC achieved record revenues and profit.

Sales of $1.79 billion were under budget by $7.6 million, but exceeded previous year sales by $185 million. Lower than expected sales from the lottery and bingo divisions were offset by strong performance from the casino division.

Direct expenses of $987.0 million were $7.0 million less than budget and $123.5 million greater than the previous year. A shift in gaming mix to lower prize expense games and lower than budgeted sales accounted for the majority of the variance from budget.

Total operating costs of $134.4 million were $6.6 million less than budget and $3.4 million less than fiscal 2001/02. Greater than anticipated savings resulting from the Core Services Review and the later than planned increase in the lottery network contributed to the positive variance.

Fiscal 2002/03 net income of $670.9 million was $5.9 million greater than budget and $64.8 million greater than the previous year. Strong performance from the casino division, a shift in gaming mix to higher contribution games and operational cost savings resulted in strong bottom line performance for the year.

Operational Highlights

Fiscal 2002/03 was a year of challenges, growth and achievement for BCLC. Highlights included new gaming legislation, Canada's largest jackpot ever, the opening of two new casinos, the first full year of commercial bingo operations and implementation of the Corporation's Core Services Review recommendations.

By June 2002, the majority of the Corporation's 125-plus Core Services Review recommendations, approved by the Board and Government in February 2002, were fully implemented. These recommendations resulted in reduced operating costs of about $10 million, a reduction in staffing levels from budget of more than 100 positions, and refocused the organization on core business activities.

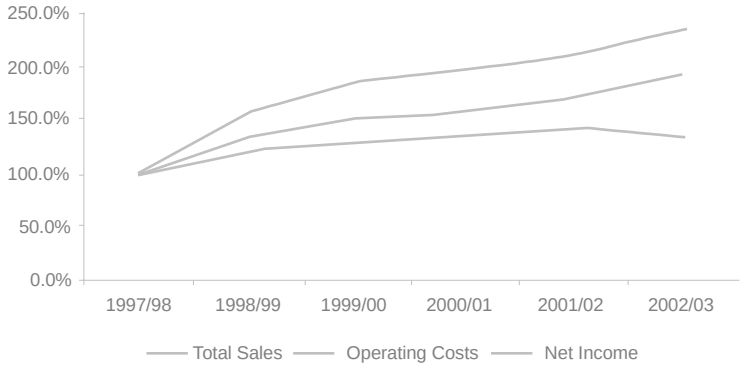
In August 2002, the Gaming Control Act (GCA), a new law to strengthen and streamline the management of gaming, came into effect. The GCA establishes a comprehensive framework for regulating and managing gaming in British Columbia and brings increased certainty and stability to the gaming marketplace.

Fiscal 2002/03 also represented the first full year of commercial bingo operations for BCLC. The Corporation successfully integrated this $100 million business into the organization with no increase in operational costs.

In January 2003, Government approved the Corporation's Service Plan. Implementation will result in a fundamental shift in how gaming is marketed in British Columbia. Specifically, the plan provides for the relocation and consolidation of existing casinos, approval to market-size casinos to consumer demand and approval to introduce industry standard slot machines into the marketplace.

In summary, BCLC increased revenues and profits by double digits, achieved key operational goals, successfully integrated commercial bingo into operations and ran the business with fewer people and a reduction in operating costs.

FINANCIAL TRENDS



Lottery Operations

Financial Overview

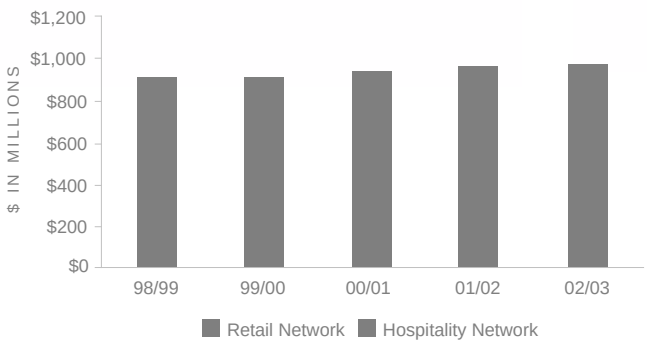
Fiscal 2002/03 lottery sales of $968.6 million exceeded the previous fiscal year by $5.9 million, but were $11.4 million less than budget. Strong sales performance from Lotto Super 7, reflecting a record $37.8 million jackpot early in the year and a $22 million jackpot in March, were offset by lower than budgeted sales for Keno, Scratch & Win and Pull Tab. Although the total number of Lotto 6/49 and Lotto Super 7 jackpots was comparable to last year, there were 15 Lotto Super 7 jackpots greater than $15 million, compared to five in the previous fiscal year.

Direct expenses of $610.3 million were $7.0 million under budget and $9.6 million greater than fiscal 2001/02. A shift in lottery product mix to lower prize expense games and lower than budgeted sales accounted for the majority of the variance from budget.

Operating expenses of $53.4 million were $3.8 million less than budget and $2.8 million less than the same period last year. A significant portion of the positive variance is attributed to lower costs for terminal maintenance and data communication, reflecting the later than planned expansion of the lottery network and costs savings realized through network refinements.

Fiscal 2002/03 net income of $293.5 million was equal to budget and less than the previous fiscal year by $0.3 million.

LOTTERY SALES TRENDS



Operational Highlights

The Corporation's lottery network consists of about 2,885 retail and 1,265 hospitality locations. Lotteries in British Columbia are considered a mature market. Over the last five-year period, sales growth has roughly matched inflation. Competition from other forms of entertainment, an aging population, shifts in consumer demand and significant changes at retail have all contributed to a flattening of lottery sales. The maintenance of current lottery revenues and future growth will be achieved through the introduction of new innovative product lines and the continued development and refinement of the retail network.

Operational highlights for the lottery division in fiscal 2002/03 included the selection of a new central gaming system and terminals, the development and implementation of self-service and video-display equipment for the hospitality gaming network, the introduction of a new game, Living Large Lottery, and the addition of 340 new retail locations to the lottery network.

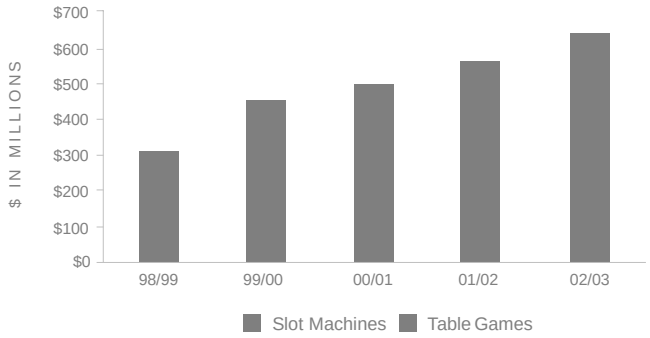
Casino Operations

Financial Overview

Fiscal 2002/03 casino net win of $628.1 million exceeded budget by $13.1 million and the previous year by $75.7 million. A full year of operation of casinos in Coquitlam and View Royal, new casinos in Cranbrook and Wells, and the introduction of interactive slots machines and new table games all contributed to the strong sales growth.

Direct expenses of $218.3 million were $5.6 million greater than budget and $25.3 million greater than fiscal 2001/02. The increase in direct costs reflects the increase in commissions required to support higher sales.

CASINO SALES TRENDS



Operating expenses of $37.2 million were $2.3 million less than budget and $6.8 million less than the previous fiscal year. Positive variances in salaries and marketing were partially offset by higher costs for advertising and professional fees.

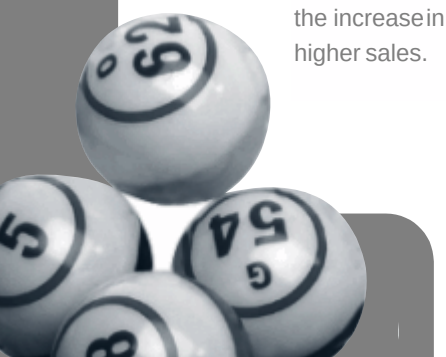
Net income of $354.6 million exceeded budget by $8.6 million and the previous fiscal year by $55.2 million.

Operational Highlights

The Corporation's casino network includes 15 community and four destination casinos that operated 3,304 slot machines and 392 table games in fiscal 2002/03.

Operational highlights for the casino division in fiscal 2002/03 included the opening of two new destination casinos and the implementation of a new casino table game management system.

As part of BCLC's service plan recommendation, Government approved the introduction of industry standard slot machines. Casinos can now be sized to meet marketplace demand provided that the total number of slot machines remains as per Government policy.



BCLC's ability to maintain and grow casino revenues is dependent on the introduction of innovative new games and general acceptance by the public of how gaming is managed in a socially responsible manner.

Bingo Operations

Financial Overview

Fiscal 2002/03 bingo sales of $195.7 million exceeded the previous year by $103.4 million, but were $9.3 million less than budget. The increase in sales over fiscal 2001/02 reflects the first full year operation of commercial bingo and the opening of six new Starship Bingo sites during the year.

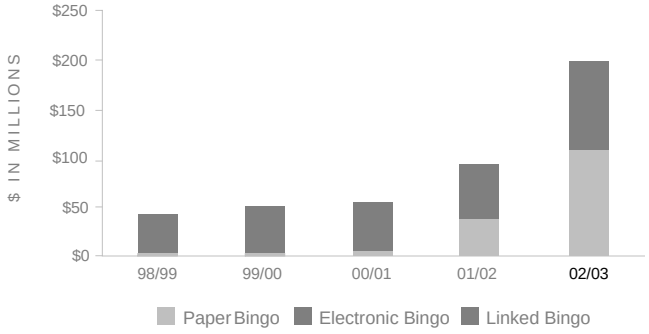
Sales performance from paper bingo was less than budget, continuing the downward trend that has been evident for the past several years.

Direct expenses of $158.4 million were $5.6 million less than budget and $88.8 million greater than fiscal 2001/02. The increase in direct costs over last year reflects the increase in prizes and commissions to support paper bingo sales in commercial halls for a full year.

Operating expenses of $10.9 million were $0.9 million less than budget and $2.6 million greater than fiscal 2001/02. Positive variances in salaries, equipment and advertising were partially offset by higher than budgeted expenditures for professional fees.

Fiscal 2002/03 net income of $22.8 million was under budget by $2.7 million, but exceeded the previous fiscal year by $10.0 million. The $2.7 million variance from budget reflects lower than anticipated sales and an increase in commission rates that were introduced in January 2003.

BINGO SALES TRENDS



Operational Highlights

The Corporation offers a variety of bingo products through a network of 33 commercial halls and about 80 independent operators. These products include electronic bingo (Starship Bingo), linked bingo (SuperStar Gold Bingo) and paper bingo.

Operational highlights for the bingo division in fiscal 2002/03 included the opening of six new Starship Bingo sites, a new destination-style entertainment centre in Kelowna, new contracts negotiated and implemented with commercial bingo hall operators, the implementation of an improved management information system for commercial bingo halls, and the introduction of a bingo hall relocation process to reposition and revitalize bingo in British Columbia.

Paper bingo sales in British Columbia and across Canada have been declining over the last several years. Changes in demographics and technology and strong competition from other forms of gaming have eroded the bingo market. BCLC's ability to maintain and grow bingo revenues will be dependent on our ability to revitalize the bingo market through improved facilities and innovative product enhancements that meet consumer demand.

Performance Review

Introduction

In July 2000, the *Budget Transparency and Accountability Act* (BTAA) was passed in the British Columbia Legislature.

The primary objectives of the BTAA are to make the Government budget process more accountable and accessible to the public, to improve the reliability and credibility of budget forecasts, to improve accountability for results, to improve the accounting and the quality of financial information provided by Government, and to improve the timeliness, consistency, comparability and transparency of information provided to the public.

In August 2001, the BTAA was amended to require that three-year service plans for government organizations be made public annually with the budget on the third Tuesday in February. The Annual Report is intended to be a companion document to the service plan.

This year's Annual Report is the companion document to the Corporation's Fiscal 2002/03 – 2004/05 Service Plan that was tabled in February 2002.

The following Report on Performance reports on the six goals and related objectives, strategies, performance measures and targets that were established as part of the Fiscal 2002/03 – 2004/05 Service Plan. As a note of reference, during the planning process for fiscal 2003/04 and the resulting Fiscal 2003/04 – 2005/06 Service Plan, the Corporation reduced the number of goals from six to four and made revisions to the related objectives, strategies, performance measures and targets. Goals and objectives were revised to better align with changes in the Corporation's mandate as directed by Government and the new Gaming Control Act that became law in August 2002. These new goals and objectives will be reported in next year's Annual Report.

1. To Provide High-Quality Gaming Entertainment

OBJECTIVES
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
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	2000/01	2001/02	2002/03	2003/04	2004/05
Revenue growth	5.8%	8.4%	11.5% actual 12.0% target	6.0%	4.7%
Customer satisfaction rating	89%	86%			
Lottery			88%		
Casino			91%		
Bingo			93%		
			90% target	90%	95%
Relocate or open new casinos	1 new	2 relocations	2 new actual 1 new target	2 relocations	2 relocations

In fiscal 2002/03, BCLC increased sales to $1.79 billion, an increase of $185 million or 11.5% over the previous fiscal year. Two new destination casinos, the first full year of operation of commercial bingo, record lottery jackpots and the introduction of new, innovative products all contributed to the increase in sales.

BCLC's customer satisfaction ratings remained strong in fiscal 2002/03. New gaming facilities and improvements to existing locations, the introduction of new innovative games, and the opening of nine regionalized retail prize payout centres all contributed to the increase in customer satisfaction.

Two new destination casinos opened during the year. Jack O' Clubs opened in Wells June 21 and Casino of the Rockies in Cranbrook September 21. Both of these casinos were approved as part of Government's gaming policy announcements in 1998.

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

OBJECTIVES
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
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	2000/01	2001/02	2002/03	2003/04	2004/05
Public support rating	47.5%	52%	57% actual 55% target	60%	65%
Maintain problem gambling funding	$2.1 million	$2.5 million	$3.3 million actual $4 million target	n/a	n/a

BCLC's public support ratings increased to 57% from 52% in fiscal 2002/03. New gaming legislation that became law in August 2002 and clear direction from Government on the future development and regulation of gaming in British Columbia contributed to the growing support.

Government spent $3.3 million on problem gambling during the year, an increase of $800,000 over the previous fiscal year.

During the year, BCLC continued to build on its partnership with Government to develop and implement programs targeted at reducing the harm caused by problem gambling. Problem gambling messaging through publications, products and gaming facilities, along with continued support for the toll-free problem gambling Help Line, are a few of the initiatives supported during the year.

Effective April 1, 2003, BCLC will no longer provide direct funding for problem gambling. Funding for problem gambling will be provided for and managed by the Ministry of Public Safety and Solicitor General through the Gaming Policy and Enforcement Branch.

3. To be a Responsive, Customer-Focused Organization

OBJECTIVES
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
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	2000/01	2001/02	2002/03	2003/04	2004/05
Customer satisfaction rating (lottery)	89%	86%			
Lottery			88%		
Casino			91%		
Bingo			93%		
			90% target	90%	90%
Business partner satisfaction ratings (lottery)	93%	95%	94% actual 90% target	95%	95%
Establish baseline customer and business partner satisfaction ratings for casino and bingo operations	n/a	n/a	not measured	5% > baseline	10% > baseline

BCLC's customer satisfaction ratings remained strong in fiscal 2002/03. New gaming facilities and improvements to existing locations, the introduction of new innovative games, and the opening of nine regionalized retail prize payout centres all contributed to the increase in customer satisfaction.

BCLC's business partner satisfaction ratings with lottery retailers remained relatively stable at 94%. The Corporation did not establish baseline measures for the casino and bingo divisions in fiscal 2002/03.

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

OBJECTIVES

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

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	2000/01	2001/02	2002/03	2003/04	2004/05
Maintain or increase employee satisfaction rating	not measured	not measured	not measured 75% target	>75%	>75%
Maintain or reduce employee turnover rate	4.4%	6.6%	12.1% actual <5% target*	<5%	<5%
Maintain or reduce employee absenteeism	1.7%	2.2%	1.8% actual <2.5% target	<2.5%	<2.5%

* Target does not include Core Services Review.

While employee satisfaction was not measured during the year, BCLC undertook employee sessions where all staff were given the opportunity to establish a new vision for the Corporation and to provide direct feedback on what was and was not working. As a result of these employee sessions, a group of employees from all levels of the organization have been mandated and empowered to lead a process of change in the organization, with the objective of creating a high-performance culture.

The implementation of Government's Core Services Review resulted in a reduction in staffing for the Corporation. As a result of the review, more than 100 full-time equivalents were eliminated and this is reflected in the Corporation's 12.1% employee turnover rate for the year.

At 1.8%, absenteeism levels remain very low in the organization.

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

OBJECTIVES

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

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	2000/01	2001/02	2002/03	2003/04	2004/05
Reduce operating costs as a percentage of sales	5.7%	5.5%	4.6% actual 5.0% target	4.7%	4.7%
Implement business improvement opportunities identified in Core Services Review	n/a	identify opportunities & benchmarks	implementation complete	continuous improvement	continuous improvement
Online game system availability	99.98%	99.87%	99.9% actual 99.9% target	99.9%	99.9%

In April, the Corporation began the implementation of its Core Services Review recommendations. These recommendations resulted in a reduction in operating costs of about $10 million and a reduction of more than 100 full-time equivalents. Of the 125-plus decisions or initiatives that resulted from the Core Services Review, almost all were implemented during the year.

Reflecting the Core Services Review recommendations and the resulting efficiencies, operating costs as a percentage of sales were reduced to 4.6% from 5.5%.

Online game system availability was maintained at 99.9% during the fiscal year.

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

OBJECTIVES

Improve operating results through the continued development and introduction of innovative new products and distribution channels that meet marketplace demand

STRATEGIES

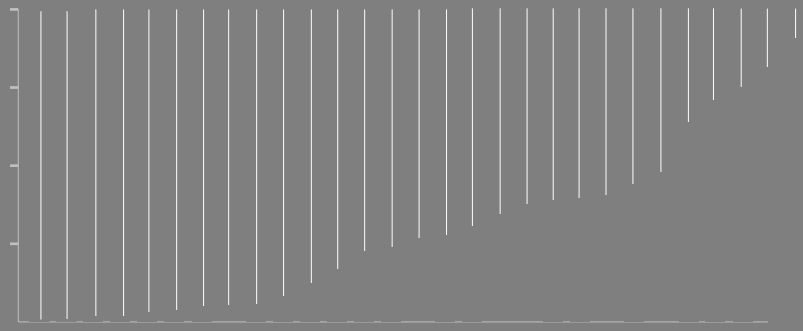
Continued upgrading of all gaming sectors to ensure products are competitive with neighbouring jurisdictions and meet marketplace demands

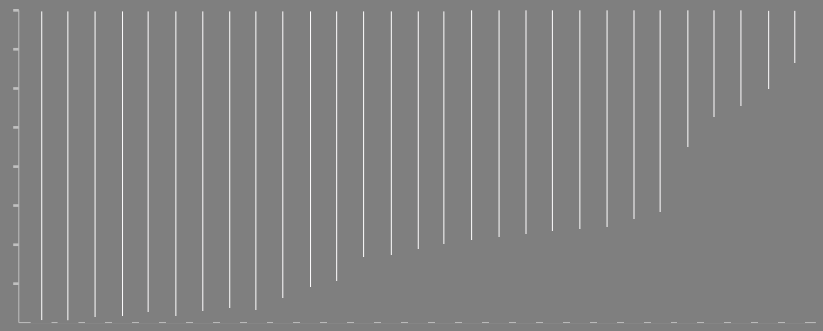
Invest in research to ensure e-business opportunities are identified and evaluated

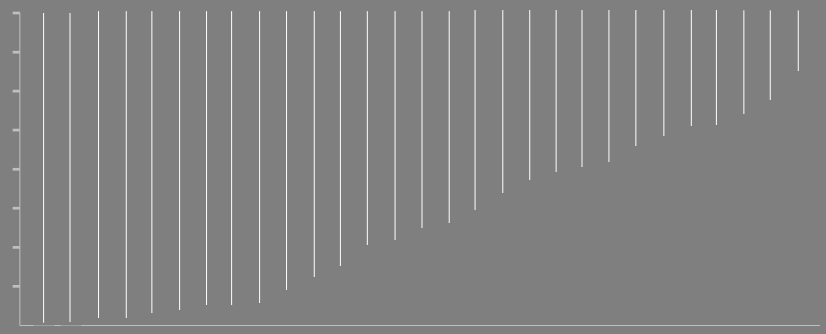
PERFORMANCE MEASURES	2000/01	2001/02	2002/03	2003/04	2004/05
Achieve revenue targets	$1.48 billion	$1.61 billion actual	$1.79 billion actual $1.8 billion target	$1.9 billion	$2.0 billion
Achieve income targets	$562.0 million	$606.1 million	$670.9 million actual $660.0 million target	$715.0 million	$765.0 million

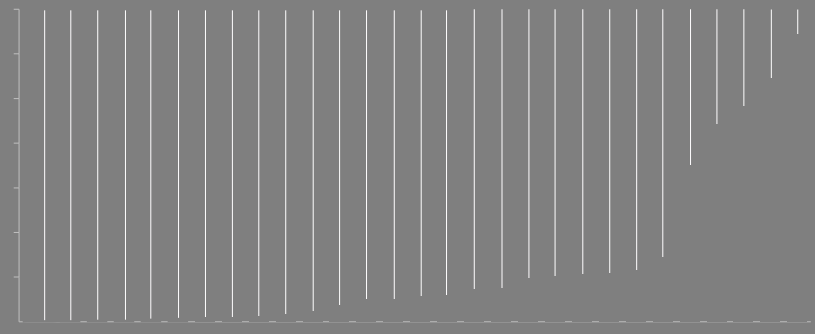
For the 28th consecutive year the Corporation achieved record sales and profit. The introduction of new innovative products, the first full year operation of commercial bingo operations, and operating efficiencies resulting from implementation of the Core Services Review recommendations all contributed to the growth in the business.

In fiscal 2002/03, sales increased from $1.61 billion to $1.79 billion, an increase of $185 million or 11.5%. Net income increased from $606.1 million to $670.9 million, an increase of $64.8 million or 10.7%.









MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of British Columbia Lottery Corporation have been prepared by management in accordance with generally accepted accounting principles. The financial statements present fairly the financial position of the Corporation as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial statements in a timely manner.

KPMG LLP, Chartered Accountants have performed an independent audit of British Columbia Lottery Corporation. The Auditor's Report outlines the scope of this independent audit and expresses an opinion of the financial statements of British Columbia Lottery Corporation.

Vic Poleschuk
President and CEO

Doug Penrose
Vice-President, Finance and Corporate Services

AUDITOR'S REPORT

To the Directors of

British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2003 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Kamloops, Canada
April 11, 2003

BRITISH COLUMBIA LOTTERY CORPORATION

CONSOLIDATED BALANCE SHEET

March 31, 2003, with comparative figures for 2002
(in thousands of dollars)

	2003	2002
ASSETS		
Cash and short-term investments	$ 93,970	$ 80,973
Accounts receivable (note 3)	48,617	46,024
Prepaid expenses	7,351	5,663
Accrued pension plan asset (note 4)	3,883	5,162
Capital assets (note 5)	30,855	22,168
	$ 184,676	$ 159,990
LIABILITIES		
Prizes payable	$ 55,113	$ 49,248
Accounts payable and accrued liabilities	55,439	46,356
Accrued post retirement benefit obligation (note 4)	13,807	12,062
Payable to Interprovincial Lottery Corporation	2,212	2,250
Due to Government of British Columbia	58,105	50,074
	$ 184,676	$ 159,990

See accompanying notes to consolidated financial statements.

Approved:

Richard Turner
Director

Bruna Giacomazzi
Director

BRITISH COLUMBIA LOTTERY CORPORATION

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 2003, with comparative figures for 2002
(in thousands of dollars)

		2003		2002
Revenues (note 6)	$	1,792,411	$	1,607,418
Direct Expenses:				
Prizes		650,183		575,057
Retail commissions		321,744		272,848
Ticket printing and bingo paper		15,118		15,584
		987,045		863,489
Revenues less direct expenses		805,366		743,929
Operating Expenses (note 14):				
Administrative expenses		83,031		88,144
Special operating costs (note 7)		500		7,000
Amortization		20,905		18,598
Less: Interest and other income		(2,906)		(5,241)
		101,530		108,501
Income from operations		703,836		635,428
GST expense		32,899		29,360
Net income	$	670,937	$	606,068
Allocation of net income:				
Government of British Columbia	$	659,862	$	594,420
Government of Canada (note 8)		7,767		7,567
Payments pursuant to ministerial direction (note 9)		3,308		4,081
	$	670,937	$	606,068

Segmented information (note 14)

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA LOTTERY CORPORATION

CONSOLIDATED STATEMENT OF AMOUNTS DUE TO GOVERNMENT OF BRITISH COLUMBIA

Year ended March 31, 2003, with comparative figures for 2002
(in thousands of dollars)

		2003		2002
Balance, beginning of year	$	50,074	$	43,777
Net income		670,937		606,068
		721,011		649,845
Payments to Government of British Columbia		655,139		592,204
Allocation of income to Government of Canada		7,767		7,567
		662,906		599,771
Due to Government of British Columbia	$	58,105	$	50,074

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA LOTTERY CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2003, with comparative figures for 2002
(in thousands of dollars)

	2003	2002
OPERATING:		
Net income	$ 670,937	$ 606,068
Adjustments for:		
Amortization of capital assets	20,905	18,598
	691,842	624,666
Changes in non-cash operating items	13,653	(4,577)
	705,495	620,089
FINANCING:		
Payments to Government of British Columbia	(655,139)	(592,204)
Allocation of income to Government of Canada	(7,767)	(7,567)
	(662,906)	(599,771)
INVESTING:		
Additions to capital assets	(29,592)	(20,225)
Increase in cash	12,997	93
Cash, beginning of year	80,973	80,880
Cash, end of year	$ 93,970	$ 80,973

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

1. NATURE OF THE CORPORATION:

The British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Gaming Control Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia and to co-operate in the conduct and management of national and regional lottery schemes with other Provinces of Canada.

The Corporation conducts and manages the following lottery schemes in British Columbia: KENO, SCRATCH & WIN, PULL TAB, BC/49, EXTRA, SPORTSACTION, DAILY 3, LIVING LARGE LOTTERY, CHASER, STARSHIP BINGO, SUPERSTAR GOLD, HANDHELD BINGO, paper bingo games, and casino games including slot machines and table games.

The Corporation is the regional marketing organization for the LOTTO 6/49, LOTTO SUPER 7, AND SPECIAL EVENT games in British Columbia. These games are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PRESENTATION:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(B) SHORT-TERM INVESTMENTS

Short-term investments are valued at the lower of cost and market.

(C) CAPITAL ASSETS:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year will be capitalized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

The Corporation's capital assets are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

(C) CAPITAL ASSETS (CONTINUED):

ASSET		RATE
Building and leasehold improvements		5 years
Furniture and equipment		5 years
Computer systems		3 years
On-line gaming terminals		3 years
Pull tab vending machines		3 years
Signs and fixtures:	Computer	3 years
	Non-computer	5 years
Bingo equipment		3 years
Casino equipment		3 years

Amortization is prorated in the year the assets are put in use.

(D) EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service, and the lesser of the average of the highest 60 consecutive months earnings of employment and the average of the Year's Maximum Pensionable Earnings over the same period. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair market value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the Pension Benefits Standards Act. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

(E) REVENUE RECOGNITION:

LOTTERY GAMES:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

BINGO GAMES:

Revenue from the operation of paper, electronic, and linked Bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played.

CASINOS:

Revenues from casino slot machines and table games are recorded in the statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the statement of income in the period they are incurred.

(F) PRIZE EXPENSES:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out through bonus draws, promotions and retailer incentives.

(G) SOFTWARE DEVELOPMENT COSTS:

Software development costs are expensed in the period in which they are incurred.

(H) ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(I) INCOME TAXES:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

3. ACCOUNTS RECEIVABLE:

	2003	2002
Retail	$ 44,963	$ 43,303
Other	3,654	2,721
	$ 48,617	$ 46,024

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

4. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	PENSION PLAN		POST RETIREMENT BENEFIT PLANS	
	2003	2002	2003	2002
Accrued benefit obligation				
Balance at beginning of year	$ 34,901	$ 30,507	$ 12,991	$ 9,551
Adjustment for Early Retirement Program	1,700	-	-	-
Current service cost	1,403	1,554	919	766
Interest cost	2,787	2,373	1,038	770
Employee contributions	1,267	1,306	-	-
Benefits paid	(1,469)	(795)	(212)	(148)
Actuarial loss (gain)	-	(44)	5,275	2,052
Balance at end of year	40,589	34,901	20,011	12,991
Plan assets				
Fair value at beginning of year	39,117	35,355	-	-
Annual return on plan assets	(5,162)	1,370	-	-
Employer contributions	1,825	1,881	212	148
Employee contributions	1,267	1,306	-	-
Benefits paid	(1,469)	(795)	(212)	(148)
Balance at end of year	35,578	39,117	-	-
Funded status - surplus (deficit)	(5,011)	4,216	(20,011)	(12,991)
Unamortized net actuarial loss (gain)	8,894	946	6,204	929
Accrued benefit asset (liability)	$ 3,883	$ 5,162	$ (13,807)	$ (12,062)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

4. EMPLOYEE FUTURE BENEFITS CONTINUED:

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. An actuarial valuation was made as of March 31, 2000 by William M. Mercer, a firm of consulting actuaries and then extrapolated to March 31, 2003. The Corporation will be having a valuation completed as of March 31, 2003. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	PENSION PLAN		POST RETIREMENT BENEFIT PLANS	
	2003	2002	2003	2002
At beginning of period:				
Discount rate	7.5%	7.5%	7.5%	7.5%
Expected rate of return on plan assets	7.0%	7.0%	-	-
Rate of compensation increase	5.0%	5.0%	-	-
Health care cost trend rate:				
2003/2002	-	-	5.10%	5.68%
Ultimate	-	-	4.10%	4.10%
Year ultimate reached	-	-	2005	2005
At end of period:				
Discount rate	7.5%	7.5%	7.5%	7.5%
Rate of compensation increase	5.0%	5.0%	-	-

The Corporation's net benefit plan expense is as follows:

	PENSION PLAN		POST RETIREMENT BENEFIT PLANS	
	2003	2002	2003	2002
Current service cost, net of employees' contributions (including provision for plan expenses)	$ 1,403	$ 1,554	$ 919	$ 766
Interest cost	2,787	2,373	1,038	770
Expected return on plan assets	(2,786)	(2,566)	-	-
Amortization of net actuarial gain	-	-	-	(8)
Net benefit plan expense	$ 1,404	$ 1,361	$ 1,957	$ 1,528

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2003 and 2002
(in thousands of dollars)

5. CAPITAL ASSETS:

			2003	2002
	COST	ACCUMULATED AMORTIZATION	NET	NET
Land	$ 700	$ -	$ 700	$ 700
Building and leasehold improvements	23,270	20,880	2,390	3,607
Furniture and equipment	4,557	3,878	679	939
Computer systems	25,259	23,473	1,786	1,358
On-line gaming terminals	41,341	38,304	3,037	1,690
Pull tab vending machines	8,226	7,879	347	570
Signs and fixtures	8,136	6,246	1,890	1,929
Bingo equipment	20,607	15,920	4,687	3,163
Casino equipment	57,597	42,258	15,339	8,212
	$ 189,693	$ 158,838	$ 30,855	$ 22,168

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

6. REVENUES:

	2003	2002
LOTTERY:		
KENO	$ 226,335	$ 222,849
SCRATCH & WIN	183,321	199,311
LOTTO 6/49	171,682	194,941
LOTTO SUPER 7	111,156	61,275
PULL TAB	94,433	113,047
EXTRA	72,184	64,891
BC/49	64,656	70,781
SPORTS ACTION	30,384	25,862
LIVING LARGE LOTTERY	7,989	-
DAILY 3	4,393	4,459
CHASER	2,076	2,428
SPECIAL EVENT	-	2,851
	968,609	962,695
BINGO:		
Bingo paper retail	116,214	29,050
STARSHIP BINGO	55,816	40,176
SUPERSTAR GOLD	11,867	14,237
HANDHELD BINGO	11,781	8,874
	195,678	92,337
CASINO - NET WIN:		
Slot machines	373,627	311,739
Table games	254,497	240,647
	628,124	552,386
Total revenues	$ 1,792,411	$ 1,607,418

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

7. SPECIAL OPERATING COSTS:

Special operating costs relate to the estimated restructuring costs associated with the Corporation's Core Services Review. Included in the costs are employee severance and early retirement costs and other costs related to the restructuring of the business.

8. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $8,000 for the next fiscal year ending March 31, 2004.

9. PAYMENTS PURSUANT TO MINISTERIAL DIRECTION:

Pursuant to Section 22 of the Financial Administration Act, the Corporation has been directed to pay for the Problem Gambling Program costs administered by the Ministry, Health Planning. Payments in 2002 also included the costs of the Gaming Policy Secretariat.

10. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the Interprovincial Lottery Corporation (I.L.C.) prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

11. LEASE OBLIGATIONS:

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2004	$ 1,340
2005	1,183
2006	958
2007	368
2008	140

12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

The carrying value of accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation are recorded at cost, which approximates fair value.

13. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

14. SEGMENTED INFORMATION:

Year ended March 31, 2003

SECTOR OF ACTIVITY	LOTTERIES	CASINOS	BINGOS	CONSOLIDATED
Revenues	$ 968,609	$ 628,124	$ 195,678	$ 1,792,411
Direct Expenses:				
Prizes	532,016	-	118,167	650,183
Retailer commissions	65,404	218,328	38,012	321,744
Ticket printing and bingo paper	12,856	-	2,262	15,118
	610,276	218,328	158,441	987,045
Revenue less direct expenses	358,333	409,796	37,237	805,366
Operating Expenses:				
Administrative expenses	51,020	25,365	6,646	83,031
Special operating costs	191	275	34	500
Amortization	5,014	11,687	4,204	20,905
Less: Interest and other income	(2,840)	(121)	55	(2,906)
	53,385	37,206	10,939	101,530
Income from operations	304,948	372,590	26,298	703,836
GST expense	11,402	17,966	3,531	32,899
Net income	$ 293,546	$ 354,624	$ 22,767	$ 670,937

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2003 and 2002
(in thousands of dollars)

14. SEGMENTED INFORMATION CONTINUED:

Year ended March 31, 2002

SECTOR OF ACTIVITY	LOTTERIES	CASINOS	BINGOS	CONSOLIDATED
Revenues	$ 962,695	$ 552,386	$ 92,337	$ 1,607,418
Direct Expenses:				
Prizes	521,848	–	53,209	575,057
Retailer commissions	65,424	193,076	14,348	272,848
Ticket printing and bingo paper	13,454	–	2,130	15,584
	600,726	193,076	69,687	863,489
Revenue less direct expenses	361,969	359,310	22,650	743,929
Operating Expenses:				
Administrative expenses	55,406	26,793	5,945	88,144
Special operating costs	2,989	3,746	265	7,000
Amortization	3,536	13,153	1,909	18,598
Less: Interest and other income	(5,712)	290	181	(5,241)
	56,219	43,982	8,300	108,501
Income from operations	305,750	315,328	14,350	635,428
GST expense	11,921	15,854	1,585	29,360
Net income	$ 293,829	$ 299,474	$ 12,765	$ 606,068

APPENDIX R

"I had people pouring in and out of my house screaming, yelling and crying all day Saturday".

Appendix S – 2003/04:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2003-2004,* (Kamloops: British Columbia Lottery Corporation, 2004).

CASINO

ENTERTAINMENT

LOTTERY

BINGO

ENHANCING THE LIVES OF

ALL BRITISH COLUMBIANS

ANNUAL REPORT 2003 - 2004

British Columbia Lottery Corporation

bclc.com

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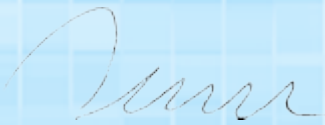
APPENDIX S

Board and Management

Accountability Statement

The 2003/04 British Columbia Lottery Corporation Annual Report was prepared under our direction in accordance with the *Budget Transparency and Accountability Act*. We are accountable for the contents of this report, including the section on performance measures and the reported results. All significant decisions, events and identified risks, as of June 15, 2004, have been considered in preparing this report.



T. Richard Turner
Chair, Board of Directors

Vic Poleschuk
President and CEO

Board Members

CHAIR

T. Richard Turner West Vancouver	|	Appointed September 26, 2001

VICE-CHAIR

Arthur Willms Vancouver	|	Appointed September 26, 2001

DIRECTORS

John Bell West Vancouver	|	Appointed September 26, 2001
Bruna Giacomazzi Abbotsford	|	Appointed September 26, 2001
Mary MacGregor Kamloops	|	Appointed September 26, 2001
D. Neil McDonnell North Vancouver	|	Appointed April 23, 2002
Tazeen Nathoo West Vancouver	|	Appointed July 26, 2002
Donald Pettit West Vancouver	|	Appointed September 26, 2001
Kathy Stevenson Kelowna	|	Appointed April 23, 2002

Senior Executive

PRESIDENT AND CEO

Vic Poleschuk

VICE-PRESIDENTS

Rob Egan	|	Corporate Development and Information Technology
Jay-Ann Fordy	|	Human Resources and Organizational Development
Kevin Gass	|	Corporate Communications and Marketing
Jim Lightbody	|	Lottery Gaming
Brian Lynch	|	Casino Gaming
Doug Penrose	|	Finance and Corporate Services
George Sweny	|	Bingo Gaming

Letter of Transmittal

To the Minister Responsible for British Columbia Lottery Corporation

Dear Minister:

British Columbia Lottery Corporation (BCLC) continues to serve the Government and all British Columbians by providing high-quality gaming entertainment in a socially responsible manner, while generating income for the public good.

Fiscal 2003/04 was another banner year for BCLC. For the 29th consecutive year, the Corporation achieved record revenues and net income distribution to Government.

Total sales of $1.9 billion resulted in net income of $728 million. Of that, $720 million was distributed to the Government of British Columbia to support public service programs, primarily in health and education, community and charitable organizations, and municipal programs and services. A further $8 million was distributed to the Government of Canada.

On behalf of BCLC's Board of Directors, senior management and employees, I respectfully submit the Annual Report for fiscal year ended March 31, 2004.

T. Richard Turner

Chair, Board of Directors

Chair's Message

On behalf of BCLC's Board of Directors, I am pleased to report on another successful year of gaming operations and the benefits generated for the people of British Columbia.

BCLC is in the entertainment business, and in recent years the entertainment marketplace has become increasingly more competitive. As a Crown corporation with responsibility to conduct and manage lottery, casino and bingo gaming in accordance with Government policy, we remain committed to delivering high-quality gaming in a socially responsible manner that generates income for the public good.

In exploring ways to strengthen our business and achieve our net income distribution to Government, we continue to respect the decisions of individuals and communities in deciding what types of gaming they want and how much is right for them. This pledge is consistent with the values that guide our Corporation, as well as our dedication to upholding the highest standards of fairness, honesty and integrity in everything that we do.

Government-controlled gaming has grown into a big business in Canada. However, here in British Columbia, we continue to take a moderate approach. Although BCLC's revenues have increased significantly since 1997, the province currently ranks eighth in Canada and well below the average for per capita expenditures on gaming.

Consumers have a multitude of choices in how they spend their entertainment dollars, and gaming must compete among all those options. As part of establishing our position in the marketplace, we respond to and anticipate the needs of our players to create products and venues that offer entertainment value combined with the excitement of the chance to win a prize.

BCLC approaches business challenges by identifying critical issues and opportunities and encouraging innovation and high performance in our workplace. We set our strategic goals and we focus on results.

We are pleased to report that the Corporation has made substantial progress toward the achievement of our goals and objectives that were included in the organization's Fiscal 2003/04 – 2005/06 Service Plan.

The Service Plan establishes strategic goals that measure the Corporation's performance in providing high-quality gaming entertainment, being socially responsible, developing a high-performance organization and generating revenue for vital Government programs.

We are proud of the Corporation's results in fiscal 2003/04. For the 29th consecutive year, BCLC achieved record revenues of $1.9 billion. Of the $728 million generated in net income, $720 million was distributed to the Government of British Columbia and $8 million to the Government of Canada.

Most importantly, gaming revenues enhance the lives of all British Columbians through direct and indirect financial and economic benefits.

The business of gaming directly employs more than 8,500 people and indirectly employs another 5,000 in British Columbia. Over the fiscal year, our lottery retailers and casino and bingo service provider companies, all private sector partners with BCLC, earned almost $357 million in commissions and service fees.

Additionally, gaming created valuable economic spin-offs through

Chair's Message

the $643 million in prizes paid to lottery and bingo winners, the purchase of goods and services, facility construction, tourism and hospitality.

Our net income distributed to Government, more commonly described as "where the money goes," supports public service programs, the good works carried out by about 5,800 charitable and community organizations, as well as community capital and operating programs.

In fiscal 2003/04, Government directed more than $531 million to vital health care, education and social service programs. Charitable and community organizations received $132 million to deliver programs in the areas of arts, culture, sports, public safety, human and social services, capital projects and parent advisory councils in elementary and secondary schools throughout the province. Host local governments where casinos are located received almost $45 million, which they allocated to community needs and enhancements.

Government also dedicated $4 million annually to fund education, prevention, research and treatment programs for problem gambling and for responsible gambling awareness programs. BCLC plays a partnership role in many initiatives surrounding problem gambling and responsible play.

In 2003, the Government of British Columbia released a prevalence study on problem gambling. This independent research shows that more than 95% of adults can choose to be entertained by our games and play them in a responsible way. Less than half a per cent of adults have a severe gambling problem, while another 4% have a moderate problem.

While we are encouraged that these numbers have not changed from the last study nearly a decade ago, we recognize that problem gambling can have devastating impacts on individuals and families.

As such, we must balance our fiscal objectives with our social responsibility obligations as we strive to meet consumers' expectations and compete for their discretionary dollars. People who choose to participate in gaming have the right to do so in an environment that allows safe and sensible choices.

BCLC has the privilege of being a good corporate citizen in every community in British Columbia through the benefits created by our business and our sponsorship support of community-based initiatives.

In particular, two events were at the forefront over the year. BCLC was a founding supporter of the bid to bring the 2010 Olympic and Paralympic Winter Games to Vancouver and Whistler and we celebrated that success with all British Columbians. The spirit of community brought us together again during the wildfire crisis, when our employees selflessly gave their support to the relief effort in a variety of capacities in the public and in the workplace.

In reflecting on fiscal 2003/04, we pay tribute to the Corporation's most valued asset – our employees. Their contributions allow us to prosper and grow as a high-performance organization dedicated to the values of integrity, social responsibility, innovation and respect.

Looking ahead, we will adapt our business and products to meet the ever-changing marketplace, while continuing to live up to our commitments to social responsibility and responsible growth of the gaming market.

Above all, British Columbians will have confidence in knowing, "When you play, good things happen."

T. Richard Turner
Chair, Board of Directors

President's Message

It is indeed bold for BCLC to state that the lives of all British Columbians are enhanced through gaming, but we can stand proudly by our words. In fiscal 2003/04, for the 29th consecutive year, the Corporation achieved record net income for the Government of British Columbia to return to all citizens through programs and services for the public good.

Record revenues of $1.9 billion resulted in net income of $728 million, of which $720 million was distributed to the Government of British Columbia and $8 million to the Government of Canada.

The Corporation was also successful in substantially achieving or surpassing the majority of our performance targets as set in our Fiscal 2003/04 – 2005/06 Service Plan. The Service Plan established key performance targets for BCLC in the areas of gaming entertainment, social responsibility, high performance and innovation, and revenue generation.

We are proud that the profit from every dollar wagered here in British Columbia, from the lottery, casino and bingo games of chance players choose for their entertainment, makes its way back to our communities. Health and education programs, charitable and community organizations, host local governments where casinos are located, and programs for responsible play and problem gambling all benefit from BCLC net income.

Millions of dollars go back to our players, too. The anticipation of winning a prize is one of the unique experiences we create through our games. Every day, lucky winners collect prizes that can range from the pleasant surprise of a few dollars to the thrill of hitting a multi-million dollar jackpot.

This was a year that co-workers shared in the good fortune of winning the lottery. A group of 10 employees at a neon sign manufacturer made a last-minute decision to buy a ticket that turned into a $7.5 million prize. Another group of 34, an entire bank staff who have purchased tickets regularly for four years, claimed $500,000.

Our players challenge us to offer them the best in gaming entertainment, and we work hard to earn their business. In partnership with our private sector lottery retailers and casino and bingo service provider companies, we continually strive to offer top-notch products, facilities and customer service.

The Corporation began the 2003/04 fiscal year with a challenging and aggressive agenda for growth and new opportunities identified in seven key strategic initiatives. Despite an eventful year that affected British Columbians' safety, their livelihoods and our economy, significant progress was made in each of these initiatives.

Recognizing opportunities for casino gaming, we continued to consolidate the market through fewer, higher-quality casinos. These sites will offer full-service entertainment options and amenities to meet market demand and be attractive to not just our players from within the province, but also to those tourists who are visiting and choose to spend some time playing in our casinos.

We received municipal approvals to relocate and upgrade casinos in Vancouver, Richmond, Langley, Prince George, Surrey and Coquitlam. In response to player preferences, a segment of older slot machines was replaced with new interactive games and additional slot machines were installed in select locations.

A business plan was approved that will make bingo gaming more profitable and sustainable for BCLC, our bingo service provider partners and the many charitable organizations throughout the province that benefit directly from bingo profits. This plan allows for the relocation or upgrading of existing facilities and the introduction of new, innovative products to support business growth.

Working with host local governments, bingo service providers and affiliated charitable and community organizations, we relocated and upgraded two bingo halls and added two electronic bingo sites.

Bingo Kelowna and the newly opened Enterprise Entertainment in Kamloops are setting the standards for bingo in British Columbia. These purpose-built facilities are designed to provide an enhanced gaming experience by serving both loyal and new players with high-quality customer amenities and the newest products and technology.

Government has given BCLC approval to move forward on developing a model for community gaming centres. These venues are designed to serve local adult markets with a wider variety of bingo, lottery and slot machine gaming choices, as well as high-quality surroundings and entertainment.

President's Message

Consultation with host local governments and private sector service providers is an important component of the process to establish these centres in the next fiscal year. Once a community expresses interest, population, demographics and a market assessment will be considered in determining a centre's viability. Benefits to communities will include employment opportunities, investment in products and services, and revenue sharing with the host local government.

Over the last five years, growth in lottery sales has roughly matched inflation. Competing gaming and entertainment options, including Internet-based games and gaming, present challenges to BCLC. We are rising to meet those challenges by developing new products, expanding the existing retail and hospitality networks and exploring new distribution channels to better meet player needs.

We entered into a marketing partnership with the Vancouver Canucks, which is designed to increase revenues for both organizations. The partnership included a collectible Scratch & Win ticket that proved so popular that an additional order was immediately printed to meet consumer demand.

In all matters of our business, corporate social responsibility is a core value. While we have made great strides toward ensuring that our products are offered and played in a responsible manner, we know that we can never rest on this issue.

This past year, under the new British Columbia Partnership for Responsible Gambling, BCLC partnered with Government and gaming service providers on a new, comprehensive framework for responsible play. As part of this commitment, $4 million in gaming revenues annually goes to programs and initiatives that promote responsible gambling and address the harmful impacts of problem gambling in British Columbia.

As we neared fiscal year-end, the Corporation's new Appropriate Response Training (ART) program was being readied for a pilot test. ART has been created to develop and enhance the knowledge, awareness, attitudes and skills of gaming personnel in order to respond appropriately to customers who may be in need of assistance.

We make every effort to ensure that information about problem gambling and the help that is available is widely distributed, and continually remind players to "Know your limit, play within it." Our gaming locations are clearly marked with "19+" age-control messages that are reinforced by our retailers and service providers so that customers understand that gaming products are for adults only.

Our role as a corporate citizen once again took us into communities as we sponsored a variety of festivals, sporting events, tournaments, exhibitions and conferences throughout British Columbia. These events ranged from major attractions to community-based events of local interest.

At a provincial level, BCLC was one of the founding supporters of the bid to bring the 2010 Olympic and Paralympic Winter Games to Vancouver and Whistler, and we joined with British Columbians in celebrating the bid's success. We look forward to the excitement, opportunities and economic activity that will be created as British Columbia prepares to host elite athletes and guests from around the world.

Such good news was soon followed by the horrific wildfires and a provincial state of emergency. Our BCLC employees, both current and former, were swiftly involved in providing their skills, experience and compassion directly to the relief effort, while their colleagues stepped in to fill their roles. Care and concern was strongly evident throughout our organization as employees contributed professionally and personally during this extraordinary period.

Our people make our company. In the coming fiscal year, we will continue to invest in our employees through a program of organizational development that will take BCLC from its position as a good company to a place among the best. We will continue to strive to provide personal growth and development opportunities, improve leadership practices, encourage innovative thinking, and respect and recognize our employees for jobs well done.

Through our Service Plan, we have set our revenue and net income targets for the next three years within Government's policy framework. Our determined efforts to increase our net income contributions toward Government's public programs will require that we look at new games, new distribution channels and new technologies. We will continue to focus on our players as we improve the quality and entertainment value of our products and our gaming venues.

We look forward to recording another exciting year in our proud history of providing top-quality gaming entertainment in a socially responsible manner generating income for the public good.

Vic Poleschuk
President and CEO

Lottery sales began in British Columbia in 1974. Over 29 years gaming has generated:

- $6.6 billion in net income distributed to the Government of British Columbia
- $156 million in net income distributed to the Government of Canada
- $8.1 billion in prizes won by players
- $2.2 billion in commissions and service fees earned by lottery retailers, and casino and bingo service provider companies

About BCLC

Prior to 1985, the Province of British Columbia was a partner in Western Canada Lottery Foundation.

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 discontinued under the *Gaming Control Act* (2002) of British Columbia.

Government has chosen to operate gaming through a Crown corporation, not only to meet the requirements of the Criminal Code, but also to ensure that the objective of revenue generation is carefully balanced with the objectives of gaming integrity and social responsibility.

BCLC must operate within the strict statutory authority and regulatory guidelines of the Code and the *Act*

Mandate

BCLC reports to the Ministry of Public Safety and Solicitor General. As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia.

Under current provincial gaming legislation, the Corporation has these responsibilities:

- Conduct, manage and operate lottery gaming, including the marketing of nationwide and regional lottery games in association with other provinces of Canada
- Conduct, manage and operate casino gaming
- Conduct, manage and operate electronic and commercial bingo gaming
- Manage the horse racing marketplace

The Gaming Policy and Enforcement Branch (GPEB), Ministry of Public Safety and Solicitor General, regulates all gaming in British Columbia, ensures the integrity of people and equipment involved in the gaming industry and investigates allegations of wrongdoing.

Scope of Operations

BCLC has a head office in Kamloops and a sales and marketing office in Richmond. Our 560 employees are based in the two offices, as well as in field locations and gaming sites throughout the province.

The Corporation contracts for the sale of our products through a private sector network of about 4,500 lottery retailers, 19 casinos, 32 commercial bingo halls and one horse racetrack gaming centre.

BCLC markets our lottery, casino and bingo products to adults who choose to participate in our games. Under the *Gaming Control Act*, 19 years is the legal age to participate in gaming in British Columbia.

In 1997, the Government of British Columbia introduced a new gaming policy that provided BCLC with opportunities for substantial revenue and profit growth after a decade of limited growth in the traditional lottery market. The Corporation was given responsibility for casino operations in 1998 and commercial bingo operations in 2002.

BCLC's revenues have increased to $1.9 billion in fiscal 2003/04, compared to $867.5 million in fiscal 1996/97. The majority of the increase has resulted from the introduction of slot machines in community casinos, the opening of four new destination casinos and additional responsibility for commercial bingo operations.

While gaming in British Columbia has grown significantly over the past few years, on a comparative basis across Canada the province continues to have a moderate level of gaming and ranks eighth for per capita gaming income. Even with BCLC's planned growth over the next three years, the province's per capita gaming income is projected to remain below the Canadian average.

Strategic Context

Our Vision

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

Our Mission

To provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good

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

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.

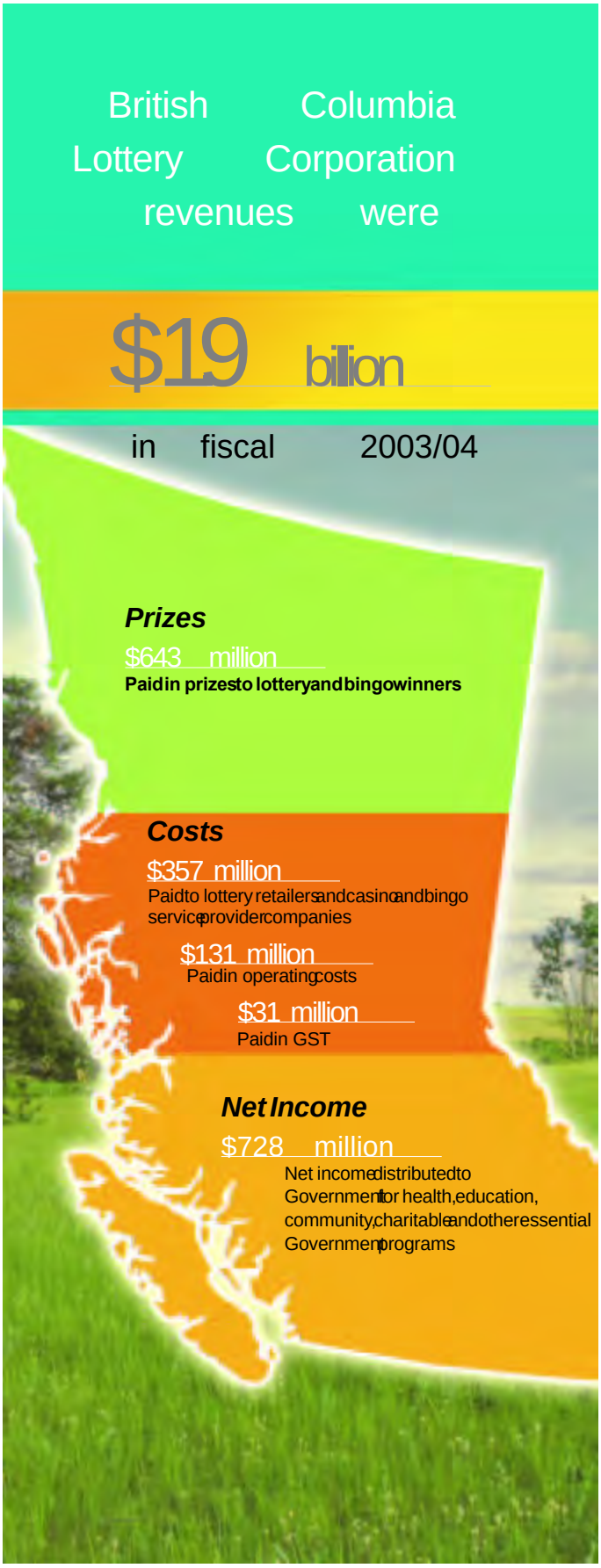
Innovation

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.

Where the Money Goes



Financial Benefits

TOTAL REVENUES $19 BILLION

- Prizes paid to lottery and bingo winners $ 643 million
- Commissions and service fees paid to lottery retailers and casino and bingo service provider companies $ 357 million
- Operating expenses $ 116 million
- Ticket printing and bingo paper $ 15 million
- GST $ 31 million

Where the Money Goes

NET INCOME $728 MILLION

Distribution to Government of Canada $ 8 million

Distribution to Government of British Columbia $ 720 million

- Consolidated revenue $ 384 million
- Health Special Account $ 147 million
- Charitable and community organizations $ 132 million
- Host Local Governments $ 45 million
- Development Assistance Compensation $ 8 million
- Problem Gambling Program $ 4 million

Where the Money Goes

Financial Benefits

Economic benefits generated through gaming enhance the lives of all British Columbians. BCLC is proud of our contributions to the British Columbia economy, to Government public programs, and to support thousands of important charitable and community service programs.

From the revenues generated by BCLC, we pay prizes to our lottery and bingo winners and commissions and service fees to our private sector lottery retailers and casino and bingo service providers. We pay for our operating expenses, lottery ticket printing and bingo paper, and we remit the national Goods and Services Tax.

The money remaining comprises our net income, which is distributed to the Government of British Columbia.

Where the Money Goes

BCLC net income distributed to the Government of British Columbia is returned to all British Columbians through programs for health, education, social, community, charitable and municipal purposes.

The Government of Canada receives a portion of BCLC net income under a long-standing agreement with the provinces on the withdrawal of the federal government from the lottery field.

In fiscal 2003/04, BCLC achieved net income of $728 million, of which $720 million was distributed to the Government of British Columbia and $8 million to the Government of Canada.

Consolidated Revenue

From the lottery and casino net income distributed to Government, $384 million was directed to consolidated revenue to support social programs, primarily in health and education.

Health Special Account

A further $147 million was appropriated to the Health Special Account and administered by the Ministry of Health Services. This funding is used for administration, operation and delivery of health care, health research and promotion, and health education services.

Charitable and Community Organizations

Charitable and community organizations are found in every community throughout British Columbia, from Abbotsford in the Lower Mainland to Fort Nelson in the Northern Rockies, from Masset in the Queen Charlotte Islands to Youbou in the Cowichan Valley.

BCLC net income helps support the valuable community service work that these organizations provide in the areas of arts, culture and sport, public safety, human and social services, parent advisory councils in schools, and major capital projects.

In fiscal 2003/04, about 5,800 community and charitable organizations shared in the profits from casino and bingo gaming through Government gaming grants. Government guarantees that charitable and community organizations receive funding of a minimum $125 million, indexed annually. Of the 2003/04 guarantee commitment of $136.5 million, BCLC net income provided $132 million.

Gaming Policy and Enforcement Branch (GPEB) manages the distribution of gaming grants through the direct access program and commercial bingo hall affiliation.

Organizations may apply to GPEB for a direct access grant or for

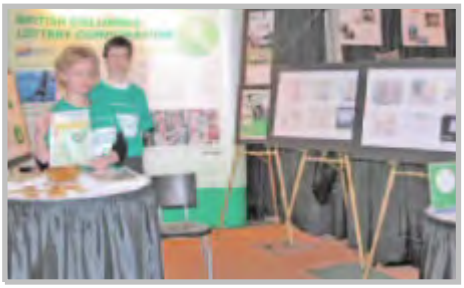
affiliation with a commercial bingo hall. Affiliated organizations may receive a grant from a portion of the revenue generated at the affiliated hall. In return, they must fulfil in-hall and out-of-hall volunteer hours to promote awareness of their organization.

In the Lower Mainland area, some 2,060 groups received direct access grants and nearly 500 received bingo affiliation grants. On Vancouver Island, 785 groups received direct access grants and about 670 received bingo affiliation grants.

About 370 groups in the Northern Region received direct access grants, while 345 were recipients of bingo affiliation grants. In the Southern Interior, nearly 700 groups received direct access grants and 460 received bingo affiliation grants.

Host Local Governments

Under a 1999 Memorandum of Agreement between Government and the Union of British Columbia Municipalities, the host local



government where a community casino is located receives a 10% share of the net income generated by that casino.

Host local governments where destination casinos are located receive a one-sixth share of the net income generated by that casino. Two-thirds goes to Government and one-sixth to the casino proponent for Development Assistance Compensation (DAC).

In fiscal 2003/04, Government disbursed nearly $45 million to 15 host local governments around the province. These governments may use this money in any way to benefit their communities. Funds have been directed to projects and purposes such as arts and culture, playgrounds, sports fields, road improvements, policing, recycling, parks and youth.

DAC goes toward local economic development associated with a destination casino. This may include a service such as a restaurant, or a facility project such as a convention centre. Destination casino proponents received almost $8 million in DAC funding.

Problem Gambling Program

From BCLC's net income, the Government of British Columbia provides $4 million annually to the Problem Gambling Program that is managed by GPEB.

BCLC works in partnership with the program to reduce the incidence of problem gambling and the harmful impacts of excessive gambling, and to ensure the delivery of gaming in a manner that encourages responsible play.

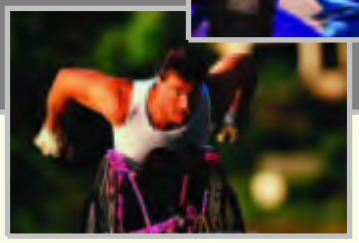
The program includes community-based counselling services, a 24-hour toll-free Help Line, province wide education, awareness, research and training initiatives, and advertising and marketing standards.

Where the Money Goes

Host local governments where casinos are located receive a share of the revenues generated by the casino in their community.

There were 15 communities that received almost $45 million in revenue sharing during fiscal 2003/04. These communities allocated the funds to a variety of community works and projects.

- Playgrounds and recreational facilities were built or improved, while others were upgraded with new equipment.
- Local groups and services received funding to help a variety of causes, such as public safety, youth activities and community resources.
- Community sports benefited from field upgrades, improved facilities and equipment purchases.
- Parklands and trails were acquired and enhanced for recreational and environmental purposes.
- The arts and cultural activities, as well as community events and heritage were supported.



Where the Money Goes

2003/04 Regional Distribution of Government Gaming Grants

Region	Direct Access		Bingo Affiliation		Total $000	
	Number of Charities	Grant Amount	Number of Charities	Grant Amount	Number of Charities	Grant Amount
Lower Mainland	2,066	$ 47,170	492	$ 20,991	2,558	$ 68,161
Northern Region	368	$ 4,190	345	$ 9,174	713	$ 13,364
Southern Interior	694	$ 9,481	459	$ 10,998	1,153	$ 20,479
Vancouver Island	785	$ 13,159	671	$ 14,362	1,456	$ 27,521
Independent Bingo Halls				$ 2,000		$ 2,000
Total $000	3,913	$ 74,000	1,967	$ 57,525	5,880	$ 131,525

Host Local Government Share of casino revenue for the fiscal year ended March 31, 2004

Local Government	Casino	2003/04 Total $000	2002/03 Total $000
Burnaby	Gateway Casino (c)	$ 7,523	$ 5,968
Coquitlam	Great Canadian Casino (c)	6,863	5,092
Kamloops	Lake City Casino (c)	1,847	1,560
Kelowna	Lake City Casino (c)	2,297	2,001
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies (d)	1,009	475
Nanaimo	Great Canadian Casino (c)	2,531	2,338
New Westminster	Gateway Casino Royal Towers (c)	2,034	1,868
	Royal City Star Casino (d)	4,651	4,496
New Westminster Total		$ 6,685	$ 6,364
Penticton	Lake City Casino (d)	2,047	1,877
Prince George	Casino Hollywood (d)	1,663	1,480
Quesnel	Billy Barker Casino (c)	607	584
Richmond	Great Canadian Casino (c)	2,793	2,185
Vancouver	Grand Casino (c)	1,128	1,024
	Great Canadian Casino Holiday Inn (c)	1,559	1,485
	Gateway Casino Mandarin Centre (c)	875	885
	Great Canadian Casino Renaissance (c)	372	562
	Royal Diamond Casino (c)	—	—
Vancouver Total		$ 3,934	$ 3,956
Vernon	Lake City Casino (c)	1,477	1,241
View Royal	Great Canadian Casino (c)	3,547	3,068
Wells	Jacko' Clubs (d)	27	32
TOTAL		$ 44,850	$ 38,223

c = community casinos (10% share)
d = destination casino (one-sixth share)

Royal Diamond Casino - temporary closure

In fiscal 2003/04, a year of new challenges and exciting opportunities, BCLC once again exceeded our targets for revenue generation and net income distribution to the Government of British Columbia for vital public service programs. The addition of about 350 new lottery accounts and two new electronic bingo sites, the introduction of new interactive slot machines and an increase in the slot machine complement contributed to our continuing growth.

Lottery Business Unit

For the first time in the 29-year history of lotteries, sales declined in fiscal 2003/04. This trend is mainly due to the maturity of the product and is consistent with lottery jurisdictions across Canada. The Corporation continued with its strategic objectives to rebuild and transform the lottery business, including implementing more effective marketing techniques to reach new players and strengthening lottery brands through advertising.

BCLC and the Vancouver Canucks entered into a marketing partnership designed to increase revenue for both organizations. The first element of the partnership was a collectible Canucks Scratch & Win ticket. In the second element, the Canucks could gain from a growth in wagering on BCLC's Sports Action professional hockey games, while the third element involved a media and signage package. The amount the Canucks will derive from the agreement is dependent upon the level of marketing and media support provided by the team, and the incremental revenue generated through the Scratch & Win ticket and Sports Action hockey games by the end of the 2003/04 season.

In association with the four other regional jurisdictions under the Interprovincial Lottery Corporation, we began preparations to relaunch the nationwide Lotto 6/49 game in the first quarter of fiscal 2004/05. Lotto 6/49 will be played the same way, but will provide players with jackpots that grow larger sooner, as well as more chances to win other prizes. To make these jackpots possible, the price of a ticket will increase for the first time in the game's 22-year history. Changes to BC/49 will occur in conjunction with Lotto 6/49.

Over the years, Lotto 6/49 has contributed more than $2 billion to the Government of British Columbia. These dollars have been used to support various public programs and services, such as Expo 86, amateur sports, and health and education initiatives.

We also partnered with three other jurisdictions to offer a nationwide Scratch & Win game, Extravaganza, billed as Canada's Richest Instant Game with 15 top prizes of $1 million available to be won.

Lottery technology continued to evolve. We rolled out a pilot test of new lottery terminals that will be more efficient and effective in processing transactions for retailers and players. This stage was part of preliminary work to replace the Corporation's online gaming system in the next fiscal year.

In the hospitality network, we introduced visual-display technology that shows draw information and messages with enhanced animation and dynamic graphics.

Our marketing and advertising strategies were recognized with several provincial, national and international awards. Among them, the BC Chapter of the American Marketing Association named BCLC Marketer of the Year for 2003, the highest award given by the association.

Casino Business Unit

In the casino business unit, BCLC continued with our growth initiative to consolidate the casino market by establishing fewer, higher-quality properties sized to fit the marketplace.

Final host local government approval was received to establish purpose-built, full-service facilities in Richmond and Langley that will open in fiscal 2004/05. Municipal approvals were also secured to relocate or upgrade casinos in Vancouver, Prince George and Coquitlam.

The Corporation successfully introduced new interactive slot machine at selected sites and increased the slot machine complement at existing casinos in New Westminster, Nanaimo, View Royal, Kamloops, Prince George, Vernon and Coquitlam.

BCLC also received approval to introduce electronic gaming at horse racetracks. A milestone in British Columbia gaming industry was reached with the introduction of slot machines at Fraser

Downs in Cloverdale. In its first year of operation, this interim facility is projected to generate about $42 million in revenue, including about $2.7 million in revenue sharing for the City of Surrey and $4.2 million that has been committed by Government to support both standardbred and thoroughbred horse racing in the province. A permanent site is expected to open in 2005.

A new Casino Management System that brings new levels of financial integrity and accountability to British Columbia casinos was introduced at individual sites. This technology replaces paper-based systems and provides automated tracking to every aspect of table games that the CasinoLink system provides to slot machine play.

Bingo Business Unit

During fiscal 2003/04, BCLC continued with its strategy to develop a viable bingo gaming business plan that is more profitable and sustainable for the Corporation and bingo service providers. A new business plan will reposition bingo through the consolidation of existing sites and relocating and upgrading facilities, as well as introducing new products to support business growth.

Over the year, Nanaimo's commercial bingo hall was upgraded and electronic bingo was added to commercial bingo halls in Esquimalt and Prince George.

A highlight of the year was the relocation and opening of

Enterprise Entertainment in Kamloops, a purpose-built, state-of-the-art facility with the latest in bingo technology. Every element of the facility was designed with the player in mind, with a goal to enhance the bingo experience.

We also initiated steps to develop a model for community gaming centres. Each facility will be market-sized to provide adults with a new social and entertainment experience that offers a high-quality setting and a wider variety of bingo, lottery and electronic gaming products. Communities that express interest in hosting a community gaming centre must provide an opportunity for public input into the process.

e-Business

E-business represents a major initiative for BCLC. In September, we completed a new e-business proposal for lotteries, as well as new, interactive lottery games.

Our Web site, **www.bclc.com**, was relaunched after a major technical, design and content upgrade, and we launched a new business-to-business extranet site for casino service providers.

In fiscal 2004/05, we will pursue new e-business developments, including the development and implementation of business-to-business, business-to-consumer and business-to-employee initiatives.

Horse racing

In 2001, BCLC's responsibilities were expanded to include support of the marketplace management of horse racing in British Columbia. The Corporation is responsible for the administration of horse racing fees and the placement of electronic gaming at racetracks, subject to municipal approval.

For many years, we have provided sponsorship support to the "sport of kings" in communities around the province.

At Hastings Racecourse in Vancouver, we were a title sponsor for the 2003 thoroughbred racing season from April through October. From September through April, we partnered with Fraser Downs in Cloverdale for a fourth year of horse racing action. At Sandown Park, Keno was the sponsor for weekend live racing.

Special events included the Interior Horse Racing Festival at Sagebrush Downs in Kamloops, where we were a presenting sponsor of the event and the British Columbia Lottery Corporation Mile. Keno was the sponsor for the 58th annual B.C. Derby at Hastings Racecourse, one of the most prestigious horse racing events in Canada.

BCLC Casino Revenue for the fiscal year ended March 31, 2004

Casino	Service Provider	City	BCLC Slot Machine Revenue	Number of Slot Machines at March 31	BCLC Table Game Revenue	Number of Tables at March 31	BCLC Combined Casino Revenue Fiscal 2003/04	BCLC Combined Casino Revenue Fiscal 2002/03
COMMUNITY CASINOS								
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 9,429,890	140	$ 443,357	5	$ 9,873,247	$ 9,618,692
Casino Hollywood Supply Co Inc.	Prince George Casino Prince George		24,952,582	240	2,248,707	9	27,201,289	24,438,941
Gateway Casino Burnaby	Gateway Casinos Inc.	Burnaby	87,023,250	300	42,827,724	33	129,850,974	104,338,171
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver			17,936,554	33	17,936,554	18,155,967
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	21,769,534	169	14,183,441	24	35,952,975	33,531,029
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver	—	—	23,158,497	32	23,158,497	20,995,602
Great Canadian Casino Coquitlam	Great Canadian Casinos Inc.	Coquitlam	80,979,422	450	37,480,404	32	118,459,826	89,229,023
Great Canadian Casino Holidaylynn	Great Canadian Casinos Inc.	Vancouver	—	—	31,969,533	38	31,969,533	30,606,016
Great Canadian Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo	37,699,119	380	4,622,841	12	42,321,960	39,039,383
Great Canadian Casino Renaissance	Great Canadian Casinos Inc.	Vancouver	—	—	7,690,853	24	7,690,853	11,664,714
Great Canadian Casino Richmond	Great Canadian Casinos Inc.	Richmond	—	—	56,279,467	36	56,279,467	44,810,593
Great Canadian Casino View Royal	Great Canadian Casinos Inc.	View Royal	50,396,345	436	9,714,780	24	60,111,125	51,986,583
Lake City Casino Kamloops	Lake City Casinos Limited	Kamloops	27,637,731	304	2,490,680	8	30,128,411	25,726,483
Lake City Casino Kelowna	Lake City Casinos Limited	Kelowna	33,621,343	311	4,261,443	12	37,882,786	33,311,777
Lake City Casino Vernon	Lake City Casinos Limited	Vernon	22,661,493	210	1,162,248	8	23,823,741	20,331,223
Royal Diamond Casino	Royal Diamond Casinos Inc.	Vancouver			—		—	
			$ 396,170,709	2,940	$ 256,470,529	330	$ 652,641,238	$ 557,784,197
DESTINATION CASINOS								
Lake City Casino Penticton	Lake City Casinos Limited	Penticton	18,796,768	224	1,228,743	10	20,025,511	18,525,033
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	37,946,093	352	11,232,296	23	49,178,389	46,391,544
Casino of the Rockies	Lake City Casinos Limited	Cranbrook	10,388,577	236	992,675	10	11,381,252	5,110,654
Jack o' Clubs	Jack o' Clubs Gaming Hall Ltd.	Wells	245,333	80	13,949	4	259,282	312,118
			$ 67,376,771	892	$ 13,467,663	47	$ 80,844,434	$ 70,339,349
			$ 463,547,480	3,832	$ 269,938,192	377	$ 733,485,672	$ 628,123,546

Notes

Royal Diamond Casino closed due to a labour disruption July 15, 2001

BCLC Bingo Revenue for the fiscal year ended March 31, 2004

Bingo Hall	Service Provider	City	Number of Seats	BCLC Sales Fiscal 2003/04	BCLC Sales Fiscal 2002/03
COMMERCIAL BINGO HALLS					
711 Bingo Emporium	City Bingo Association	Victoria	0	0	663,000
Abbotsford Bingo	Abbotsford Bingo Association	Abbotsford	604	8,951,000	7,490,000
Bear Mountain Bingo Hall	Vette Management Service Ltd.	Dawson Creek	350	1,570,000	1,601,000
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria	200	3,317,000	3,543,000
Bingo City	Bingo City Games Inc.	Prince George	0	0	2,310,000
Bingo Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	780	13,219,000	11,926,000
Burnaby Bingo Country	427967 BC Ltd. (DBA Bingo Country)	Burnaby	440	7,889,000	7,441,000
Campbell River Bingo Palace	Playtime Community Gaming Centres Inc.	Campbell River	310	6,882,000	7,229,000
Chilliwack Bingo	Chilliwack Bingo Association	Sardis	484	11,901,000	12,168,000
Cordia Bingo Hall	Cordia Bingo Association	Vancouver	522	239,000	541,000
Dob City	Alberni Valley Bingo Association	Port Alberni	336	2,800,000	2,918,000
Enterprise Entertainment (formerly Brock Bingo Hall)	Enterprise Entertainment Ltd. (formerly Brock Inc.)	Kamloops	712	10,568,000	9,913,000
Fairweather Bingo Hall	Terrin Properties Ltd.	Vernon	525	5,625,000	5,841,000
Good Time Bingo Hall	Good Time Bingo Hall Inc.	Prince George	730	14,442,000	11,474,000
Haney Bingo Plex	Ridge Meadows Bingo Operators Society	Maple Ridge	500	8,692,000	7,870,000
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	500	6,962,000	7,237,000
Inkspot Bingo	Duncan Dabber Bingo Society	Duncan	625	4,410,000	4,812,000
Langford Drop-In Bingo	Playtime Community Gaming Centres Inc.	Victoria	255	1,910,000	1,864,000
Langley Bingo Palace	Playtime Community Gaming Centres Inc.	Langley	717	9,603,000	9,458,000
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	300	5,530,000	5,554,000
Lucky's - The Bingo Centre	Lucky's Ventures Ltd.	Williams Lake	400	4,032,000	3,914,000
Mission Bingo Country (formerly Mission Bingo Association)	Mission Bingo Country (formerly Mission Bingo Association)	Mission	210	724,000	809,000
Newton Square Bingo Country	427967 BC LTD (DBA Bingo Country)	Surrey	680	16,312,000	17,468,000
Nordley's Bingo Hall	Bute Street Bingo Association	Port Alberni	114	1,183,000	1,175,000
North Star Bingo Hall	Astel Canada Holdings Ltd.	Fort Nelson	155	1,063,000	835,000
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton	420	4,406,000	4,561,000
Planet Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver	800	17,199,000	17,148,000
Play It Again Bingo	Yarwood Enterprises Ltd.	Kamloops	0	0	1,680,000
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo	460	5,781,000	4,984,000
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria	470	4,671,000	3,548,000
Quesnel Bingo Hall (2 Rivers)	Astel Canada Holdings Ltd.	Quesnel	182	889,000	804,000
Rainbow Bingo Hall	243045 Alberta Ltd.	Fort St. John	310	3,620,000	3,679,000
River City Bingo	River City Bingo Association	Powell River	250	1,031,000	1,043,000
Rocky Mountain Bingo	Terrin Properties Ltd.	Cranbrook	400	2,624,000	3,200,000
Totem Bingo Palace	Prince Rupert Bingo Association	Prince Rupert	240	2,185,000	2,546,000
Tri-City Bingo Palace	Playtime Community Gaming Centres Inc.	Port Moody	0	0	365,000
Valley Entertainment Palace	Playtime Community Gaming Centres Inc.	Courtenay	312	3,695,000	3,768,000
				0	0
			14,293	$ 193,926,000	$ 193,384,000
				0	0
Independent Bingo Hall Super Star Sales				$ 1,477,000	$ 1,953,000
				0	0
Paper Bingo Distribution Revenue				$ 318,000	$ 341,000
				$ 195,721,000	$ 195,678,000

Notes: As of March 31, 2004

Commercial Halls offering Handheld Bingo 25
Commercial Halls offering Starship Bingo (Personal Play) 17
Cordia Hall - Closed January 31, 2004
Commercial Halls offering Starship Bingo 20
Commercial Halls offering Super Star Gold Bingo 32
Commercial Halls offering Paper Bingo 32
Commercial Halls offering Gecko 1

Our Players

At BCLC, we focus on our players. New and exciting products, new and improved facilities, and new ideas in added entertainment value keep gaming entertainment attractive and exciting for players.

During fiscal 2003/04, we continued to revitalize bingo gaming in British Columbia by upgrading and relocating existing halls, enhancing service, adding product options and holding consumer promotions.

Enterprise Entertainment in Kamloops opened with the newest technology in bingo entertainment. The facility is the first in the world to offer GeckoXtra, a state-of-the-art, touchscreen electronic bingo system developed in a partnership between BCLC and SGC. GeckoXtra is a full-colour, full-motion, graphics and sound gaming experience designed to replicate paper-based bingo.

Players also enjoy comfortable seating options, a restaurant and a climate-controlled environment. A variety of events took place over the grand opening weekend, including a gala where 700 players had fun competing for more than $50,000 in cash and prizes.

Starship Bingo joined the bingo entertainment line up at Prince George Good Time Bingo. In Esquimalt, Bingo Bingo underwent extensive renovations and reopened with new food services, more player space and increased parking. The facility became the 21st site to offer Starship Bingo.

In November, the annual B.C. Bingo Championships, hosted by BCLC and the bingo industry, took place at Kelowna Bingo Palace. Players across the province had a chance to win a seat at the championships through special qualifier games held at participating halls.

Seventy-five finalists competed for cash and prizes, and the winner of the final game drove home to Cranbrook in a new car.

Lottery enthusiasts and Vancouver Canucks fans responded to a new marketing partnership between BCLC and the Canucks organization. The first element, a new $10 Scratch & Win ticket, featured eight players in a collectible series.

BCLC shipped 400,000 tickets to lottery retailers around British Columbia, then swiftly followed up with another printing of 200,000 to meet consumer demand.

Consumers who purchased a ticket had the chance to win Trevor Linden's 2004 Chevrolet TrailBlazer® in a bonus Internet contest. Nearly 316,000 entries were received. Trevor Linden handed the keys to a Port Alberni resident during a special presentation at General Motors Place.

Living Large Lottery returned for a second year, offering prizes ranging from a free ticket to $100,000 a year for 25 years (or a $1.5 million lump sum).

Several promotional events took place around the ticket, including a bonus Internet contest for the chance to win a home theatre system. Entries nearly doubled over the previous year to 249,000. The prize was won by a Shawnigan Lake resident.

Players who purchased $10 worth of Keno or Keno with Keno Bonus could enter a consumer promotion for a 2003 Dodge Viper. Ten finalists were drawn from the 260,000 mail-in entries received.

During a live event on City TV, each finalist attempted to unlock the Viper with a randomly drawn key fob. The tenth and final contestant, a Surrey resident, was successful.

Offering a wide variety of slot machine games is one way British Columbia casinos keep competitive with neighbouring jurisdictions.

BCLC responded to player interest by installing new interactive slot machines, which use touchscreen technology, in casinos throughout the province. These new slot machines feature monitor screens instead of the traditional reels. Many are multi-denominational, so players can choose a wagering amount.

In partnership with casino service providers, BCLC held a Quest for Treasure promotion for the chance to win cash and a Las Vegas vacation at each participating casino. Players won thousands of dollars daily during "hot seat" times and a game show.

Royal City Star was the site of the Cruisin' Cash Showdown Finale. Thirteen finalists selected to represent their local casino participated in a fun-filled prize weekend. Three grand prize winners unlocked vaults to discover either a vehicle, $10,000 cash or a luxury cruise.

During a Mardi Gras promotion, participating full-service casinos offered a chance to win a $10,000 prize at each location. Six winners received additional cash for being present during draw time.

Our Players

Who Plays?

Each year, through an independent research company, BCLC surveys adults in British Columbia about their attitudes toward gaming and their enjoyment of the games.

Information is also collected about people's participation in lottery gaming, casino gaming or bingo gaming during the past year.

The characteristics of our lottery, casino and bingo players can be compared against the key general characteristics of adult British Columbians, as follows.

General Characteristics of Adult British Columbians

- 52% are female and 48% are male
- 27% are 19-34 years old, while 73% are over the age of 35
- 71% have some post-secondary education
- 53% are from households with an annual income under $60,000
- 47% are from households with an annual income greater than $60,000

Lottery Players

- 8 out of 10 adult British Columbians have played a lottery product, such as Lotto 6/49, Scratch & Win or Keno, in the past year
- 52% are female and 48% are male
- 73% are over the age of 35
- 69% have some post-secondary education
- 47% are from households with an annual income greater than $60,000

Casino Players

- 3 out of 10 adult British Columbians have visited a casino in British Columbia in the past year
- 51% are male and 49% are female
- 70% are over the age of 35
- 66% have some post-secondary education
- 47% are from households with an annual income greater than $60,000

Bingo Players

- 6% of adult British Columbians have visited a commercial bingo hall in British Columbia in the past year
- 75% are female and 25% are male
- 70% are over the age of 35
- 58% have some post-secondary education
- 35% are from households with an annual income greater than $60,000

Smiles appeared throughout British Columbia in fiscal 2003/04 as people tried a variety of games for fun, entertainment and the chance to dream.

Lottery and bingo winners collected $643 million in prizes, including 18 prizes of $1 million or more. More than 76 million prizes were won over the year.

Hazel Sundby of Radium Hot Springs claimed $10 million, BCLC's highest Lotto 6/49 prize of the year. Hazel, who said she had a premonition that she would win the lottery one day, waited almost two weeks to claim her prize so she could digest the idea of becoming a millionaire 10 times over.

Two prize claims of $10 million each were BCLC's highest Lotto Super 7 prizes of the year.

Daniel Tidball and his wife, Noriko, of Vancouver were in disbelief over their win and planned to leave the money in the bank for the meantime. Noriko said she only buys tickets when she is feeling lucky, and she had a good feeling about buying a ticket for the $30 million jackpot. Two other winning tickets were purchased in Ontario and Western Canada.

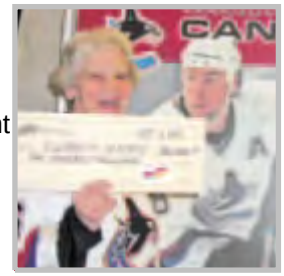
Vancouver resident Dario Sestito said he felt like he was in a dream when he checked the numbers on his ticket and discovered his $10 million win. He purchases his tickets every week with his morning coffee and newspaper.

Dario had no immediate plans to quit his job, but thought he might take some time off.

A last-minute decision to buy Lotto Super 7 tickets as a group turned into $7.5 million and $750,000 each for 10 co-workers at a neon sign manufacturer in Port Moody. Their plans included paying off mortgages, paying bills, taking trips and buying new vehicles.

Thirty-four co-workers, the entire staff of a bank in Surrey, shared a $500,000 prize on Lotto Super 7 Extra. They have purchased tickets regularly for four years.

Canucks fan Elizabeth Densky was thrilled when she saw the new Canucks Scratch & Win ticket at her lottery retailer. The Vancouver resident chose her favourite player, Trevor Linden, from the collectible series and became the game's first grand prize winner of $100,000.



Elizabeth said she could now buy a new, flat-screen television to watch all the games.

Two Vancouver Island men won the biggest Sports Action Toto prize in BCLC history. Brant Cathcart of Victoria and George Fritz of Lantzville won $89,311.60 playing American football. The long time friends and business partners have been playing Sports Action Toto together for several years.

Terry Morrissey of Langley also made BCLC history when he won $150,000 on Keno, the largest single-ticket Keno prize ever claimed. Terry purchased his ticket and found out five minutes later that he was a winner.

Terry said "yes" to the Keno Bonus, which tripled his $50,000 prize. He planned to invest and take a trip.

Rosemary Hirner of North Vancouver became a millionaire on Extravaganza, a Scratch & Win ticket distributed across Canada, except Quebec. The attractive appearance of the ticket prompted her purchase.

Rosemary's husband scratched the ticket and told her he found three $1 million symbols, but at first she did not believe him. She was going to take her time to decide what to do with her winnings.

Kelowna resident Dan Jeckel screamed "bingo" and claimed the Super Star Gold Bingo progressive jackpot of $87,638.64, the highest prize of the year.

Jan said she could not believe how much she had won and had to ask for confirmation over and over again. She planned to buy a brand new car immediately.

Casinos of British Columbia

LOTTERY TICKET CENTRE

BINGO

Lottery retailers and casino and bingo service provider companies contribute to the overall success of BCLC and the benefits generated for British Columbians. BCLC continually strives to build on relationships and opportunities with our private sector business partners.

In addition to our partnerships with our gaming service providers, we maintain strong partnerships with a variety of businesses in the private sector. Of the Corporation's total operating and capital expenditures in fiscal 2003/04, we paid $115 million to private sector suppliers. This represents about 75% of expenditures in this category.

The Corporation sells lottery products by contractual agreement at retail locations throughout British Columbia. About 3,300 retailers make up the Retail Network, which includes businesses ranging from small family corner stores to news stands to large corporate chains. The 1,200 retailers in the Hospitality Network are largely licensed premises, such as pubs, service clubs and cold beer and wine stores.

Lottery products must compete against an array of choices in the entertainment marketplace, and BCLC retailers act as front line ambassadors for our games. Retailers receive an industry-standard commission on every lottery product sold and can increase their earnings through bonus programs that encourage product knowledge and exceptional customer service.

In fiscal 2003/04, lottery retailers earned $65 million in sales commissions and incentive earnings.

BCLC provides marketing, sales and training support through our territory sales managers in the field, Hotline call centre operators, Tel-Sell ticket sales representatives and customer trainers. We provide tools and techniques for consumer promotions and retailer and staff incentives, as well as point-of-sale materials and monthly newsletters.

Several times a year, BCLC meets with our Retail Network and Hospitality Network Councils to discuss upcoming programs and initiatives and exchange information about the retail and hospitality industries. Council members represent a cross-section of both networks.

BCLC operates community and destination casinos through a partnership with private sector companies. These companies provide day-to-day facility and operational services in compliance with the Corporation's responsibilities to conduct and manage gaming.

At fiscal year-end, we had contracted with eight service provider companies for 19 casinos and one horse racetrack gaming centre where slot machines are available.

Key functions delivered by service companies include staffing for table game play, cash management, routine slot machine service and security, customer service and amenities, promotions and events, and renovations and furnishings.

From net win, after prizes, these service companies receive fees of 40% on table games and 25% on slot machines. Operating costs are covered through these service fees. An additional 3% of net win is available for facility development.

Service providers earned $252 million in service fees in fiscal 2003/04, from which all of their facility and operating costs are paid.

Service providers and gaming industry employees are required to register with the Gaming Policy and Enforcement Branch (GPEB). Service providers are obligated to report to GPEB any known or

suspected conduct or activity at or near a gaming facility that may be contrary to the Criminal Code and provincial gaming statute and regulations.

BCLC holds quarterly meetings with service provider companies to review marketing opportunities and operational topics. We work co-operatively with our partners and host local governments on proposals and plans for relocated and new gaming facilities within communities.

The Corporation also exercises partnerships with bingo service provider companies. In 2001/02, the management structure for bingo in British Columbia changed when BCLC assumed responsibility to conduct and manage bingo at commercial halls. Charitable and community organizations were no longer responsible to conduct and manage paper bingo.

The Corporation entered into agreements with bingo service provider companies for facility and operational services. Some charitable organizations exercised their option to act as bingo service providers and continue to operate commercial bingo facilities on behalf of their member charities.

Bingo service providers are paid a service fee based on a gross monthly sales formula. In fiscal 2003/04, service providers earned $39.5 million, from which all of their facility and operating costs are paid.

Charitable and community organizations continue to be directly involved in commercial bingo through certificates of affiliation that establish individual groups as the beneficiaries of profits from a designated bingo hall. In fiscal 2003/04, GPEB distributed $55.5 million in government gaming grants to about 1,970 affiliated organizations.

BCLC regional managers work in the field to provide support to bingo service providers. In addition, we host group meetings to review marketing plans, budgets, operational issues and business opportunities. In November, the first annual bingo service provider's forum included round table discussions and learning workshops.

On a daily basis, customer support staff in our bingo call centre are available to assist all commercial and independent facilities that offer BCLC bingo products.

Our Employees

BCLC has changed significantly over the years since 1985, when the Corporation was given authority to conduct and manage lottery gaming in British Columbia.

In recent years, our responsibilities have grown to include casino and commercial bingo gaming, resulting in a doubling of our revenues and increasing the complexity and demands on our organization.

The dedication and commitment of our employees is a prime component in BCLC's success. Our workforce of 560 provides direction, service and support to our corporate, lottery, casino and bingo divisions and our business partners throughout British Columbia.

Our employees take pride in their contributions to generate benefits for the people of the province. Every employee plays a role in ensuring our games are conducted with the highest standards of integrity and fairness and offered in a socially responsible manner. Customer service is a cornerstone in all aspects of our business, both within the workplace and in the marketplace.

Changes for the Corporation have meant changes for our people. New and increased responsibilities brought about a journey of change, and this journey must continue as we build an even stronger organization that can better compete in an ever-changing and challenging marketplace.

In fiscal 2002/03, BCLC began a process of organizational change toward a higher performance culture. As a result of learning forums with our employees, a cross-functional team was mandated to look at opportunities, strategies and solutions. The team's work continued to develop in fiscal 2003/04 in the key areas of players, people growth and corporate social responsibility.

While several initiatives and practices have been implemented, over the next fiscal year we will continue to pursue our vision of high performance through strong leadership, employee development and engagement, and competitive compensation policies.

Our employees have already reached high levels of community service as citizens of BCLC. During the wildfires of summer 2003 and the provincial state of emergency, our employees provided support to the relief effort by answering thousands of calls to the toll-free information lines at the Provincial Regional Emergency Operations Centre in Kamloops.

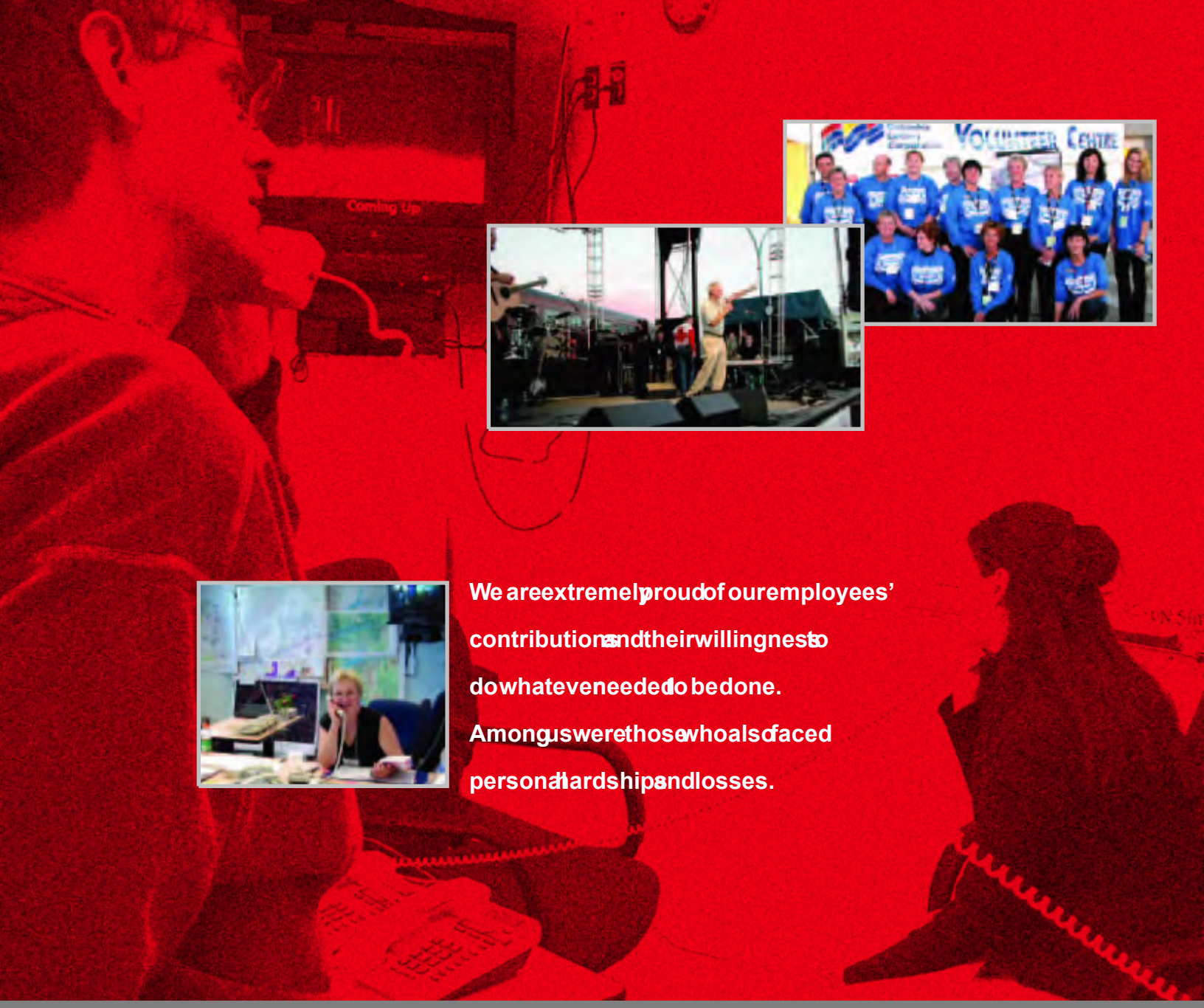
At the Evacuation Centre in Kamloops, area residents found care and comfort at the BCLC tent. Colleagues supported each other by taking on extra duties at the office to ensure that the business of BCLC continued to run.

We are extremely proud of our employees' contributions and their willingness to do what ever needed to be done. Among us were those who also faced personal hardships and losses.

Within our workplace, fund-raising efforts continue year-round for United Way, Christmas giving and various not-for-profit organizations. Creative activities not only raise thousands of dollars for worthy causes, but bring employees together in a common spirit of goodwill and friendship.

In conjunction with two of our corporate sponsorships in Kamloops, our Green Committee members rolled up their sleeves. They cleaned up our neighbourhood for community Trash Bash, and they also made sure the downtown area was tidy prior to the judging of the Communities in Bloom contest.

Our employees believe in giving back to the communities in which they live, work and play. In addition to their BCLC activities, they share their skills and abilities through their personal volunteer work.



We are extremely proud of our employees' contributions and their willingness to do what ever needed to be done. Among us were those who also faced personal hardships and losses.

Throughout British Columbia, the BCLC banner proudly flies at conferences, celebrations, festivals and fund-raisers that showcase and enrich our communities. Corporate and product sponsorships are one of the ways we partner with communities, municipalities and not-for-profit groups to support a cross-section of events in the areas of business, arts and culture, and sports and recreation.

In particular, the Corporation salutes the forces of volunteers whose spirit and commitment makes so many of these events possible.

A highlight of fiscal 2003/04 was the bid that successfully brought the 2010 Olympic and Paralympic Winter Games to Vancouver and Whistler. In 2001, BCLC became the second founding supporter of the bid by committing $1.5 million in a combination of cash and in-kind sponsorship over three years. Through the TEAM 2010 Volunteer Program, we led the supporter and volunteer recruitment drives around the province.

Just prior to decision day July 2, 2003, we joined with the Vancouver 2010 Bid Corporation to present a Push to Prague volunteer recognition event. By that time, the online supporter count had reached 118,000 and 47,000 people had expressed a desire to volunteer for the Games. When British Columbians gathered for the Countdown to 2010 Celebration on July 5 in Vancouver, BCLC hosts were on hand signing up more volunteers.

After this summer's devastating wildfires, we reached out to help lift spirits and rebuild communities by becoming a presenting sponsor of the Fire on the Mountain benefit concert in Kamloops. Organized by Canadian Pacific Railway, music producer Randall Prescott and the City of Kamloops, the multi-regional event attracted a roster of Canadian talent and 30,000 spectators.

About 200 volunteers gave their help to the relief effort, and BCLC employees co-ordinated and staffed the volunteer centre over the course of the day. A total of $84,000 was raised and shared with organizations in Kamloops and the North Thompson, Kelowna and area, and the Kootenays. Weeks later, the Corporation participated as sponsor in Celebrate Kelowna!, a parade and civic ceremony recognizing the community's efforts during the wildfire crisis.

There were many other reasons to celebrate over the year. BCLC again showed its support for Canada Day at events in Vancouver, Langley, Surrey and Kamloops. At Celebrate BC, an inaugural B.C. Day festival and exposition at the Plaza of Nations, the BC Lottery Multicultural Stage featured ethnic singing and dancing performances.

Community service projects in Kamloops benefited from the money raised by the Rotary Invitational Golf Classic. BCLC and our casino service provider Lake City Casinos were Presenting Sponsors for this sixth annual event. In Cranbrook, we joined with Lake City Casino for the Sam Steele Days community celebration. BCLC and Royal City Star casino helped decorate the sky by presenting two nights of fireworks at Fraserfest in New Westminster.

Our summer-long support of the City of Kamloops Music in the Park free concert series concluded on a high note when a record crowd attended a special benefit performance for the Kamloops Food Bank. Generous donations helped the food bank's supplies, which had been strained by the wildfire crisis. In Penticton, volunteers sported the BCLC logo on their shirts at the Pentastic Jazz Festival.

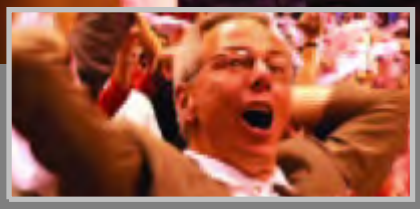
The Business Improvement Associations of B.C., Union of British Columbia Municipalities, Local Government Management Association and British Columbia Association for Charitable Gaming, as well as municipal associations, chambers of commerce and professional associations across the province, received support for their conferences and initiatives.

Sports Action teamed up with the Canada Cup Women's Fastpitch Tournament in Surrey, Steamworks Tour de Gastown in Vancouver and the BC Lions football season. Keno provided lottery sponsorship for the Cloverdale Rodeo in Surrey and Merritt Mountain Music Festival.

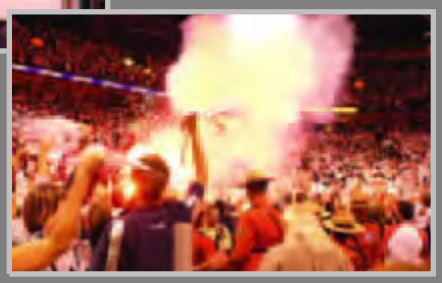
At the Molson Indy in Vancouver, racing fans dropped by the Keno Zone hospitality area where two full-service booths were available. A 2003 Dodge Viper, a prize in a Keno consumer promotion, was on display and admired by many.

Over the winter season, BCLC was among sponsors of the annual Wildlights at the British Columbia Wildlife Park in Kamloops. More than 25,000 visitors took in the festive light display and other activities during the five-week event.

BCLC looks forward to our continuing role as an active participant in communities throughout the province.



2010 VANCOUVER FOUNDING SUPPORTER™



Corporate Social Responsibility

Social responsibility is one of BCLC's core values. We ensure that everything is done with consideration of its impact on the people and communities of British Columbia. Therefore, our objective of revenue generation for Government must be carefully balanced with our objectives of gaming integrity and social responsibility.

Gambling can result in problems that may affect family, finances, employment or self-esteem. Addressing problem gambling effectively requires a shared responsibility approach. Individuals, gaming providers and Government policy and regulation all contribute to maintaining gambling as a safe and healthy entertainment choice for adults.

Problem gambling issues are best approached through awareness, education, prevention and treatment programs. BCLC plays a strong leadership role in promoting responsible play practices and ensuring that an appropriate problem gambling risk management strategy and programs are in place.

The British Columbia Partnership for Responsible Gambling (www.bcresponsiblegambling.ca) is a strategic alliance developed to promote responsible gambling. BCLC is represented in this partnership with the Government of British Columbia and our private sector casino and bingo service provider companies.

In 2003, Government released a prevalence study on problem gambling, the third such study commissioned in British Columbia over the past decade. The study concluded that the prevalence of problem gambling has remained virtually the same since the first study in 1993 and is consistent with research data from other provinces.

The study reconfirmed that among adults who choose to participate in gambling, more than 95% play responsibly. It also found that fewer British Columbians are gambling now than in the mid-1990s, even though there are more opportunities.

However, the study also showed that about 4.2% of British Columbians are moderate problem gamblers. At 0.4%, the percentage of severe problem gamblers is the lowest in Canada.

BCLC provides support to agencies involved in education, prevention and treatment services. Among key activities in the fiscal year, we contributed our knowledge and expertise to the 12th International Conference on Gambling and Risk-Taking, presented by the University of Nevada Institute for the Study of Gambling and Commercial Gaming. This year's conference was hosted in Vancouver.

On the national stage, BCLC is a founding member of the Canadian Partnership for Responsible Gambling, a collaboration of non-profit organizations, gaming providers, researchers and regulators working to find and promote effective ways to reduce the risk of problem gambling. The Partnership's objective is to promote better understanding and implementation of responsible gambling programs through joint research, issue analysis and information sharing.

In the British Columbia marketplace, the Corporation and our lottery retailers and bingo and casino service providers promote good customer service, as well as programs designed to reduce risks and increase awareness that help is available.

Among our social responsibility practices, we ensure that:

- Games are operated with a high degree of security and integrity.
- The right prizes are paid to rightful winners.
- Audited financial statements are published annually.
- There is wide public distribution of information about problem gambling and the help that is available for those experiencing problems.
- Product information includes the odds of winning and losing.
- Laws concerning the legal age to participate in gaming in British Columbia are upheld and extensively publicized through a 19+ program.
- A self-exclusion program is in place for casinos and commercial bingo halls.

During fiscal 2003/04, BCLC developed an Appropriate Response Training program for the gaming industry so that employees will have a consistent and clear understanding of issues and know how to respond to difficult situations involving customers.

Training will start in early fiscal 2004/05 for casino employees. They will gain a better understanding of their role in delivering gaming products and an appropriate level of customer service, while respecting an adult's right to choose gaming as an entertainment option.

Near fiscal year-end, the Corporation adopted a new responsible play message, "Know Your Limit, Play Within It." This message will be included in our product and marketing materials, as well as in other vehicles and initiatives.

From BCLC's fiscal 2003/04 net income, $4 million was dedicated to Government's Problem Gambling Program. This funding is managed by the Ministry of Public Safety and Solicitor General through the Gaming Policy and Enforcement Branch.

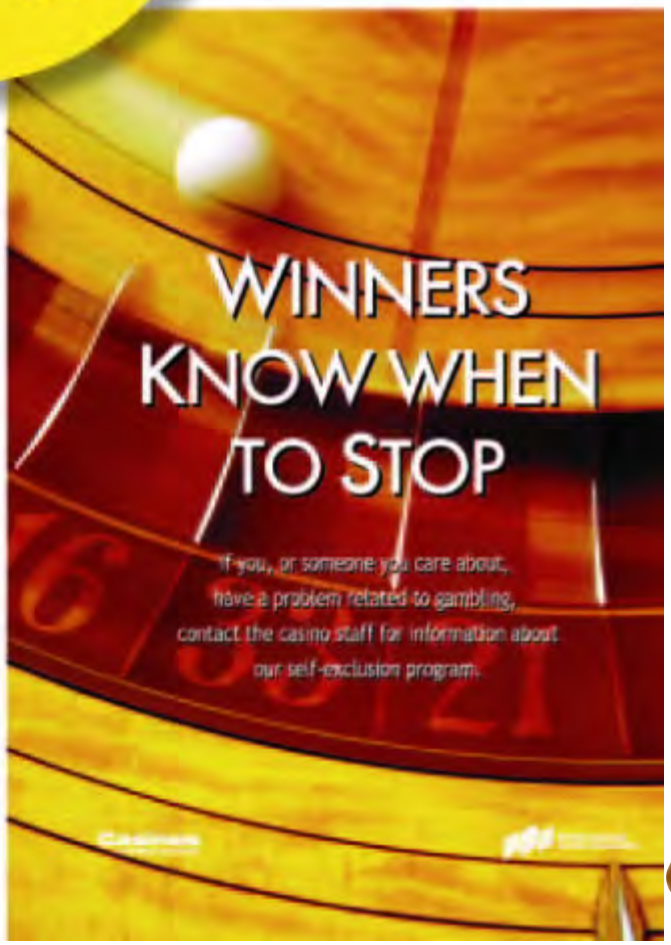
Since the program's inception in 1997, more than 600 addictions counsellors and allied professionals have received training in problem gambling issues.

The program's toll-free Problem Gambling Help Line (1-888-795-6111) is a 24-hour resource where callers can get information and referrals to community-based counselling, telephone clinical counselling and other services throughout British Columbia.

All BCLC products carry the Help Line number. Brochures, stickers and posters about BCLC games, the Problem Gambling Program and Help Line have been widely distributed to casinos and commercial bingo facilities, lottery outlets and a variety of health and social service agencies.

Our self-exclusion program allows individuals to voluntarily exclude themselves from casinos or commercial bingo halls for a period of six months, one, two or three years and cannot be revoked. An individual who enlists in the voluntary self-exclusion program is also offered an option to be referred to a problem gambling counsellor for help.

BCLC will remain committed to promoting social responsibility and responsible play practices and ensuring that the information required for individuals to make informed choices is readily available.



Corporate Governance

Authority and Regulation

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.

BCLC, as an agent of the Crown, has responsibility to conduct, manage and operate lottery, casino and commercial bingo gaming and to manage the horse racing marketplace in British Columbia. The Corporation's Board of Directors is appointed by order of the Lieutenant-Governor in Council. Board members have been appointed at various times since September 2001.

The Gaming Policy and Enforcement Branch (GPEB) regulates all aspects of the gaming industry in British Columbia. The branch develops and manages gaming policy, legislation and standards, licenses charitable gaming events and horse racing, registers gaming service providers and gaming workers, certifies gaming equipment, and investigates allegations of wrongdoing in all gaming sectors.

GPEB conducts charitable and commercial audits to ensure compliance, and manages distribution of Government's gaming proceeds, including gaming grants to charitable and community organizations. The branch administers Government's Problem Gambling Program and ensures that policies and standards are in place to help minimize the harm from gambling and promote responsible gambling practices.

Governance Framework

For many years, BCLC has had governance practices in place to guide the Board of Directors and the Corporation by setting out the lines of authority, roles and responsibilities of the Chair, Directors and committees, and a conflict of interest policy.

The Government of British Columbia recently established a governance framework that defines guiding principles for Crown corporations. This governance framework identifies the roles and responsibilities between Government and Crown corporations and provides for a Shareholder's Letter of Expectation to confirm the shared understanding of Government and BCLC on its corporate mandate, public policy issues, strategic priorities and performance expectations.

The current Board has undertaken an extensive review of the Corporation's existing governance practices, with the goal of adopting well established best practices in corporate governance, as well as ensuring the Corporation's practices were aligned with the governance framework for Crown corporations.

In 2003, a new governance framework was adopted by the Corporation. The new framework reflects the Corporation's mandate, vision, mission and strategic goals and includes updated terms of reference for the Board, Chair, Directors and committees of the Board. The new framework also includes operating guidelines for the Board and its committees and sets out processes for Board performance evaluations, strategic planning and succession planning.

The Board continuously reviews and evaluates the Corporation'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 practices, 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.

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 the long-term interests of the shareholder, the Government of British Columbia.

The Board has a primary responsibility to foster the Corporation's short-and long-term success, to oversee the conduct of the Corporation's business, and to supervise management who are responsible for the day-to-day operations.

Through the strategic planning process and the operation of committees, the Board reviews the principle risks facing the Corporation to ensure that strategies are implemented to manage such risks.

Directors

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.

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.

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, votes, findings and make recommendations.

Standing Committees

Audit

Chair: Bruna Giacomazzi

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 operation by the external auditors and makes recommendations to the Board with respect to approval of audited financial statements and quarterly results
- Reviews the financial information that will be provided to Government and the public
- Assists the Board in fulfilling its oversight responsibility by overseeing the review of the Corporation's financial reporting, information systems, risk management and internal controls

Governance and Corporate Social Responsibility

Chair: Mary MacGregor

Members: Bruna Giacomazzi, Arthur Willms

- Provides focus on corporate governance to enhance BCLC's performance
- Reviews the policies and practices of the Board and makes recommendations regarding Board effectiveness
- Ensures the Board's continuing ability to fulfil its legislative mandate
- Examines and makes recommendations regarding good corporate governance practices throughout the Corporation
- Establishes and leads the process for developing potential Director criteria
- Oversees BCLC's social responsibility policy

Human Resources and Compensation

Chair: Tazeen 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 unit and sponsorships
- Monitors the Corporation's performance against the marketing strategies and guidelines

Ex-officio members of all committees:

T. Richard Turner, Chair

Vic Poleschuk, President and CEO

Financial Highlights

Record revenues and net income for the 29th consecutive year

Revenues of $1.9 billion were under budget by $10 million, but exceeded the previous fiscal year by $97 million

Direct expenses of $1.0 billion were under budget by $7.9 million, but exceeded the previous fiscal year by $27.9 million

Total operating expenses $147 million were under budget by $5.1 million, but exceeded the previous fiscal year by $12.6 million

Ratio of administrative expenses to sales of 4.8% was on budget

Net income of $727.6 million exceeded budget by $2.6 million and the previous fiscal year by $56.7 million

This Management Discussion and Analysis reviews the financial condition and the results of operation of British Columbia Lottery Corporation for the fiscal year ended March 31, 2004, and should be read in conjunction with the Corporation's audited financial statements.

Financial Overview

Financial Results ($ in millions)	1999/00	2000/01	2001/02	2002/03	2003/04 Actual	2003/04 Budget	Variance
Sales:							
Lottery	$907.2	$937.0	$962.7	$968.6	$960.4	$990.0	($29.6)
Casino	445.2	492.3	552.4	628.1	733.5	725.0	8.5
Bingo	49.1	53.7	92.3	195.7	195.7	185.0	10.7
	1,401.5	1,483.0	1,607.4	1,792.4	1,889.6	$1,900.0	($10.4)
Direct Expenses	745.9	796.1	863.5	987.1	1,015.0	1,022.9	7.9
Operating Expenses	123.6	124.9	137.8	134.4	147.0	152.1	5.1
Net Income	$532.0	$562.0	$606.1	$670.9	$727.6	$725.0	$2.6
Profit Margin	38.0%	37.9%	37.7%	37.4%	38.5%	38.2%	.3%
Capital Expenditures	10.2	13.4	20.2	29.6	50.0	52.0	2.0
FTE	598	615	615	549	560	560	0

For the 29th consecutive year, BCLC achieved record sales and profit. The replacement of existing slot machines with 1,200 new technology interactive games, the addition of 350 new lottery accounts and two new electronic bingo sites all contributed to continuing growth in sales and profit.

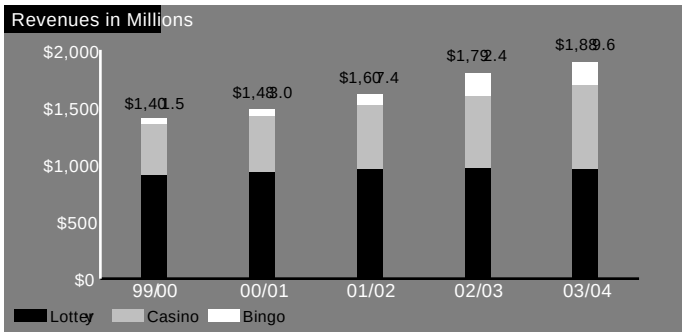
Fiscal 2003/04 sales of $1.9 billion were under budget by $10.4 million, but exceeded previous year sales by $97.2 million. While lottery sales did not achieve budgeted targets, reflecting a trend that is being experienced across Canada, sales in both the casino and bingo divisions exceeded budget.

Direct expenses of $1.0 billion were under budget by $7.9 million but exceeded the previous year by $27.9 million. The positive variance from budget is the result of lower than planned sales and a shift in product mix to lower cost games. The increase in direct costs over fiscal 2002/03 is the result of additional prizes and operator commissions to support higher sales.

Total operating costs of $147.0 million were $5.1 million less than budget, but $12.6 million greater than last year. Positive variances in amortization reflecting lower than budgeted capital expenditures for the lottery and casino division were partially offset by a reduction in interest income. The increase in operating costs over fiscal 2003/04 is the result of additional expenditures to support the growth in the business, primarily in the areas of advertising, marketing, salaries and amortization.

Net income of $727.6 million was $2.6 million greater than budget and $56.7 million greater than last year. As a percentage of sales, net income increased from 37.4% in fiscal 2002/03 to 38.5% in fiscal 2003/04, reflecting a shift in product mix to higher contribution casino games.

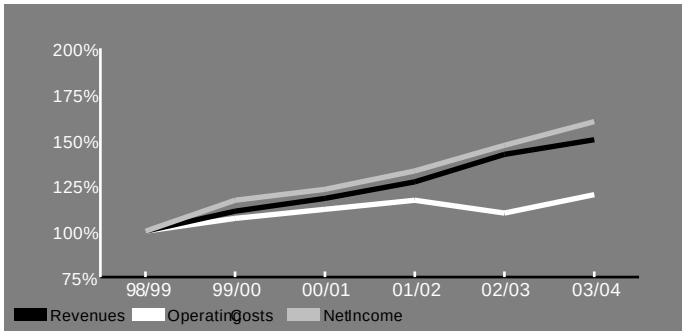
Gaming Sales Trends



Over the last four-year period, total gaming sales in British Columbia have increased from $1.4 billion to $1.9 billion, an increase of $500 million or 35%. The majority of the growth has come from the introduction of slot machines, electronic bingo, improved gaming facilities and innovative new products. On January 15, 2002, BCLC assumed responsibility for paper bingo sales in commercial halls.

While gaming in British Columbia has grown significantly over the last few years, on a per capita basis it is moderate compared to other provinces in Canada. BCLC currently ranks eighth in Canada for per capita gaming income.

Financial Trends



LOTTERY OPERATIONS

FINANCIAL OVERVIEW

Financial Results ($ in millions)	1999/00	2000/01	2001/02	2002/03	2003/04 Actual	2003/04 Budget	2003/04 Variance
Revenues							
Retail Network	688.2	705.5	717.2	742.4	747.0	766.3	(19.3)
Hospitality Network	219.0	231.5	245.5	226.2	213.4	223.7	(10.3)
	907.2	937.0	962.7	968.6	960.4	990.0	(29.6)
Direct Expenses	555.0	586.8	600.7	610.3	602.6	622.5	19.9
Operating Expenses	64.4	64.8	68.2	64.8	68.9	73.0	4.1
Net Income	$287.8	$285.4	$293.8	$293.5	$288.9	$294.5	($5.6)

Fiscal 2003/04 lottery sales of $960.4 million were $29.6 million less than budget and $8.2 million less than last year. The decline in lottery sales is reflective of trends that are being experienced across Canada and is accentuated by weak performance from the hospitality network (bars, pubs, bingo halls). Relative to budget, $24.6 million or 83% of the negative variance was the result of weak sales performance from two products, Keno and Pull Tab. Both of these products are marketed primarily through the hospitality network.

Direct expenses of $602.6 million were $19.9 million less than budget and $7.7 million less than last year. The decrease in direct costs reflects a reduction in prizes and commissions required to support lower sales.

Operating costs of $68.9 million were $4.1 million less than budget, but $4.1 million greater than last year. The positive budget variance is the result of lower amortization and operational cost savings. The increase in operating costs over fiscal 2002/03 is the result of additional expenditures for advertising, marketing, salaries and equipment costs.

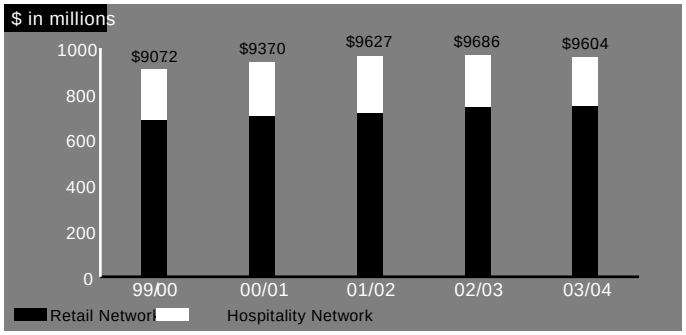
Fiscal 2003/04 net income of $288.9 million was $5.6 million less than budget and $4.6 million less than last year as a result of lower sales compared to budget and the previous year.

OPERATIONAL HIGHLIGHTS

BCLC's lottery network consists of about 3,300 retail and 1,200 hospitality locations. Current lottery products in British Columbia are considered to be mature. Over the last five-year period, sales growth has roughly matched inflation. Competition from other forms of gaming and entertainment, a decline in discretionary income, shifts in consumer traffic patterns and significant changes at retail have all contributed to a flattening of lottery sales. The maintenance of current lottery revenues and building future growth will be achieved through introducing new, innovative games, strengthening the marketing of existing games and the continuing development and refinement of the retail network.

Operational highlights for the lottery division in fiscal 2003/04 included the replacement of 435 existing lottery terminals with new technology terminals, the development and implementation of new self-service and visual-display technology for the hospitality gaming network, the introduction of new games, including Extravaganza and Canucks Scratch & Win, and the addition of about 350 new locations to the lottery network.

LOTTERY SALES TRENDS



CASINO OPERATIONS

Financial Results ($ in millions)	1999/00	2000/01	2001/02	2002/03	2003/04 Actual	2003/04 Budget	2003/04 Variance
Revenues							
Slot Machine	230.5	268.9	311.7	373.6	463.5	475.0	(11.5)
Table Games	214.7	223.4	240.7	254.5	269.9	250.0	19.9
	445.2	492.3	552.4	628.1	733.4	725.0	8.4
Direct Expenses	154.2	170.3	193.1	218.3	252.3	247.1	(5.2)
Operating Expenses	48.7	50.2	59.8	55.2	62.8	64.0	1.2
Net Income	$242.3	$271.8	$299.5	$354.6	$418.3	$413.9	$4.4

FINANCIAL OVERVIEW

Fiscal 2003/04 casino net win of $733.4 million exceeded budget by $8.4 million and the previous year by $105.3 million. The addition of 480 new slot machines to the casino network, the replacement of 1,200 existing slot machines with new interactive games, and continuing sales growth from table game operations were the primary drivers of the sales growth.

Direct expenses of $252.3 million were $5.2 million greater than budget and $34.0 million greater than last year. The increase in direct costs was the result of greater than budgeted sales and a shift to higher cost table games.

Operating costs of $62.8 million were $1.2 million less than budget and $7.6 million greater than last year. The decrease in operating costs relative to budget reflects lower costs for amortization and GST. The increase in operating costs from the previous year includes unplanned restructuring costs and funding for a special policing division established by Government during

the year that will focus solely on gaming issues, including illegal gaming activities.

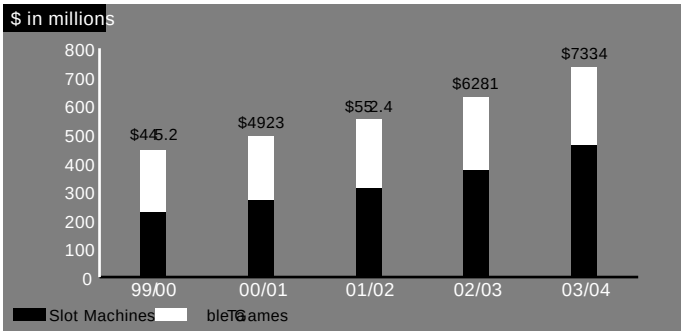
Fiscal 2003/04 net income of $418.3 million was $4.4 million greater than budget and $63.7 million greater than last year as a result of increased sales.

Operational Highlights

The Corporation's casino network includes 15 community and four destination casinos that operated 3,832 slot machines and 377 table games in fiscal 2003/04.

Operational highlights for the casino division in fiscal 2003/04 included the replacement of 1,200 existing slot machines with new interactive games, the addition of 480 slot machines to the casino network, and senior and host local government approvals to relocate or upgrade casinos in Vancouver, Richmond, Langley, Prince George, Surrey, and Coquitlam.

Casino Sales Trends



BINGO OPERATIONS

Financial Overview

Financial Results ($ in millions)	1999/00	2000/01	2001/02	2002/03	2003/04 Actual	2003/04 Budget	Variance
Revenues							
Paper Bingo	3.1	2.7	29.1	116.2	107.5	105.0	2.5
Electronic Bingo	46.0	51.0	63.2	79.5	88.2	80.0	8.2
	49.1	53.7	92.3	195.7	195.7	185.0	10.7
Direct Expenses	36.7	39.0	69.7	158.4	160.2	153.3	(6.9)
Operating Expenses	10.5	9.8	9.8	14.5	15.1	15.1	(0.0)
Net Income	$1.9	$4.9	$12.8	$22.8	$20.4	$16.6	$3.8

Fiscal 2003/04 bingo sales of $195.7 million were $10.7 million greater than budget and equal to last year's results, despite operating with fewer facilities. While traditional bingo paper sales continue to decline, performance from new electronic games has been increasing, stabilizing the overall decline in sales that has been evident for the last several years.

Direct expenses of $160.2 million were $6.9 million greater than budget and $1.8 million greater than last year. The increase in direct costs reflects an increase in prizes and commissions to support higher than budgeted sales and the new operator compensation agreement that was introduced in January 2003.

Operating costs of $15.1 million were on budget but $600,000 greater than last year. Positive variances for general administration and amortization were partially offset by higher expenditures for GST.

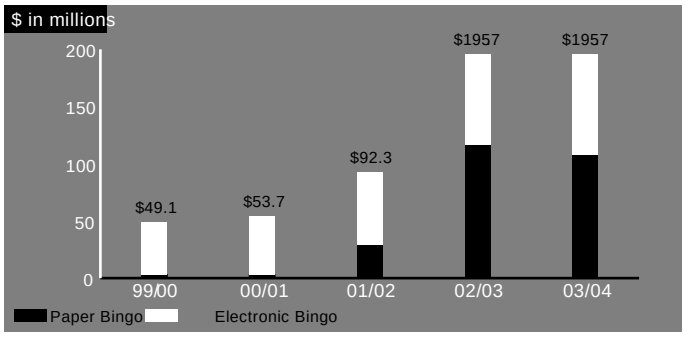
Net income of $20.4 million exceeded budget by $3.8 million, but was $2.4 million less than last year. The decrease in net income from the previous year is the result of increased service provider commissions required to enhance facilities and improve customer service.

Operational Highlights

The Corporation offers bingo products through a network of 32 commercial halls and about 20 independent operators. These products include electronic bingo (Starship), linked bingo (SuperStar Gold) and paper bingo.

Operational highlights for the year included the addition of two new electronic sites in Esquimalt and Prince George and the relocation/upgrading of bingo halls in Nanaimo and Kamloops.

Bingo Sales Trends



Canadian Gaming Comparisons

(as at March 31, 2003)

	BC	ALTA	SASK	MAN	ONT	QUE	NB	NS	PEI	NFLD	CANADA
LOTTERY											
Revenues	874.2	442.6	134.5	175.9	2,186.9	1,774.5	139.5	180.9	30.2	105.3	6,044.5
Terminals	3,747	2,134	837	845	7,903	8,305	1,000	1,304	174	1,229	27,478
CASINOS											
Revenues	628.1	662.9	163.5	162.2	3,630.7	741.7	0.0	90.4	0.0	0.0	6,079.5
Table Games	392	410	73	66	541	213	0	56	0	0	1,751
Slot Machines	3,304	6,476	2,012	1,815	19,794	5,730	0	1,099	0	0	40,230
VIDEO - LOTTERY TERMINALS											
Revenues	0.0	711.6	224.4	211.6	0.0	1,077.0	119.0	182.1	15.7	119.1	2,660.5
VLTs	0	5,995	3,760	5,198	0	14,301	2,560	3,234	406	2,597	38,051
Total Gaming Revenues	1,502.3	1,817.1	522.4	549.7	5,817.6	3,593.2	258.5	453.4	45.9	224.4	14,784.5
Gaming Devices	7,443	15,015	6,682	7,924	28,238	28,549	3,560	5,693	580	3,826	107,510
Adult Population	3,271,495	2,366,816	751,688	864,957	9,338,114	5,898,855	595,635	741,950	107,696	420,565	24,357,771
Per Capita Adult Spend	459.2	767.7	694.9	635.6	623.0	609.1	434.0	611.1	426.2	533.6	607.0
Gaming Devices per thousand population	2.3	6.3	8.9	9.2	3.0	4.8	6.0	7.7	5.4	9.1	4.4

With the introduction of gaming policy in 1997 that allowed for the introduction of slot machines, gaming revenues in British Columbia have increased significantly. While gaming revenues in British Columbia have grown over the last five years, on a per capita basis gaming spend remains moderate compared to other provinces in Canada.

As illustrated in the table above, in fiscal 2002/03, British Columbia gaming spend is ranked eighth in Canada and British Columbia has fewer gaming devices per thousand population than any other province. This moderate spend is consistent with Government's gaming policy and the Corporation's objective to market gaming in British Columbia in a socially responsible manner.

Notes:

1. Casino and video-lottery statistics obtained from KPMG Canadian Gaming Industry Highlights (2003).
2. Lottery statistics obtained from industry publications.
3. Gaming comparisons do not include Pull Tab and Bingo statistics as this information is not readily available from all provinces.

Alignment with Government's Strategic Plan

BCLC is a Crown corporation established by Government to conduct and manage gaming in British Columbia. The mission of BCLC is to provide high-quality gaming entertainment in a socially responsible manner generating income for the public good. This section is intended to illustrate how the goals and objectives of BCLC are aligned with Government's strategic direction.

Government Goals	BCLC Alignment
A strong and vibrant provincial economy	• Fiscal 2003/04 net income of $727.6 million generated for Government • Gaming supports an estimated 8,500 direct jobs and another 5,000 indirect jobs in the province • Excluding prizes, more than 75% of expenditures paid to private sector partners • Strategic partnerships with key British Columbia businesses
A supportive social fabric	• Gaming revenues provide funding to more than 5,800 charitable organizations • Strong focus on responsible play
Safe, healthy communities	• Gaming revenues provide significant funding for core Government programs, including health care and education • BCLC is committed to ensuring that players play responsibly and have access to information with respect to the risks of gambling
Key Strategic Themes	
High standards of accountability and ethics	• Corporate values that focus on accountability, integrity and good governance
Efficient delivery of services	• Strategic initiative that focuses on operational excellence in people, practices and systems • Reduction in operating costs from 4.8% to 4.6% over the next three years
Social and fiscal responsibility	• Commitment to socially responsible gaming and long-term stewardship of the gaming industry in British Columbia
Open and transparent	• Open communications with the public, business partners and consumers
Innovative and goal-oriented workforce	• Corporate values that focus on high performance and innovation

Risk And Capacity

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.

In fiscal 2003/04, BCLC formally implemented Enterprise-wide Risk Management (ERM). The goal of ERM is to create and enhance value to the organization and its key stakeholders by managing uncertainties that could either negatively or positively impact BCLC's ability to achieve its goals. The following table summarizes key risk and capacity issues facing the organization and mitigating strategies.

Risk and Capacity	Mitigating Strategy
Competition Lottery sales in British Columbia and across Canada are stagnant or declining. Bingo sales in British Columbia and across Canada have been declining for a number of years. High-quality and larger gaming facilities in neighbouring jurisdictions compete with casinos in British Columbia for casino entertainment spending.	BCLC is developing new, innovative products and investigating new distribution channels to increase entertainment value and convenience to the player. Since assuming responsibility for commercial bingo in January 2002, sales have stabilized. BCLC is transforming the bingo market through improved facilities and the introduction of new games and other forms of entertainment. BCLC's Business Plan provides for the development of fewer, higher-quality casinos sized to fit the marketplace
Host Local Government Approvals The Gaming Control Act requires that local governments provide approval for acceptance or relocation of casinos and bingo halls in their communities. Delays or the inability to obtain the necessary government approvals present a risk to delivering on revenue targets.	BCLC has developed an extensive communication and relocation process to ensure communities and key stakeholders have adequate information to make informed decisions.
Public Acceptance Without strong public acceptance and support, the Corporation's ability to achieve its business and revenue objectives may not be achieved.	BCLC is continuing to adopt industry best practices that promote responsible play. BCLC is developing and implementing programs to better inform the public about the beneficiaries of gaming. BCLC continues to place the highest level of importance on the integrity of games, processes and people.
Capacity The complexity and size of BCLC's business has increased with the addition of responsibilities to conduct and manage casino and bingo gaming.	BCLC has developed internal resources and recruited outside expertise to manage growth in the business. BCLC continues to work closely with its business partners to ensure they have adequate information and technology to manage the business.

Report on Performance

Fiscal 2003/04

Introduction

In July 2000, the Budget Transparency and Accountability Act (the Act) was passed in the British Columbia legislature. The primary objectives of the Act are to make the Government budget process more accountable and accessible to the public, to improve the reliability and credibility of budget forecasts, to improve accountability for results, to improve the accounting and the quality of financial information provided by Government, and to improve the timeliness, consistency, comparability and transparency of information provided to the public.

In August 2001, the Act was amended to require that three-year Service Plans for Government organizations be made public annually with the budget on the third Tuesday in February. The Annual Report is intended to be a companion document to the Service Plan. This year's Annual Report is the companion document to the Corporation's Fiscal 2003/04 - 2005/06 Service Plan that was tabled in February 2003.

The following Report on Performance reports on the four goals and related objectives, strategies, performance measures and targets that were established as part of the Fiscal 2003/04 - 2005/06 Service Plan. As a note of reference, during the planning process for fiscal 2004/05 and the resulting Fiscal 2004/05 - 2006/07 Service Plan, the Corporation increased the number of goals from four to five and made revisions to the related objectives, strategies, performance measures and targets. The goals and objectives were revised to better align with the Corporation's Strategic and Business Plans. These new goals and objectives will be reported in next year's Annual Report.

1. To Provide High-Quality Gaming Entertainment

Objectives
• Increase the quality and entertainment value of our gaming products and facilities in British Columbia
Strategies
• Improve the quality of casinos by completing all eligible casino locations and through upgrades of existing facilities. • Invest in the development of more interactive products offered to consumers

Performance Measures	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Player Participation	n/a	60% actual	58% actual 61% target	62%	63%	65%

BCLC is a commercial Crown corporation that offers consumer gaming products in a competitive marketplace. It is the goal of the organization to provide high-quality gaming entertainment that meets or exceeds the expectations of players, while at the same time balancing revenues generated from gaming with the social impacts on individuals and communities.

As a key measure, BCLC tracks player participation through the lottery, casino and bingo distribution channels. It is the goal of the organization to increase responsible play across a broad range of demographic groups through the introduction of new, innovative games and high-quality gaming facilities.

Player participation decreased slightly in fiscal 2003/04 and missed the target by 3%. Lower player participation has been more evident in lottery and bingo games, reflecting the mature market, with casino play increasing.

In fiscal 2003/04, BCLC continued to introduce new, innovative products and make improvements to the distribution channels and facilities through which gaming is offered.

In the lottery division, along with the development of a new marketing relationship with the Vancouver Canucks and the introduction of a new hockey-themed game, BCLC increased the lottery network by about 350 accounts and introduced self-service technology and visual-display technology in the hospitality network.

In the casino division, a major initiative of BCLC is to improve casino gaming facilities through the development of fewer, higher-quality casinos sized to fit the marketplace. During the year, BCLC was successful in obtaining local government approvals for the relocation or upgrades of casino gaming facilities in Richmond, Langley, Prince George, Coquitlam, Surrey and Vancouver. The Corporation also replaced 1,200 older technology slot machines with new interactive games and added 480 slot machines to the casino network.

BCLC assumed responsibility for commercial bingo in January 2002. Bingo is a mature product and sales have been declining for a number of years. It is the Corporation's goal, working in partnership with bingo service providers, to transform and reinvigorate the bingo industry through new or upgraded facilities and the introduction of new innovative games. During the year, BCLC added new electronic bingo sites in Esquimalt and Prince George and relocated or upgraded existing locations in Nanaimo and Kamloops.

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

Objectives
• To build greater public support and trust
Strategies
• Increase the public's awareness of the beneficiaries of gaming in British Columbia • Promote and support responsible play programs in British Columbia

Performance Measures	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Public support of gaming	n/a	57% actual	58% actual 58% target	59%	60%	65%
Public support of BCLC	n/a	72% actual	74% actual 71% target	72%	73%	75%
Public awareness of the beneficiaries of gaming	n/a	35% actual	34% actual 35% target	40%	45%	50%
Public recognition for social responsibility	56% actual	55% actual	56% actual 59% target	60%	60%	65%

Public support of gaming and BCLC both increased in fiscal 2003/04. While these measures are improving and have achieved target, BCLC is aware that there is still a low level of public recognition and knowledge of the role the Corporation plays in gaming, our emphasis on gaming integrity, and the benefits gaming generates for British Columbia. In response to this low level of awareness, we are developing communication programs that will inform the public of the benefits generated by gaming and, specifically, a communication program that informs the public "Where the Money Goes." These programs will be delivered through www.bclc.com and other existing communication channels, including the Annual Report, Service Plan, retailer and business partner communications and existing advertising and marketing campaigns.

The Corporation and Government recognize that aspects of gaming policy are inherently controversial. Of the total adult population, an estimated 96% do not have problems with gaming, and most that choose to participate do so for social and recreational purposes. The Corporation recognizes the importance of ensuring that problem gambling issues are addressed through public awareness, education, prevention and treatment programs. During the year, a responsible gaming framework was developed that sets out the roles and responsibilities for both Government and BCLC. Additionally, an Appropriate Response Training program for BCLC employees and gaming partners was developed and introduced in fiscal 2003/04.

In March 2003, Government released a report on the prevalence of gaming in British Columbia. Key findings of the study concluded that the incidence of problem gamblers in British Columbia is consistent with other provinces and the incidence of problem gambling remains relatively unchanged since previous studies in 1993 and 1996.

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

Objectives
• To be a high-performance organization

Strategies
• Implement a performance management system that recognizes 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	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Net Income per employee ($ m)	$.99	$1.25 actual	$1.30 actual $1.29 target	$1.48	$1.62	$1.71
Employee Engagement	n/a	n/a	56% n/a target	75%	78%	80%

As part of BCLC's planning process this year, the Corporation implemented the Balanced Scorecard as a managerial tool to fully integrate the organization's Service Plan, Business Plan and operational budgets. The Balanced Scorecard provides a common framework for business units, departments and employees to define plans and performance measures that directly link to the Service Plan.

During the year, the Corporation also initiated an ongoing program to strengthen organizational health and performance. The intent of this program is to develop and implement practices in the organization that instil a higher performance culture that supports and promotes employee engagement and leadership development. One example is the redesign of the Corporation's performance appraisal system that directly links results back to business plans and has a direct impact on compensation.

Net income generated per employee is one of the key performance measures tracked by BCLC. In fiscal 2003/04, net income generated by each employee increased to $1.3 million, an increase of $50 thousand or 4.0%. The increasing profitability can be attributed to continuing growth in the business, increasing employee productivity and the utilization of technology to streamline or automate business processes.

In March 2004, BCLC completed a comprehensive employee survey that was designed to measure employee engagement. This measure, which replaces the previous employee satisfaction measure, places BCLC in the mid-range of companies that have completed similar surveys and provides the organization with a roadmap for the future.

4. To Generate Net Income for the Public Good

Objectives
• Maximize income to Government of British Columbia within the policy guidelines established by Government • Operate the business in the most effective and efficient manner possible
Strategies
• Continue to develop and invest in products gaming facilities and distribution channels that generate new 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	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Net Income ($m)	$606.1 actual	$670.9 actual	$727.6 actual $725.0 target	$850.0	$950.0	$1,010.0
Profit Margin	37.7% actual	37.4% actual	38.5% actual 38.2% target	40.3%	40.7%	39.3%
Profit per capita	$189.2 actual	$206.2 actual	$219.9 actual $219.2 target	$252.6	$277.7	$290.3
Operating Cost Ratio	5.5% actual	4.6%	4.8% actual 4.8% target	4.8%	4.6%	4.6%

For the 29th consecutive year, BCLC achieved record sales and profits. The replacement of existing slot machines with 1,200 new interactive games, the addition of about 350 new lottery accounts and two new electronic bingo sites all contributed to the continuing growth in sales and profit.

BCLC continues to invest in products gaming facilities and distribution channels to generate new income. In the lottery division, in addition to the new accounts opened during the year, two new products, Extravaganza and a Canucks Scratch & Win game, were introduced. In the casino division, in addition to the introduction of new interactive games, a new casino was opened at the Fraser Downs racetrack on April 5, 2004. Relocated or upgraded casinos are scheduled to open in Richmond, Langley, Prince George, Coquitlam and Vancouver in fiscal 2004/05. In the bingo division, the Corporation's plans provide for the development of six to eight community gaming centres in fiscal 2004/05. These upgraded facilities will replace existing bingo halls and provide the player with new interactive games, including slot machines.

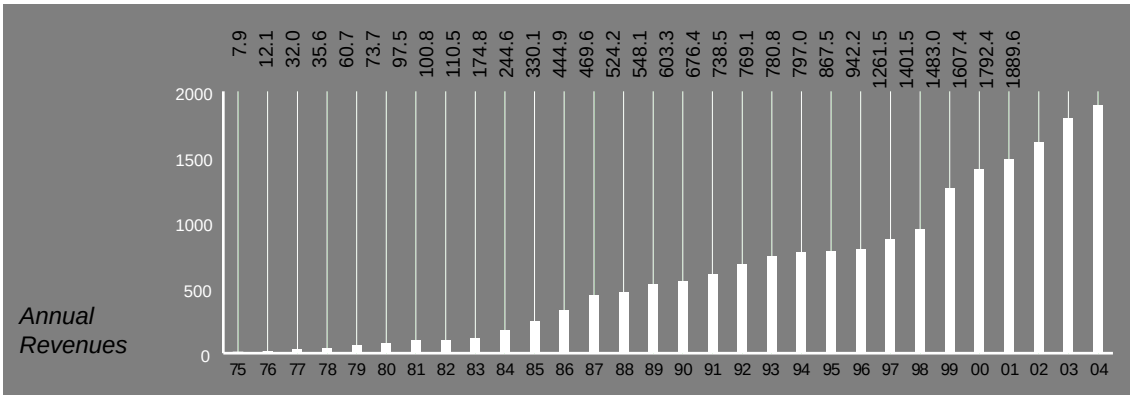
During the year, BCLC made significant progress on the replacement or upgrading of the Corporation's technology infrastructure. Major achievements included the piloting and introduction of a new lottery terminal, the deployment of the casino management system in 10 new locations, the installation of a new electronic gaming system at the Kamloops bingo hall and the replacement of the Corporation's financial systems with an enterprise-wide integrated system.

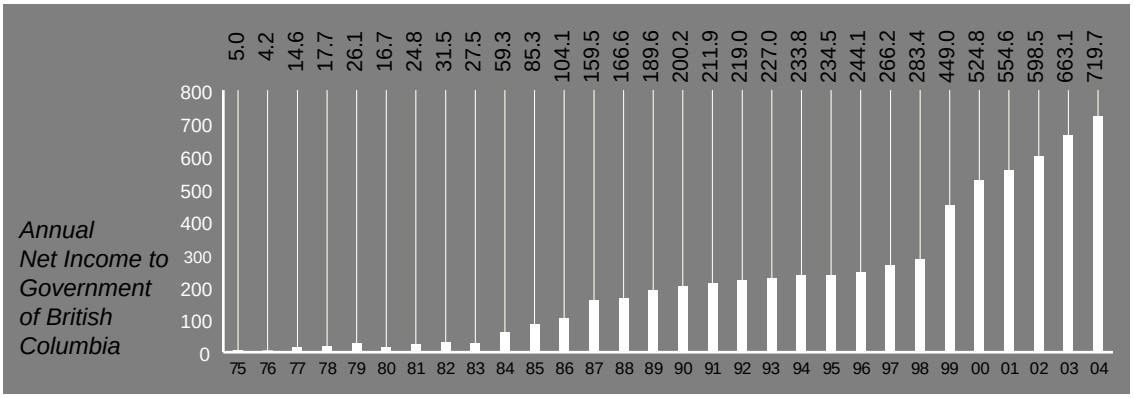
In fiscal 2003/04, net income of $727.6 million was $56.7 million or 8.5% greater than the previous year. BCLC's profit margin continues to improve as the higher contribution casino games become a larger part of the business. Future growth in the business will be achieved through the continuing improvement and consolidation of gaming facilities and the introduction of innovative and player-focused games.

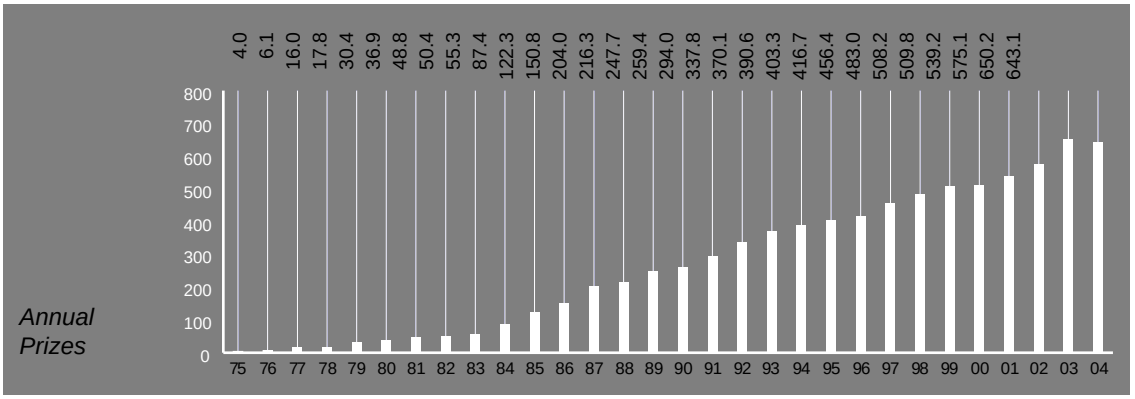
In fiscal 2003/04, BCLC's adult per capita net income was $219.9. While this represents an increase from the previous year, British Columbia's per capita gaming revenues remain below the Canadian average, reflecting both Government's and BCLC's emphasis on moderate gaming policies.

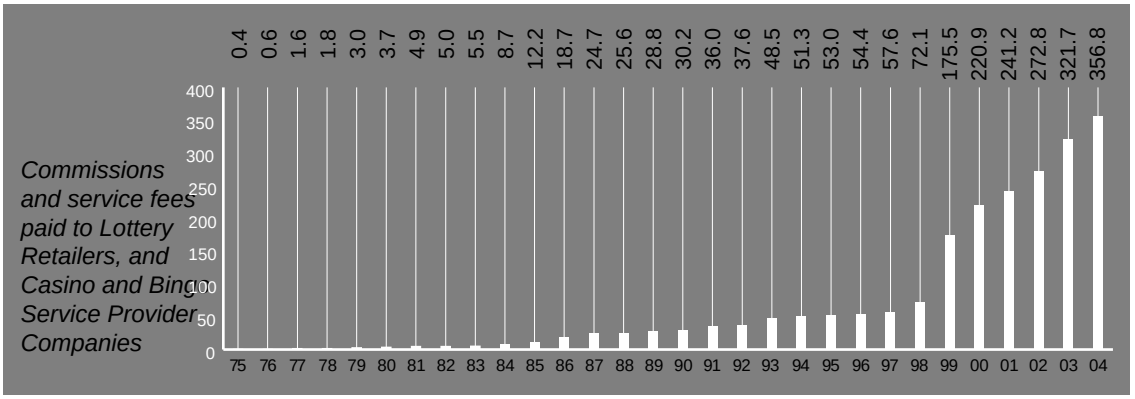
BCLC's fiscal 2003/2004 operating cost ratio of 4.8% was on budget, but higher than the previous year. The increase in the operating cost ratio is the result of BCLC developing infrastructure to support future growth in the business.

Sales and Profit









Management's Responsibility for Financial Reporting

The financial statements of British Columbia Lottery Corporation have been prepared by management in accordance with generally accepted accounting principles. The financial statements present fairly the financial position of the Corporation as at March 31, 2004, and the results of its operations and the changes in its financial position for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial statements in a timely manner.

KPMG, LLP, Chartered Accountants, have performed an independent audit of British Columbia Lottery Corporation. The Auditors' Report outlines the scope of this independent audit and expresses an opinion of the financial statements of British Columbia Lottery Corporation.

Vic Poleschuk
President and CEO

Doug Penrose
Vice-President, Finance and Corporate Services

Auditors' Report

To the Directors of
British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2004 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Kamloops, Canada
April 16, 2004

Consolidated Balance Sheet

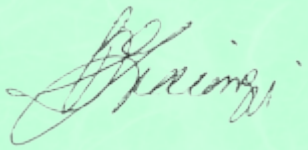
March 31, 2004, with comparative figures for 2003

(in thousands of dollars)	2004	2003
ASSETS		
Cash and short-term investments	**$ 72,761**	$ 93,970
Accounts receivable (note 3)	**44,032**	48,617
Prepaid expenses	**6,945**	7,351
Accrued pension plan asset (note 4)	**5,265**	3,883
Property, plant and equipment (note 5)	**55,106**	30,855
	$ 184,109	$ 184,676
LIABILITIES		
Prizes payable	**$ 40,944**	$ 55,113
Accounts payable and accrued liabilities	**54,789**	55,439
Accrued post retirement benefit obligation (note 4)	**16,163**	13,807
Payable to Interprovincial Lottery Corporation	**1,797**	2,212
Due to Government of British Columbia	**70,416**	58,105
	$ **184,109**	$ 184,676

See accompanying notes to consolidated financial statements.

Approved:

T. Richard Turner
Director



Bruna Giacomazzi
Director

Consolidated Statement of Income

Year ended March 31, 2004, with comparative figures for 2003

(in thousands of dollars)	2004	2003
Revenues (note 6)	**$ 1,889,637**	$ 1,792,411
Direct expenses:		
Prizes	**643,098**	650,183
Commissions	**356,777**	321,744
Ticket printing and bingo paper	**15,133**	15,118
	1,015,008	987,045
Revenues less direct expenses	**874,629**	805,366
Operating expenses (note 14):		
Administrative expenses	**90,597**	83,031
Special operating costs (note 7)	**1,205**	500
Amortization	**24,724**	20,905
Less: Interest and other income	**(1,316)**	(2,906)
	115,210	101,530
Income before special policing costs and GST expense	**759,419**	703,836
Special policing costs (note 8)	**543**	–
GST expense	**31,233**	32,899
Net income	**$ 727,643**	$ 670,937
Allocation of net income:		
Government of British Columbia	**$ 719,731**	$ 659,862
Government of Canada (note 9)	**7,912**	7,767
Payments pursuant to ministerial direction (note 10)	**–**	3,308
	$ 727,643	$ 670,937

Segmented information (note 14)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Government of British Columbia

Year ended March 31, 2004, with comparative figures for 2003

(in thousands of dollars)	2004	2003
Balance, beginning of year	$ 58,105	$ 50,074
Net income	727,643	670,937
	785,748	721,011
Payments to Government of British Columbia	707,420	655,139
Allocation of income to Government of Canada	7,912	7,767
	715,332	662,906
Due to Government of British Columbia	$ 70,416	$ 58,105

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2004, with comparative figures for 2003

(in thousands of dollars)	2004	2003
Cash provided by (used in):		
OPERATIONS:		
Net income	$ 727,643	$ 670,937
Adjustments for:		
Amortization of property, plant and equipment	24,724	20,905
	752,367	691,842
Changes in non-cash operating items	(9,269)	13,653
	743,098	705,495
FINANCING:		
Payments to Government of British Columbia	(707,420)	(655,139)
Allocation of income to Government of Canada	(7,912)	(7,767)
	(715,332)	(662,906)
INVESTMENTS:		
Additions to property, plant and equipment	(48,975)	(29,592)
Increase (decrease) in cash	(21,209)	12,997
Cash, beginning of year	93,970	80,973
Cash, end of year	$ 72,761	$ 93,970

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2004 and 2003

(in thousands of dollars)

1. Nature of the Corporation:

The British Columbia Lottery Corporation (BCLC) is a Crown corporation. BCLC was incorporated under the *Company Act* of British Columbia on October 25, 1984, and is continued under the *Gaming Control Act* (August 2002). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. Significant accounting policies:

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Short-term investments

Short-term investments are valued at the lower of cost and market.

(c) Property, plant and equipment:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year will be capitalized. The Corporation's property, plant and equipment are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Building and leasehold improvements	5 years
Furniture and equipment	5 years
Computer systems	3 years
Online gaming terminals	3 years
Pull tab vending machines	3 years
Signs and fixtures:	
Computer	3 years
Non-computer	5 years
Bingo equipment	3 years
Casino equipment	3 years

Amortization is prorated in the year the assets are put in use.

(d) Employee future benefits:

The Corporation has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the highest 60 consecutive months of pensionable earnings. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post retirement benefit life insurance and health care plans for substantially all retirees.

The Corporation measures the costs of its obligation based on its best estimate.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.

(in thousands of dollars)

2. Significant accounting policies (continued):

(d) Employee future benefits (continued):

- For the purpose of calculating expected return on plan assets, those assets are valued at fair market value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the Pension Benefits Standards Act. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(e) Revenue recognition:

Lottery games:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

Bingo games:

Revenue from the operation of paper, electronic, and linked Bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played.

Casinos:

Revenues from casino slot machines and table games are recorded in the statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the statement of income in the period they are incurred.

(f) Prize expenses:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out to the player in the form of bonus prizes and/or bonus draw promotions.

(g) Software development costs:

Software development costs are deferred if they meet certain criteria specified by Canadian generally accepted accounting principles, otherwise they are expensed as incurred. At year end, the Corporation has not deferred any software development costs.

(h) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include pension plan assets, liabilities and expenses, prizes payable and expense, and GST liability and expense. Actual results could differ from those estimates.

(i) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(in thousands of dollars)

3. Accounts receivable:

	2004	2003
Retail	$ 42,407	$ 44,963
Other	1,625	3,654
	$ 44,032	$ 48,617

4. Employee future benefits:

The Corporation has a defined benefit pension plan (RPP) and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2004	2003	2004	2003
ACCRUED BENEFIT OBLIGATION				
Balance at beginning of year	$ 40,589	$ 34,901	$ 20,011	$ 12,991
Adjustment for supplementary plan at October 1, 2003	1,172	–	–	–
Adjustment for Early Retirement Program	–	1,700	–	–
Current service cost	1,532	1,403	1,099	919
Interest cost	3,139	2,787	1,413	1,038
Employee contributions	1,361	1,267	–	–
Benefits paid	(1,250)	(1,469)	(298)	(212)
Actuarial loss (gain)	7,835	–	3,061	5,275
Balance at end of year	54,378	40,589	25,286	20,011
PLAN ASSETS				
Fair value at beginning of year	35,578	39,117	–	–
Annual return on plan assets	8,324	(5,162)	–	–
Employer contributions	3,904	1,825	298	212
Employee contributions	1,361	1,267	–	–
Benefits paid	(1,250)	(1,469)	(298)	(212)
Balance at end of year	47,917	35,578	–	–
Funded status - surplus (deficit)	(6,461)	(5,011)	(25,286)	(20,011)
Unamortized past service cost	1,113	–	–	–
Unamortized net actuarial loss (gain)	10,613	8,894	9,123	6,204
Accrued pension plan benefit asset (liability)	$ 5,265	$ 3,883	$ (16,163)	$ (13,807)

(in thousands of dollars)

4. Employee future benefits (continued):

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. An actuarial valuation was made as of April 1, 2003 by Mercer Human Resource Consulting, a firm of consulting actuaries and then extrapolated to March 31, 2004. The Corporation will be having a valuation completed as of March 31, 2006. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2004	2003	**2004**	2003
AT BEGINNING OF PERIOD:				
Discount rate	**7.5%**	7.5%	**7.5%**	7.5%
Expected rate of return on plan assets	**7.0%**	7.0%	**–**	–
Rate of compensation increase	**5.0%**	5.0%	**–**	–
Health care cost trend rate:				
2004/2003	**–**	–	**6.17%**	5.10%
Ultimate	**–**	–	**4.21%**	4.10%
Year ultimate reached	**–**	–	**2010**	2005
AT END OF PERIOD:				
Discount rate	**6.5%**	7.5%	**6.5%**	7.5%
Rate of compensation increase	**4.5% for RPP**	5.0%	**–**	–

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2004	2003	**2004**	2003
Current service cost, net of employees' contributions (including provision for plan expenses)	**$ 1,532**	$ 1,403	**$ 1,099**	$ 919
Interest cost	**3,139**	2,787	**1,413**	1,038
Expected return on plan assets	**(2,553)**	(2,786)	**–**	–
Amortization of net actuarial loss (gain)	**345**	–	**142**	–
Amortization of past service cost	**59**	–	**–**	–
Net benefit plan expense	**$ 2,522**	$ 1,404	**$ 2,654**	$ 1,957

(in thousands of dollars)

5. Property, plant and equipment:

	Cost	Accumulated amortization	2004 Net	2003 Net
Land	$ 700	$ –	**$ 700**	$ 700
Building and leasehold improvements	23,715	21,897	**1,818**	2,390
Furniture and equipment	4,706	4,151	**555**	679
Computer systems	33,775	24,730	**9,045**	1,783
On-line gaming terminals	47,926	40,960	**6,966**	3,040
Pull tab vending machines	8,345	8,131	**214**	347
Signs and fixtures	9,540	7,260	**2,280**	1,890
Bingo equipment	22,834	18,831	**4,003**	4,687
Casino equipment	86,577	57,052	**29,525**	15,339
	$ 238,118	$ 183,012	**$ 55,106**	$ 30,855

6. Revenues:

	2004	2003
LOTTERY:		
Keno	**$ 221,219**	$ 226,335
Scratch & Win	**185,255**	183,321
Lotto 6/49	**161,000**	171,682
Lotto Super 7	**119,662**	111,156
Pull Tab	**87,611**	94,433
Extra	**70,551**	72,184
BC/49	**60,988**	64,656
Sports Action	**33,692**	30,384
Living Large Lottery	**8,705**	7,989
Daily 3	**4,262**	4,393
Chaser	**3,065**	2,076
Special Event	**4,421**	–
	960,431	968,609
BINGO:		
Bingo paper retail	**107,497**	116,214
Starship Bingo	**64,852**	55,816
SuperStar Gold	**10,226**	11,867
Handheld Bingo	**13,146**	11,781
	195,721	195,678
CASINO - NET WIN:		
Slot machines	**463,547**	373,627
Table games	**269,938**	254,497
	733,485	628,124
Total revenues	**$1,889,637**	$1,792,411

(in thousands of dollars)

7. Special operating costs:

Special operating costs relate to the estimated restructuring costs associated with the Corporation's Core Service Review. Included in the costs are employee severance and early retirement costs and other costs related to the restructuring of the business.

8. Special policing costs:

In February 2003, based on direction from the provincial government, the Integrated Illegal Gaming Enforcement Team (IIGET) was established. The financial resources required to operate the IIGET are provided by British Columbia Lottery Corporation pursuant to a Sponsoring Agreement with the Province. IIGET is a specialized division of the Royal Canadian Mounted Police that works cooperatively with Gaming Policy and Enforcement Branch to provide a comprehensive and integrated approach to the investigation and enforcement of the criminal code as it relates to illegal gaming activities in British Columbia.

9. Payments to Government of Canada:

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $8,200 for the next fiscal year ending March 31, 2005.

10. Payments pursuant to ministerial direction:

Pursuant to Section 22 of the Financial Administration Act, in fiscal 2002/03, the Corporation was directed to pay expenditures for the Problem Gambling Program.

11. Interprovincial Lottery Corporation expenses and interest revenue:

The Corporation's share of the Interprovincial Lottery Corporation (I.L.C.) prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

12. Lease obligations:

The Corporation is committed to payments under operating leases for premises.
Minimum annual rental payments for the next five years are approximately as follows:

2005	$ 1,730
2006	1,456
2007	466
2008	239
2009	145

(in thousands of dollars)

13. Financial instruments:

The carrying value of accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation are recorded at cost, which approximates fair value.

14. Segmented information:

Year ended March 31, 2004				
Sector of activity	**Lotteries**	**Casinos**	**Bingos**	**Consolidated**
Revenues	$ 960,431	$ 733,485	$ 195,721	$ 1,889,637
DIRECT EXPENSES:				
Prizes	524,527	–	118,571	643,098
Commissions	64,954	252,293	39,530	356,777
Ticket printing and bingo paper	13,075	–	2,058	15,133
	602,556	252,293	160,159	1,015,008
Revenue less direct expenses	357,875	481,192	35,562	874,629
OPERATING EXPENSES:				
Administrative expenses	55,171	28,633	6,793	90,597
Special operating costs	421	710	74	1,205
Amortization	4,978	16,102	3,644	24,724
Less interest and other income	(3,203)	1,576	311	(1,316)
	57,367	47,021	10,822	115,210
Income before special policing costs and GST expense	300,508	434,171	24,740	759,419
Special policing costs	190	319	34	543
GST expense	11,394	15,524	4,315	31,233
Net income	$ 288,924	$ 418,328	$ 20,391	$ 727,643

(in thousands of dollars)

14. Segmented information (continued):

Year ended March 31, 2003

Sector of activity	Lotteries	Casinos	Bingos	Consolidated
Revenues	$ 968,609	$ 628,124	$ 195,678	$1,792,411
DIRECT EXPENSES:				
Prizes	532,016	–	118,167	650,183
Commissions	65,404	218,328	38,012	321,744
Ticket printing and bingo paper	12,856	–	2,262	15,118
	610,276	218,328	158,441	987,045
Revenue less direct expenses	358,333	409,796	37,237	805,366
OPERATING EXPENSES:				
Administrative expenses	51,020	25,365	6,646	83,031
Special operating costs	191	275	34	500
Amortization	5,014	11,687	4,204	20,905
Less Interest and other income	(2,840)	(121)	55	(2,906)
	53,385	37,206	10,939	101,530
Income before GST expense	304,948	372,590	26,298	703,836
GST expense	11,402	17,966	3,531	32,899
Net income	$ 293,546	$ 354,624	$ 22,767	$ 670,937

Head Office

74 West Seymour Street

Kamloops, BC V2C 1E2

(250) 828-5500

Sales and Marketing Office

10760 Shellbridge Way

Richmond, BC V6X 3H1

(604) 270-0649

Appendix T – 2005/06:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2005-2006,* (Kamloops: British Columbia Lottery Corporation, 2006).

Communities

British Columbia Lottery Corporation | ANNUAL REPORT 2005~06

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

APPENDIX T

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BOARD MEMBERS

Chair

John McLernon *Vancouver*	Appointed December 9, 2005
T. Richard Turner *West Vancouver*	Appointed September 26, 2001 *Resigned December 9, 2005*

Vice-Chair

Arthur Willms *Vancouver*	Appointed September 26, 2001

Directors

John Bell *West Vancouver*	Appointed September 26, 2001
Bruna Giacomazzi *Abbotsford*	Appointed September 26, 2001 *Resigned November 1, 2005*
David Gillespie *Kamloops*	Appointed March 31, 2005
D. Neil McDonnell *North Vancouver*	Appointed April 23, 2002
Tazeem Nathoo *West Vancouver*	Appointed July 26, 2002
Donald Pettit *West Vancouver*	Appointed September 26, 2001
Eric Sorensen *Kelowna*	Appointed December 8, 2005
Kathy Stevenson *Kelowna*	Appointed April 23, 2002

SENIOR EXECUTIVE

President and CEO

Vic Poleschuk

Vice-Presidents

Jay-Ann Fordy	Human Resources and Organizational Development
Kevin Gass	Corporate Communications and Marketing
Jim Lightbody	Lottery Gaming
Brian Lynch	Casino Gaming
Scott Norman	Information Technology and Chief Information Officer
Doug Penrose	Finance and Corporate Services
Marsha Walden	Bingo Gaming

To the Honourable John Les, Minister of Public Safety and Solicitor General

Dear Minister:

Since 1985, British Columbia Lottery Corporation (BCLC) has offered responsible gaming entertainment to generate net income that supports vital Government programs that benefit British Columbians every day.

Fiscal 2005/06 was another successful year for BCLC, highlighted by accomplishments in both financial and operational performance. The Corporation exceeded key financial targets to deliver total revenues of $2.26 billion, resulting in total net income of $922.7 million. From that net income, $914.4 million was distributed to the Government of British Columbia and $8.3 million to the Government of Canada.

The majority of our financial performance measures were met and in some cases exceeded. However, a number of performance measures, including our player participation, player satisfaction, public support for gaming and BCLC, public recognition for social responsibility and awareness of the beneficiaries of gaming, were not achieved. These are very important measures that BCLC will strive to achieve.

Major risks continue to be competition from other forms of gaming, public acceptance of gaming in British Columbia and obtaining host local government approvals for relocated and improved gaming facilities in their communities.

BCLC's 2005/06 Annual Report was prepared under the Board of Directors' direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of BCLC for the 12 months ended March 31, 2006. All significant decisions, events and identified risks, as of March 31, 2006, have been considered in preparing the report.

The information presented is prepared in accordance with the BC Reporting Principles and represents a comprehensive picture of BCLC's actual performance in relation to the 2005/06 – 2007/08 Service Plan. The measures presented are consistent with BCLC's mission, goals and objectives and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

This report contains estimates and interpretive information that represent the best judgment of management. Any significant limitations in the reliability of data are identified in the report.

On behalf of BCLC's Board of Directors, senior management and employees, it is my privilege to submit the Annual Report for fiscal year ended March 31, 2006.

Respectfully submitted,

John McLernon
Chair, Board of Directors

MESSAGE FROM OUR CHAIR AND PRESIDENT

On behalf of BCLC's Board of Directors, our employees and our business partners, we are pleased to report on another successful year of gaming operations and the benefits generated for the people of British Columbia.

BCLC is in the entertainment business, and consumers today are being offered an ever-increasing range of entertainment choices in an increasingly global marketplace. Within this competitive and complex environment, BCLC finds challenges and opportunities in fulfilling our mission to offer responsible gaming entertainment, generating income for the public good.

As a dynamic, player-focused company specializing in gaming entertainment products and experiences, we analyze trends, move with the changing marketplace and explore technological advances. We are continually developing new, innovative and progressive products and facilities that raise the quality and standards of gaming entertainment experiences in British Columbia.

During fiscal 2005/06, BCLC achieved strong financial performance with sales revenues of $2.26 billion and net income of $922.7 million. We are justly proud of our contributions to the British Columbia economy and of the net income generated for good causes – be it the $556 million generated for Government programs that support vital health, education and social programs or the $147 million dedicated to health care or the $138 million distributed to nearly 6,000 important charitable and community organizations serving their communities in every corner of the province.

John McLernon
Chair, Board of Directors

From an organizational standpoint, a number of key achievements were realized. Our strategic initiative to transform and reinvent the lottery business included the introduction in February of SportsFunder, a suite of lottery games launched to support amateur sport in British Columbia. Net profit from all SportsFunder games goes directly to support the dreams and future of amateur athletes around our province. Over the next six years, SportsFunder is expected to generate an incremental $20 million in direct benefits for amateur sports in British Columbia.

As another initiative toward our goal to rejuvenate lotteries, BCLC introduced Internet purchase on BCLC.com in October 2004. PlayNow, which launched with select Sports Action games, is a way for BCLC to distribute lottery products to adult residents of British Columbia. During fiscal 2005/06, we continued to provide our players with greater convenience in buying their lottery products by adding the popular games Lotto 6/49, Lotto Super 7, Extra and Keno on PlayNow. After our first full year of operation, we were pleased to be providing this distribution channel to some 30,000 registered players.

We continued to pursue our vision to transform casinos in British Columbia by providing fewer, but high-quality properties sized to fit the marketplace. The new Cascades Gateway Casino, Hotel and Convention Centre opened in Langley, while Coquitlam's casino was redesigned as Boulevard Casino. We were pleased to partner with Great Canadian Casinos for the David Foster Foundation charity gala that celebrated the opening of the new show theatre at River Rock Casino Resort in Richmond. The River Rock Theatre is a multi-use venue that offers a variety of entertainment options, such as high-profile entertainers, concerts, dinner theatre, trade shows and special events.

BCLC's support of community-based events once again extended throughout the province. Through our corporate and product sponsorships, we contributed to a variety of celebrations, festivals, business conferences, tournaments

and fundraisers. These included the 2005 Grey Cup Festival and 2006 IIHF World Junior Hockey Championship, as well as a large number of local events such as Canada Day festivities and Chamber of Commerce activities.

Other initiatives strengthened BCLC's commitment to ensure that our fiscal objectives are carefully balanced with our corporate social responsibility. We take both a leadership role and a shared responsibility approach in addressing responsible play practices and the prevention and treatment of problem gambling. While 95% of British Columbia adults who choose gambling entertainment play responsibly, resources must be available for those who experience difficulties.

A new responsible gambling education and problem gambling prevention initiative was introduced at River Rock Casino Resort and at Edgewater Casino in Vancouver. Responsible Play Information Centre booths are staffed by information officers who are trained in prevention, education and counselling. These officers provide customers with education, support and referral to free professional services.

This pilot project is the result of a strategic alliance called the British Columbia Partnership for Responsible Gambling, which involves the Government of British Columbia, BCLC, gaming service providers, the City of Vancouver and City of Richmond. The partnership will be expanded in the next fiscal year to include additional municipalities and service providers.

At BCLC, we are one team striving for excellence. Our employees are the stars of our business and we support them in bringing to life our high-performance values, including our courage to innovate and our focus on the player. We know that success is not achieved in isolation, and we gratefully acknowledge the confidence of our players, business service partners, stakeholders and communities in contributing to our achievements.

Vic Poleschuk
President and CEO

In the fiscal year ahead, we will continue to adapt our business and products to meet the ever-changing marketplace while continuing to live up to our commitments to social responsibility and responsible growth of the gaming entertainment market in British Columbia.

We will continue to take further strides in meeting new challenges and opportunities to ensure the long-term success of BCLC, and look forward to continuing to serve the best interests of all British Columbians in offering responsible gaming entertainment, generating income for the public good.

Above all, British Columbians will have confidence in knowing that, "When you play, good things happen."

BENEFITS FOR BRITISH COLUMBIANS

SINCE 1985, BCLC HAS GENERATED:

$8 BILLION IN NET INCOME DISTRIBUTED TO THE GOVERNMENT OF BRITISH COLUMBIA

$8.9 BILLION IN PRIZES WON BY LOTTERY AND BINGO PLAYERS

$3 BILLION IN COMMISSIONS AND SERVICE FEES EARNED BY
LOTTERY RETAILERS AND CASINO AND BINGO SERVICE PROVIDER COMPANIES

BCLC 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* (2002) of British Columbia.

Government has chosen to operate gaming through a Crown corporation not only to meet the requirements of the *Criminal Code*, but to ensure that the objective of revenue generation is carefully balanced with the objectives of gaming integrity and social responsibility.

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia.

Under current provincial gaming legislation, BCLC has these responsibilities:

- Conduct, manage and operate lottery gaming, including the marketing of nationwide and regional lottery games in association with other provinces of Canada.
- Conduct, manage and operate casino gaming.
- Conduct, manage and operate electronic and commercial bingo gaming.

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. A Government-appointed Board of Directors guides BCLC in fulfilling its mandate.

The Gaming Policy and Enforcement Branch of the Ministry of Public Safety and Solicitor General regulates all gaming in British Columbia, ensures the integrity of people and equipment involved in the gaming industry and investigates allegations of wrongdoing.

BCLC operates within the strict statutory authority and regulatory guidelines of the *Criminal Code* and *Gaming Control Act*.

SCOPE OF OPERATIONS

BCLC has two corporate offices, as well as gaming operations and retail locations throughout British Columbia. The head office is located in Kamloops, the centre for finance, administration and information technology. Sales and marketing are based in Richmond.

BCLC officially opened April 1, 1985. The Corporation operated within a limited, traditional lottery market until a new gaming policy introduced in fiscal 1997/98 by the Government of British Columbia created opportunities for growth. BCLC was given responsibility to conduct and manage slot machines when they were introduced in the province in fiscal 1997/98, and assumed responsibility for all casino gaming in fiscal 1998/99.

Further changes by Government resulted in BCLC assuming greater management responsibilities for commercial bingo halls in fiscal 2001/02. In fiscal 2004/05, the Corporation introduced a model for community gaming centres. These entertainment centres are designed to better service local markets with a wider variety of bingo, lottery and slot machine gaming options.

Economic benefits

In fiscal 2005/06, BCLC made significant contributions to the Government of British Columbia, players and communities throughout the province. These benefits included $641.5 million in prizes won by lottery and bingo players, $483.7 million in commissions and service fees paid to lottery, casino and bingo business service partners, and $200 million in the purchase of equipment, goods and services.

Within the gaming industry there is an investment of an estimated $1 billion in property assets pursuant to the service provider contracts established and managed by BCLC. This is primarily service provider investment in new, higher entertainment gaming facilities.

BCLC distributed $914.4 million in net income to the Government of British Columbia, which uses these funds to support a variety of health care, education, social, charitable and municipal programs.

Business partnerships

The vast majority of product sales and operational services are contracted through private sector business service partners. Lottery, casino and bingo gaming networks include 4,390 lottery retailers, 18 casinos in operation, 24 commercial bingo halls, five community gaming centres and one racetrack gaming centre.

These private sector business service partners play a critical role in BCLC's success by delivering high-quality entertainment and exceptional customer service.

B.C. Lottotech

BCLC's consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary. The primary purpose of B.C. Lottotech is to purchase capital assets for BCLC. There are no operational revenues or expenses.

Employment

Gaming has created significant direct and indirect employment opportunities in British Columbia.

During fiscal 2005/06, BCLC had a workforce of about 600 people. This included employees in the two offices and in field locations to support lottery, casino and bingo operations throughout the province.

However, the gaming industry is responsible for the direct employment of an estimated 10,000 people and indirectly for more than 5,000 jobs.

OUR VISION

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

OUR MISSION

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

OUR GOALS

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

OUR VALUES

Integrity

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

WE:

- conduct, manage and operate commercial gaming in accordance with the *Criminal Code of Canada* and *Gaming Control Act*.
- operate on sound business principles and practices.
- measure and publicly report on our performance.
- adhere to the *Freedom of Information and Protection of Privacy Act*.
- pay the right prizes to rightful winners and share the good news about major winners.
- let British Columbians know about the beneficiaries of gaming and "where the money goes."
- enhance public trust in the products and services bearing the BCLC brand.

Social Responsibility

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

WE:

- consult with communities on the types and levels of gaming that are right for them.
- promote responsible play practices and the safe and healthy use of our products.
- actively support Government's efforts to address problem gambling issues through public awareness, education, prevention and treatment programs.
- actively support Government's efforts to ensure than an appropriate problem gambling risk management strategy and programs are in place.
- participate in the British Columbia Partnership for Responsible Gambling.
- adhere to Government's Responsible Gambling Standards for the BC Gambling Industry.
- distribute problem gambling information to help adults make informed choices about their participation in gaming entertainment.
- offer a self-exclusion program.
- work with service providers to deliver Appropriate Response Training to gaming industry employees.
- generate net income for Government, from which $4.5 million is contributed annually to Government's Problem Gambling Program for research, treatment and prevention programs.

Respect

Our workplace fosters openness, mutual respect and individual development.

WE:

- strive to be a great place to work.
- promote a fair, open, respectful and progressive workplace.
- support an innovative, high-performance culture.
- encourage employee development through continuous learning and professional growth.
- promote recognition through formal and informal programs.
- provide competitive compensation practices.
- work to attract and retain talented leaders and experts.

WHERE THE MONEY GOES

BCLC offers great gaming entertainment experiences and the chance to win prizes. The net income generated through gaming is distributed to the Government of British Columbia, which returns this money to all British Columbians through programs for the public good.

In fiscal 2005/06, BCLC generated $2.26 billion in gaming revenue. First we pay prizes to our lottery and bingo winners and commissions and service fees to our private sector lottery retailers and casino and bingo service providers.

Then we pay for our operating expenses and lottery ticket printing and bingo paper, and we remit the federal Goods and Services Tax.

The money remaining forms our net income, which totalled $922.7 million. The Government of Canada receives a portion under a long-standing agreement with the provinces on the withdrawal of the federal government from lotteries. The balance is distributed to the Government of British Columbia.

BIG NUMBERS, BIG BENEFITS

Financial Benefits

Total revenues	**$ 2.26 billion**
• Prizes paid to lottery and bingo winners	$ 641.5 million
• Commissions and service fees paid to lottery retailers and casino and bingo service provider companies	$ 483.7 million
• Operating expenses	$ 157.9 million
• Ticket printing and bingo paper	$ 20.6 million
• GST	$ 32.9 million
• Special policing costs	$ 1.4 million
Net income	**$ 922.7 million**

WHERE DID THE $922.7 MILLION GO?

Net income	**$ 922.7 million**
Government of Canada	**$ 8.3 million**
Government of British Columbia	**$ 914.4 million**
• Consolidated Revenue	$ 556.4 million
• Health Special Account	$ 147.3 million
• Charitable and community organizations	$ 137.7 million
• Host local governments	$ 65.0 million
• Horse racing purse enhancements	$ 4.6 million
• Development Assistance Compensation	$ 3.4 million

Government funds problem gambling programs from Consolidated Revenue. In fiscal 2005/06, expenditures on problem gambling programs totalled $4.5 million.

Health Care and Education

Government directs the largest portion of BCLC net income to consolidated revenue and a significant portion to the Health Special Account.

In fiscal 2005/06, $556.4 million went to consolidated revenue to support Government programs in all areas, primarily health care and education.

The Health Special Account is administered by the Ministry of Health. This account received $147.3 million for the administration, operation and delivery of health care, health research and promotion, and health education services.

Serving Communities

The benefits of BCLC net income reach nearly 6,000 community and charitable organizations around British Columbia through Government gaming grants that help these groups carry out their valuable services in their communities.

In fiscal 2005/06, Government directed $137.7 million of BCLC net income to Direct Access and Bingo Hall Affiliation gaming grants.

Organizations apply to the Gaming Policy and Enforcement Branch (GPEB), which manages the distribution of these grants.

Government gaming grants have been used by organizations for a variety of purposes. For example:

- On Vancouver Island, the Nanaimo Marine Rescue Society has a Ready Room and boathouse so they're better equipped to respond to emergencies from Parksville to Ladysmith.
- Campbell River Children's Choir provides talented local youth with professional instruction, rehearsal space and the chance to sing around the world.
- The Burnaby-based Pacific Assistance Dogs Society raises and trains service, hearing and facility therapy dogs to assist people who face daily challenges. Through this organization, special relationships are formed that allow British Columbians to enjoy independent lifestyles.
- In Delta, the Orphaned Wildlife Rehabilitation Society provides treatment, shelter and rehabilitation for more than 200 injured and orphaned birds of prey each year.

Direct Access

Direct Access gaming grants provide funding to eligible non-profit organizations for direct delivery of approved programs in one of five sectors: Arts, culture and sport; the environment; human and social services; public safety; and Parent Advisory Councils and District Parent Advisory Councils.

Funding to a maximum of $100,000 annually may be approved for any combination of program costs and minor capital project costs. For provincewide programs, funding to a maximum of $250,000 annually may be approved.

Bingo Affiliation

BCLC has the responsibility to conduct, manage and operate commercial bingo halls. Many of these halls are self-managed by bingo associations comprising member charities. For others, BCLC contracts with private sector service providers for day-to-day operational services.

For Bingo Affiliation gaming grants, GPEB determines affiliations with bingo halls for eligible non-profit community organizations.

Organizations receive a gaming grant in return for volunteer activities at the hall and in the community. Certificates of affiliation are generally issued for a three-year period and funding may vary from year to year. New affiliations are granted when there are openings.

Each commercial bingo hall is represented by an association consisting of all organizations affiliated with that hall.

Government Gaming Grants to Community and Charitable Organizations

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

	Direct Access		Bingo Affiliation		Total	
Category of Applicants	No. of Grants Paid	$	No. of Grants Paid	$	No. of Grants Paid	Net Proceeds
Arts, Culture and Sports	1272	$ 29,683,594	535	$ 14,527,017	1807	$ 44,210,611
Bingo Associations	–	–	31	$ 378,350	31	$ 378,350
Environment	77	$ 2,117,981	22	$ 584,890	99	$ 2,702,871
Human and Social Services	1080	$ 32,348,515	1088	$ 35,656,624	2168	$ 68,005,139
Major Capital Projects	49	$ 2,789,589	–	–	49	$ 2,789,589
PAC and District PAC	1561	$ 12,116,880	196	$ 1,809,329	1757	$ 13,926,209
Public Safety	129	$ 4,016,245	43	$ 1,087,513	172	$ 5,103,758
Total	**4168**	**$ 83,072,804**	**1915**	**$ 54,043,723**	**6083**	**$137,116,527**

Distribution of Gaming Revenue by Region

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

	Direct Access		Bingo Affiliation		Total	
Region	No. of Organizations	Net Proceeds	No. of Organizations	Net Proceeds	No. of Organizations	Net Proceeds
Lower Mainland	2206	$ 52,299,788	494	$ 21,326,553	2700	$ 73,626,341
Northern Region	391	$ 4,716,596	323	$ 8,384,816	714	$ 13,101,412
Southern Interior	756	$ 10,869,500	447	$ 10,760,972	1203	$ 21,630,472
Vancouver Island	795	$ 15,186,920	647	$ 13,571,382	1442	$ 28,758,302
Total	**4148**	**$ 83,072,804**	**1911**	**$ 54,043,723**	**6059**	**$137,116,527**

Source: Gaming Policy and Enforcement Branch

Host Local Governments

In communities where a casino or community gaming centre is located, the host local government receives a share of the net income generated by that facility. During fiscal 2005/06, there were 20 communities that received $65 million in host local government payments.

These governments may choose to spend the funds for any purpose to benefit their communities. For example, Prince George has used its share for tax reduction, an arena upgrade, a mountain pine beetle initiative, downtown street lighting and a parking lot replacement at an athletics park.

In Coquitlam, the host local government share was directed to infrastructure projects, such as roads, bridges and recreational facilities. In addition, locally based organizations benefited from the city's Community Capital Fund.

Under a Memorandum of Agreement between Government and the Union of British Columbia Municipalities, the host local government where a community casino is located receives a 10% share of the net income generated from both slot machines and table games. In the case of a community gaming centre or racetrack gaming centre, the

host local government receives a 10% share of the net income generated from slot machines.

Host local governments where destination casinos are located receive a one-sixth share of the net income on the first 300 slot machines and 10% on any additional machines, and a one-sixth share of the net income from table games.

Responsible Play

Government also directs a portion of BCLC net income to the Problem Gambling Program managed by GPEB. Payments in fiscal 2005/06 totalled $4.5. million.

Horse Racing

As part of its commitment to stabilize and rejuvenate the horse racing industry in British Columbia, Government distributes gaming net income to enhance purses. In fiscal 2005/06, the industry received $4.6 million, which was divided equally between the thoroughbred and standardbred sectors for purse enhancements.

Through our corporate sponsorship program, BCLC also provided support to horse racing in British Columbia by participating in events at Hastings Racecourse, Princeton Racing Days, Vernon Race Days and the Kamloops Interior Horse Racing Festival.

Host Local Government Share of Casino Revenue

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

Local Government	Casino	2005/06 Total	2004/05 Total
Burnaby	Gateway Casinos (c)	8,687,067	7,550,107
Coquitlam	Great Canadian Casinos (c)	7,308,677	6,839,714
Kamloops	Lake City Casinos (c)	1,904,830	1,899,620
Kelowna	Lake City Casinos (c)	2,665,866	2,435,838
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies (d)	1,312,956	1,111,632
Langley	Cascades Casino (c)	5,001,607	–
Nanaimo	Great Canadian Casinos (c)	2,953,687	2,734,583
New Westminster	Gateway Casino Royal Towers (c)	726,960	1,573,707
New Westminster	Royal City Star Casino (d)	2,437,736	3,156,163
New Westminster Total		$ 3,164,696	$ 4,729,870
Penticton	Lake City Casinos (d)	2,359,976	2,166,128
Prince George	Treasure Cove (c)	2,422,558	1,931,685
Quesnel	Billy Barker Casino (c)	604,553	599,944
Richmond	Great Canadian Casinos (c)	11,194,669	9,891,217
Surrey	Fraser Downs Casino (c)	2,977,272	2,524,492
Vancouver	Edgewater Casino (c)	3,799,992	549,994
Vancouver	Gateway Casino Mandarin Centre (c)	45,107	778,335
Vancouver	Grand Casino (c)	–	587,491
Vancouver	Great Canadian Casinos Holiday Inn (c)	1,145,799	1,248,364
Vancouver	Great Canadian Casinos Renaissance (c)		60,567
Vancouver Total		$ 4,990,898	$ 3,224,751
Vernon	Lake City Casinos (c)	1,515,276	1,513,781
View Royal	Great Canadian Casinos (c)	4,403,405	3,858,611
Wells	Jack o' Clubs (d)	5,782	7,310
TOTAL		**$ 63,473,775**	**$ 53,019,283**

c = community casinos (10% share) d = destination casino (one-sixth share)

Host Local Government Share of Community Gaming Centre Revenue

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

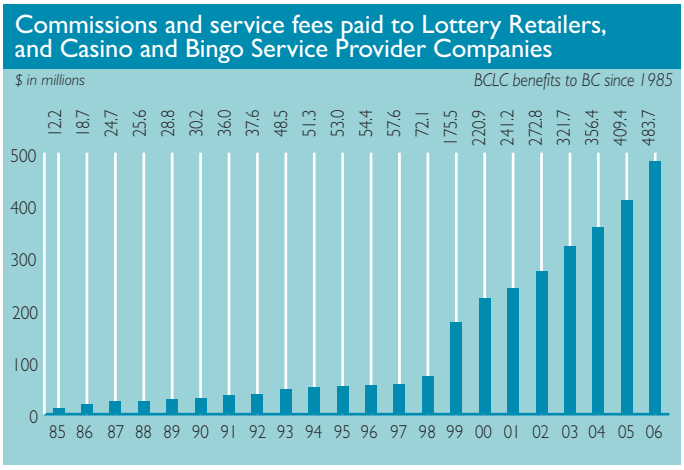
Local Government	Community Gaming Centre	2005/06 Total	2004/05 Total
Campbell River	Playtime Gaming	37,035	–
Dawson Creek	Bear Mountain Bingo Hall	346,773	107,344
Kamloops	Chances Kamloops	197,326	12,275
Kelowna	Chances Kelowna	511,249	24,829
Williams Lake	Chances Signal Point	447,536	155,161
TOTAL		**$ 1,539,920**	**$ 299,609**

BCLC recorded a number of achievements in our lottery, casino and bingo business units in fiscal 2005/06. As part of our goal to rejuvenate lotteries, we launched two new games, introduced more products online at PlayNow on BCLC.com and introduced SportsFunder, which benefits amateur sports in British Columbia.

We continued to realize our vision to transform British Columbia casinos into full-scale, multi-dimensional entertainment showplaces. River Rock Casino Resort's show theatre opened in Richmond, while Cascades Gateway Casino, Hotel and Convention Centre, which includes an entertainment theatre, opened in Langley. Coquitlam's casino was redesigned as Boulevard Casino with a new state-of-the-art show theatre currently under construction.

The bingo experience in British Columbia continued to evolve with the transformation of bingo halls into community gaming centres that offer enhanced entertainment options, upgraded facilities and improved amenities. At our Chances-branded gaming entertainment centres, players can enjoy fun and entertainment in a casual and inviting social setting.

BUSINESS PARTNERS



BCLC's private sector business service partners are important to our success. These partnerships represent significant economic benefits generated through gaming in British Columbia.

In fiscal 2005/06, our business service providers received a total of $483.7 million in commissions and service fees for providing lottery product sales at retail and day-to-day facility and operational services at casinos and bingo halls. In addition, we paid our suppliers about $200 million for the purchase of equipment, goods and services.

Lottery products are sold by contractual agreement with about 3,050 retail locations, ranging from small family operations to large corporate chains, and 1,340 hospitality locations, mainly bars and pubs. Retailers receive an industry-standard commission on every lottery product sold and have opportunities to increase their earnings through incentive programs.

Casinos are operated through contracts with companies that provide services in compliance with BCLC's responsibilities to conduct and manage gaming. Casino service providers receive fees based on a percentage of net win after prizes on slot machines and table games. An additional percentage is available for facility development.

Bingo halls and community gaming centres are operated through contracts with companies that act as service providers, which may include charitable organizations. These companies are paid a service fee based on a weekly net of prizes for bingo products. An additional percentage is available for facility development.

Community gaming centres with slot machines receive a percentage of net win after prizes.

PLAYER PROFILES

Through an independent research company, BCLC surveys British Columbians about their attitudes toward gaming and their enjoyment of the games. A total of 3,000 adult respondents are randomly selected and interviewed throughout the year.

Information is also collected about adults' participation in lottery, casino and bingo gaming during the past year.

The characteristics of our lottery, casino and bingo players can be compared against the key general characteristics of adult British Columbians, as follows:

- 52% are female and 48% are male
- 27% are 19-34 years old
- 73% are 35 years old or older
- 71% have some post-secondary education
- 43% are from households with an annual income of $60,000 or greater

In the past year, 8 out of 10 British Columbians participated in at least one form of gaming offered by BCLC.

- 8 out of 10 British Columbians played a lottery product
- 3 out of 10 visited a British Columbia casino
- 6% visited a British Columbia commercial bingo hall

Source: Gaming Watch fiscal year 2005/06

LOTTERY BUSINESS UNIT

As a player-focused organization, BCLC is committed to providing fun and entertaining lottery games that appeal to our customers.

After more than 30 years as part of the retail marketplace, many lottery products have reached their maturity level. BCLC has undertaken a strategic initiative to transform and reinvent lotteries. We are changing the way people play our lottery games and adding more entertainment value for players.

During fiscal 2005/06, we re-evaluated our portfolio of lottery games and assessed sales performance and game popularity.

In February, we introduced SportsFunder, a suite of lottery products that celebrates the Vancouver 2010 Winter Olympics and supports amateur sport in British Columbia, and PayDay, a new lotto game.

PayDay, a British Columbia-only game, is drawn weekly and offers chances to win great prizes. For a $2 play, there are four prize categories in which to win, including a chance to win a top prize of $2,000 every two weeks for 20 years.

In October 2004, we successfully launched our PlayNow website on BCLC.com with Sports Action games. Since then, we have been making more of our most popular products available online. In July, we added Lotto 6/49, Lotto Super 7 and Extra, followed by Keno in October. Interactives were introduced in February, bringing the excitement of instant win-style games to PlayNow. The initial three Interactives, part of the SportsFunder suite of lottery games, provide players with the opportunity to win up to $2,010 on Sea to Sky and $20,100 on Road to Vancouver and Going for Gold.

Since the launch of PlayNow, more than 30,000 lottery players have registered for an online account.

Games that have reached the end of their product life can either be renewed or discontinued. Daily 3 and Chaser were both discontinued in February.

Earlier in the fiscal year, British Columbians caught "lotto fever" when the nationwide Lotto 6/49 jackpot was estimated at an unprecedented $40 million for the October 26 draw.

People across the province – and across the country – lined up at retail locations to buy their ticket and a chance to dream. Sales in British Columbia reached more than $14 million and the jackpot, won by a group in Alberta, was paid out at an amazing $54.3 million.

LOTTERY SPORTSFUNDER

February 2, 2006, marked an historic day for BCLC. Together with our new partner, the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC), we unveiled SportsFunder, a new suite of lottery games that will produce an estimated $20 million over the next six years for amateur sport in British Columbia.

Amateur sports are an important part of many people's lives and SportsFunder games reflect our commitment to strengthening British Columbia communities. Funds generated through the sale of SportsFunder-branded products are targeted at four areas administered by Government through the Ministry of Tourism, Sport and the Arts and the Ministry of Public Safety and Solicitor General:

- Sport BC's KidSport™ program providing sport registration grants to financially disadvantaged children
- Game Plan/Team BC, providing support for high-performance British Columbia athletes
- financial assistance for coaching development
- travel assistance for British Columbia athletes to attend sporting competitions

Kamloops Blackjacks ball hockey team accepted the first $2010 SportsFunder 50/50 Retailer Award.

Dignitaries helped launch the SportsFunder suite of lottery games. From left, Jim Lightbody, BCLC Vice-President Lottery Gaming; Daniel Igali, Olympian; Honourable Olga Ilich, Minister of Tourism, Sport and the Arts; and John Furlong, VANOC CEO.

BCLC employees parade to the SportsFunder launch.

SportsFunder games are available wherever lottery games are sold in British Columbia and include an Instant game, a Pull Tab ticket and a provincewide 50/50 game with draws every 30 minutes. Players can play online, too, with a selection of Interactives, including Road to Vancouver, Going for Gold and Sea to Sky.

CASINO BUSINESS UNIT

In recent years, casinos in British Columbia have been undergoing a transformation. Many facilities that once had only basic amenities are now exciting showplaces offering top-notch gaming, dining and entertainment experiences.

Through the efforts of BCLC and the valued partnerships with our business service providers, fiscal 2005/06 saw the openings of Cascades Casino, Hotel and Convention Centre in Langley, Fraser Downs Racetrack and Casino in Surrey, and a new hotel and show theatre at River Rock Casino Resort in Richmond. Coquitlam Casino was redesigned as the attractive, French-themed Boulevard Casino.

To celebrate the opening of River Rock Casino Resort's show theatre in September, we were pleased to partner with Great Canadian Casinos for a gala fundraiser for the David Foster Foundation. Proceeds from the charity event went directly to the Foundation, which helps families with children requiring organ transplants.

Show theatres at both the River Rock and Cascades casinos have hosted a number of well-known entertainers, including Paul Anka, Tom Cochrane, James Brown and the Village People.

In partnership with River Rock Casino Resort, we presented the inaugural B.C. Poker Championship in November. With four days of play and a total prize pool of $2 million, the championship was the biggest poker tournament in Canadian history.

The event consisted of three Texas Hold'Em events – Pot Limit, Limit and No Limit. Poker players tested their skills and spectators had an opportunity to be entertained by tournament play.

Canada's first-ever Women's Poker Classic, a three-day tournament, was hosted at Cascades Casino in February. The Limit and No Limit Texas Hold'Em event attracted 500 players who competed for a total prize pool of $112,000.

Cascades Casino donated $50 for every registered participant to the Canadian Breast Cancer Foundation. Treasure Cove Casino & Hotel in Prince George contributed an additional $5,000, resulting in a total donation of $30,000 toward breast cancer research in British Columbia.

At casinos around British Columbia, we are providing players with industry-leading gaming floors with innovative and exciting slot machines and table games, including the Mystery Progressive Jackpot machines with a top prize starting at $100,000.

To enhance the benefits of the BC Gold Player Card membership card, we introduced a new points-for-play loyalty program. Members accumulate redeemable points while they play. Changes to the membership card were made in response to player feedback expressing interest in a points-based program.

James Hawkins of Salt Spring Island earned the title of Champion at the inaugural B.C. Poker Championship at River Rock Casino Resort. Brian Lynch, right, BCLC Vice-President Casino Gaming, and Darryl McCullough, Senior Manager, Great Canadian Gaming Inc., present the $382,000 top prize.

Ravind Chand won the $145,520 jackpot on the Enchanted Unicorn slot machine at Boulevard Casino.

Clarissa Hannem of Esquimalt took top tournament honours to become Canada's first Women's Poker Classic champion. Brian Lynch, BCLC Vice-President Casino Gaming, and Emily Quiring, General Manager, Cascades Casino, present the $22,680 top prize.

BCLC CASINO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2006

Casino	Service Provider	City	Slot Machine Revenue	Number of Slot Machines at March 31	Table Game Revenue	Number of Tables at March 31	Combined Casino Revenue Fiscal 2005/06	Combined Casino Revenue Fiscal 2004/05
COMMUNITY CASINOS								
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 9,565,958	140	$ 356,847	5	$ 9,922,805	$ 9,752,954
Cascades Casino	Gateway Langley Holdings Ltd.	Langley	66,226,405	530	22,743,596	36	88,970,001	–
Edgewater Casino	Edgewater Casinos Inc.	Vancouver	37,019,652	600	36,124,959	49	73,144,611	10,616,212
Fraser Downs Racetrack and Casino	Orangeville Raceway Ltd.	Surrey	46,821,283	405	–	–	46,821,283	38,900,965
Gateway Casino Burnaby	Gateway Casinos Limited Partnership	Burnaby	110,574,591	679	41,218,387	34	151,792,978	132,275,957
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver	–	–	979,250	–	979,250	16,157,506
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	7,308,994	–	6,234,972	–	13,543,966	28,629,046
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver	–	–	–	–	–	12,141,494
Boulevard Casino	Great Canadian Casinos Inc.	Coquitlam	89,119,313	950	40,186,855	70	129,306,168	119,456,554
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	Nanaimo	45,397,596	380	4,432,126	12	49,829,722	46,110,602
Great Canadian Casinos Renaissance	Great Canadian Casinos Inc.	Vancouver	–	–	–	–	–	1,240,557
Great Canadian Casinos Vancouver	Great Canadian Casinos Inc.	Vancouver	–	–	24,095,629	38	24,095,629	26,294,954
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	View Royal	64,617,676	425	10,061,631	26	74,679,307	65,781,615
River Rock Casino Resort	Great Canadian Casinos Inc.	Richmond	100,416,592	918	114,762,852	110	215,179,444	188,097,549
Lake City Casino Kamloops	Lake City Casinos Limited Partnership	Kamloops	29,670,382	300	2,422,683	8	32,093,065	31,465,767
Lake City Casino Kelowna	Lake City Casinos Limited Partnership	Kelowna	40,501,116	342	4,856,004	11	45,357,120	40,601,197
Lake City Casino Vernon	Lake City Casinos Limited Partnership	Vernon	23,908,452	210	1,525,786	8	25,434,238	24,909,138
Treasure Cove Casino	Prince George Casino Supply Ltd.	Prince George	38,247,659	400	2,429,462	10	40,677,121	32,154,957
			$709,395,669	6,279	$312,431,039	417	$1,021,826,708	$824,587,024
DESTINATION CASINOS								
Casino of the Rockies	Lake City Casinos Investments Ltd.	Cranbrook	11,747,137	225	1,037,861	9	12,784,998	11,771,355
Jack o' Clubs	Jack o' Clubs Gaming Hall Ltd.	Wells	56,696	80	$ –	–	56,696	70,828
Lake City Casino Penticton	Lake City Casinos Limited Partnership	Penticton	21,984,308	224	1,542,408	10	23,526,716	21,434,225
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	19,879,683	341	7,271,010	18	27,150,693	35,016,477
			$ 53,667,824	870	$ 9,851,279	37	$ 63,519,103	$ 68,292,885
			$763,063,493	**7,149**	**$322,282,318**	**454**	**$ 1,085,345,811**	**$892,879,909**

Notes:

Mandarin Casino in Vancouver closed April 30.
Royal Towers Casino in New Westminster was relocated as Cascades Casino in Langley and opened May 5.
Jack o' Clubs seasonal casino in Wells opened June 30 and closed September 5.
Coquitlam Casino was redeveloped as Boulevard Casino November 17.
Royal Towers Casino closed November 30.

BINGO BUSINESS UNIT

Bingo has been a mainstay in the British Columbia gaming industry for many decades, both in its traditional paper format and in electronic versions. However, in recent years the popularity of bingo has declined across North America. The number of player visits to bingo halls has been diminishing mainly due to competition in the entertainment marketplace and, in some cases, because of poor public perception of bingo facilities.

BCLC has a long-term strategic objective to revitalize bingo, which includes the introduction of a community-based gaming centre model, subject to the approval of host local communities. Our goal is to create higher quality, market-sized facilities through relocations and upgrades, maintaining bingo as the marquee game while adding a variety of entertainment options.

These options may include off-track horse race betting, lottery products, slot machines, live entertainment and improved hospitality services. The number of slot machines is determined by population, demographics and market assessment and ranges from 25 to 125.

Since the introduction of the community gaming centre model, facilities with casual and inviting social settings have opened at Chances Gaming Entertainment in Kelowna, Chances Gaming Entertainment in Kamloops, and Chances Signal Point Gaming in Williams Lake. Our Chances-branded entertainment facilities share the message that "fun is good."

Two temporary centres are operating in Dawson Creek and Campbell River, with permanent facilities expected to open within the next fiscal year.

By the end of fiscal 2005/06, host local government approvals had been reached for new community gaming centres in Courtenay, Duncan, Fort St. John, Fort Nelson, Port Alberni, Prince Rupert and Vernon.

Host local governments receive 10% of the net gaming revenue from slot machines. These funds have been used to support community charity and service projects, arts and culture, and more.

For players, the annual B.C. Bingo Championships in September was one of the highlights of the fiscal year. Participating bingo halls across the province held qualifying games for the opportunity to play in the weekend event in Burnaby.

Seventy-five finalists were invited to the championships to compete for cash prizes and the chance to win a new car. The final day of play included cash bingo games, variety games and the grand prize bingo game.

As another way to enhance the bingo experience for current and future players, we hosted new game show pilots at select facilities. Interactive games and contests proved their appeal to a broad range of players.

In October, we hosted our bingo service providers at the Bingo Industry Forum. Over two days, we reviewed past events, provided progress updates and focused on opportunities to improve performance.

At the B.C. Bingo Championships, players were treated to accommodations, spending money and a variety of fun activities, including a Hawaiian-themed gala dinner and Breakfast of Champions.

Community gaming centres offer fun and entertaining social settings and great gaming options.

Helen Whitehead, who plays at Harbour City Bingo Hall in Nanaimo, won the grand prize of a KIA Sportage.

BCLC BINGO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2006

COMMERCIAL BINGO HALLS AND COMMUNITY GAMING CENTRES

Bingo Hall	Service Provider	City	Number of Slot Machines	Slot Sales Fiscal 2005/06	Slot Sales Fiscal 2004/05	Number of Bingo Seats	Bingo Sales Fiscal 2005/06	Total Bingo Revenue Fiscal 2005/06	Total Bingo Revenue Fiscal 2004/05
Abbotsford Bingo	Abbotsford Bingo Association	Abbotsford				604	$ 6,244,000	$ 6,244,000	$ 8,149,000
Bear Mountain Bingo Hall	0542603 BC Ltd. (Great Canadian)	Dawson Creek	80	$5,637,000	$ 1,777,000	176	1,197,000	6,834,000	3,143,000
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria				200	4,541,000	4,541,000	4,002,000
Bistro Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver					14,000	14,000	–
Boardwalk Gaming Centre – Burnaby	427967 BC Ltd. (DBA Bingo Country)	Burnaby				440	7,590,000	7,590,000	7,199,000
Boardwalk Gaming Centre – Mission	427967 BC Ltd. (DBA Bingo Country)	Mission				210	3,211,000	3,211,000	841,000
Chances Gaming Entertainment – Kamloops	Enterprise Entertainment Ltd.	Kamloops	50	3,203,000	196,000	645	11,043,000	14,246,000	12,087,000
Chances Gaming Entertainment – Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	75	8,306,000	397,000	752	11,566,000	19,872,000	13,383,000
Chances Signal Point Gaming	Lucky's Ventures Ltd.	Williams Lake	95	7,260,000	2,423,000	383	3,210,000	10,470,000	6,004,000
Chilliwack Bingo	Chilliwack Bingo Association	Sardis				484	12,122,000	12,122,000	12,595,000
Dob City	Alberni Valley Bingo Association	Port Alberni				336	3,198,000	3,198,000	3,432,000
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon				525	5,494,000	5,494,000	5,644,000
Good Time Bingo Hall	Good Time Bingo Hall Inc.	Prince George				655	14,982,000	14,982,000	14,856,000
Haney Bingo Plex	Ridge Meadows Bingo Operators Society	Maple Ridge				500	9,194,000	9,194,000	8,543,000
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo				500	5,439,000	5,439,000	5,182,000
Inkspot Bingo	Duncan Dabber Bingo Society	Duncan				625	4,707,000	4,707,000	4,549,000
Langford Drop-In Bingo	Playtime Community Gaming Centres Inc.	Victoria				255	1,053,000	1,053,000	1,515,000
Langley Bingo Palace	Playtime Community Gaming Centres Inc.	Langley				717	7,204,000	7,204,000	9,025,000
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace				300	4,699,000	4,699,000	5,380,000
Newton Bingo Country	427967 BC Ltd. (DBA Bingo Country)	Surrey				680	15,185,000	15,185,000	15,555,000
Nordley's Bingo Hall	Bute Street Bingo Association	Port Alberni					–	–	233,000
North Star Bingo Hall	Astel Canada Holdings Ltd.	Fort Nelson				155	137,000	137,000	962,000
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton				420	4,481,000	4,481,000	4,515,000
Planet Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver				800	17,182,000	17,182,000	17,445,000
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo				460	6,225,000	6,225,000	6,767,000
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria				590	4,211,000	4,211,000	4,442,000
Playtime Gaming Campbell River	Playtime Community Gaming Centres Inc.	Campbell River	55	706,000		310	6,284,000	6,990,000	6,469,000
Prince Rupert Bingo	Prince Rupert Bingo Association	Prince Rupert				240	1,526,000	1,526,000	2,074,000
Quesnel Bingo Hall (2 Rivers)	Astel Canada Holdings Ltd.	Quesnel				182	142,000	142,000	827,000
Rainbow Bingo Hall	243045 Alberta Ltd.	Fort St. John				310	3,431,000	3,431,000	3,517,000
River City Bingo	River City Bingo Association	Powell River				250	927,000	927,000	945,000
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook				400	2,088,000	2,088,000	2,270,000
Valley Entertainment Palace	Playtime Community Gaming Centres Inc.	Courtenay				312	3,405,000	3,405,000	3,623,000
			355	**25,112,000**	**4,793,000**	**13,416**	**181,932,000**	**207,044,000**	**195,173,000**
Independent bingo hall, SuperStar Gold Bingo and Big Link sales							**670,000**	**670,000**	**998,000**
Paper bingo distribution revenue							**287,000**	**287,000**	**286,000**
							$182,889,000	**$208,001,000**	**$196,457,000**

Notes: As of March 31, 2006

Commercial halls offering handheld bingo	21	Commercial halls offering Starship Bingo	18
Commercial halls offering paper bingo	29	Commercial halls offering Personal Play	23
Commercial halls offering Big Link	29	Commercial halls offering Gecko	6
Commercial halls offering BETS	9		

New community gaming Centres

Playtime - Campbell River February 4.

WINNER EXPERIENCES

Since 1985, BCLC has awarded almost $9 billion in prizes to our players. During fiscal 2005/06, lottery and bingo winners collected 70 million prizes worth a total of $641.5 million. There were 26 major prizes won, including 13 prizes of $2 million or more.

It was a year of "firsts" and exciting wins. Vladimir Shemchishin reflected on what a great country Canada is when he won a $10 million jackpot on the nationwide Lotto Super 7 game. Vladimir began playing Lotto Super 7 when he immigrated from the Ukraine seven years ago and every week he played the same numbers. He and his wife planned to shower their son with gifts, including a new car.

In October, British Columbians caught "lotto fever" when the nationwide Lotto 6/49 jackpot reached $54.3 million, the largest prize ever offered in Canadian history.

Although the jackpot was claimed by a group of 17 in Alberta, nine co-workers from Nanaimo brought home a share of the next largest prize. They held one of 14 tickets that matched 5/6 of the regular numbers plus the bonus number for a prize of $143,252.90. The group had various plans, including trips, buying a new television set and sharing with their families.

It was a first-ever year for Keno. A Mission player, Kerry Dicer, won the biggest Keno jackpot – $200,006.

Kerry went to the Mission City Elks Lodge after work to relax and play Keno. While he normally selects birthdays for his numbers, the mill worker uncharacteristically used the nine-number Quick Pick with the bonus number. He found out he was a winner the same night when he checked his ticket. Kerry and his wife planned to use the win to travel.

Gerald Benjamin of Victoria made history as the winner of the largest prize ever won online – a Lotto 6/49 jackpot worth $3,845,357. On the afternoon of the draw, Gerald logged onto PlayNow on BCLC.com, one of only two legal Internet lottery sites in North America, to buy his $2 ticket.

He learned about his good fortune when he received an e-mail that told him he had a big win and instructed him to contact BCLC. Gerald planned to share his prize with his family.

Tammy McKillop of Vancouver was the first-ever jackpot winner of BCLC's new lotto game, PayDay. The gas station where she purchased her ticket was so excited that one of their regular customers won big, they held a celebration in her honour. Tammy, a chef, planned to keep working and share her win with family and friends.

Another BCLC game, SportsFunder Instant Win, is making a new kind of winner and creating big excitement in the amateur sports world with the Share the Dream prize.

In March, just a month after the SportsFunder suite of lottery products launched in British Columbia, the first Share the Dream prize was awarded to Bill Vidovic of Surrey. Bill was ecstatic when he learned he had won $1,000 and was given the opportunity to select his favourite sport association to receive an additional $1,000. An avid boxing fan, he chose Boxing B.C.

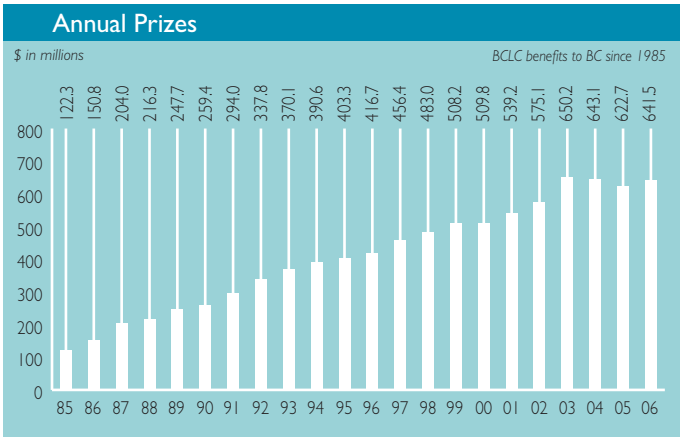
Bill Vidovic of Surrey won the first-ever Share the Dream prize on the new SportsFunder Instant Win ticket. He won $1,000 and chose Boxing B.C. to receive an additional $1,000.

Tammy McKillop of Vancouver became the first winner of PayDay's top prize of $2,000 every two weeks for 20 years.

Sai Houng Woo of Valemount won $50,000 when he scratched all 10 words on his Bonus Word Crossword Scratch & Win ticket.

Gerald Benjamin of Victoria made history when he claimed the largest prize ever won online – $3,845,357 on Lotto 6/49. He purchased his ticket on the PlayNow website.

Annual Prizes



COMMUNITIES

BCLC employees take tremendous pride in the work they do and the benefits we return to British Columbia communities. In addition to generating net income for important Government programs, we share our community spirit around the province through our product and corporate sponsorships and our workplace committees.

We know that the success of many events is due in large part to the volunteer forces that always willingly step forward to give their time and energy. BCLC is pleased to work in partnership with these dedicated volunteers who are making a difference in their communities.

During fiscal 2005/06, the Corporation sponsored a variety of festivals, tournaments, celebrations, fundraisers and municipal conferences, as well as sports, recreation, arts, music and civic events.

Our sponsorship activities took us to various locations around British Columbia, including the Kelowna Centennial, Victoria Open CPGA golf tournament, Williams Lake Stampede, Canada Cup Women's Fastpitch in Surrey, Nanaimo Dragon Boat Festival, Fraserfest in New Westminster, Penticton Peach Festival, Symphony in the Park in Vancouver, Burnaby Blues Festival, Wildlights in Kamloops and the Prince George Exhibition.

We were also sponsors of events with a national or international focus, which included the Ford World Men's Curling Championship, HSBC Celebration of Light, Bell Canadian Open, 2005 Grey Cup Festival and the World Junior Hockey Championship.

BCLC employees actively support Corporate initiatives both in their home communities and in their workplace communities where fundraising takes place for worthy causes.

Employees participate in BCLC sponsorships by sharing their knowledge and expertise as hosts, speakers, facilitators and teachers and by generally lending a hand where needed.

Over the fiscal year, our employee teams played host for events such as the 2005 Grey Cup Party on the Pacific in Vancouver, Tim Hortons Road National Championships in Kamloops and Telus Skins game in Whistler.

Employees demonstrated community service support through activities such as the Christmas Charity Committee, Green Committee, Easter Seals 24 Hour Relay and United Way.

BCLC was a Platinum Partner for the HSBC Celebration of Light, the largest musical fireworks competition in the world.

BCLC was one of the Premier Partners for the 2005 Grey Cup in Vancouver. Sponsors attended a kick-off event at BC Place Stadium.

Sports Action Zone brings the game to sports fans as part of BCLC's partnership with the Vancouver Canucks.

Employees and family members proudly carried the BCLC banner in the Santa Claus Parade in Kamloops.

Human Resources employees met with students and new graduates at spring career fairs at the University of BC, Simon Fraser University, Thompson Rivers University and B.C. Institute of Technology.

BCLC's head office parking lot in Kamloops was the staging area for an elite road race during the Tim Hortons Road National Championships. Employee volunteers hosted the refreshment tent for the racers.

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 its impact on the people and communities of British Columbia very seriously. Gambling is provided as a fun entertainment option for adults aged 19 and over. Among adults who choose to participate in gambling, the vast majority (95%) play responsibly. However, for a small number, gambling can result in problems that may affect family, finances, employment or self-esteem.

A shared responsibility approach, which BCLC believes is an effective way to address problem gambling, is evident in everything we do. With our partners, we ensure that a problem gambling risk management strategy and programs are in place to promote responsible play practices. Problem gambling is approached through research, awareness and education, prevention and treatment programs.

We work in partnership with Government, gaming service providers and those involved in the prevention and treatment of problem gambling to encourage safe and healthy use of our products. This includes an established partnership with the Gaming Policy and Enforcement Branch (GPEB), which regulates gaming and manages the province's Problem Gambling Program.

The British Columbia Partnership for Responsible Gambling (www.bcresponsiblegambling.ca) is a strategic alliance developed to promote responsible play. One partnership initiative undertaken in fiscal 2005/06 was the opening of Responsible Play Information Centres that are operating at two of British Columbia's largest casinos – River Rock Casino Resort in Richmond and Edgewater Casino in Vancouver.

The booth-style centres have innovative design features for easy access and visibility from the gaming floor. Responsible Gambling Information Officers, who are trained in prevention education and counselling, are on hand to provide education, support and referral to customers.

These officers are knowledgeable about information related to odds of winning and losing, how particular games work, the concept of randomness, house advantage and other responsible gambling information and strategies. They have received training to help them respond to customers in distress and provide referral to professional free treatment services available through the Problem Gambling Program.

To support the ongoing training of gaming personnel, BCLC created the Appropriate Response Training (ART) program. Since ART's inception in fiscal 2004/05, more than 3,000 gaming industry employees have received training to help them respond to difficult situations involving customers. ART aims to give employees a better understanding of their role in delivering gaming products and an appropriate level of customer service, while respecting an adult's right to choose gaming as an entertainment option.

ART will continue to be delivered to casino gaming staff and an adapted program has been developed for bingo service providers. Moving forward, ART will be adapted for lottery service providers.

BCLC continues as an advisor of the Canadian Partnership for Responsible Gambling, a national initiative with a mandate to find ways to reduce the risk of problem gambling.

Also among our social responsibility practices, we ensure that:

- the responsible play message, "Know your limit, play within it," is included on many of our point-of-sale materials;
- games are operated with a high degree of security and integrity;
- the right prizes are paid to rightful winners;
- product information includes the odds of winning and losing;
- our products carry the Problem Gambling Help Line number (1-888-795-6111);
- laws concerning the legal age to participate in gaming in British Columbia are upheld and extensively publicized through a *19+* program;
- new gaming initiatives, such as PlayNow on BCLC.com, are developed with appropriate consideration for responsible play practices;
- and Responsible Gambling Standards and Advertising and Marketing Standards for the BC Gambling Industry are followed.

We administer a program that allows individuals to voluntarily exclude themselves from casinos, commercial bingo halls, community gaming centres or purchasing lottery products through the PlayNow website for a period of six months or one, two or three years.

Responsible Play Information Centres are operating at River Rock Casino Resort in Richmond and Edgewater Casino in Vancouver.

AUTHORITY AND REGULATION

British Columbia's gaming industry is operated and regulated in accordance with the *Gaming Control Act* and under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

BCLC, as an agent of the Crown, has responsibility to conduct, manage and operate lottery, casino and commercial bingo gaming.

The Gaming Policy and Enforcement Branch (GPEB), a branch of the Ministry of Public Safety and Solicitor General, regulates all aspects of the gaming industry in British Columbia. The branch develops and manages gaming policy, legislation and standards, licenses charitable gaming events and horse racing, registers gaming service providers and gaming workers, certifies gaming equipment, and investigates allegations of wrongdoing in all gaming sectors.

GPEB conducts charitable and commercial audits to ensure compliance, and manages distribution of Government's gaming proceeds, including gaming grants to charitable and community organizations. The branch administers Government's Problem Gambling Program and ensures that policies and standards are in place to help minimize the harm from gambling and promote responsible gambling practices.

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 with a view to implementation by April 1, 2006. 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 by the end of April 2006 was fully compliant with the standards and guidelines. Information about BCLC's corporate governance is available at http://www.bclc.com/cm/aboutbclc/corporategovernance.htm.

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 practices, 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 Letter of Expectation, 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 Letter of Expectation is reviewed and discussed with Government annually and updated as required.

BOARD OF DIRECTORS

In accordance with the *Gaming Control Act*, a maximum nine-member Board is appointed for BCLC by order of the Lieutenant-Governor in Council. The Board currently consists of nine independent directors chosen on the basis of their skills, expertise and experience.

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

The Board has a primary responsibility to foster BCLC's long-term success, to oversee the conduct of the Corporation's business and to supervise management who are responsible for day-to-day operations. The Board is responsible for participating with management in developing, and ultimately approving, BCLC's mission, vision and values, strategic and service plans, business plans, and operating and capital budgets.

The Board regularly receives information on financial results and monitors BCLC's performance against the approved strategic and operating plans. The Board is also responsible for setting and revising as necessary major policies, including policies related to human resources and compensation matters, financial and risk management issues, and stakeholder communications. Through the strategic planning process and the operation of committees, the Board also reviews the principle risks facing BCLC to ensure that strategies are implemented to manage such risks.

The Board met seven times in fiscal 2005/06. In addition, as part of the strategic planning process, the Board held its annual strategic planning retreat with management with the focus of establishing BCLC's strategic direction for the upcoming years. Senior management attend all Board meetings. However, the Board also ensures its independence by meeting in camera at every Board meeting without management present.

STANDARD OF CONDUCT FOR DIRECTORS

In carrying out the Board's mandate, each director is responsible to act honestly and in good faith with a view to the best interests of BCLC and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Upon appointment as a director and each year thereafter, directors are required to agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines.

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.

COMMITTEE STRUCTURE

To assist the Board in fulfilling its oversight responsibilities, the Board has established committees and has specifically set out the terms of reference for each committee. BCLC committees are responsible for advising and formulating recommendations to the Board.

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

STANDING COMMITTEES

Audit

Chair: Bruna Giacomazzi[1]
Members: Arthur Willms, Kathy Stevenson[2], John Bell

Met five times in fiscal 2005/06

- Liaises between the external and internal auditors and the Board.
- Oversees the review of BCLC's financial operations by the external auditors and makes recommendations to the Board with respect to approval of audited financial statements and quarterly results.
- Reviews the financial information that will be provided to Government and the public.
- Oversees the review of BCLC's information systems, risk management and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

Note[1]: until Bruna Giacomazzi's resignation from the Board November 1, 2005.
Note[2]: Kathy Stevenson was appointed May 3, 2006.

Governance and Corporate Social Responsibility

Chair: David Gillespie
Members: Bruna Giacomazzi, Arthur Willms

Met four times in fiscal 2005/06

- Provides focus on corporate governance to enhance BCLC's performance.
- Implements the evaluation process for the Board and makes recommendations regarding Board effectiveness.
- Oversees development of a long-term Board composition and succession plan and leads the process for developing potential director criteria.
- Reviews, monitors and makes recommendations regarding the orientation and ongoing development of directors.
- Oversees the review of BCLC's corporate social responsibility policy.

Human Resources and Compensation

Chair: Tazeem Nathoo
Members: Donald Pettit, Neil McDonnell

Met five times in fiscal 2005/06

- Examines BCLC'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.
- Oversees matters related to the compensation and performance assessment of the President and CEO.
- Reviews management's succession plans, staff resourcing allocation plans, and staff development and training programs with a view to enhancing a performance-based culture.

Marketing and Sponsorship

Chair: John Bell
Members: Neil McDonnell, Donald Pettit

Met three times in fiscal 2005/06

- 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 BCLC's role on brands, business unit and sponsorships.
- Monitors BCLC's performance against the marketing strategies and guidelines.

Ex-officio members of all committees:

T. Richard Turner, Chair[3]
John McLernon[4]
Vic Poleschuk, President and CEO

Note[3]: T. Richard Turner's appointment to the Board was rescinded December 9, 2005.
Note[4]: John McLernon was appointed as a Director and Chair of the Board December 9, 2005.

This Management Discussion and Analysis reviews the financial condition and the results of operation of BCLC for the fiscal year ended March 31, 2006, and should be read in conjunction with the Corporation's audited financial statements.

Financial Overview

Financial Results ($ in millions)	2001/02	2002/03	2003/04	2004/05	2005/06		
					Actual	Budget	Variance
Revenues							
Lottery	962.7	968.6	960.4	938.0	967.4	970.0	(2.6)
Casino	552.4	628.1	733.4	892.9	1,085.3	1,050.0	35.3
Bingo	92.3	195.7	195.7	196.5	208.0	230.0	(22.0)
	1,607.4	**1,792.4**	**1,889.5**	**2,027.4**	**2,260.7**	**2,250.0**	**10.7**
Direct Expenses	863.5	987.0	1,014.8	1,048.8	1,145.8	1,134.1	(11.7)
Operating Expenses	137.8	134.5	147.1	159.7	192.2	215.9	23.7
Net Income	**$606.1**	**$670.9**	**$727.6**	**$818.9**	**$922.7**	**$900.0**	**$22.7**
Profit Margin	**37.7%**	**37.4%**	**38.5%**	**40.4%**	**40.8%**	**40.0%**	**0.8%**
Capital Expenditures	**20.2**	**29.6**	**49.0**	**93.5**	**82.9**	**111.7**	**28.8**
Employees (FTEs)	**615.0**	**549.0**	**560.0**	**569.0**	**575.0**	**593.0**	**18.0**

At $2.261 billion, total gaming revenues for fiscal 2005/06 were $10.7 million greater than budget and $233.3 million greater than the previous fiscal year. The continuing replacement of older casino properties with higher entertainment facilities, the introduction of new, innovative lottery games, a record Lotto 6/49 jackpot of $54.3 million and the continuing development of community gaming centres all contributed to the strong performance.

Direct costs of $1.15 billion were $11.7 million greater than budget and $97.0 million greater than the previous fiscal year. The increase over budget and the previous fiscal year was directly related to the prizes, commissions and ticket printing required to support the continuing growth in revenues.

Operating costs of $192.2 million were $23.7 million less than budget and $32.5 million greater than the previous fiscal year. The positive operating cost variance from budget was the result of lower than budgeted general operating costs, less amortization than plan and a one-time GST recovery. A new network contract was negotiated during the year that resulted in cost savings of more than $1.0 million. Delays in the introduction of community gaming centres and the delay or cancellation of several lottery and corporate initiatives resulted in cost savings in the advertising and marketing categories. Amortization was $8.0 million less than budget, reflecting a lower capital spend for gaming equipment than plan.

The increase in operating costs over the previous fiscal year reflect increased general operating costs, amortization and GST, all of which are directly related to the growth in the business.

At $922.7 million, net income exceeded budget by $22.7 million and the previous fiscal year by $103.8 million. As a percentage of revenue, net income increased from 40.4% to 40.8%, reflecting a shift in product mix to higher contribution casino games.

Capital expenditures of $82.9 million were $28.8 million less than budget. The majority of BCLC's capital expenditures are for equipment and systems that support gaming operations. With delays in the opening of Hastings Racetrack Casino and planned openings of community gaming centres, expenditures were less than budget.

Since fiscal 2001/02, total gaming revenues in British Columbia have increased from $1.61 billion to $2.26 billion, an increase of about $650 million or 41%. This reflects the addition of casino gaming and commercial bingo to BCLC's mandate. During this period, lottery revenues in British Columbia and across Canada have remained relatively flat and in some jurisdictions have declined.

On a per capita basis, gaming in British Columbia is moderate compared to other provinces in Canada. BCLC currently ranks eighth in Canada per capita gaming expenditures.

A more detailed assessment of BCLC's internal and external environment can be found in the Corporation's Service Plan.

LOTTERY OPERATIONS

Financial Results ($ in millions)	2001/02	2002/03	2003/04	2004/05	2005/06		
					Actual	Budget	Variance
Revenues							
Retail Network	717.2	742.4	747.0	712.4	733.0	738.5	(5.5)
Hospitality Network	245.5	226.2	213.4	225.3	229.2	221.0	8.2
eLottery	0.0	0.0	0.0	0.3	5.2	10.5	(5.3)
	962.7	**968.6**	**960.4**	**938.0**	**967.4**	**970.0**	**(2.6)**
Direct Expenses	600.7	610.3	602.3	581.4	613.8	603.2	(10.6)
Operating Expenses	68.2	64.8	69.2	71.8	80.4	88.8	8.4
Net Income	**$293.8**	**$293.5**	**$288.9**	**$284.8**	**$273.2**	**$278.0**	**($4.8)**

Financial Overview

Fiscal 2005/06 lottery revenues of $967.4 million were $2.6 million below budget and $29.4 million greater than the previous fiscal year. While revenues have been relatively flat over the last several years, fiscal 2005/06 has shown growth as a result of new product initiatives introduced by BCLC. These initiatives included the introduction of an Internet-based distribution channel, PlayNow, the introduction of new, innovative games, including Racetrax and PayDay, and the introduction of a suite of Olympic-themed games that support amateur sports in British Columbia.

Direct expenses of $613.8 million were $10.6 million greater than budget and $32.4 million greater than the previous fiscal year. The increase over budget and the previous year was the result of higher prize funding and higher ticket printing costs.

Operating costs of $80.4 million were $8.4 million less than budget and $8.6 million greater than the previous fiscal year. In comparison to budget, operating cost savings were realized in both advertising and network communications. A new network contract was negotiated during the year that resulted in savings of more than $1.0 million. Compared to the previous fiscal year, higher amortization costs were incurred, reflecting the replacement of the lottery central system and retail network terminals.

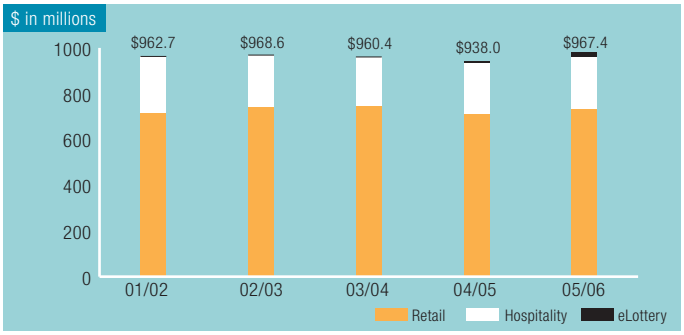
Fiscal 2005/06 net income of $273.2 million was $4.8 million less than budget and $11.6 million less than the previous year. The write-off of obsolete tickets and a one-time prize adjustment impacted results.

Operational Highlights

BCLC's lottery network consists of about 3,050 retail and 1,340 hospitality locations. Competition from other forms of gaming and entertainment, shifts in consumer traffic patterns and significant changes at retail have all contributed to a flattening of lottery sales. A key strategic initiative of BCLC is to transform and reinvent the lotteries. This will be achieved through the introduction of new innovative games, strengthening the marketing of existing games and the continued development and refinement of existing and new lottery channels.

Operational highlights for the lottery division in fiscal 2005/06 included the introduction of online versions of Lotto 6/49, BC/49, Lotto Super 7 and Keno, the introduction of new online Interactive games and the introduction of PayDay. Registered players for the new Internet lottery channel, PlayNow, increased from about 3,000 to more than 30,000 during the year. Additionally, BCLC launched SportsFunder in February 2006, a suite of Olympic-themed games that will support amateur sports in British Columbia.

Lottery Revenue Trends



Casino Operations

Financial Results ($ in millions)	2001/02	2002/03	2003/04	2004/05	2005/06 Actual	2005/06 Budget	2005/06 Variance
Revenues							
Slot Machine	311.7	373.6	463.5	588.6	762.3	750.0	12.3
Table Games	240.7	254.5	269.9	298.9	306.6	296.5	10.1
Poker	0.0	0.0	0.0	5.4	16.4	3.5	12.9
	552.4	628.1	733.4	892.9	1,085.3	1,050.0	35.3
Direct Expenses	193.1	218.3	252.3	307.3	369.9	356.0	(13.9)
Operating Expenses	59.8	55.2	62.8	70.3	93.8	105.0	11.2
Net Income	**$299.5**	**$354.6**	**$418.3**	**$515.3**	**$621.6**	**$589.0**	**$32.6**

Financial Overview

Fiscal 2005/06 casino net win of $1.085 billion was $35.3 million greater than budget and $192.4 million greater than the previous fiscal year. The opening of a new casino in Langley, the expansion of an existing property in Coquitlam and a full year of operation of several casinos that had been operational for only part of fiscal 2004/05 contributed to the strong performance.

Direct expenses of $369.9 million were $13.9 million greater than budget and $62.6 million greater than the previous fiscal year. The increase in costs from budget and the previous fiscal year were directly related to the increase in revenues.

Operating costs of $93.8 million were $11.2 million less than budget and $23.5 million greater than the previous fiscal year. The positive budget variance reflects operational cost savings in salaries and marketing, lower than planned amortization and a recovery in GST expense relating to previous years. The increase in costs over the previous year reflects additional amortization and GST, both directly related to growth in the business.

Fiscal 2005/06 net income of $621.6 million was $32.6 million greater than budget and $106.3 million greater than the previous fiscal year. Increased revenues from new higher entertainment casinos and a GST recovery relating to previous fiscal years contributed to the strong performance.

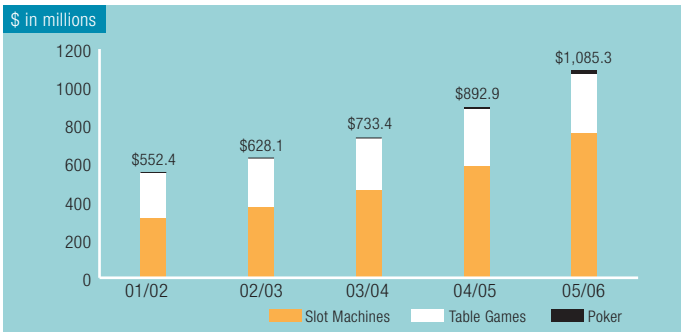
Operational Highlights

BCLC's casino network includes 13 community casinos, four destination casinos and one racetrack casino that operated a total of 7,149 slot machines and 454 table games in fiscal 2005/06. The casino market in British Columbia is close to being fully built out. BCLC will continue to increase the entertainment value for the player and positioning casinos in British Columbia as an entertainment option for out-of-province tourists.

A key strategic initiative for BCLC is to grow casino revenue and improve the quality of the product with fewer, better locations sized to fit the market. Operational highlights in fiscal 2005/06 included a new casino in Langley (Cascades), the expansion of an existing casino in Coquitlam

(Boulevard), and the opening of a hotel and show theatre at River Rock Casino Resort in Richmond. Additionally, BC Gold, a player points program, was successfully introduced during the year. Older casino properties in Vancouver (Mandarin) and New Westminster (Royal Towers) were closed.

Casino Sales Trends



BINGO OPERATIONS

Financial Results ($ in millions)	2001/02	2002/03	2003/04	2004/05	2005/06 Actual	2005/06 Budget	2005/06 Variance
Revenues							
Paper Bingo	29.1	116.2	107.5	98.2	88.0	98.0	(10.0)
Electronic Bingo	63.2	79.5	88.2	93.5	94.9	105.0	(10.1)
Slot Machines	0.0	0.0	0.0	4.8	25.1	27.0	(1.9)
	92.3	195.7	195.7	196.5	208.0	230.0	(22.0)
Direct Expenses	69.7	158.4	160.2	160.1	162.1	174.9	12.8
Operating Expenses	9.8	14.5	15.1	17.6	18.0	22.1	4.1
Net Income	**$12.8**	**$22.8**	**$20.4**	**$18.8**	**$27.9**	**$33.0**	**($5.1)**

Financial Overview

Fiscal 2005/06 bingo revenues of $208.0 million were $22.0 million less than budget and $11.5 million greater than the previous fiscal year. Delays in the planned opening of several new community gaming centres, continuing declines in traditional paper bingo sales and lower than budgeted results from electronic bingo products contributed to the negative variance.

Direct expenses of $162.1 million were $12.8 million less than budget and $2.0 million greater than the previous fiscal year. The positive variance from budget was directly related to lower than targeted revenues.

Operating costs of $18.0 million were $4.1 million less than budget and $400,000 greater than the previous fiscal year. Delays in the opening of new community gaming centres resulted in operational cost savings and less amortization than budget.

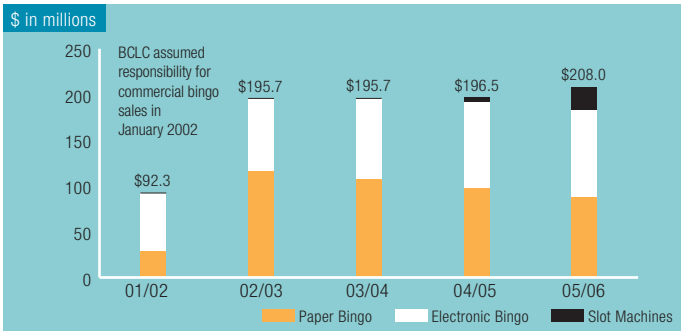
Net income of $27.9 million was $5.1 million less than budget and $9.1 million greater than the previous fiscal year. The negative variance from budget was the result of lower than targeted revenues. Net income growth over the previous fiscal year was the result of increased revenues from community gaming centres and the introduction of slot machines in these facilities.

Operational Highlights

BCLC offers varying gaming products through a network of 24 commercial halls, five community gaming centres and 15 independent operators. Products marketed through this distribution channel include electronic bingo, paper bingo and slot machines. Bingo is considered a mature market in British Columbia and across Canada, with sales of traditional paper-based products remaining flat or declining over the last several years.

A key strategic initiative for BCLC is to improve the quality of the product and facilities through transitioning bingo halls to community gaming centres. While BCLC was successful in opening only one new facility this year, the Corporation negotiated a new compensation agreement with bingo service providers and has approval from various municipalities to introduce seven new community gaming centres in fiscal 2006/07. During the year, a comprehensive marketing plan, including a new Chances brand image, logo and signage was developed to support the repositioning of bingo in British Columbia as a higher entertainment experience for players.

Bingo Revenue Trends



BC Lottotech International Inc.

BC Lottotech International Inc. was incorporated under the *Company Act of British Columbia* on March 27, 1987, and is a wholly owned subsidiary of British Columbia Lottery Corporation. BC Lottotech's financial statements are included in the consolidated financial statements of BCLC. The primary purpose of BC Lottotech is to acquire gaming equipment for BCLC.

CANADIAN GAMING COMPARISONS

(AS AT MARCH 31, 2005)

With revisions to Government gaming policy in 1997 that allowed for the introduction of slot machines, gaming revenues in British Columbia have increased significantly. While gaming revenues in British Columbia have grown over this period, on a per capita basis net gaming expenditures remain moderate compared to other provinces in Canada.

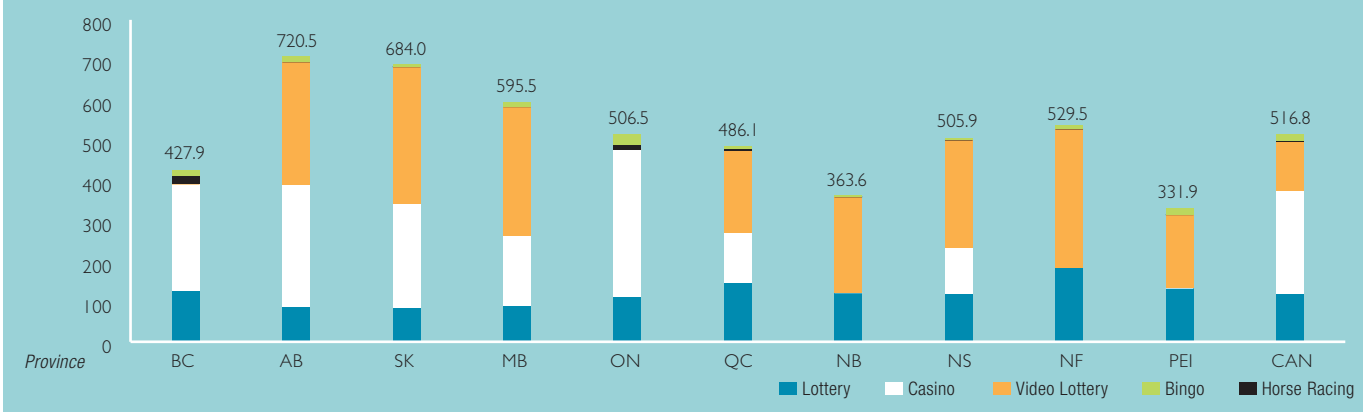
As illustrated in the following table, in fiscal 2004/05, the most current year available, British Columbia per capita net gaming expenditures are ranked eighth in Canada and British Columbia has fewer gaming devices per thousand adult population than any other province. This moderate expenditure is consistent with Government's gaming policy and BCLC's objective to market gaming in a socially responsible manner.

COMMERCIAL GAMING EXPENDITURE BY PROVINCE, NET OF PRIZES FOR THE YEAR ENDED MARCH 31, 2005

TOTAL NET EXPENDITURE (THOUSANDS)

	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Lottery	$ 432,098	$ 219,652	$ 63,918	$ 79,952	$ 1,081,319	$ 892,825	$ 73,270	$ 90,056	$ 76,911	$ 14,322	$ 3,024,323
Casino	897,673	781,000	193,654	155,803	3,590,474	751,193	n/a	84,994	n/a	n/a	6,454,791
Video Lottery	n/a	759,000	257,248	287,100	n/a	1,236,884	143,347	200,229	142,339	19,667	3,045,814
Bingo	74,868	n/a	n/a	n/a	7,547	20,023	n/a	n/a	n/a	n/a	102,438
Horse Racing	47,392	36,885	344	10,058	265,561	44,711	1,975	3,346	215	1,716	412,203
Total	$ 1,452,031	$ 1,796,537	$ 515,164	$ 532,913	$ 4,944,901	$ 2,945,636	$ 218,592	$ 378,625	$ 219,465	$ 35,705	$13,039,569

Per Capita Net Gaming Expenditures

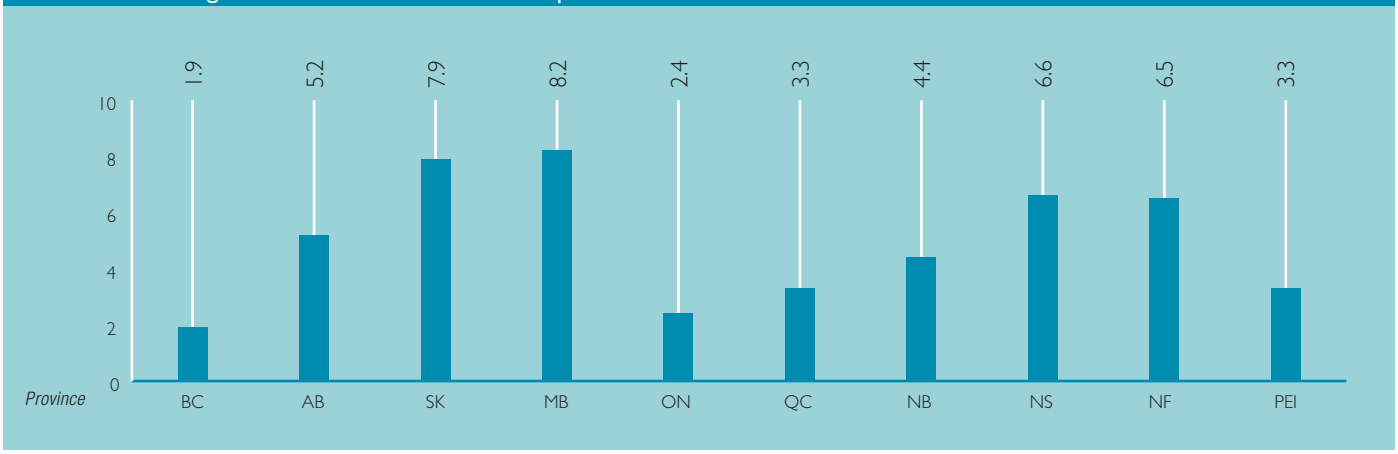


(AS AT MARCH 31, 2005)

ELECTRONIC GAMING DEVICES IN CANADA AS AT MARCH 31, 2005

Electronic Gaming Devices	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Slot Machines	6,307	7,055	1,990	2,880	23,215	5,900	0	1,098	0	0	48,445
Video Lottery	0	5,978	3,971	4,482	0	14,007	2,639	3,820	2,675	354	37,926
Total Gaming Devices	**6,307**	**13,033**	**5,961**	**7,362**	**23,215**	**19,907**	**2,639**	**4,918**	**2,675**	**354**	**86,371**
Gaming Devices per 1,000 population	**1.9**	**5.2**	**7.9**	**8.2**	**2.4**	**3.3**	**4.4**	**6.6**	**6.5**	**3.3**	**3.4**

Electronic Gaming Devices Per Thousand Adult Population



Notes

1. Net Gaming Expenditures:
   Amount spent by players after deducting money returned as prizes, for all forms of gaming.
2. Information Sources:
   a) Population represents Statistics Canada estimate of the population (18 and over) as of July 1, 2005. Estimates current as of December 2005.
   b) Gaming information
      - British Columbia Lottery Corporation
      - Western Canada Lottery Corporation
      - Ontario Lottery and Gaming Corporation
      - Loto-Québec
      - Atlantic Lottery Corporation
      - Alberta Liquor and Gaming Authority
      - Saskatchewan Liquor and Gaming Authority
      - Manitoba Lotteries Corporation
      - Nova Scotia Gaming Corporation
      - Canadian Para-Mutual Agency

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

BCLC was established as a Crown corporation 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 promoting 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. 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.	• Fiscal 2005/06 net income of $922.7 million generated for key Government programs, including health care, education and physical fitness. Introduction of the SportsFunder suite of lottery games, with net profit dedicated to amateur sport in British Columbia. • 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. • 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 about 10,000 people who are directly employed in the gaming business in British Columbia, with close to $1 billion invested in property assets, pursuant to contracts established and managed by BCLC.
KEY STRATEGIC THEMES	**BCLC ALIGNMENT**
High standards of accountability and ethics	• Corporate values that focus on integrity, social responsibility and respect
Efficient delivery of services	• Strategic initiatives that focus on operational excellence in our people, our practices and systems
Social and fiscal responsibility	• Commitment to socially responsible gaming and long-term stewardship of British Columbia's gaming industry
Open and transparent	• Open communications with the public, business partners and consumers
Innovative and goal-oriented workforce	• Corporate strategic initiatives that focus on high performance and innovation

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 risk. The following table summarizes key risk and capacity issues facing BCLC and mitigating strategies.

RISK AND CAPACITY	MITIGATING STRATEGY
Competition Lottery sales in British Columbia and across Canada are stagnant or declining.	BCLC is developing new, innovative products and investigating new distribution channels to increase entertainment value and convenience to the player. In fiscal 2005/06, BCLC introduced new, innovative lottery games, including Racetrax, online versions of Lotto 6/49, BC/49, Keno and Lotto Super 7, and a new suite of SportsFunder lottery games that help fund amateur sports in British Columbia.
Bingo sales in British Columbia and across Canada have been declining for a number of years.	Since assuming responsibility for commercial bingo in January 2002, sales have stabilized. BCLC is transforming the bingo market through improved facilities and the introduction of new games and other forms of entertainment.
High-quality and larger gaming facilities in neighbouring jurisdictions compete with casinos in British Columbia for casino entertainment spending.	BCLC's business plan provides for the development of fewer, higher quality casinos sized to fit the marketplace. Highlights in fiscal 2005/06 included the opening of new or improved casino properties in Langley and Coquitlam and the opening of a new hotel and show theatre at River Rock Casino Resort in Richmond.
The Internet has increased competition by opening up historical commercial and geographic barriers, allowing illegal Internet gambling to be available to players in British Columbia.	BCLC has introduced a new eLottery channel, PlayNow, to provide convenience for our lottery players in British Columbia.
Host Local Government Approvals The *Gaming Control Act* requires that local governments provide approval for acceptance or relocation of casinos and bingo halls in their communities. Delays or the inability to obtain the necessary government approvals present a risk to delivering on our revenue targets.	BCLC has developed an extensive consultation and relocation process to ensure communities and key stakeholders have adequate information to make informed decisions.
Public Acceptance Without strong public acceptance and support, BCLC's ability to achieve our business and revenue objectives may not be achieved.	BCLC is continuing to adopt industry best practices that promote responsible play. BCLC, in conjunction with the Gaming Policy and Enforcement Branch, plays a key role in developing, implementing and managing responsible play programs to mitigate the risks associated with gambling. BCLC is developing and implementing programs to better inform the public about how gaming revenues benefit British Columbians. BCLC continues to place the highest level of importance on the integrity of our games, processes and people.
Gaming Integrity Breach BCLC's high profile and reliance on computer systems makes the Corporation a high risk for malicious electronic activity from external sources.	BCLC is dedicating significant internal and external resources to reduce gaming integrity risks from external sources.
Capacity With responsibilities to conduct and manage casino and bingo gaming added to BCLC's mandate, the complexity and size of the business have increased.	BCLC has developed internal resources and recruited outside expertise to manage growth in the business. In fiscal 2005/06, BCLC made major investments in our technology infrastructure. BCLC's capital expenditures in fiscal 2005/06 were about $83 million. The majority of these expenditures were for new gaming equipment and systems that support marketplace initiatives. BCLC updated our Business Continuity Plan with the objective of mitigating risk around the Corporation's revenue-generation systems. BCLC continues to work closely with our business partners to ensure they have adequate information and technology to manage the business.

FISCAL 2005/06

In July 2000, the *Budget Transparency and Accountability Act* was passed in the British Columbia Legislature. The primary objectives of the *Act* are to make the Government budget process more accountable and accessible to the public, to improve the reliability and credibility of budget forecasts, to improve accountability for results, to improve the accounting and quality of financial information provided by Government, and to improve the timeliness, consistency, comparability and transparency of information provided to the public.

In August 2001, the *Act* was amended to require that three-year Service Plans for Government organizations be made public annually with the budget on the third Tuesday in February. This year's Annual Service Plan Report is the companion document to BCLC's Fiscal 2005/06 – 2007/08 Service Plan that was updated in September 2005 and reports on the goals, strategies, performance measures and targets that were established in this plan. While the Corporation's goals, strategies and performance measures remain unchanged from the 2005/06 – 2007/08 Service Plan, the targets for the fiscal years 2006/07 – 2008/09 were updated in this year's Annual Report to reflect management's best estimates and the information contained in BCLC's current Service Plan.

1. To Generate Net Income for the Public Good

Strategies

- 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 revenue

Performance Measures		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Revenue	Lottery	$ 960.4	$ 938.0	$ 967.4 actual $ 970.0 target	$ 1,000.0	$ 1,050.0	$ 1,150.0
	Casino	$ 733.4	$ 892.9	$ 1,085.3 actual $ 1,050.0 target	$ 1,140.0	$ 1,175,0	$ 1,225.0
	Bingo	$ 195.7	$ 196.5	$ 208.0 actual $ 230.0 target	$ 225.0	$ 240.0	$ 250.0
Total Revenue		$ 1,889.5	$ 2,027.4	$ 2,260.7 actual $ 2,250.0 target	$ 2,365.0	$ 2,465.0	$ 2,625.0
Net Income	Lottery	$ 288.9	$ 284.8	$ 273.2 actual $ 278.0 target	$ 278.9	$ 291.5	$ 307.9
	Casino	$ 418.3	$ 515.3	$ 621.6 actual $ 589.0 target	$ 630.1	$ 649.5	$ 683.6
	Bingo	$ 20.4	$ 18.8	$ 27.9 actual $ 33.0 target	$ 31.0	$ 39.0	$ 43.5
Total Net Income		$ 727.6	$ 818.9	$ 922.7 actual $ 900.0 target	$ 940.0	$ 980.0	$ 1,035.0
Profit Margin		38.5%	40.4%	40.8% actual 40.0% target	39.7%	39.8%	39.4%
Operating Cost Ratio		4.8%	4.7%	4.5% actual 4.8% target	4.7%	4.6%	4.5%
FTEs		560	569	575 actual 593 target	600	612	625
Player Participation (%)		61%	63%	61% actual 63% target	65%	67%	67%
Player Satisfaction (%)		82%	83%	84% actual 88% target	84%	88%	90%

BCLC's mission is to offer responsible gaming entertainment, generating net income for the public good. This mission statement establishes the framework for BCLC as new business opportunities and new gaming products are developed.

At $2.261 billion, total gaming revenues for fiscal 2005/06 were $10.7 million greater than budget and $233.3 million greater than the previous fiscal year. The continuing replacement of older casino properties with higher entertainment facilities, a record Lotto 6/49 jackpot of $54.3 million and the introduction of slot machines in community gaming centres all contributed to the strong performance.

At $922.7 million, net income exceeded budget by $22.7 million and the previous fiscal year by $103.8 million. As a percentage of revenue, net income increased from 40.4% to 40.8%, reflecting a shift in product mix to higher contribution casino games. A more detailed analysis of revenue and net income performance by business unit is included in this report's Management Discussion and Analysis section.

In fiscal 2005/06, BCLC made progress towards transforming and reinventing the lottery business. New, innovative products launched during the year included Racetrax, Sports Action Pools, PayDay and SportsFunder. All of these games represent a departure from traditional games and are designed to deliver higher entertainment value to the player. A major milestone for BCLC was the introduction of SportsFunder, a suite of 2010 Olympic-themed games. SportsFunder not only represent a new entertainment option for lottery players, but also supports Government's goal of promoting healthy living and physical fitness as all profits from these games are dedicated to amateur sports in British Columbia.

Also supporting the strategy of transforming and reinventing the lottery to a growth business was the replacement of the retail network of 4,390 terminals. These new technology terminals provide BCLC with the ability to introduce new, innovative products that would not have been possible with older technology terminals.

A key strategy for BCLC is to grow casino revenue by providing the player with higher quality products and improved gaming facilities. Major achievements during the year included the opening of the new Cascades casino in Langley, the redevelopment of the existing Coquitlam facility as Boulevard Casino, and the opening of a hotel and show theatre in the Richmond River Rock Casino Resort. Additionally, BC Gold, a player points program, was successfully introduced during the fiscal year.

BCLC's business plan provided for the introduction of seven community gaming centres during fiscal 2005/06. These new facilities are intended to rejuvenate the bingo market in British Columbia and provide players with a greater range of entertainment options in vastly improved facilities. BCLC was successful in opening only one new facility this year. However, the Corporation has negotiated a new compensation agreement with bingo service providers and has host local government approvals to introduce seven community gaming centres in fiscal 2006/07. These new facilities, along with the introduction of slot machines and other new games, are expected to improve the entertainment value for players in British Columbia.

A key strategy for BCLC is to develop a viable eLottery business. Internet gaming is expanding rapidly worldwide. For BCLC to maintain its current player base, the Corporation must provide easy and convenient access to its lottery products. In October 2004, BCLC introduced a new Internet-based lottery channel, PlayNow on BCLC.com. Sales in the first year of operation were $300,000. In fiscal 2005/06, additional products were added to this channel, including online versions of Lotto 6/49, BC/49, Lotto Super 7 and Keno and new, innovative Interactive games. Registered players increased from about 3,000 to 30,000 and sales increased to $5.2 million.

During the year, BCLC continued to make major investments in its technology infrastructure to support strategic goals. Capital investments of more than $80 million were incurred during the fiscal year, with the majority of these expenditures for new gaming equipment and games.

At $102 million or 4.5% of revenue, general operating costs were $5.6 million less than budget. A new data network contract negotiated during the year and other operational cost savings resulted in the organization reducing costs below its target of 4.7% of revenue.

At 575 full-time equivalents, BCLC's staffing levels were below budget. The Corporation continues to use technology to achieve business improvement opportunities with the goal of operating the business in the most effective and efficient manner possible.

Player participation is a key measure for BCLC. At 61%, the level of player participation was slightly less than the target of 63%. BCLC will continue to develop games that promote responsible play and that deliver high entertainment value to players in British Columbia.

At 84%, player satisfaction was just below the target of 88%. BCLC will continue to introduce innovative new games and enhance gaming facilities to meet the needs of our players.

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

Strategies						
• Build public and stakeholder trust/support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs.						
Performance Measures	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Public support of gaming	58% actual	56% actual	51% actual 60% target	52%	55%	55%
Public support of BCLC	71% actual	66% actual	67% actual 73% target	66%	70%	70%
Public recognition for social responsibility	59% actual	56% actual	56% actual 60% target	56%	58%	60%
Public awareness of the beneficiaries of gaming	34% actual	28% actual	36% actual 45% target	32%	35%	40%

The Government of British Columbia has designated BCLC as the authority to conduct and manage gaming in the province. Government has chosen to operate gaming through BCLC not only to meet the requirements of the Criminal Code, but to ensure that the objective of revenue generation is carefully balanced with the objectives of social responsibility and gaming integrity.

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

At 51%, overall public support for gaming in British Columbia did not achieve its target of 75% in fiscal 2005/06 and declined by 5% over the previous fiscal year. This may be attributed to a general increase in media coverage regarding casino gaming, as well as an increase in exposure to casino advertising originating in British Columbia and from locations outside the province. These two factors correspond to an increase in public perception that there is too much gaming in British Columbia and too many casinos. There has been a related small decline in public support for the existence of casino gaming.

At 67%, public support of BCLC missed its target of 73%. To address the level of public recognition and awareness of BCLC's role, the Corporation has developed communications programs to better inform the public about gaming integrity, social responsibility, economic benefits and the net income generated for Government programs. This information is delivered through existing vehicles such as BCLC.com, the Annual Report, annual Service Plan, communications to business service partners, and advertising and marketing programs.

At 56%, public recognition of BCLC as a socially responsible organization has remained consistent for the past three years, although the target of 60% was not reached. BCLC believes that addressing problem gambling effectively requires a shared responsibility approach. The Corporation works in partnership with the Gaming Policy and Enforcement Branch (GPEB) to ensure that problem gambling issues are addressed through public awareness, research, education, prevention and treatment programs.

The British Columbia Partnership for Responsible Gambling is a strategic alliance that promotes responsible play. In fiscal 2005/06, the partnership introduced a responsible gambling education and problem gambling prevention initiative with the opening of Responsible Play Information Centres at River Rock Casino Resort in Richmond and Edgewater Casino in Vancouver.

Since the inception of BCLC's Appropriate Response Training (ART) program, more than 3,000 gaming industry employees have received training on how to respond to difficult situations involving customers.

BCLC is striving to improve public awareness about the beneficiaries of gaming in British Columbia through messages that convey "where the money goes." The net income distributed to Government benefits public programs for health, education, social, community, charitable and municipal purposes.

At 36%, public awareness increased by 8% over the previous fiscal year, but did not meet the target of 45%. BCLC continues to face challenges in increasing public awareness of the beneficiaries of gaming revenue and the good works carried out by community and charitable organizations and municipal governments throughout British Columbia, while at the same time remaining respectful to public sensitivities toward gaming.

In the next fiscal year, BCLC will place increased emphasis on programs that communicate information about the beneficiaries of gaming revenue, programs that promote responsible play and the safe and healthy use of BCLC products, and programs that address the prevention and treatment of problem gambling.

3. To be an Employer of Choice with a High-performance Workforce Passionately Driving the Success of Our Business

Strategies						
• Instil a high-performance culture through strong leadership, innovation, employee development and engagement.						
Performance Measures	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Employee Engagement	56% actual	51% actual	n/a 75% target	70%	80%	80%

BCLC remains committed to the goal of creating a high-performance culture. The organization has defined the desired culture as one that has high integrity, respect and social responsibility, with overall competencies around team, player focus, innovation, personal growth and results.

Over the past fiscal year, BCLC has seen an increased need for specialized knowledge workers within the organization and understands the critical need to position the Corporation to successfully meet the looming talent shortage. The necessity to position BCLC to strategically recruit into the future further highlights the fundamental need to deliberately and purposefully take steps towards imbedding a high-performance culture in order to attract and retain the talent that will take the Corporation into the future.

Results from the employee engagement survey in 2004/05 provided the roadmap needed to improve employees' sense of passion and commitment to the goals of the company. Activities over the past year focused mainly on implementing change in leadership methods and culture. These activities included:

- creation of a formal and informal recognition program to align to values and behaviours and encourage the retention of talented staff;
- completion of a market survey and detailing of all positions within BCLC to provide the basis for developing a Total Rewards Strategy, including a new job evaluation system, ensuring alignment with pay for performance, market competitiveness and internal equity;
- implementation of a formal leadership development program for all leaders within the organization, providing them with the tools to inspire high performance through coaching and communicating with employees;
- improving performance management implementation to include more frequent formal conversations about goals, accountabilities and results, and to improve system metrics and functionality;
- and implementing new processes to foster innovation and player focus.

BCLC did not complete an employee engagement survey in fiscal 2005/06. A formal engagement survey is scheduled to be completed in fiscal 2006/07.

PERFORMANCE MEASURE DEFINITIONS AND METHODOLOGY

Performance Measure Tracking Systems

BCLC uses three main sources to track performance results. These sources include information provided by external auditors, information provided by independent research and consulting firms and, in limited cases, internal management information.

Revenue

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

Net Income

This category measures BCLC's net income as reported in the audited consolidated financial statements.

Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of revenues as reported in the audited consolidated financial statements. Operating costs do not include direct costs, other operating costs, amortization, other income, Integrated Illegal Gaming Enforcement Expenditures and GST.

Full Time Equivalents (FTEs)

This category measures the number of Full-time Equivalents employed with 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.

Player Participation

This category measures the gaming participation rate of adult British Columbians who have played a lottery game or visited a bingo or casino facility in the province at least once during the year. This information is obtained through a continuous tracking study completed by an external research company. Each year, 3,000 adult British Columbians are selected randomly and interviewed via telephone.

Player Satisfaction

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

Once a year, player interviews are conducted at casinos in British Columbia to gather their opinions about their casino player experiences. Respondents are selected randomly at the gaming venues and interviewed by an external research company.

Bingo player opinions are solicited in a slightly different manner. Randomly selected players at commercial bingo halls are asked to if they would like to participate in a survey. Those who agree are contacted by telephone and surveyed by an external research company.

Opinions of lottery players are gathered once a year through a continuous tracking study. Lottery players are selected randomly and interviewed via telephone by an external research company.

Public Support of Gaming

This category measures the percentage of adult British Columbians who have a positive perception of how gaming is conducted and managed in the province. In a continuous tracking study conducted by an external research company, 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 Support of BCLC

This category measures the percentage of adult British Columbians who have a favourable impression of BCLC. In a continuous tracking study conducted by an external research company, respondents are asked if their impressions of BCLC 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 Recognition for BCLC Social Responsibility

This category measures the percentage of adult British Columbians who agree that BCLC markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research company, 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 adult British Columbians who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research company, 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 BCLC employees. Employees are asked in an independent survey conducted by an external company 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.

MANAGEMENT'S RESPONSIBILITY

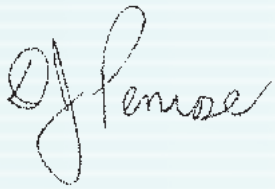
FOR FINANCIAL REPORTING

The financial statements of British Columbia Lottery Corporation have been prepared by management in accordance with generally accepted accounting principles. The financial statements present fairly the financial position of British Columbia Lottery Corporation as at March 31, 2006, and the results of its operations and changes in its financial position for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of British Columbia Lottery Corporation and express an opinion of the financial statements of British Columbia Lottery Corporation.

Vic Poleschuk
President and CEO



Doug Penrose
Vice-President, Finance and Corporate Services

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2006 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kamloops, Canada
April 21, 2006

CONSOLIDATED BALANCE SHEET

March 31, 2006, with comparative figures for 2005

(in thousands of dollars)	2006	2005
ASSETS		
Cash and short-term investments (note 3)	$ 81,310	$ 111,359
Accounts receivable (note 4)	73,967	53,358
Prepaid expenses	7,504	6,424
Accrued pension plan asset (note 5)	6,646	5,989
Property, plant and equipment (note 6)	140,887	112,003
	$ 310,314	$ 289,133
LIABILITIES		
Prizes payable	$ 42,475	$ 32,300
Accounts payable and accrued liabilities	67,095	57,026
Accrued post-retirement benefit obligation (note 5)	23,451	19,446
Payable to Interprovincial Lottery Corporation	1,669	1,578
Due to Government of British Columbia	175,534	178,783
Commitments and contingencies (notes 12 and 13)		
	$ 310,314	$ 289,133

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Director

Kathy Stevenson
Director

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 2006, with comparative figures for 2005

(in thousands of dollars)	2006	2005
Revenue (note 7)	$ 2,260,706	$ 2,027,317
Direct expenses:		
Prizes	641,477	622,677
Commissions	483,665	409,439
Ticket printing and bingo paper	20,637	16,615
	1,145,779	1,048,731
Revenue less direct expenses	1,114,927	978,586
Operating expenses (note 16):		
Administrative expenses	102,159	95,271
Other operating costs (note 8)	1,002	1,789
Amortization	52,777	36,253
Interest and other expense (income)	1,945	(1,182)
	157,883	132,131
Income before Integrated Illegal Gaming Enforcement Team expenses and Goods and Services Tax expense	957,044	846,455
Integrated Illegal Gaming Enforcement Team expenses (note 9)	1,474	628
Goods and Services Tax expense	32,873	26,951
Net income	$ 922,697	$ 818,876
Allocation of net income:		
Government of British Columbia	$ 914,410	$ 810,844
Government of Canada (note 10)	8,287	8,032
	$ 922,697	$ 818,876

Sector activity information (note 16)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT of AMOUNTS

DUE TO GOVERNMENT OF BRITISH COLUMBIA

Year ended March 31, 2006, with comparative figures for 2005

(in thousands of dollars)	2006	2005
Balance, beginning of year	$ 178,783	$ 70,416
Net income	922,697	818,876
	1,101,480	889,292
Payments to Government of British Columbia	917,659	702,477
Allocation of income to Government of Canada	8,287	8,032
	925,946	710,509
Due to Government of British Columbia	$ 175,534	$ 178,783

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2006, with comparative figures for 2005

(in thousands of dollars)	2006	2005
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Net income	$ 922,697	$ 818,876
Adjustments for:		
Amortization of property, plant and equipment	52,777	36,253
Loss (gain) on disposal of property, plant and equipment	426	(748)
	975,900	854,381
Changes in non-cash operating items:		
Increase in accounts receivable	(20,609)	(10,084)
Decrease (increase) in prepaid expenses	(1,080)	1,279
Increase in accrued pension plan asset	(657)	(724)
Increase (decrease) in prizes payable	10,175	(8,644)
Increase in accounts payable and accrued liabilities	10,069	2,237
Increase in accrued post-retirement benefit obligation	4,095	3,283
Increase (decrease) in payable to Interprovincial Lottery Corporation	91	(219)
	977,984	841,509
FINANCING:		
Payments to Government of British Columbia	(917,659)	(702,477)
Allocation of income to Government of Canada	(8,287)	(8,032)
	(925,946)	(710,509)
INVESTMENTS:		
Additions to property, plant and equipment	(82,880)	(93,450)
Proceeds on disposal of property, plant and equipment	793	1,048
	(82,087)	(92,402)
Increase (decrease) in cash and short-term investments	(30,049)	38,598
Cash and short-term investments, beginning of year	111,359	72,761
Cash and short-term investments, end of year	$ 81,310	$ 111,359

See accompanying notes to consolidated financial statements.

Years ended March 31, 2006 and 2005

(in thousands of dollars)

1. NATURE OF THE CORPORATION:

British Columbia Lottery Corporation ("BCLC") is a Crown corporation. BCLC was incorporated under the *Company Act* of British Columbia on October 25, 1984, and is continued under the *Gaming Control Act* (August 2002). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PRESENTATION:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation.

(B) SHORT-TERM INVESTMENTS

Short-term investments are valued at the lower of cost and market.

(C) PROPERTY, PLANT AND EQUIPMENT:

The Corporation's policy on capital purchases is that any major purchase that has a future useful life beyond the current year will be capitalized.

The Corporation's property, plant and equipment are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Corporate facilities and equipment	5 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
Casino gaming systems and equipment	3 years
Bingo gaming systems and equipment	3 years

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(D) EMPLOYEE FUTURE BENEFITS:

The Corporation has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the highest 60 consecutive months of pensionable earnings. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post-retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of

Years ended March 31, 2006 and 2005

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(D) EMPLOYEE FUTURE BENEFITS (CONTINUED):

active members expected to receive benefits under the plan.

- Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the average remaining service period ("EARSL") of active members expected to receive benefits under the plans. The EARSL for the Registered Plan is 13.9 years.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(E) REVENUE RECOGNITION:

Lottery games:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

Bingo games:

Revenue from the operation of paper, electronic, linked, and handheld bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played. Revenue from bingo slot machines is recorded in the statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the statement of income in the period they are incurred.

Casinos:

Revenues from casino slot machines and table games are recorded in the statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the statement of income in the period they are incurred.

(F) PRIZE EXPENSES:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out to the player in the form of bonus prizes and/or bonus draw promotions.

(G) SOFTWARE DEVELOPMENT COSTS:

Software development costs are deferred if they meet certain criteria specified by Canadian generally accepted accounting principles, otherwise they are expensed as incurred.

(H) INCOME TAXES:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(I) ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include pension plan assets, liabilities and expenses, prizes payable and expense, and Goods and Services Tax liability and expense. Actual results could differ from those estimates.

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

3. CASH AND SHORT-TERM INVESTMENTS:

The Corporation considers deposits in banks and short-term investments with original maturities of one year or less as cash and short-term investments. The Corporation's short-term investments are recorded at cost, which approximates current market value. The major components of cash and short-term investments are as follows:

	2006	2005
Cash (overdraft)	$ (2,568)	$ 5,233
Short-term investments with the British Columbia Investment Management Corporation	83,878	106,126
	$ 81,310	$ 111,359

Cash and short-term investments include an amount of $3,478 (2005 - $1,717) held in trust under the Casino Marketing Agency agreement.

4. ACCOUNTS RECEIVABLE:

	2006	2005
Trade accounts receivable:		
Lottery retailers	$ 21,030	$ 13,694
Casino service providers	13,060	8,592
Bingo service providers	2,025	1,826
	36,115	24,112
Casino cash floats	32,925	27,525
Other	4,927	1,721
Total accounts receivable	$ 73,967	$ 53,358

Casino cash floats provided by the Corporation are secured by Irrevocable Standby Letters of Credit.

Other accounts receivable include $2.03 million receivable from the province for one-time incentive payments payable to BCLC employees under the Government's compensation negotiating framework. A corresponding amount is included in accounts payable and accrued liabilities.

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan (RPP) and a post-retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post-retirement Benefit Plans	
	2006	2005	**2006**	2005
ACCRUED BENEFIT OBLIGATION				
Balance at beginning of year	$ 62,570	$ 54,378	$ 32,189	$ 25,286
Current service cost	2,908	2,616	1,893	1,541
Interest cost	3,802	3,625	2,036	1,735
Employee contributions	1,508	1,433	–	–
Past service cost	–	–	(5,704)	–
Benefits paid	(3,142)	(1,738)	(429)	(405)
Actuarial loss	1,012	2,256	6,058	4,032
Balance at end of year	68,658	62,570	36,043	32,189
PLAN ASSETS				
Fair value at beginning of year	55,660	47,917	–	–
Actual return on plan assets	7,811	4,179	–	–
Employer contributions	3,992	3,869	429	405
Employee contributions	1,508	1,433	–	–
Benefits paid	(3,142)	(1,738)	(429)	(405)
Balance at end of year	65,829	55,660	–	–
Funded status - deficiency	(2,829)	(6,910)	(36,043)	(32,189)
Employer contributions after measurement date -	–	81	–	–
Unamortized past service cost	879	996	(5,704)	–
Unamortized net actuarial loss	8,596	11,822	18,206	12,743
Accrued pension plan benefit asset (liability)	$ 6,646	$ 5,989	$ (23,541)	$ (19,446)

Plan assets by asset category:

	2006	2005
Equity securities	59%	59%
Debt securities	41%	41%
	100%	100%

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS (CONTINUED):

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made as of March 31, 2003 by Mercer Human Resource Consulting, a firm of consulting actuaries. The next required valuation will be as of March 31, 2006, with results available in late 2006. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	Pension Plans		Post-retirement Benefit Plans	
	2006	2005	**2006**	2005
AT BEGINNING OF PERIOD:				
Discount rate	6.0%	6.5%	6.0%	6.5%
Expected rate of return on plan assets	7.0%	7.0%	–	–
Rate of compensation increase	4.0%	4.5%	–	–
Health care cost trend rate:				
2006/2007	–	–	7.02%	6.82%
Ultimate	–	–	4.50%	4.49%
Year ultimate reached	–	–	2013	2012
AT END OF PERIOD:				
Discount rate	5.5%	6.0%	5.5%	6.0%
Rate of compensation increase	3.0%	4.0%	–	–

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post-retirement Benefit Plans	
	2006	2005	**2006**	2005
Current service cost, net of employees' contributions (including provision for plan expenses)	$ 2,908	$ 2,616	$ 1,893	$ 1,541
Interest cost	3,802	3,625	2,036	1,735
Plan amendment	–	–	–	–
Actual return on plan assets	(7,811)	(4,179)	–	–
Actuarial loss on accrued benefit obligation	1,012	2,256	6,058	4,032
(Negative) past service cost	–	–	(5,704)	–
Costs arising in the year	(89)	4,318	4,283	7,308
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	3,828	672	–	–
Actuarial gain	(602)	(1,881)	(5,463)	(3,620)
Plan amendment	117	117	–	–
(Negative) past service cost	–	–	5,704	–
Net benefit cost recognized	$ 3,254	$ 3,226	$ 4,52	$ 3,688

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

6. PROPERTY, PLANT AND EQUIPMENT:

	Cost	Accumulated amortization	2006 Net	2005 Net
Land	$ 700	$ –	$ 700	$ 700
Corporate facilities and equipment	27,649	24,465	3,184	2,434
Corporate information systems	23,572	18,705	4,867	6,400
Lottery gaming systems and equipment	89,025	45,791	43,234	31,703
Casino gaming systems and equipment	166,940	90,977	75,963	56,449
Bingo gaming systems and equipment	39,246	26,307	12,939	14,317
	$ 347,132	$ 206,245	$ 140,887	$ 112,003

7. REVENUE:

	2006	2005
LOTTERY:		
Keno	$ 231,619	$ 227,653
Scratch & Win	185,544	171,516
Lotto 6/49	211,059	201,129
Lotto Super 7	84,934	86,209
Pull Tab	77,774	83,575
Extra	57,126	57,386
BC/49	57,452	61,046
Sports Action	38,351	28,701
Living Large Lottery	(178)	6,488
Daily 3	3,602	4,077
Chaser	3,942	4,044
Special Event	3,631	6,156
PayDay	2,706	–
Racetrax	4,260	–
SportsFunder	5,519	–
Interactives	17	–
	967,358	937,980
BINGO:		
Bingo Paper	87,996	98,199
Electronic Bingo	70,508	69,647
Linked Bingo	11,001	9,993
Handheld Bingo	13,385	13,824
Bingo slot machines – net win	25,112	4,794
	208,002	196,457
CASINO – NET WIN:		
Slot machines	762,298	588,587
Table games	323,048	304,293
	1,085,346	892,880
Total revenue	$ 2,260,706	$ 2,027,317

APPENDIX 1

Years ended March 31, 2006 and 2005

(in thousands of dollars)

8. OTHER OPERATING COSTS:

Other operating costs include expenditures that do not form part of the Corporation's normal operations. These expenditures include legal costs related to two major litigations and corporate restructuring costs.

9. INTEGRATED ILLEGAL GAMING ENFORCEMENT TEAM EXPENSES:

In February 2003, based on direction from the provincial Government, the Integrated Illegal Gaming Enforcement Team (IIGET) was established. The expenditures required to fund the IIGET are provided by British Columbia Lottery Corporation pursuant to a Sponsoring Agreement with the Province. IIGET is a specialized division of the Royal Canadian Mounted Police that works co-operatively with Gaming Policy and Enforcement Branch to provide a comprehensive and integrated approach to the investigation and enforcement of the *Criminal Code* as it relates to illegal gaming activities in British Columbia.

10. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

11. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the Interprovincial Lottery Corporation (ILC) prize and ticket printing costs for national games is recognized as a direct expense. The Corporation's share of the ILC's interest income less operating expenses is included in interest and other income.

12. COMMITMENTS:

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2007	$ 2,109
2008	1,909
2009	806
2010	554
2011	253

13. CONTINGENCIES:

The Corporation has been named a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

14. RELATED PARTY TRANSACTIONS

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

15. FINANCIAL INSTRUMENTS:

The carrying values of cash and short-term investments, accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation approximate their fair value due to the relatively short period to maturity of these items or because they are receivable or payable on demand.

16. SECTOR ACTIVITY INFORMATION:

Year ended March 31, 2006				
	Lottery	**Casino**	**Bingo**	**Consolidated**
Revenue	$ 967,358	$1,085,346	$ 208,002	$ 2,260,706
DIRECT EXPENSES:				
Prizes	530,263	–	111,214	641,477
Commissions	64,754	369,879	49,032	483,665
Ticket printing and bingo paper	18,757	–	1,880	20,637
	613,774	369,879	162,126	1,145,779
Revenue less direct expenses	353,584	715,467	45,876	1,114,927
OPERATING EXPENSES:				
Administrative expenses	57,417	36,591	8,151	102,159
Other operating costs	339	612	51	1,002
Amortization	11,389	36,365	5,023	52,777
Interest and other expense (income)	(1,863)	2,794	1,014	1,945
	67,282	76,362	14,239	157,883
Income before Integrated Illegal Gaming Enforcement Team expenses and Goods and Services Tax expense	286,302	639,105	31,637	957,044
Integrated Illegal Gaming Enforcement Team expenses	398	989	87	1,474
Goods and Services Tax expense	12,747	16,474	3,652	32,873
Net income	$ 273,157	$ 621,642	$ 27,898	$ 922,697

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

16. SECTOR ACTIVITY INFORMATION (CONTINUED):

Year ended March 31, 2005				
	Lottery	**Casino**	**Bingo**	**Consolidated**
Revenue	$ 937,980	$ 892,880	$ 196,457	$ 2,027,317
DIRECT EXPENSES:				
Prizes	505,883	–	116,794	622,677
Commissions	60,653	307,292	41,494	409,439
Ticket printing and bingo paper	14,837	–	1,778	16,615
	581,373	307,292	160,066	1,048,731
Revenue less direct expenses	356,607	585,588	36,391	978,586
Operating expenses:				
Administrative expenses	55,810	32,370	7,091	95,271
Other operating costs	39	816	934	1,789
Amortization	7,155	24,690	4,408	36,253
Interest and other expense (income)	(3,368)	1,832	354	(1,182)
	59,636	59,708	12,787	132,131
Income before Integrated Illegal Gaming Enforcement Team expenses and Goods and Services Tax expense	296,971	525,880	23,604	846,455
Integrated Illegal Gaming Enforcement Team expenses	176	414	38	628
Goods and Services Tax expense	12,057	10,130	4,764	26,951
Net income	$ 284,738	$ 515,336	$ 18,802	$ 818,876

Head Office

74 West Seymour Street
Kamloops, BC V2C 1E2
Tel: (250) 828-5500
Fax: (250) 828-5631

Sales and Marketing Office

10760 Shellbridge Way
Richmond, BC V6X 3H1
Tel: (604) 270-0649
Fax: (604) 276-6424

Consumer Services

Tel: 1-866-815-0222
E-mail: consumerservices@bclc.com

BCLC's 2006/07 – 2008/09 Service Plan is available at BCLC.com

British Columbia Partnership for Responsible Gambling:
www.bcresponsiblegambling.ca

BRITISH COLUMBIA
The Best Place on Earth

Problem Gambling Help Line
1-888-795-6111
BRITISH COLUMBIA

APPENDIX T

APPENDIX T

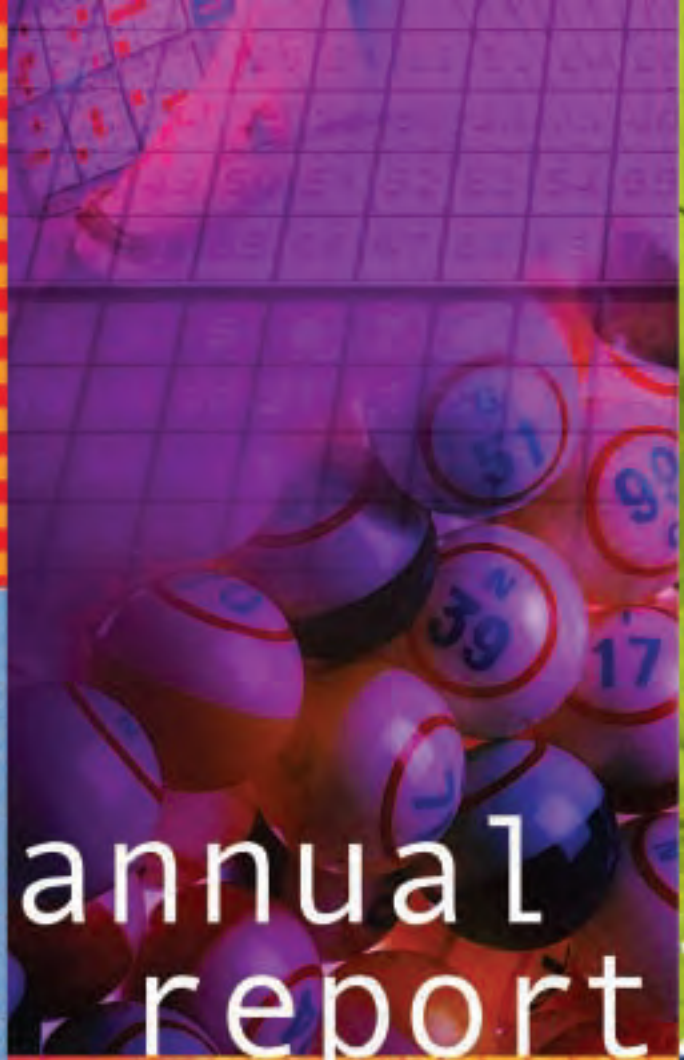
Printed in Canada

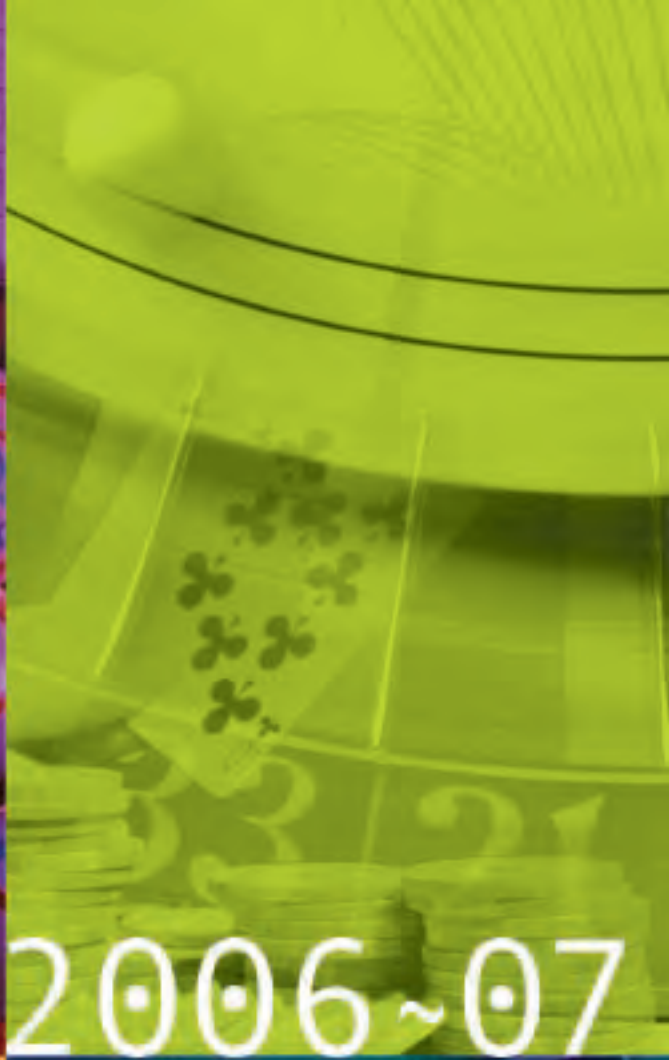
Appendix U – 2006/07:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2006-2007,* (Kamloops: British Columbia Lottery Corporation, 2007).

annual report 2006~07

Our Commitment to British Columbia





APPENDIX I

British Columbia Lottery Corporation

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BRITISH COLUMBIA
The Best Place on Earth

Honourable John Les
Minister of Public Safety and Solicitor General
Minister Responsible for Gaming

Dear Minister:

On behalf of British Columbia Lottery Corporation (BCLC), our Board of Directors, senior leadership team and employees, it is my privilege to submit the Annual Report for fiscal year ended March 31, 2007.

During fiscal 2006/07, a year of opportunities, achievements and challenges, BCLC continued to uphold our mission of offering responsible gaming entertainment and generating income for the public good.

We are pleased to report to our shareholder, the Government of British Columbia, on another year of significant accomplishments in financial and operational performance. BCLC exceeded key financial targets to produce total revenues of $2.4 billion, resulting in total net income of $1,018.8 million. From our net income, $1,010.4 million was distributed to the Government of British Columbia to support vital public service programs for the benefit of all British Columbians, while $8.4 million was remitted to the Government of Canada.

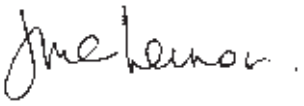
BCLC's 2006/07 Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of BCLC for the 12 months ended March 31, 2007, in relation to the February 2006 Service Plan. The measures presented are consistent with BCLC's mission, goals and objectives and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of June 18, 2007, have been considered in preparing the report. As of June 1, 2007, Vic Poleschuk's role as President and CEO was ended. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, objectives, strategies, measures or targets made since the February 2006 Service Plan was released and any significant limitations in the reliability of data are identified in the report.

Respectfully submitted,



John McLernon
Chair, Board of Directors

Since 1985, BCLC has generated:

- $9 billion in net income distributed to the Government of British Columbia
- $9.6 billion in prizes won by lottery and bingo players
- $3.5 billion in commissions and service fees earned by lottery retailers and casino and bingo service provider companies

Our Leadership

Board of Directors

Chair

John McLernon | *Vancouver*
– Appointed December 9, 2005

Vice-Chair

Arthur Willms | *Vancouver*
– Appointed September 26, 2001

Directors

John Bell | *West Vancouver*
– Appointed September 26, 2001
Resigned June 8, 2007

David Gillespie | *Kamloops*
– Appointed March 31, 2005

D. Neil McDonnell | *North Vancouver*
– Appointed April 23, 2002

Tazeem Nathoo | *West Vancouver*
– Appointed July 26, 2002

Donald Pettit | *West Vancouver*
– Appointed September 26, 2001
Resigned April 30, 2006

Eric Sorensen | *Kelowna*
– Appointed December 8, 2005

Kathy Stevenson | *Kelowna*
– Appointed April 23, 2002

Senior Executive

President and CEO

Dana Hayden (interim)

Vic Poleschuk | *(until June 1, 2007)*

Vice-Presidents

Jay-Ann Fordy	Human Resources and Organizational Development *Resigned March 30, 2007*
Kevin Gass	Corporate Communications and Marketing
Jim Lightbody	Lottery Gaming
Brian Lynch	Casino Gaming *Retired July 1, 2007*
Scott Norman	Information Technology and Chief Information Officer
Doug Penrose	Finance and Corporate Services
Marsha Walden	Bingo Gaming

John McLernon
Chair, Board of Directors

Since 1985, BCLC has remained steadfast in our mission to provide socially responsible gaming entertainment that generates net income for the Government of British Columbia for health care, education, social, community, charitable and municipal programs.

In fiscal 2006/07, BCLC reached new milestones for both revenue and net income generation. Total gaming revenues of $2.4 billion surpassed the fiscal year's budget. Our three business units – lottery, casino and bingo – exceeded their net income targets with the result that BCLC distributed just more than $1 billion in net income to the Government of British Columbia.

Our direct costs were greater than budget due to additional expenditures incurred for prizes, retailer commissions, service provider fees and ticket printing to support the revenue increase. Delays in the planned opening of several facilities and effective cost management contributed to lower than budgeted operating costs.

Achieving such strong results in our performance required BCLC to stay focused on our strategic plan while having the flexibility to meet new priorities and challenges. We greatly value the contributions of our employees, business partners, stakeholders and players in making fiscal 2006/07 such a successful year.

Gaming entertainment continues to be increasingly competitive and complex, affected by technology, cross-border competition, the Internet, demographics and shifts in social attitudes. Like other major companies, BCLC is experiencing significant changes in the way we do business.

During fiscal 2006/07, we maintained our focus on our player by offering more exciting, innovative and diverse entertainment experiences and promoting responsible play.

Highlights included the:

- launch of the monitor-style lottery game Pacific Hold'Em Poker;
- continuing development of the eLottery channel PlayNow;
- refresh of older slot machines with higher entertainment games;
- popularity of major poker tournament events;
- introduction of new bingo products;
- continuing transformation of bingo halls into community gaming centres;
- expansion of Responsible Play Information Centre locations;
- expansion of the British Columbia Partnership for Responsible Gambling to include nine municipalities, six service providers, as well as GPEB and BCLC; and
- the development and launch of Canada's first self-serve responsible play information kiosks.

We continued to invest in responsible gambling programs, including Appropriate Response Training (ART), Time Out voluntary self-exclusion program, and awareness initiatives.

New Responsible Play Information Centres, an initiative of the British Columbia Partnership for Responsible Gambling, opened at Cascades Casino and Boulevard Casino, while existing locations at Edgewater Casino and River Rock Casino were moved to more visible locations on the gaming floors.

BCLC began the ART program in fiscal 2004/05 to help gaming industry employees

Dana Hayden
President and CEO (interim)

respond to difficult situations involving customers who may be in distress. By the end of fiscal 2006/07, about 6,000 employees from casinos, bingo halls and community gaming centres had been trained.

Once again we showed our support of communities throughout the province by providing corporate and product sponsorships to a variety of celebrations, festivals, tournaments and fundraisers. Our SportsFunder brand was a featured sponsor in several communities, including the BC Summer Games in Kamloops and Special Olympics BC Winter Games in Kelowna.

The partnership of BCLC and British Columbia casinos supported the 2006 David Foster Star Search and David Foster and Friends Charity Gala. This regional showcase of young artists pursuing their musical ambitions culminated in the gala evening that raised $2.9 million for the David Foster Foundation, which helps families of children in need of major organ transplants.

Ongoing external research that measures our performance in the area of public support of gaming showed an increase in support over the previous fiscal year, and our player satisfaction rate was slightly ahead of target. Players participation remained level, although below target. Employee engagement improved, but was below target.

Our ratings for public recognition of social responsibility and public awareness of the beneficiaries of gaming revenue both increased. However, we will always be striving to strengthen our levels of social responsibility and to let people know “where the money goes.”

Last fall, in response to allegations of lottery retailer fraud in Ontario, the Minister of Public Safety and Solicitor General asked the Gaming Policy and Enforcement Branch (GPEB) to investigate and report on the integrity of BCLC’s prize payout and validation policies and procedures. GPEB’s report, released in January, included recommendations that we have implemented to support our commitment to continuously improving player protection practices. For example:

- Check-A-Ticket machines are being deployed to all lottery retail locations.
- Player display monitors are being fixed in place to ensure they are always facing the player.
- Our Mystery Shopper audit program is now focused on retailer compliance and managed by BCLC Security.
- “Play with Confidence” advertising to better inform players of key protection measures has been initiated.

In December, the Ombudsman for the province of British Columbia announced a review of BCLC’s prize payout procedures. BCLC welcomed the review and co-operated fully with the Ombudsman to provide whatever assistance and information was required to conduct a thorough review.

In May 2007, the Ombudsman issued a critical report that identified procedural gaps in key post-point of sale functions such as customer complaint tracking, retailer validation procedures and the monitoring of retailer play and win rates. We take this report seriously.

We acknowledge that our performance in these procedural areas must be improved. BCLC has accepted all of the Ombudsman’s recommendations and is moving to implement them. BCLC is also committed to implementing its “Player First” program that prohibits retailers and their employees from playing, purchasing and validating personal lottery products at their places of employment.

In June 2007, the Board of BCLC determined that a change of leadership for the organization was required and terminated President and CEO, Vic Poleschuk. Dana Hayden joined BCLC as interim President and CEO on June 8.

BCLC will publicly report progress with respect to implementing the Ombudsman’s recommendations, and is aware that GPEB will be monitoring the implementation of those recommendations and will be reporting publicly on resulting actions and GPEB’s assessment of those actions. In addition, we will co-operate fully with an independent and comprehensive audit of the retail lottery system, as ordered by the Minister of Public Safety and Solicitor General on May 29, 2007. The Board will be reviewing the goals and objectives of the Corporation to ensure that they address the organization’s commitment to player protection and confidence.

While British Columbia’s lotteries have operated consistently within commonly accepted standards and practices of lotteries throughout North America, the industry knows that it must now meet a higher standard of player protection. BCLC is committed to meeting that higher standard and to ensuring player confidence and public trust in the integrity of British Columbia’s lottery system.

BCLC 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* (2002) of British Columbia.

Government has chosen to operate gaming through a Crown corporation not only to meet the requirements of the *Criminal Code*, but to ensure that the objective of revenue generation is carefully balanced with the objectives of gaming security and integrity and social responsibility.

BCLC is the agent of Government mandated to conduct and manage lottery schemes within British Columbia. The Corporation operates within the statutory authority and regulation of the *Criminal Code* and *Gaming Control Act.*

On behalf of Government, BCLC has responsibilities to:

- Conduct, manage and operate lottery gaming, including the marketing of nationwide and regional lottery games in association with other provinces of Canada.
- Conduct, manage and operate casino gaming.
- Conduct manage and operate commercial bingo gaming.

BCLC distributes its net income to Government to benefit the people and communities of British Columbia.

Regulation and 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. BCLC is accountable to its shareholder, the Government of British Columbia, through the Minister.

A Government-appointed Board of Directors guides BCLC in fulfilling its mandate. A key component of BCLC's governance framework is the Shareholder's Letter of Expectations (www.bclc.com/cm/aboutbclc/corporategovernance.htm), the basis of a co-operative agreement between Government and BCLC on corporate mandate and core services, high-level performance expectations, public policy issues and strategic priorities. This Letter is also the basis for the development of BCLC's three-year Service Plan and Annual Report.

The Gaming Policy and Enforcement Branch (GPEB) (www.pssg.gov.bc.ca/gaming) of the Ministry of Public Safety and Solicitor General regulates all gaming in British Columbia, ensures the integrity of gaming industry companies, people and equipment, and investigates allegations of wrongdoing. GPEB's responsibilities include regulatory oversight of BCLC, all gaming service provider companies and gaming employees, licensed gaming events, and British Columbia's horse racing industry.

Scope of Operations

BCLC officially opened April 1, 1985, and operated within a limited, traditional lottery market until a new gaming policy introduced in fiscal 1997/98 by the Government of British Columbia created new opportunities. BCLC was given responsibility to conduct and manage slot machines when they were introduced in the province in fiscal 1997/98. The Corporation assumed responsibility for all casino gaming in 1998/99.

Further changes by Government resulted in BCLC assuming greater management responsibilities for commercial bingo halls in fiscal 2001/02. In fiscal 2004/05, the Corporation introduced a model for community gaming centres, which service local markets with a wider variety of bingo, lottery and slot machine entertainment options.

Internet play and purchase, a way to distribute lottery products online in a regulated environment, was introduced on PlayNow at BCLC.com (playnow.bclc.com) in fiscal 2004/05.

BCLC has two corporate offices, as well as gaming operations and retail locations throughout British Columbia. The head office is located in Kamloops, the centre for finance, administration and information technology. Sales and marketing functions are based in the Richmond office.

Economic Benefits

BCLC makes significant economic contributions to the Government of British Columbia, players, businesses and communities throughout the province.

In fiscal 2006/07, BCLC distributed just more than $1 billion in net income to Government to support a variety of health care, education, social, charitable and municipal programs that benefit British Columbians every day.

Financial benefits included $650.8 million in prizes won by lottery and bingo players, $528.4 million in commissions and service fees paid to lottery, casino and bingo business service partners, and about $120 million in the procurement of equipment, goods and services.

Within the gaming industry there has been an investment of an estimated $1 billion in gaming facility developments pursuant to service provider contracts established and managed by BCLC over the last nine years.

Business Partnerships

The vast majority of BCLC's product sales and operational services are contracted through private sector business service partners. Lottery, casino and bingo gaming networks include about 4,300 lottery retailers, 16 casinos, 20 commercial bingo halls, six community gaming centres and one racetrack gaming centre.

These valued partners play an important role in delivering high-quality, responsible gaming entertainment, as well as a high level of customer service that contributes to players' experiences.

B.C. Lottotech

B.C. Lottotech International Inc. is a wholly owned subsidiary of BCLC and is included in the Corporation's consolidated financial statements. The primary purpose of B.C. Lottotech is to purchase capital assets for lease to BCLC.

The management and oversight of B.C. Lottotech is consolidated with BCLC operations and the Board of Directors reviews and approves capital purchases through the budget process.

Employment

Gaming in British Columbia has created significant employment opportunities, and it is expected that the need for labour will continue to increase over the next five years.

During fiscal 2006/07, BCLC had a workforce of 596 full-time equivalents, which included employees in the two offices and in field locations to support gaming operations throughout the province.

The gaming industry is responsible for the direct employment of an estimated 10,000 people and indirectly for more than 5,000 jobs.

Our Purpose

Benefiting British Columbians

Our Vision

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

Our Mission

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

Our Goals

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

Our Values

Integrity

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

We:

- conduct, manage and operate commercial gaming in accordance with the *Criminal Code* of Canada and *Gaming Control Act*.
- are open and transparent and fully accountable for our actions and decisions.
- operate on sound business principles and practices.
- publicly report on our plans and performance.
- are responsive to Government, our Minister, our players and British Columbians.
- recognize that security and integrity of our games is paramount to our business.
- conduct our games in a highly regulated, independent environment that ensures the public interest is rigorously protected.
- let British Columbians know about the beneficiaries of gaming and "where the money goes."
- adhere to the *Freedom of Information and Protection of Privacy Act*.
- work to enhance public trust in the products and services bearing the BCLC brand.

Social Responsibility

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

We:

- consult with communities on the types and levels of gaming that are right for them.
- promote responsible play practices and the safe and healthy use of our gaming entertainment products.
- actively support Government's efforts to address problem gambling issues through public awareness, education, prevention and treatment programs.
- actively support Government's Problem Gambling Program.
- actively support Government's Problem Gambling Strategy by partnering with the Problem Gambling Program, local governments, gaming services providers and other government agencies to ensure that gambling in British Columbia is delivered in a responsible manner.
- actively participate in the British Columbia Partnership for Responsible Gambling and the Canadian Partnership for Responsible Gambling.
- adhere to Government's Responsible Gambling Standards for the BC Gambling Industry.
- distribute problem gambling information to help adults make informed choices about their participation in gaming entertainment.
- work with service providers to deliver Appropriate Response Training to enhance the knowledge, awareness and attitudes of gaming industry personnel so they can respond appropriately to patrons.

Respect

Our workplace fosters openness, mutual respect and individual development.

We:

- strive to be a great place to work.
- promote a fair, open, respectful and progressive workplace.
- support an innovative, high-performance culture.
- formalize how each employee directly contributes to the successful delivery of the goals of our organization.
- encourage employee development through continuous learning and professional growth.
- honour the contributions of individuals and teams through formal and informal recognition programs.
- provide competitive compensation and benefits programs.
- work to attract and retain talented leaders and experts.
- encourage work life balance, including mind, body, and spirit.

Our Commitment to Lottery Players

British Columbia Lottery Corporation is committed to advancing our lottery systems to further build trust and protection for our players.

Security and Integrity

Since 1985, BCLC has fulfilled our mandate to generate net income that supports vital Government programs, while placing the utmost important on managing our business with a high degree of reliability, security and integrity. The Corporation has always understood that the trust and confidence of British Columbians must be earned.

In October, in light of allegations of retailer fraud in Ontario, British Columbia's Solicitor General directed the Gaming Policy and Enforcement Branch (GPEB) to investigate and report on the integrity of BCLC's lottery retail network.

In December, the Ombudsman of British Columbia announced that an investigation would be initiated into BCLC's lottery prize claim process. BCLC has been actively co-operating with the investigation and working to make improvements that will further strengthen the processes that make certain that the right prize is paid to the rightful holder of a winning lottery ticket.

GPEB's review was completed in December and the Ombudsman's report was released in May 2007. BCLC is committed to developing and improving upon technology, policies and processes that have the potential to influence how lottery security and integrity are maintained across Canada and even around the world.

In response to both reviews, BCLC has recently improved upon or is preparing to implement a number of processes and procedures.

Retail Locations

- At each lottery retail location, a customer display monitor is located in a fixed position, clearly visible to the player. When a winning ticket is validated, the prize amount appears on the screen and an audible jingle now plays longer and is set to the maximum volume.
- Purchase and validation information appears on the customer display monitor for an extended period of time to make certain the player has an opportunity to view the details of the transaction.
- When a prize greater than $10,000 is validated, the lottery terminal will be frozen until it is unlocked by BCLC. The player will be alerted of the win and the lottery retailer must contact BCLC for instructions. BCLC will also speak to the player to make certain they are aware of the next steps.
- The number of Check-A-Ticket terminals will be expanded to include every retail location by fall 2007. Players can check their own tickets and the terminal will display any win, or non-win, on all lottery products except for Pull Tabs and Scratch & Win.
- When a winning ticket is checked, Check-A-Ticket terminals display "It's a Winner!" and the amount of the win.
- Lottery retailers will be required to mark the back of all winning tickets that are paid out in full at their location with the official "paid" stamp before returning the ticket to the player. All winning and non-winning tickets will be returned to the player.
- Prizes greater than $999.99 will be claimed at the BCLC Prize Payout Office in either Kamloops or Richmond, or one of the designated regional Lottery Prize Payout Centres at select casinos.

player first

Retailer Play

- Lottery retailers and their employees will be restricted from purchasing, playing or validating personal lottery tickets at their location of employment.
- All prize claims greater than $999.99 will be cross-referenced with the lottery retailer database to track win rates.
- All prize claimants for prizes greater than $3,000 are asked to identify any association with the Corporation, including whether they are a retailer, retailer employee or close relative of either. For prizes greater than $3,000, claimants who are a retailer, retailer employee or close relatives of either are interviewed by BCLC's security department.

Retailer Responsibilities

- A Retailer Code of Conduct will help lottery retailers and their employees understand the legal terms and conditions of the Lottery Operations Agreement.
- A new database will be used for lottery retailer and employee training and certification and to track compliance.
- Lottery retailers will be required to identify all employees authorized to sell lottery products and operate equipment.
- Effective April 1, 2007, GPEB will register all lottery retail site managers. This includes a background investigation and criminal record check. Retailers will be formally responsible for the actions of their employees.
- BCLC regularly conducts "Mystery Shopper" compliance checks.

Our Commitment to People

British Columbia Lottery Corporation strives to offer both outstanding and responsible gaming entertainment in our mandate to generate net income distributed to the Government of British Columbia for health care, education, social, charitable and municipal programs.

BCLC offers gaming entertainment, the chance to win prizes, and the opportunity to dream. We also generate significant financial benefits for the province and net income for the Government of British Columbia to provide programs that serve the needs of British Columbians.

So where does the money go?

From the gaming revenue BCLC generates each fiscal year, we pay prizes to our lottery and bingo winners and commissions and service fees to our private sector lottery retailers and casino and bingo service providers. We pay for our operating expenses and lottery ticket printing and bingo paper, and we remit the Goods and Services Tax.

After these expenditures, the money remaining forms our net income. The Government of Canada receives a portion under a long-standing agreement with provinces on the withdrawal of the federal government from lotteries, while the balance is distributed to the Government of British Columbia.

In fiscal 2006/07, BCLC generated $2.4 billion in gaming revenue, resulting in net income of $1,010.4 million distributed to the Government of British Columbia.

Consolidated Revenue

Government dedicates the largest portion of BCLC net income to consolidated revenue and a further portion to the Health Special Account for public service programs. In fiscal 2006/07, consolidated revenue received $620.7 million.

The Health Special Account is administered by the Ministry of Health. This account received $147.3 million. Money may be paid out of the account for the administration, operation and delivery of health care, health research, health promotion and health education services.

Community Gaming Grants

Throughout British Columbia, not-for-profit organizations play an integral role in their communities by carrying out valuable services that improve and enhance lives for the populations they serve.

Government's community gaming grants support a broad spectrum of organizations and their volunteers and a wide variety of

Financial Benefits

Total revenues	**$**	**2.4 billion**
• Prizes paid to lottery and bingo winners	$	650.8 million
• Commissions and service fees paid to lottery retailers and casino and bingo service provider companies	$	528.4 million
• Operating expenses	$	171.5 million
• Ticket printing and bingo paper	$	19.6 million
• GST	$	34.5 million
• Special policing costs	$	2.2 million
Net income	**$**	**1,018.8 million**

Where the Money Goes

Government of Canada	**$**	**8.4 million**
Government of British Columbia	**$**	**1,010.4 million**
• Consolidated Revenue	$	620.7 million
• Health Special Account	$	147.3 million
• Charitable and community organizations	$	142.4 million
• Host local governments	$	76.1 million
• Horse racing purse enhancements	$	5.2 million
• Development Assistance Compensation	$	16.5 million
• SportsFunder	$	2.2 million

Government funds problem gambling programs from Consolidated Revenue. In fiscal 2006/07, expenditures on problem gambling programs totalled $4.3 million.

Host local governments, such as New Westminster, may choose to spend gaming funds on any purpose to benefit their communities.

Kamloops Heritage Railway restored and operates the steam locomotive 2141.

Grasslands Conservation Council of British Columbia is committed to education, conservation and stewardship of grasslands.

Pacific Assistance Dogs Society, based in Burnaby, trains service, hearing and facility therapy dogs.

purposes. To be eligible for these grants, organizations must be non-profit and driven by volunteers, and funds must be used within British Columbia for the direct delivery of programs that benefit the local community.

In fiscal 2006/07, Government directed $142.4 million of BCLC net income to 6,000 organizations through the Direct Access and Bingo Affiliation grant programs. Organizations apply to the Gaming Policy and Enforcement Branch (GPEB), which administers the distribution of these grants.

Direct Access

Direct Access community gaming grants provide funding to organizations for approved programs in one of five sectors: Arts, culture and sport; the environment; human and social services; public safety: and parent advisory councils and district parent advisory councils.

GPEB administers the Direct Access program and determines which organizations will receive grants and the amounts, and makes grant payments to approved applicants.

Grants for arts, culture and sport help organizations provide programs and services to encourage British Columbians to lead healthy lifestyles. These grants give youth, individuals with disabilities, artists and many others opportunities to reach their goals and potential.

Environment sector grant recipients deliver programs that enhance British Columbia's environment, provide sustainable solutions to environmental challenges, and protect the welfare of animals and wildlife.

Public safety grants support the efforts of organizations to equip and train teams to respond effectively to life-threatening situations on the water, in the air and on the ground. Services include search and rescue, disaster relief and emergency preparedness.

Human and social services grants go to groups that work to assist people in need and improve quality of life. Grant recipients include organizations that aid the disadvantaged or distressed, promote health and enhance opportunities for youth.

Parent Advisory Councils

Parent advisory councils in schools receive grants for extracurricular activities for students and to enhance parent involvement in schools. Grants are based on student enrolment and are paid annually at $20 per student.

Funding is also provided to district parent advisory councils to build relationships and promote effective communication between schools, parents, students and the community. District councils, which receive $2,500 each annually, comprise representatives from advisory councils within a district.

Major Capital Projects

Through major capital project grants, an organization can apply for funds to build, renovate or maintain a facility. The organization's contribution must be equal to, or exceed, grant funding. As well, the total cost of the project must exceed $20,000 and the facility must be open to the public when completed.

Community hall improvements, sports fields, recreation facilities and heritage restoration are among the initiatives that receive capital grants.

Bingo Affiliation

Bingo Affiliation gaming grants provide a means for an organization to receive a portion of bingo proceeds in return for volunteer activities in the facility and in the community. Each commercial bingo hall is represented by an association consisting of all organizations affiliated with that hall.

Project Literacy in Kelowna offers one-to-one tutoring to adults who face literacy challenges.

Campbell River Children's Choir is a group of youth ambassadors sharing a love of music.

GPEB administers the grants and determines the number of affiliation certificates that will be issued for each hall, which organizations will be affiliated and the grant amounts, and makes payments to affiliated organizations.

A specific amount of funding is allocated based on a number of factors, including programs and services delivered and financial need.

Host Local Governments

A host local government where a casino or community gaming centre is located receives a share of the net income generated by the facility or facilities in their community. In fiscal 2006/07, there were 20 communities that received $76.1 million in host local government payments.

Local governments are permitted to use the funds for any purpose, within their legal authority, to benefit their communities. For example, funds have been allocated to projects and initiatives such as road improvements, grants for non-profit organizations, policing, ice rinks, sports fields, signage, parks, trail maintenance, seniors' facilities, playgrounds and heritage programs.

Under a Memorandum of Agreement between Government and the Union of British Columbia Municipalities, the host local government where a community casino is located receives a 10% share of the net income generated from both slot machines and table games. In the case of a community gaming centre or racetrack gaming centre, the host local government receives a 10% share of the net income generated from slot machines.

Host local governments where destination casinos are located receive a one-sixth share of the net income on the first 300 slot machines and 10% on any additional machines, and a one-sixth share of the net income on the first 30 table games and 10% on any additional table games.

Responsible Play

Government and BCLC are committed to ensuring the integrity of gaming in British Columbia and that related products and services are delivered in a socially responsible manner. Information, resources and services that promote healthy and sensible choices help reduce any harmful impacts associated with gambling.

Government directs funding from consolidated revenue to responsible gambling research, treatment and prevention programs, including the Problem Gambling Program managed by GPEB.

In fiscal 2006/07, expenditures on these programs totalled $4.3 million.

Horse Racing

As part of Government's objective to stabilize and rejuvenate the horse racing industry in British Columbia, a portion of revenue from slot machines at racetracks is distributed to purse enhancements.

In fiscal 2006/07, the horse racing industry received $5.2 million, which was divided between the standardbred and thoroughbred sectors.

BCLC supports horse racing in British Columbia through our corporate sponsorship program. During the year, we were the title sponsor of feature race events at Sunflower Downs in Princeton, Kin Park in Vernon and Sagebrush Downs in Kamloops.

Host Local Government Share of Casino Revenue for the Fiscal Year Ended March 31, 2007

Local Government	Casino	2006/07 Total	2005/06 Total
Burnaby	Gateway Casinos (c)	$ 9,806,757	$ 8,687,067
Coquitlam	Great Canadian Casinos (c)	9,186,194	7,308,677
Langley	Cascades Langely Casino (c)	6,807,092	5,001,607
Kamloops	Lake City Casinos (c)	2,119,709	1,904,830
Kelowna	Lake City Casinos (c)	2,957,877	2,665,866
Surrey	Fraser Downs Casino (c)	3,387,454	2,977,272
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies (d)	1,534,266	1,312,956
Nanaimo	Great Canadian Casinos (c)	3,084,271	2,953,687
New Westminster	Gateway Casino Royal Towers (c)	11,347	726,960
New Westminster	Royal City Star Casino (d)	3,399,656	2,437,736
	New Westminster Total	$ 3,411,003	$ 3,164,696
Penticton	Lake City Casinos (d)	2,543,797	2,359,976
Prince George	Treasure Cove Casino (c)	2,859,167	2,422,558
Quesnel	Billy Barker Casino (c)	638,976	604,553
Richmond	Great Canadian Casinos (c)	12,698,623	11,194,669
Vancouver	Great Canadian Casinos Holiday Inn (c)	1,252,919	1,145,799
Vancouver	Gateway Casinos Mandarin Centre (c)	704	45,107
Vancouver	Edgewater Casino (c)	4,717,207	3,799,992
	Vancouver Total	$ 5,970,830	$ 4,990,898
Vernon	Lake City Casinos (c)	1,763,005	1,515,276
View Royal	Great Canadian Casinos (c)	4,901,585	4,403,405
Wells	Jack o' Clubs (d)	150	5,782
TOTAL		**$ 73,670,756**	**$ 63,473,775**

c = community casino d = destination casino

Host Local Government Share of Community Gaming Centre Revenue for the Fiscal Year Ended March 31, 2007

Local Government	Community Gaming Centre	2006/07 Total	2005/06 Total
Campbell River	Playtime Gaming	$ 432,574	$ 37,035
Dawson Creek	Bear Mountain Bingo Hall	691,606	346,773
Duncan	Chances Cowichan	–	–
Kamloops	Chances Gaming Entertainment	215,655	197,326
Kelowna	Chances Gaming Entertainment	635,199	511,249
Williams Lake	Chances Signal Point Gaming	466,687	447,536
TOTAL		**$ 2,441,721**	**$ 1,539,919**

Jim Lightbody, Vice-President Lottery Gaming, presents Team BC athletes with a card from BCLC employees wishing them luck at the 2007 Canada Winter Games in Whitehorse.

Stan Hagen, right, Minister of Tourism, Sport and the Arts, Olympic swimmer Kelly Stefanyshyn and Jim Lightbody, Vice-President Lottery Gaming, with the first SportsFunder installment of $1.5 million.

Hockey legend Wayne Gretzky took to the ice with the winners of Win a Great Day with Gretzky.

Our Commitment to Amateur Sports in British Columbia

British Columbia Lottery Corporation is committed to providing players with fun, exciting lottery games that support all levels of amateur sports in the province.

Playing Supports Amateur Sports in British Columbia

In February 2006, BCLC launched the SportsFunder suite of lottery games, with proceeds directly supporting amateur sports in British Columbia in celebration of the Vancouver 2010 Olympic and Paralympic Winter Games.

SportsFunder is expected to contribute $20 million to amateur sports by 2012. In September 2006, the first installment of $1.5 million was delivered by BCLC employees to the Minister of Tourism, Sport and the Arts, and then presented to representatives of the amateur sport community for programs that strengthen and encourage participation at all levels.

The $1.5 million – new money for sport – has been channelled into four programs under Sport BC:

KidSport™ is a program managed by Sport BC that provides financial assistance to cover registration fees for low-income families. Each year, the program helps more than 2,000 children play a season of sport.

Team BC is an initiative to improve the performance of athletes striving to represent British Columbia at Canada's premier multi-sport events. Funding is directed to athletes, high-performance coaches, sports technology development and equipment.

Youth Sport Travel Assistance addresses the added travel expenses incurred by athletes in outlying regions. B.C. School Sports and selected provincial sport organizations receive funding for travel to competitions and training opportunities.

Coach and Leadership Development provides educational and certification opportunities with particular focus on coaches in outlying regions, female coaches, Aboriginal coaches and coaches of athletes with disabilities. Funding also goes to BC Recreation and Parks Association's High Five® program, which provides accreditation for recreation providers working with children.

Giving Athletes a Sporting Chance

SportsFunder's suite of lottery games includes Instant Win tickets, a provincewide 50/50 game, Pull Tab tickets, as well as Interactive Games available at PlayNow on BCLC.com.

During fiscal 2006/07, SportsFunder launched three new Instant Win tickets, two new Pull Tab tickets and two new Interactive Games, and continued to build awareness for SportsFunder 50/50.

A number of sponsorships and events were undertaken during the year, including participation at the BC Summer Games, Special Olympics BC Winter Games and the Team BC send-off to the 2007 Canada Winter Games hosted in Whitehorse.

SportsFunder 50/50 Retailer Award

BCLC provides our retail partners across the province with an opportunity to support amateur sports in their communities. The lottery retailer who sells the winning ticket for the week's highest SportsFunder 50/50 jackpot wins $2010 to give to a local team or sports organization of their choice on behalf of BCLC.

Since February 2006, this weekly award has given more than $125,000 directly to 60 amateur sports teams around British Columbia.

Share the Dream

Lottery players have the chance to directly support amateur sports associations in British Columbia when they play Instant Win tickets. Winners of the Share the Dream prize receive $1,000 and direct another $1,000 to the association of their choice.

Since February 2006, more than $35,000 has been awarded to amateur sports associations throughout the province through the Share the Dream prize on SportsFunder Instant Win tickets. Four organizations, including the British Columbia Amateur Hockey Association and the British Columbia Blind Sports and Recreation Association, were selected more than once.

$5 'Great Day with Gretzky' Instant Win Ticket

The $5 SportsFunder Instant Win ticket launched with top cash prizes of $99,000, a host of subsidiary prizes and opportunities to enter a draw to Win a Great Day with Canadian hockey legend Wayne Gretzky.

Five lucky winners from Sicamous, Pemberton, Roberts Creek, Nanoose Bay and Creston and their guests had a memorable day of activities that included ice time with "The Great One." This was the biggest experiential prize ever offered by BCLC and made possible by Wayne Gretzky's support for SportsFunder initiatives.

The SportsFunder Instant Win Homegrown Heroes series features adult amateur athletes from communities throughout British Columbia, selected through a photo contest.

Share the Dream beneficiaries since February 2006

- BC Archery Association
- BC Amateur Hockey Association
- BC Soccer Association
- Special Olympics BC
- BC Amateur Athletics Association
- BC Blind Sports
- Disabled Skiers
- BC Amateur Football
- BC Rugby Union
- BC Amateur Baseball Association
- BC Speed Skating Association
- Boxing BC Association

Our Commitment to Gaming Entertainment

British Columbia Lottery Corporation is committed to offering fun and entertaining gaming experiences to our players, while investing in best practices that encourage the responsible use of our products.

BCLC focused on our players during fiscal 2006/07, with new products, promotions and events highlighting our lottery, casino and bingo business units.

In continuing with our goal to transform and reinvent lotteries, we launched the monitor-style game Pacific Hold'Em Poker, introduced 15 new Interactive games and offered new themes within the SportsFunder suite.

Our vision to transform British Columbia's gaming properties into multi-dimensional entertainment showplaces progressed, with two new sites opening under the community gaming centre model. Several tournaments designed around the popularity of poker were held at British Columbia casinos, while we kept our slot machine games up to date with changes to the product mix.

Business Partners

BCLC contracts with private sector business partners to provide gaming and day-to-day services at lottery retail, casinos, community gaming centres and commercial bingo halls. Through these partnerships we aim to exceed the customer service expectations of our players.

Our business partnerships generate significant economic activity in British Columbia. In fiscal 2006/07, BCLC paid a total of $528.4 million in commissions to lottery retailers for product sales and in services fees to casino and bingo hall service providers. In addition, our suppliers were paid about $120 million for the purchase of equipment, goods and services.

Lottery products are sold by contractual agreement with about 3,000 retail locations, ranging from small family stores to corporate chains, and 1,300 hospitality locations, mainly bars and pubs. Retailers receive an industry-standard commission on every lottery product sold and have opportunities to increase their earnings through incentive programs.

Casinos are operated through contracts with companies that provide services in compliance with BCLC's responsibilities to conduct and manage gaming. Casino service providers receive fees based on a percentage of net win (after prizes) on slot machines and table games. An additional percentage is available for facility development.

Bingo halls and community gaming centres are operated through contracts with companies that act as service providers, which may include charitable organizations. These companies are paid a service fee based on net win (after prizes) for bingo products and slot machines. An additional percentage is available for facility development.

Community Forums

In fiscal 2006/07, BCLC began a program in which representatives from business, health services, tourism, policing, local government and groups that benefit from community gaming grants are invited to learn about and discuss issues facing BCLC and the British Columbia gaming industry.

Dialogue focuses on our role related to local government, economic development, health, social services and public safety. Our goal is to seek constructive input from community leaders to assist BCLC in aligning our guiding operating principles with the local values of the communities in which we operating gaming.

The first session was held in Penticton and the series continued in Kelowna, Langley, Nanaimo, Prince George and Langford.

Player Profiles

Through an independent research company, BCLC surveys British Columbians about their attitudes toward gaming and their enjoyment of BCLC games. In fiscal 2006/07, a total of 2,800 adult respondents were randomly selected and interviewed throughout the year.

Information is also collected about adults' participation in lottery, casino and bingo gaming during the past year.

The characteristics of our lottery, casino and bingo players can be compared against the general characteristics of adult British Columbians, as follows:

- 52% are female and 48% are male
- 27% are 19-34 years old
- 73% are 35 years old or older
- 70% have some post-secondary education
- 48% are from households with an annual income of $60,000 or greater

In the past year, 83% of adult British Columbians participated in at least one form of gaming offered by BCLC.

- 8 out of 10 British Columbians played a lottery product
- 3 out of 10 visited a British Columbia casino
- 8% visited a British Columbia commercial bingo hall

Source: Gaming Watch fiscal 2006/07

Diane MacLean of North Vancouver is ready to go in her 2006 Chevrolet Avalanche in the Keno "Win an Avalanche of a Prize" Contest. Nearly 500,000 entries were received.

James Christopherson, winner of the Lotto 6/49 Shopping Spree Contest, chats with media about his mission to spend $64,900 in six hours and 49 minutes.

Lottery Business Unit

"Innovation" was a key word in our lottery business unit during fiscal 2006/07. BCLC continued to pursue our strategic objective to strengthen the base business and create new products that appeal to our players.

In September, we launched the animated lottery game Pacific Hold'Em Poker, which is modelled after Texas Hold'em-style poker, at about 500 bars and pubs and a few select lottery retail outlets. Pacific Hold'Em Poker provides a realistic representation of playing a poker game through computer-generated graphics presented via television monitor.

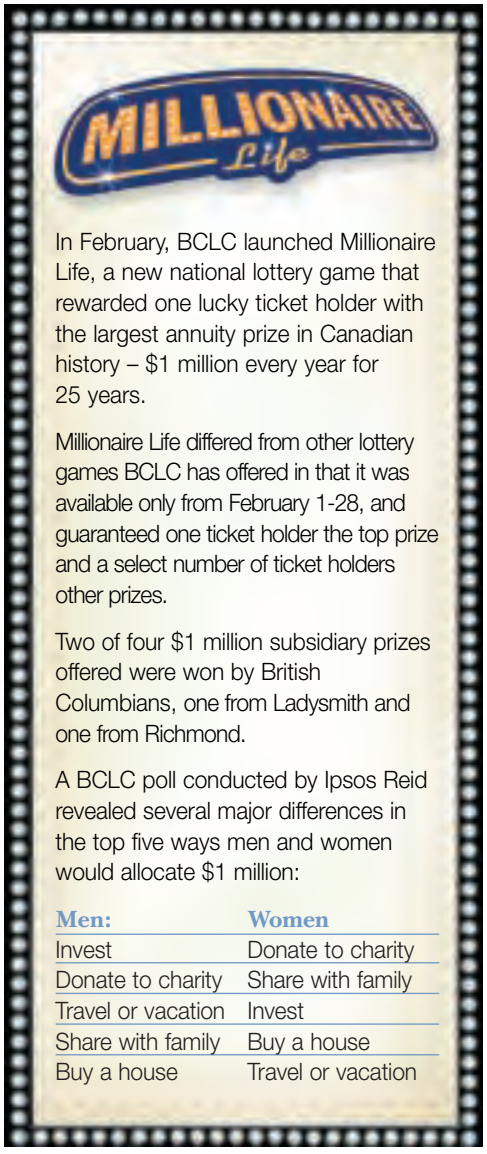
BCLC led the development of Pacific Hold'Em Poker and we are the first lottery jurisdiction in the world to offer a monetized monitor-style game with a poker theme. Six days after launch, sales reached $1 million.

A new Scratch & Win ticket, The Pink Ticket, was designed to help raise awareness for the "Go Have One" campaign where women ages 35-54 are urged to have a mammogram. BCLC entered into a marketing partnership with the Canadian Breast Cancer Foundation that included a licensing agreement and the purchase of pink ribbon lapel pins for prizes.

As the winner of the Lotto 6/49 Shopping Spree Contest, James Christopherson had just six hours and 49 minutes to spend $64,900 in Burnaby's Metropolis at Metrotown.

The chef and restaurant owner did his homework and purchased appliances and home renovation items, along with a flat-screen TV.

During the event, shoppers showed their Lotto 6/49 ticket for a chance to win 30 seconds inside BCLC's windy money booth. Lucky winners had an opportunity to try to grab up to $649 in cash to spend on their own mini-spree.



In February, BCLC launched Millionaire Life, a new national lottery game that rewarded one lucky ticket holder with the largest annuity prize in Canadian history – $1 million every year for 25 years.

Millionaire Life differed from other lottery games BCLC has offered in that it was available only from February 1-28, and guaranteed one ticket holder the top prize and a select number of ticket holders other prizes.

Two of four $1 million subsidiary prizes offered were won by British Columbians, one from Ladysmith and one from Richmond.

A BCLC poll conducted by Ipsos Reid revealed several major differences in the top five ways men and women would allocate $1 million:

Men:	Women
Invest	Donate to charity
Donate to charity	Share with family
Travel or vacation	Invest
Share with family	Buy a house
Buy a house	Travel or vacation

eLOTTERY

Advertising campaigns, jackpot support, contests and promotional activities were among the initiatives taking place on PlayNow at BCLC.com during fiscal 2006/07. By fiscal year-end, 68,000 players were fully registered on PlayNow.

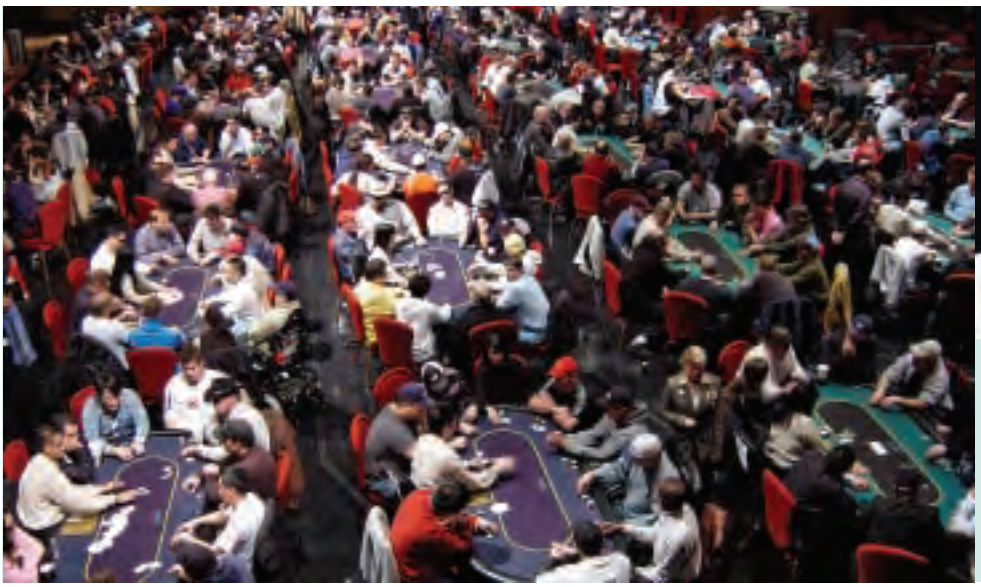
Fifteen new Interactive games were launched during the year, including Spingo, PlayNow's first bingo-themed game. The game supports bingo and the Chances Gaming Entertainment brand and encourages players to take a look at the new bingo environment in British Columbia.

During October, PlayNow offered registered players a chance to win a concert package to see the Rolling Stones in concert at BC Place. Each player received one entry per $5 purchase. More than 13,000 players participated in the contest.

PlayNow incorporates stringent safeguards, standards and codes of conduct for Internet play. The site has features in place to encourage responsible play practices, including a maximum weekly limit on the amount that a player may fund their wallet account, a session log and purchase history. A voluntary self-exclusion program is accessible from the website.

In addition:

- A player must register and create a player account before play is enabled.
- Games are limited to British Columbia adults age 19+.
- The purchase of lottery products can only occur while a player is physically located in British Columbia.
- BCLC's Internet Gaming Code of Conduct & Responsible Play is available in full at BCLC.com



David Ross White of Abbotsford, British Columbia's 2006 Poker Champion, is congratulated by Holly Spence, BCLC Director of Casino Marketing, and Daryl McCullough of Great Canadian Casinos.

There were more than 2,000 registrations for the second annual B.C. Poker Championships at River Rock Casino Resort.

Casino Business Unit

BCLC's primary strategic priorities in recent years have been to upgrade and build casino facilities with fewer, higher quality properties sized to fit the marketplace and to position casino gaming as a major tourism attraction. This strategy has resulted in a more diverse entertainment experience for players, with major facilities offering resort-style accommodations, conference facilities, full-service restaurants and theatre-style show lounges.

In late March 2006, a groundbreaking ceremony was held for the Queensborough Starlight Casino in New Westminster, a relocation of the Royal City Star riverboat casino.

Construction on the Starlight Casino and Burnaby Villa Casino is on schedule to meet 2007 and 2008 openings respectively. In February, BCLC and Starlight Casino announced our partnership to provide a sponsorship commitment of $250,000 to the 2007 HSBC Celebration of Light fireworks competition.

Boulevard Casino in Coquitlam celebrated the opening of the Red Robinson Theatre in September. The theatre is home to Canada's largest multi-purpose gala theatre seating system with a capacity of more than 1,000 seats.

BC Gold loyalty program members were offered an exclusive website to check out special offers, events, promotions and more with the launch of BCGoldTown.com. BC Gold members receive offers such as free valet parking and meal discounts, as well as opportunities to enter contests.

Poker tournaments at British Columbia casinos were highly popular entertainment events during fiscal 2006/07.

BCLC's first provincewide Three Card Poker promotion took place from July through October. Renato Delos Santos of Vancouver was among 14 players to win a seat in the Shufflemaster Three Card Poker National Championships at Caesar's Palace in Las Vegas in November. He placed fifth in the final round.

Each of the 14 players had their entry fee paid for by BCLC and received $2,000 cash for accommodation and travel expenses.

The week-long B.C. Poker Championships held in November at River Rock Casino Resort featured an overall prize pool of $2.36 million and registration totalling 2,202.

After three days of tournament play, David Ross White of Abbotsford walked away with the grand prize of $600,000 and the champion's watch in the No Limit Texas Hold'Em event. He outlasted 784 other poker players to capture the top title after 32 hours of play.

The event attracted registrants from Alberta, Ontario, Nova Scotia and the Yukon, as well as Florida, Texas, Nevada, California and Washington. Well-known players who competed included Gavin Smith, Brad "Yukon" Booth and poker legend Johnny Chan.

Louise Harry of Langley became the champion of BCLC's Women's Poker Classic, Canada's only women's poker tournament, held in February at Cascades Casino in Langley. She outplayed 299 other women to reach the top prize of $36,000 after 4.5 hours of play.

The tournament was held in support of the Canadian Breast Cancer Foundation, BC/Yukon Chapter. Cascades Casino donated $30,000 and an additional $2,420 was raised through a silent auction and donations.

With more than $165,000 in prize money and a record attendance of 600, the tournament continues to make poker history while supporting breast cancer research.

At fiscal year-end, BCLC was preparing for the inaugural Johnny Chan Poker Classic in May 2007. This promises to be one of the largest poker tournaments held to date in British Columbia.

Since its inception in 2001, the annual Casinos of British Columbia Charity Golf Tournament has generated more than $150,000 for the B.C. and Yukon Chapter of the Children's Wish Foundation. This year's tournament brought together casino service providers, suppliers, stakeholders and sponsors to raise a record breaking $34,500 for the Foundation.

The countdown to the opening day of the new Starlight Casino officially began when dignitaries and guests placed specially minted casino chips into freshly poured cement.

Louise Harry of Langley, winner of the Women's Poker Classic, receives a cheque from Holly Spence, left, BCLC Director of Casino Marketing, and Nicole Pocklington, General Manager of Cascades Casino.

BCLC partnered with River Rock Casino Resort to present the ITM Model Look North America, a showcase of local talents, models, designers and performers.

BCLC Casino Revenue for the Fiscal Year Ended March 31, 2007

Casino	Service Provider	City	Slot Machine Revenue	Number of Slot Machines at March 31	Table Game Revenue	Number of Tables at March 31	Combined Casino Revenue Fiscal 2006/07	Combined Casino Revenue Fiscal 2005/06
Community Casinos								
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 9,728,676	140	$ 439,470	7	$ 10,168,146	$ 9,922,805
Boulevard Casino	Great Canadian Casinos Inc.	Coquitlam	113,823,820	939	44,413,665	70	158,237,485	129,306,168
Cascades Casino	Gateway Casinos Limited Partnership	Langley	90,621,534	530	24,265,483	36	114,887,017	88,970,001
Edgewater Casino	Edgewater Casinos Inc.	Vancouver	47,589,735	496	37,440,430	61	85,030,165	73,144,611
Fraser Downs Racetrack & Casino	Orangeville Raceway Ltd.	Surrey	51,589,887	403	273,422	–	51,863,309	46,821,283
Gateway Casinos Burnaby	Gateway Casinos Limited Partnership	Burnaby	122,436,886	676	42,336,706	33	164,773,592	151,792,978
Gateway Casinos Mandarin Centre	Gateway Casinos Inc.	Vancouver	–	–	–	–	–	979,250
Gateway Casinos Royal Towers	Gateway Casinos Inc.	New Westminster	–	–	–	–	–	13,543,966
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	Nanaimo	45,763,210	380	4,130,090	12	49,893,300	49,829,722
Great Canadian Casinos Vancouver	Great Canadian Casinos Inc.	Vancouver	–	–	26,263,565	36	26,263,565	24,095,629
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	View Royal	69,196,696	437	10,941,864	24	80,138,560	74,679,307
Lake City Casinos Kamloops	Lake City Casinos Ltd. Partnership	Kamloops	32,016,309	300	2,413,476	8	34,429,785	32,093,065
Lake City Casinos Kelowna	Lake City Casinos Ltd. Partnership	Kelowna	43,794,145	342	4,606,808	11	48,400,953	45,357,120
Lake City Casinos Vernon	Lake City Casinos Ltd. Partnership	Vernon	27,109,534	210	1,430,610	8	28,540,144	25,434,238
River Rock Casino Resort	Great Canadian Casinos Inc.	Richmond	108,006,300	908	125,061,108	108	233,067,408	215,179,444
Treasure Cove Casino	Prince George Casino Supply Ltd.	Prince George	43,688,048	400	2,608,905	10	46,296,953	40,677,121
Total			**$805,364,780**	**6,161**	**$326,625,602**	**424**	**$1,131,990,382**	**$1,021,826,708**

Casino	Service Provider	City	Slot Machine Revenue	Number of Slot Machines at March 31	Table Game Revenue	Number of Tables at March 31	Combined Casino Revenue Fiscal 2006/07	Combined Casino Revenue Fiscal 2005/06
Destination Casinos								
Casino of the Rockies	SEM Casino Limited Partnership	Cranbrook	$ 13,012,996	225	$ 1,349,298	11	$ 14,362,294	$ 12,784,998
Jack o' Clubs	Jack o' Clubs Gaming Hall Ltd.	Wells	–	–	–	–	–	56,696
Lake City Casinos Penticton	Lake City Casinos Limited Partnership	Penticton	25,160,434	224	2,035,604	11	27,196,038	23,526,716
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	26,316,849	341	9,025,805	18	35,342,654	27,150,693
Total			**$ 64,490,279**	**790**	**$ 12,410,707**	**40**	**$ 76,900,986**	**$ 63,519,103**
Grand Total			**$ 869,855,059**	**6,951**	**$ 339,036,309**	**464**	**$ 1,208,891,368**	**$1,085,345,811**

Mandarin Casino in Vancouver closed April 30, 2005.
Royal Towers Casino in New Westminster was relocated as Cascades Casino in Langley and opened May 5, 2005.
Coquitlam Casino was redeveloped as Boulevard Casino and opened November 17, 2005.
Royal Towers Casino in New Westminster closed November 30, 2005.
Jack o' Clubs seasonal casino in Wells closed permanently in June 2006.

Harvey Alphonse, Chief, Cowichan Tribes, Marsha Walden, BCLC Vice-President Bingo, and Dave Clark of the Duncan Dabber Bingo Society celebrate the opening of Chances Cowichan in Duncan.

Community gaming centres offer a variety of gaming options, including touch screen bingo terminals, traditional paper bingo, slot machines, lottery products, and food and beverage services.

Bingo Business Unit

BCLC has a long-term objective to revitalize the bingo market in an effort to reverse declining player interest that has occurred over the past decade. This decline has resulted from facilities that are perceived to be unappealing and limited in entertainment value. Increased competition for consumers' discretionary dollars and a broader array of entertainment choices for adults have also impacted bingo.

The community gaming centre concept was developed to help revitalize and strengthen commercial bingo in British Columbia. Subject to host local government approval, we are working with bingo service providers to transform bingo halls in key market locations into facilities that offer more entertainment options, upgraded facilities and improved player amenities. Gaming options may include a limited number of slot machines, off-track horse race betting, lottery products and live entertainment.

During fiscal 2006/07, two new community gaming centres opened and two bingo halls were renovated.

In July, BCLC and Great Canadian Gaming Corporation opened Chances Dawson Creek, a brand new facility featuring slot machines, electronic blackjack tables, off-track horse racing, lottery products, a full-service restaurant and lounge, traditional paper bingo and touch screen bingo terminals.

Chances Cowichan in Duncan opened in March with touch screen bingo terminals and traditional paper bingo, slot machines, lottery products, and food and beverage service. Through a joint venture, Cowichan Tribes built the facility and is leasing it to Duncan Dabber Bingo Society, the service provider contracted by BCLC.

To date, 12 community gaming centre locations have joined the Chances Gaming Entertainment brand and five are now open. Community gaming centres with slot machines received municipal approval in Prince Rupert, Mission and Prince George.

A new promotion, Chances Community Connection, provided community groups with a fundraising opportunity while creating awareness of Chances. Events were hosted in Kamloops, Kelowna and Williams Lake.

New product introductions included Ka-Chingo, Zingo and DJ Bingo. Ka-Chingo, a provincewide linked bingo game, was launched to replace Big Link Bingo. Cashline is a special feature that increases the entertainment value at the beginning of each Ka-Chingo game.

Game Show and Zingo nights were introduced at four sites, while eight Ka-Chingo promotions were held across all 26 facilities to give players a fun new way to play bingo.

A first-class Guest Service Training program was developed and delivered to 13 locations.

In continuing to build excitement and innovation with our bingo service providers, we hosted three industry forums and eight industry task forces to ensure issues are addressed and input is sought on an ongoing basis.

BCLC Bingo Revenue for the Fiscal Year Ended March 31, 2007

Bingo Hall	Service Provider	City	Number of Slot Machines	Slot Sales Fiscal 2006/07	Slot Sales Fiscal 2005/06	Number of Bingo Seats	Bingo Sales Fiscal 2006/07	Total Bingo Revenue Fiscal 2006/07	Total Bingo Revenue Fiscal 2005/06
Commercial bingo halls and community gaming centres									
Abbotsford Bingo	Playtime Community Gaming Centres Inc.	Abbotsford	–	$ –	$ –	512	$ 5,772,346	$ 5,772,346	$ 6,244,000
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria	–	–	–	220	4,954,262	4,954,262	4,541,000
Bistro Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver	–	–	–	–	3,931	3,931	14,000
Boardwalk Gaming Centre – Burnaby	427967 BC Ltd. (DBA Bingo Country)	Burnaby	–	–	–	536	7,849,352	7,849,352	7,590,000
Boardwalk Gaming Centre – Mission	427967 BC Ltd. (DBA Bingo Country)	Mission	–	–	–	318	3,156,234	3,156,234	3,211,000
Chances Cowichan	Duncan Dabber Bingo Society	Duncan	75	864,754	–	400	4,536,954	5,401,708	4,707,000
Chances Dawson Creek	0542603 BC Ltd. (Great Canadian)	Dawson Creek	142	11,734,218	$ 5,637,000	176	1,199,878	12,934,096	6,834,000
Chances Gaming Entertainment Kamloops	Enterprise Entertainment Ltd.	Kamloops	50	3,585,276	3,203,000	672	10,200,643	13,785,919	14,246,000
Chances Gaming Entertainment Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	75	10,336,656	8,306,000	740	10,871,814	21,208,470	19,872,000
Chances Signal Point Gaming	Lucky's Ventures Ltd.	Williams Lake	100	8,086,775	7,260,000	338	3,724,918	11,811,693	10,470,000
Chilliwack Bingo	Chilliwack Bingo Association	Sardis	–	–	–	474	13,094,461	13,094,461	12,122,000
Dob City	Alberni Valley Bingo Association	Port Alberni	–	–	–	281	3,481,972	3,481,972	3,198,000
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon	–	–	–	480	5,945,004	5,945,004	5,494,000
Good Time Bingo Hall	Good Time Bingo Hall Inc.	Prince George	–	–	–	660	14,191,123	14,191,123	14,982,000
Haney Bingo Plex	Ridge Meadows Bingo Operators Society	Maple Ridge	–	–	–	525	9,021,698	9,021,698	9,194,000
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	–	–	–	500	6,407,510	6,407,510	5,439,000
Langford Drop-In Bingo	Playtime Community Gaming Centres Inc.	Victoria	–	–	–	255	809,494	809,494	1,053,000
Langley Bingo Palace	Playtime Community Gaming Centres Inc.	Langley	–	–	–	642	7,021,636	7,021,636	7,204,000
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	–	–	–	400	4,663,518	4,663,518	4,699,000
Newton Bingo Country	427967 BC Ltd. (DBA Bingo Country)	Surrey	–	–	–	684	13,885,803	13,885,803	15,185,000
North Star Bingo Hall	Astel Canada Holdings Ltd.	Fort Nelson	–	–	–	–	–	–	137,000
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton	–	–	–	482	4,073,780	4,073,780	4,481,000
Planet Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver	–	–	–	676	17,016,029	17,016,029	17,182,000
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo	–	–	–	460	5,416,480	5,416,480	6,225,000
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria	–	–	–	508	4,147,553	4,147,553	4,211,000
Playtime Gaming Campbell River	Playtime Community Gaming Centres Inc.	Campbell River	55	7,075,897	706,000	317	3,997,679	11,073,576	6,990,000
Prince Rupert Bingo	Prince Rupert Bingo Association	Prince Rupert	–	–	–	240	1,363,606	1,363,606	1,526,000
Quesnel Bingo Hall (2 Rivers)	Astel Canada Holdings Ltd.	Quesnel	–	–	–	–	–	–	142,000
Rainbow Bingo Hall	243045 Alberta Ltd.	Fort St. John	–	–	–	248	3,200,944	3,200,944	3,431,000
River City Bingo	River City Bingo Association	Powell River	–	–	–	246	809,625	809,625	927,000
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook	–	–	–	285	2,330,204	2,330,204	2,088,000
Valley Entertainment Palace	Playtime Community Gaming Centres Inc.	Courtenay	–	–	–	318	3,324,112	3,324,112	3,405,000
Total			**497**	**$ 41,683,576**	**$ 25,112,000**	**12,593**	**$ 176,472,563**	**$ 218,156,139**	**$ 207,044,000**
Independent bingo hall, Big Link and Ka-Chingo sales							**472,642**	**472,642**	**670,000**
Paper bingo distribution revenue							**274,113**	**274,113**	**287,000**
Grand Total							**$ 177,219,318**	**$ 218,902,894**	**$ 208,001,000**

Notes: *as of March 31, 2007*

Commercial halls offering handheld bingo	18
Commercial halls offering Starship Bingo	19
Commercial halls offering paper bingo	26
Commercial halls offering Starship Bingo (Personal Play)	23
Commercial halls offering Ka-Chingo	26
Commercial halls offering Gecko	5
Commercial halls offering BETS	9

Chances Dawson Creek opened	July 5, 2006
Boardwalk Gaming Centre (Burnaby) opened	December 1, 2006
Bistro Bingo closed	December18, 2006
Langford Drop-In Bingo closed	February 2, 2007
Lucky Dollar Bingo Palace opened	February 15, 2007
Prince Rupert Bingo closed	February 27, 2007
Chances Cowichan opened	March 1, 2007
River City Bingo closed	March 21, 2007

Our Commitment to Winners

British Columbia Lottery Corporation is committed to maintaining the integrity and security of our products by paying the right prize to the rightful holder of the ticket, while providing excellent customer service.

Good Fortune, Good Causes

A fun way to donate to good causes is how one of British Columbia's newest millionaires described playing lotteries when he claimed his prize on the new Millionaire Life national game.

Ferdine "Si" Trinidad of Richmond, who had a premonition that he would win big, intended to use his $1 million prize to pay bills. He said the money would give him the opportunity to help others.

British Columbia's other Millionaire Life millionaire, Raymond Birkeland of Ladysmith, planned to use his winnings for a new house, his family and his children's education.

Cathy Delcourt's husband bought her The Pink Ticket while the couple enjoyed coffee together. The White Rock resident scratched and won the top prize of $25,000 on this ticket that helps create awareness for the Canadian Breast Cancer Foundation's GO-HAVE-1 mammogram campaign.

Cathy intended to give 10% of her winnings to the Foundation in support of such a good cause.

Prince George resident Ryan McCumsey collected a $500,000 Extra prize cheque on his Super Dip lottery ticket.

After Ryan heard the winning jingle on the lottery terminal and the retailer handed him the validation slip, he yelled, pumped his fists and jumped up and down in the parking lot.

A Surrey resident who buys his lottery tickets on PlayNow at BCLC.com received the great news from BCLC's Player Services that he had won the $2 million grand prize on BC/49. Baljinder Dhaliwal likes the convenience of PlayNow so that he can purchase his tickets in advance for upcoming draws.

Twenty-five years ago, a fortune teller told Richmond resident Hilario Fernandes that he would win the lottery. The prediction came true when Hilario played the Extra on PlayNow and was notified by e-mail of his "Big Win!" of $500,000.

Hilario planned to pay off his mortgage and buy himself a brand new truck, rather than an older model.

Maxine Holden of West Vancouver tucked a Set for Life ticket in her handbag and forgot about it until the following morning. When she scratched her ticket, Maxine discovered she had won an annuity prize of $1,000 a week for 25 years or a single lump sum of $675,000. She chose the lump sum and planned to invest and travel.

A Lotto 6/49 jackpot winner fainted – twice – at a lottery retail location when she learned she had won more than $4 million. Enone Rosas of Vancouver, who promptly quit her job, had plans to travel to the Philippines to visit family.

Paul Matte hit the jackpot on PayDay and had the choice of receiving an annuity prize of $2,000 every two weeks for 20 years or a single lump sum of $625,000. The Comox Valley winner took the lump sum payment. Paul's plans included setting aside money for his daughters' education.

Nanoose Bay resident Tom Douglas was happy to support amateur sports in British Columbia by buying a SportsFunder Instant Win ticket, and more excited to win $99,000 when he scratched his ticket featuring hockey superstar Wayne Gretzky.

Every year, lottery and bingo players across British Columbia celebrate wins that range from the pleasant surprise of a few dollars to life-changing millions.

During fiscal 2006/07, lottery players won more than 72 million prizes and collected $544 million, an average of $1.5 million a day. There were 24 major prizes won, including eight worth $2 million or more.

The top Lotto 6/49 prize of $8.2 million was claimed by Ramon Sanz of Abbotsford, who shared in a $24 million jackpot. Ken Garbe of Vancouver claimed the top Lotto Super 7 prize of $12.4 million as the sole jackpot winner.

Bingo players claimed $107 million in prizes. The top bingo prize of $85,176 was won by Shirley Watson of Kelowna on Big Link Bingo.

Green Committee employee volunteers in Kamloops prepared for the judges' arrival for the Communities in Bloom competition.

Okanagan Mainland Municipal Association delegates learned about casino gaming integrity at a conference in Revelstoke.

BCLC employees show their team spirit at the SportsFunder booth at the BC Summer Games in Kamloops.

BCLC employee Kuldeep Bath was honoured by the North American Association of State and Provincial Lotteries with a prestigious award for his exceptional leadership, innovation and technical contribution.

Team SportsFunder took part in the 27th annual Easter Seals 24 Hour Relay in Burnaby, bringing BCLC's employee fundraising total to more than $86,000 over 23 years.

Our Commitment to Communities

British Columbia Lottery Corporation is committed to partnering with organizations in support of celebrations and events that contribute to healthy, educated and vibrant communities

British Columbians contribute to the success of BCLC and, in turn, we are a proud corporate citizen giving back to communities in ways that benefit the entire province. We have a sincere desire to strengthen our connection with communities not only by generating net income for Government public service programs, but by supporting local, regional and provincial events.

Through our many years as a corporate sponsor we have come to strongly believe that the volunteer theme, "The Value of One . . . The Power of Many," is the driving force that makes so many things possible. We applaud the dedication of the thousands of volunteers who share their time and energy in their communities.

Sponsorship Support

During fiscal 2006/07, through corporate and product sponsorships, BCLC supported a wide variety of events and community causes in the areas of arts and culture, business, entertainment, recreation and sports.

SportsFunder was prominently featured at the Canada Cup in Surrey, BC Summer Games in Kamloops, Vancouver Island Exhibition in Nanaimo, Canadian Olympic Committee golf tournament in Whistler, Countdown to 2010 celebrations in Vancouver and Richmond, and Special Olympics BC Winter Games in Kelowna.

BCLC and Lake City Casino were partners for the Kelowna Arts & Life Festival, Penticton Peach Festival and Vernon Winter Carnival, while the Taiwanese Cultural Festival in Vancouver was jointly sponsored by BCLC and Edgewater Casino. Great Canadian Casinos View Royal and BCLC presented the Times Colonist Open to benefit the official charity, The Vancouver Island Prostate Cancer Research Foundation.

As presenting sponsor, BCLC and British Columbia casinos were proud to support the 2006 David Foster Star Search and the David Foster and Friends Charity Gala.

The Star Search is a showcase of young artists pursuing their musical ambitions. Regional competitions were held in six communities, and the finalists were judged by a panel of celebrities. The star-studded gala, where the winner performed, raised $2.9 million for the David Foster Foundation, which supports children in need of life-saving major organ transplants.

BCLC supported numerous other events, including Fraserfest in New Westminster, Williams Lake Stampede, HSBC Celebration of Light, Pentastic Jazz Festival, Gift of Time Gala for Canuck Place Children's Hospice and the Spirit of Vancouver® campaign.

Among the events sponsored in Kamloops, home of BCLC's head office, were the Rotary Invitational Golf Tournament fundraiser for local charities, Kamloops Art Gallery, Western Canada Theatre, Kamloops Symphony, Music in the Park free evening performances, and the British Columbia Wildlife Park's annual Wildlights attraction.

Business Relationships

BCLC forges relationships with business and professional organizations throughout British Columbia by supporting conferences, annual general meetings, workshops, and business excellence awards.

Each spring, we attend a series of local government conferences to discuss issues with hundreds of elected officials and municipal employees. At the Okanagan Mainline Municipal Association conference in Revelstoke, we created a mock casino environment to give delegates an opportunity to learn about our commitment to high-quality gaming and integrity.

BCLC supported the BC Crime Prevention Association as a sponsor of the 28th annual Training Symposium in Richmond. The Association, an integrated team of citizens and police, provides education and awareness through community partnerships.

Business awards ceremonies celebrate innovation, team work and results, values that are important to BCLC.

Employee Spirit

BCLC employees demonstrate their commitment to our workplace and the communities where we live and work by participating in Corporate initiatives and volunteer activities.

We continued to show our dedication through United Way, Christmas Charity Committee, Easter Seals 24 Hour Relay, Relay for Life and the Green Committee, and by supporting BCLC sponsorship initiatives as hosts, presenters, facilitators, teachers and helpers.

Computers for Schools

A sound technology infrastructure is essential to BCLC's operations, so upgrades are routinely made to our hardware.

The equipment that we can no longer use is donated to Computers for Schools, a non-profit provider of refurbished computers to schools and communities. Over the past nine years, BCLC donations have included monitors, laptops, printers, servers, scanners and assorted items.

Responsible Play Information Centres are one of the initiatives undertaken by the British Columbia Partnership for Responsible Gambling, a strategic alliance comprising GPEB, BCLC, service providers and municipal governments.

Our Commitment to Responsible Play

British Columbia Lottery Corporation is committed to ensuring that we conduct and manage gaming with integrity and that our products and programs are offered with a high degree of social responsibility.

In developing new, innovative games and delivering fun and entertaining gaming experiences, BCLC remains deeply committed to our value of social responsibility and the responsible use of our products. This commitment means that, in short, everything we do is done with consideration of its impact on the people and communities of British Columbia.

We want to ensure that the best responsible play and problem gambling programs are in place and that people have access to the information and resources that are available.

BCLC offers gambling as an entertainment option for adults aged 19 and older. Among adults who choose to participate in gambling, about 95% make responsible decisions about their play. For others, problem gambling issues occur when an individual's behaviours compromise, disrupt or damage personal, family or vocational pursuits.

Partnerships

To address problem gambling issues and promote responsible play, BCLC has engaged in an approach of shared responsibility and action. Each year, we build upon the partnerships between Government, gaming service providers, local governments, and health and social agencies involved in the prevention and treatment of problem gambling.

BCLC has an established partnership with the Gaming Policy and Enforcement Branch (GPEB), which manages the province's comprehensive Problem Gambling Program (www.pssg.gov.bc.ca/gaming/responsible_gambling/index.htm). The program includes community-based counselling services and a 24-hour, toll-free Help Line (1-888-795-6111).

The British Columbia Partnership for Responsible Gambling (www.bcresponsiblegambling.ca) is a strategic alliance comprising GPEB, BCLC, service providers and municipal governments who work together to:

- reduce the incidence of problem gambling,
- reduce the harmful impacts of excessive gambling,
- and ensure the delivery of gambling in a manner that encourages responsible gambling and healthy choices.

In fiscal 2006/07, a Responsible Gambling Forum was held to further expand the Partnership. Representatives from GPEB, BCLC, municipal governments and gaming service provider companies formed a working group to recommend a formal operational structure.

BCLC is continuing in our role as an advisor with the Canadian Partnership for Responsible Gambling (www.cprg.ca), a collaboration of non-profit organizations, gaming service providers, research centres and regulators working to find and promote effective ways to reduce the risk of problem gambling.

Responsible Play Information Centres

Responsible Play Information Centres are one of the initiatives undertaken by the British Columbia Partnership for Responsible Gambling. New centres opened at Cascades Casino and Boulevard Casino during fiscal 2006/07. Existing locations at Edgewater Casino and River Rock Casino, installed as a pilot project in the previous fiscal year, were moved to more visible locations on the gaming floors.

All centres are staffed by Responsible Gambling Information Officers who provide customers and employees with on-site information and support, as well as referral to free, professional counselling and treatment services available through the Problem Gambling Program.

Self-service responsible play terminals, a new interactive tool for customers, were installed at each centre and at Gateway Casino Burnaby.

Appropriate Response Training

BCLC's Appropriate Response Training (ART) program began in fiscal 2004/05. This program develops and enhances the knowledge, awareness, attitudes and skills of gaming industry employees to help them respond to difficult situations involving customers who may be in distress. ART aims to give employees a better understanding of their role in delivering gaming products and an appropriate level of customer service, while respecting an adult's right to choose gaming as an entertainment option.

By the end of fiscal 2006/07, a total of 4,500 employees from casinos, bingo halls and community gaming centres had been trained by facilitators from BCLC, gaming service provider companies and the Problem Gambling Program. An e-course for frontline bingo hall employees launched in November, while a pilot project for lottery retail locations began in March through which open discussions will take place with some 500 retailers.

Practices

Among our social responsibility practices, we ensure that:

- the responsible play message, "Know your limit, play within it," is included in point-of-sale materials;
- our games are operated with a high degree of security and integrity;
- our products carry the Problem Gambling Help Line number;
- our product information includes the odds of winning and losing;
- laws concerning the legal age to participate in gaming in British Columbia are upheld and extensively publicized through a 19+ program;
- our new gaming initiatives are developed with appropriate consideration for responsible play practices;
- our values of integrity, social responsibility and respect are posted on BCLC.com;
- Responsible Gambling Standards and Advertising and Marketing Standards for the BC Gambling Industry are followed.

In addition, BCLC administers the Time Out program that allows individuals to voluntarily exclude themselves from casinos, commercial bingo halls, community gaming centres or from purchasing lottery products through our PlayNow website for a period of six months or one, two or three years.

Authority and Regulation

British Columbia's gaming industry is operated and regulated in accordance with the *Gaming Control Act* and under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

BCLC, as an agent of the Crown, has responsibility to conduct, manage and operate lottery, casino and commercial bingo gaming.

The Gaming Policy and Enforcement Branch (GPEB), a branch of the Ministry of Public Safety and Solicitor General, regulates all aspects of the gaming industry in British Columbia. The branch develops and manages gaming policy, legislation and standards, licenses charitable gaming events and horse racing, registers gaming service providers and gaming workers, certifies gaming equipment, and investigates allegations of wrongdoing in all gaming sectors.

GPEB conducts charitable and commercial audits to ensure compliance, and manages distribution of Government's gaming proceeds, including community gaming grants to charitable and community organizations. The branch administers Government's Problem Gambling Program and ensures that policies and standards are in place to help minimize the harm from gambling and promote responsible gambling practices.

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 with a view to implementation by April 1, 2006. 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 by the end of April 2006 was fully compliant with the standards and guidelines. Information about BCLC's corporate governance is available at (www.bclc.com/cm/aboutbclc/corporategovernance.htm).

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 practices, 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

In accordance with the *Gaming Control Act*, a maximum nine-member Board is appointed for BCLC by order of the Lieutenant-Governor in Council. The Board currently consists of eight directors, independent of management, who are chosen on the basis of their skills, expertise and experience.

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

The Board has a primary responsibility to foster BCLC's long-term success, to oversee the conduct of the Corporation's business and to supervise management who are responsible for day-to-day operations. The Board is responsible for participating with management in developing, and ultimately approving, BCLC's mission, vision and values, strategic and service plans, business plans, and operating and capital budgets.

The Board regularly receives information on financial results and monitors BCLC's performance against the approved strategic and operating plans. The Board is also responsible for setting and revising as necessary major policies, including policies related to human resources and compensation matters, financial and risk management issues, and stakeholder communications. Through the strategic planning process and the operation of committees, the Board also reviews the principal risks facing BCLC to ensure that strategies are implemented to manage such risks.

The Board met five times in fiscal 2006/07. In addition, as part of the strategic planning process, the Board held its annual strategic planning retreat with management with the focus of establishing BCLC's strategic direction for the upcoming years. Senior management attend all Board meetings. However, the Board also ensures its independence by meeting in camera at every Board meeting without management present.

Standard of Conduct for Directors

In carrying out the Board's mandate, each director is responsible for acting honestly and in good faith with a view to the best interests of BCLC and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Upon appointment as a director and each year thereafter, directors are required to agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines.

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.

Committee Structure

To assist the Board in fulfilling its oversight responsibilities, the Board has established committees and has specifically set out the terms of reference for each committee. BCLC committees are responsible for advising and formulating recommendations to the Board.

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

Standing Committees

Audit

Chair: Kathy Stevenson[1]

Members: Arthur Willms, John Bell[2], David Gillespie[3]

Met six times in fiscal 2006/07

Liaises between the external and internal auditors and the Board.

- Oversees the review of BCLC's financial operations by the external auditors and makes recommendations to the Board with respect to approval of audited financial statements and quarterly results.
- Reviews the financial information that will be provided to Government and the public.
- Oversees the review of BCLC's information systems, risk management and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

Governance and Corporate Social Responsibility

Chair: David Gillespie

Members: Arthur Willms, Tazeem Nathoo[4]

Met three times in fiscal 2006/07

- Provides focus on corporate governance to enhance BCLC's performance.
- Implements the evaluation process for the Board and makes recommendations regarding Board effectiveness.
- Oversees the development of a long-term Board composition and succession plan and leads the process for developing potential director criteria.
- Reviews, monitors and makes recommendations regarding the orientation and ongoing development of directors.
- Oversees the review of BCLC's corporate social responsibility policy.

Human Resources and Compensation

Chair: Tazeem Nathoo

Members: Neil McDonnell, Eric Sorensen[5]

Met eight times in fiscal 2006/07

- Examines BCLC'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.
- Oversees matters related to the compensation and performance assessment of the President and CEO.
- Reviews management's succession plans, staff resourcing allocation plans, and staff development and training programs with a view to enhancing a performance-based culture.

Marketing and Sponsorship

Chair: John Bell[2]

Members: Neil McDonnell, Eric Sorensen[6]

Met four times in fiscal 2006/07

- 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 BCLC's role on brands and sponsorships.
- Monitors BCLC's performance against the marketing strategies and guidelines.

Ex-officio members of all committees:

The Chair and President and CEO are ex-officio members of all Board committees.

Notes:

[1] Note: Kathy Stevenson was appointed as committee Chair May 3, 2006.

[2] Note: John Bell resigned from the Board June 8, 2007.

[3] Note: David Gillespie was appointed as a committee member January 24, 2007.

[4] Note: Tazeem Nathoo was appointed as a committee member January 24, 2007.

[5] Note: Eric Sorensen was appointed as a committee member January 24, 2007.

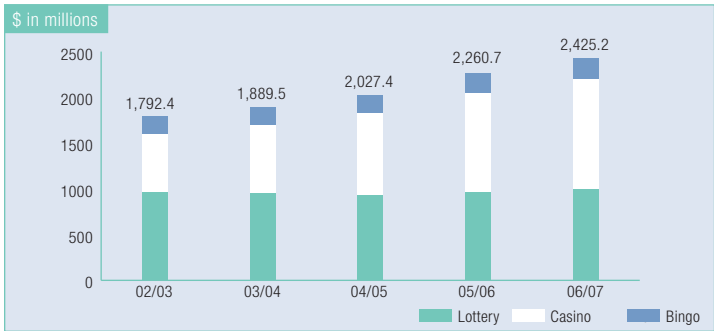
[6] Note: Eric Sorensen was appointed as a committee member May 3, 2006.

This Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for the fiscal year ended March 31, 2007, and should be read in conjunction with the Corporation's audited financial statements.

Financial Overview

Financial Results ($ in millions)	2002/03	2003/04	2004/05	2005/06	2006/07 Actual	2006/07 Budget	2006/07 Variance
Revenues							
Lottery	$ 968.6	$ 960.4	$ 938.0	$ 967.4	$ 997.4	$1,000.0	$ (2.6)
Casino	628.1	733.4	892.9	1,085.3	1,208.9	1,140.0	68.9
Bingo	195.7	195.7	196.5	208.0	218.9	225.0	(6.1)
	1,792.4	**1,889.5**	**2,027.4**	**2,260.7**	**2,425.2**	**2,365.0**	**60.2**
Direct Expenses	$ 987.0	1,014.8	1,048.8	1,145.8	1,198.9	1,184.1	(14.8)
Operating Expenses	134.5	147.1	159.7	192.2	207.5	240.9	33.4
Net Income	**$ 670.9**	**$ 727.6**	**$ 818.9**	**$ 922.7**	**$1,018.8**	**$ 940.0**	**$ 78.8**
Profit Margin	37.4%	38.5%	40.4%	40.8%	42.0%	39.7%	2.3%
Capital Expenditures	$ 29.6	$ 49.0	$ 93.5	$ 82.9	$ 43.9	$ 80.2	$ 36.3
Employees (FTEs)	536	560	569	575	596	600	4

Gaming Revenue Trends ($ in millions)



Fiscal 2006/07 represented a record year for BCLC, with the Corporation establishing new benchmarks for both revenue and net income. With total gaming revenue of $2.4 billion, BCLC surpassed last year's revenue by $164.5 million and budget by $60.2 million. Highlights during the year included the introduction of Pacific Hold'Em Poker, a new lottery game developed by BCLC that exceeded revenue projections, the replacement of older-style slot machines in the casino network with higher entertainment games that resulted in record sales, and the continuing build-out of new higher entertainment community gaming centres that offer slot machine gaming.

Direct costs of $1.2 billion were $14.8 million greater than budget and $53.1 million greater than last year. Additional expenditures for prizes, retailer commissions, operator fees and ticket printing were incurred to support the increase in revenue.

At $207.5 million, total operating costs were $33.4 million less than budget and $15.3 million greater than last year. With the slower than anticipated build-out of community gaming centres and the Hastings Racecourse casino not opening as planned, operational cost savings of $4.5 million were realized. Amortization was $10.3 million less than budget as a result of lower than anticipated capital spending, again reflecting delays in the build-out of new gaming facilities. A reduction in GST from 7% to 6%, lower than expected capital spending and a GST tax recovery resulted in overall taxes being $14.8 million less than budget.

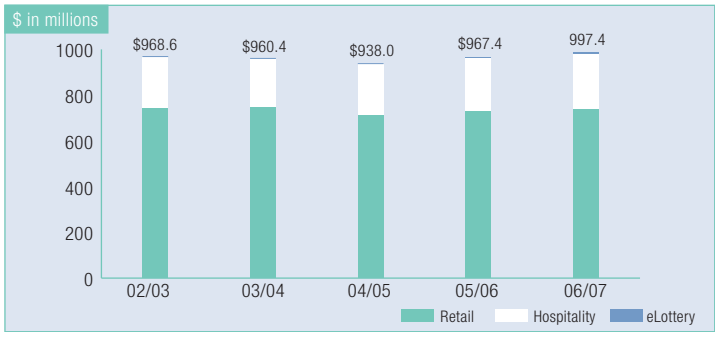
At $1,018.8 million, net income exceeded budget by $78.8 million and the previous year by $96.1 million. Strong revenue performance, a shift in product mix to higher contribution games and operational cost savings resulted in BCLC exceeding the billion dollar milestone in net income.

Lottery Operations

Financial Results ($ in millions)	2002/03	2003/04	2004/05	2005/06	2006/07 Actual	2006/07 Budget	2006/07 Variance
Revenues							
Retail Network	$ 742.4	$ 747.0	$ 712.4	$ 733.0	$ 742.5	$ 730.0	$ 12.5
Hospitality Network	226.2	213.4	225.3	229.2	240.6	237.0	3.6
eLottery	–	–	0.3	5.2	14.3	33.0	(18.7)
	$ 968.6	**$ 960.4**	**$ 938.0**	**$ 967.4**	**$ 997.4**	**$1,000.0**	**$ (2.6)**
Direct Expenses	$ 610.3	$ 602.3	$ 581.4	$ 613.8	$ 628.9	$ 631.2	$ 2.3
Operating Expenses	$ 66.7	$ 71.1	$ 73.7	$ 82.3	$ 86.9	$ 92.0	$ 5.1
Net Income	**$ 291.6**	**$ 287.0**	**$ 282.9**	**$ 271.3**	**$ 281.6**	**$ 276.8**	**$ 4.8**
Lottery Retailers	4,152	4,513	4,490	4,397	4,321		
Lottery Terminals	3,747	4,072	4,082	4,081	4,074		

Lottery revenues of $997.4 million were $2.6 million less than budget and $30 million greater than the previous fiscal year. While lottery sales were slightly less than budget, fiscal 2006/07 represented the second year of consecutive growth for the lottery division, continuing the reversal of the downward trend in lottery sales that was experienced until 2004/05. Strong performance in the retail network traces to Lotto 6/49, Sports Action, Keno and the new Millionaire Life game. The growth in the hospitality network stems from the launch of Pacific Hold'Em Poker. The eLottery channel, PlayNow, was behind budget and is still developing.

Lottery Sales Trends ($ in millions)

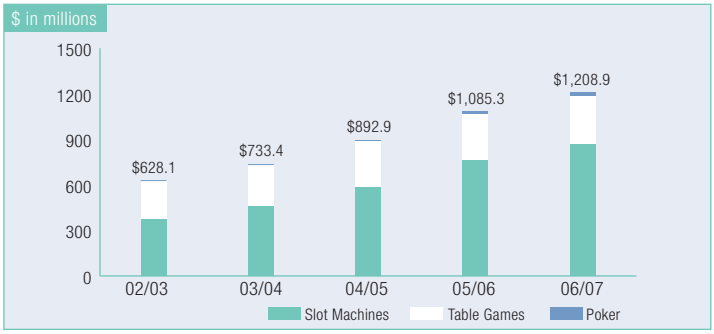


Casino Operations

Financial Results ($ in millions)	2002/03	2003/04	2004/05	2005/06	2006/07 Actual	2006/07 Budget	2006/07 Variance
Revenues							
Slot Machine	$ 373.6	$ 463.5	$ 588.6	$ 762.3	$ 869.9	$ 810.0	$ 59.9
Table Games	254.5	269.9	298.9	308.4	318.2	315.0	3.2
Poker	–	–	5.4	14.6	20.8	15.0	5.8
	$ 628.1	$ 733.4	$ 892.9	$1,085.3	$1,208.9	$1,140.0	$ 68.9
Direct Expenses	$ 218.3	$ 252.3	$ 307.3	$ 369.9	$ 408.9	$ 385.5	$ (23.4)
Operating Expenses	$ 55.2	$ 62.8	$ 70.3	$ 93.8	$ 101.4	$ 124.8	$ 23.4
Net Income	**$ 354.6**	**$ 418.3**	**$ 515.3**	**$ 621.6**	**$ 698.6**	**$ 629.7**	**$ 68.9**
Casinos	20	20	19	18	17		
Slot Machines	3,304	3,832	6,307	7,149	6,951		
Table Games	392	377	419	454	464		

Casino revenues of $1.2 billion were $68.9 million greater than budget and $123.6 million greater than last year. The replacement of 1,000 older-style slot machines with newer-style games, a full year of operation of the new Cascades casino and the upgraded Coquitlam facility, and a change in product mix to lower denomination games are credited for the strong performance. The planned opening of the Hastings Racecourse casino did not occur.

Casino Sales Trends

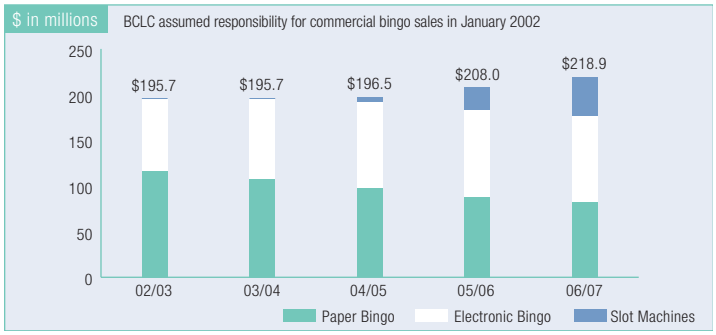


Bingo Operations

Financial Results ($ in millions)	2002/03	2003/04	2004/05	2005/06	2006/07 Actual	2006/07 Budget	2006/07 Variance
Revenues							
Paper Bingo	$ 116.2	$ 107.5	$ 98.2	$ 88.0	$ 82.7	$ 90.3	($ 7.6)
Electronic Bingo	79.5	88.2	93.5	94.9	94.5	94.7	(0.2)
Slot Machines	–	–	4.8	25.1	41.7	40.0	1.7
	195.7	195.7	196.5	208.0	218.9	225.0	(6.1)
Direct Expenses	158.4	160.2	160.1	162.1	161.1	167.4	6.3
Operating Expenses	14.5	15.1	17.6	18.0	21.1	26.0	4.9
Net Income	**$ 22.8**	**$ 20.4**	**$ 18.8**	**$ 27.9**	**$ 36.7**	**$ 31.6**	**$ 5.1**
Commercial Halls	33	32	27	24	20		
Community Gaming Centres	–	–	4	5	6		
Electronic Bingo Terminals	2,366	2,750	3,244	3,240	3,234		
Slot Machines	–	–	253	355	497		

Bingo revenues of $218.9 million were $6.1 million less than budget and $10.9 million greater than last year. While the bingo division did not achieve its revenue targets, the division's net income of $36.7 million exceeded budget by $5.1 million. The opening of a new community gaming centre in Duncan, the relocation and upgrade of the Dawson Creek facility, the introduction of new higher entertainment products including Ka-Chingo and DJ Bingo, and the introduction of a Guest Service training program contributed to the strong results

Bingo Sales Trends



Fiscal 2006/07 Capital Expenditures

Gaming systems	2005/06 Actual	2006/07 Actual	2007/08 Forecast	2008/09 Forecast	2009/10 Forecast
Lottery	$ 21,911	$ 9,306	$ 23,000	$ 15,000	$ 15,000
Casino	53,007	22,001	44,500	43,000	43,000
Bingo	4,063	7,224	10,500	15,000	15,000
	$ 78,981	**$ 38,531**	**$ 78,000**	**$ 73,000**	**$ 73,000**
Corporate facilities and equipment					
Facilities	$ 1,603	$ 463	$ 2,500	$ 2,000	$ 2,000
Corporate Systems	2,296	4,933	4,500	5,000	5,000
	$ 3,899	$ 5,396	$ 7,000	$ 7,000	$ 7,000
Total Capital	**$ 82,880**	**$ 43,927**	**$ 85,000**	**$ 80,000**	**$ 80,000**

BCLC's capital spend was $43.9 million for fiscal 2006/07, about $39 million less than fiscal 2005/06 actuals. The decision not to proceed with the opening of the Hastings Racecourse casino and the delay in the opening of some community gaming centres resulted in a lower capital spend.

B.C. Lottotech International Inc.

BCLC's consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the Corporation. The primary purpose of B.C. Lottotech is to purchase capital assets for lease to BCLC. The management and oversight of B.C. Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process. Of BCLC's total consolidated capital expenditures of $43.9 million, $42.1 million was acquired through B.C. Lottotech International Inc.

Financial Results ($ in thousands)	2006/07	2005/06
Revenue		
Lease Income	$ 60,821	$ 48,725
Expenses		
Amortization	60,674	48,604
Income from Operations	147	121
Interest and Other Income	697	112
Net Income	**$ 844**	**$ 233**

Canadian Gaming Comparisons

(as at March 31, 2006)

With revisions to Government gaming policy in 1997 that allowed for the introduction of slot machines, gaming revenues in British Columbia have increased significantly over this period. On a per capita basis, net gaming expenditures in British Columbia remain moderate compared to other provinces in Canada.

As illustrated in the table below, in fiscal 2005/06, the most current year available, British Columbia per capita net gaming expenditures are ranked eighth in Canada and British Columbia has fewer gaming devices per thousand adult population than any other province. This moderate expenditure is consistent with Government's gaming policy and BCLC's objective to market gaming in British Columbia in a socially responsible manner.

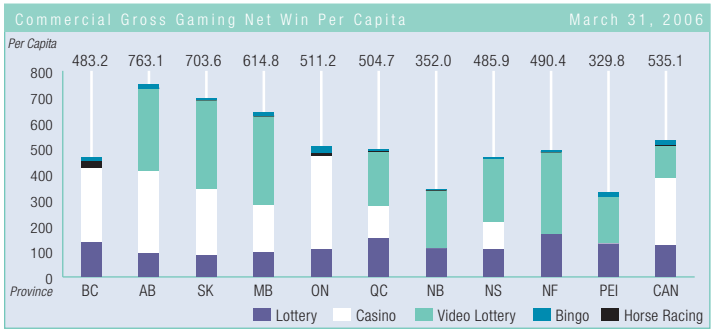
Commercial Gaming Expenditure by Province, Net of Prizes for the Year Ended March 31, 2006

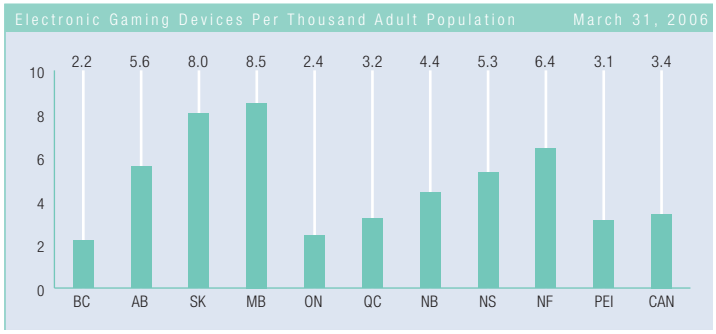
Total Net Expenditure (thousands)

	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Lottery	$ 437,100	$ 249,800	$ 67,955	$ 85,059	$ 1,140,521	$ 951,267	$ 75,205	$ 93,074	$ 78,399	$ 14,370	$ 3,192,750
Casino	1,085,345	864,000	202,609	131,122	3,657,284	752,862	–	85,388	–	–	6,778,611
Video Lottery	–	828,200	232,581	321,954	–	1,299,000	135,115	182,205	122,885	19,393	3,141,333
Bingo	96,800	–	22,844	5,033	11,567	39,900	–	172	–	–	176,316
Horse Racing	49,278	38,220	1,158	8,978	256,489	43,935	1,452	3,235	314	1,980	405,039
Total	**$ 1,668,524**	**$1,980,220**	**$ 527,147**	**$ 552,146**	**$ 5,065,861**	**$3,086,964**	**$ 211,772**	**$ 364,074**	**$ 201,598**	**$ 35,743**	**$ 13,694,049**

Electronic Gaming Devices in Canada as at March 31, 2006

Electronic Gaming Devices	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Slot Machines	7,504	8,662	1,990	2,125	23,434	5,911	–	1,082	–	–	50,708
Video Lottery	–	5,995	3,978	5,509	–	13,516	2,631	2,912	2,644	338	37,523
Total Gaming Devices	**7,504**	**14,657**	**5,968**	**7,634**	**23,434**	**19,427**	**2,631**	**3,994**	**2,644**	**338**	**88,231**
Gaming Devices per 1,000 population	**2.2**	**5.6**	**8.0**	**8.5**	**2.4**	**3.2**	**4.4**	**5.3**	**6.4**	**3.1**	**3.4**





Notes

1. Net Gaming Expenditures:
   Amount spent by players after deducting money returned as prizes, for all forms of gaming.
2. Information Sources:
   a) Population represents Statistics Canada estimate of the population (18 and over) as of July 1, 2006. Estimates current as of December 2006.
   b) Gaming information:
   - British Columbia Lottery Corporation
   - Atlantic Lottery Corporation
   - Saskatchewan Liquor and Gaming Authority
   - Canadian Pari-Mutuel Agency
   - Ontario Lottery and Gaming
   - Alberta Liquor and Gaming Commission
   - Manitoba Lotteries Corporation
   - Loto-Québec
   - Sask Sport Inc.
   - Nova Scotia Gaming Corporation

Government established BCLC as a Crown corporation 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 promoting both economic development and strong vibrant communities. This section is intended to illustrate how BCLC's goals and objectives are aligned with Government's strategic direction.

Government Strategic Plan BCLC Service Plan

Government Goals	BCLC Alignment
• To make British Columbia the best educated, most literate jurisdiction on the continent. • 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.	• Fiscal 2006/07 net income of just more than $1 billion was generated for key Government programs, including health care, education and physical fitness. • Community gaming grants of $142.4 million were provided through the Gaming Policy and Enforcement Branch to 6,000 charitable organizations, including many that support healthy living, physical fitness and parent advisory groups that support education in British Columbia. • Gaming revenues of $147.3 million were directed by Government to support British Columbia's health care system. • SportsFunder, a suite of lottery games, supports amateur sports in British Columbia. • Environmentally friendly practices include using recycled paper for ticket printing, recycling computers into the school system, Power Smart facility initiatives and an employee Green Committee. • About 10,000 people are directly employed in the gaming business in British Columbia. Close to $1 billion has been invested in property assets, pursuant to contracts established and managed by BCLC.

Alignment with Shareholder's Letter of Expectations

Requirement	Status
• Optimize BCLC'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 generated just more than $1 billion in revenue for Government in fiscal 2006/07.
• Improve the performance of casino, bingo and lottery gaming through new products and approaches in response to customer and marketplace demand.	• BCLC is projecting revenue and net income growth for each of its business units over the current 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.
• Ensure BCLC's products are provided in a socially responsible manner.	• BCLC and GPEB have jointly developed and implemented the Province's Responsible Gambling Strategy, which engages municipalities, the gaming industry and social agencies on three goals: 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.
• Improve the quality of the casino product with better locations and casinos sized to suit the market.	• Over the last several years, BCLC has made significant progress in upgrading existing casino facilities. Specifically, major upgrades have been completed at River Rock Casino Resort in Richmond, Edgewater Casino in Vancouver, Boulevard Casino in Coquitlam, Cascades Casino in Langley and Treasure Cove Casino in Prince George. BCLC's Service Plan provides for the continued improvement and enhancement of existing casinos to provide the player with high-quality gaming entertainment.
• Develop and maintain a sound, responsive and adaptive technology infrastructure.	• BCLC continues to invest in its gaming and technology infrastructure. Over the last several years, the Corporation has replaced its online lottery gaming system and made major improvements and enhancements to the casino and bingo systems. Currently, BCLC is in the process of upgrading the lottery network from older, analog technology to new Internet Protocol technology that will result in greater data transmission speeds, greater bandwidth and reduced cost.
• Build public and key stakeholder trust/support, improve the quality of service to customers and improve relationships with service providers.	• Building public and stakeholder trust, improving the quality of service to customers, and improving relationships with service providers remain key objectives for BCLC.
• Comply with policy directives issued by the Minister.	• BCLC complies with all policy directives issued by the Minister, including all directives and standards issued under the *Gaming Control Act*.
• Operate the business in an efficient and effective manner for the benefit of customers and the shareholder.	• 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 4.4%
• Meet and/or improve on BCLC's financial and non-financial performance going forward.	• BCLC's Service Plan includes initiatives that are aimed at maintaining or improving the results from all key performance measures. Over the next three-year planning period, net income is projected to increase by $124 million or 12%.
• Participate with the Ministry of Public Safety and Solicitor General in the preparation and presentation of a strategic plan for conducting and managing gaming, including the proposed Consent to Operate Strategy.	• BCLC is currently working in conjunction with Government to prepare a new three-year strategic plan for conducting and managing gaming, including further program development for responsible and problem gambling.

Managing Risk

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

BCLC's Approach to Managing Risk

In 2006/07, BCLC introduced an Enterprise Risk Management (ERM) control framework to more formally identify and manage risks. Strategic risk identification occurred through an Executive assessment. Risk management strategies development and implementation have begun to mitigate the negative consequences of identified risks.

BCLC's ERM management committee meets monthly to review the enterprise-wide risks and to ensure that appropriate risk treatment plans are in place. The quarterly principal risk report is presented to the Executive and Audit Committee of the Board of Directors to ensure significant risks are communicated and risk management plans are in place.

Key Risks that BCLC Faces

This year, guided by risk management standards, senior management identified risks that could threaten the achievement of BCLC's mission and goals.

Competition Risk

Impact and Likelihood	Results for 2006/07
If BCLC cannot adapt, in a timely manner, to changes in the entertainment environment or market conditions, it could threaten the Corporation's long-term viability. The inability to renew and sustain products or brands could threaten the demand for BCLC products to the point that it may impair the ability to develop future revenues. 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.	**Strategy 1: Transform and reinvent the lotteries to a growth business.** BCLC has concentrated its efforts in this regard on new product innovation, balanced with social responsibility. In the lottery business unit, BCLC implemented extended service hours for sales, launched seven of eight planned product additions in the SportsFunder category, launched Pacific Hold'Em Poker in the hospitality network, and completed the first offering of a new national game, Millionaire Life. **Strategy 2: Build player participation and loyalty by providing a fun and entertaining gaming experience.** BCLC prioritized player satisfaction, tourism and a loyalty program for British Columbia casinos. BCLC focused on improved product offerings and positioning casinos and community gaming centres as entertainment facilities that include food, beverage and entertainment options. Initiatives to support this strategy included the successful replacement of 1,000 obsolete slot machines, expanded casino tournament play, including four major poker tournaments and one pilot slot tournament, and the development of long-term tourism marketing strategies. The BC Gold membership of 244,795 fell short of the 400,000 goal. **Strategy 4: Develop a viable eLottery business.** BCLC has focused on several new product offerings on PlayNow at BCLC.com. During the year, 15 Interactive games were launched, exceeding the planned 13 launches. Player registrations, targeted for 70,000 active registrations at year-end, reached 68,015. This will continue as an ongoing strategy to ensure continued development of the PlayNow player base. **Strategy 5: Grow our business through innovative product development.** A significant upgrade to the lottery network was successfully undertaken to move onto a new Internet protocol network. Some 2,200 sites were converted during the year and the roll-out continues at more than 200 sites per week. This allows BCLC to provide a more resilient and consistent network platform for the provincewide retailer network. BCLC focused on the implementation of a focused innovation program for lottery gaming, which resulted in the monitor poker platform implementation. The casino and bingo environments continued to improve product offerings through robust industry research and development.

Host Local Government Approval Risk

Impact and Likelihood	Results for 2006/07
The *Gaming Control Act* requires that local governments provide approval for acceptance or relocation of casinos and bingo halls in their communities. Delays or inability to obtain such approvals present a risk to delivery on revenue targets.	**Strategy 3: Develop a viable Community Gaming Centre model.** BCLC continued to pursue the opening of new community gaming centres. Of the seven facilities scheduled to open, only Dawson Creek and Duncan were achieved. Hastings Racecourse has again been delayed in the approval process. A key component of the host local government approval process continues to be the extensive consultation and relocation process that ensures community groups and key stakeholders have adequate information to make informed decisions.

Public Acceptance Risk

Impact and Likelihood	Results for 2006/07
Without strong public support and acceptance, BCLC's ability to achieve its business and revenue objectives are placed at risk. Given that public policy often follows public opinion, an event that breaches the public trust, e.g., coverage of lottery procedures in Ontario and British Columbia, could directly impact the operational programs supporting BCLC's strategic initiatives. BCLC mitigates the likelihood and impact of such events through a strong focus on product integrity, highly regulated facilities and continued development of robust industry practices that promote responsible play.	**Strategy 6: Build public and stakeholder trust and support, including the communication of beneficiaries of gaming revenues and responsible gaming programs.** BCLC continued to be committed to taking immediate action against breaches to assure British Columbians that gaming in British Columbia remains a secure and safe entertainment option. BCLC will fully implement the recommendations of the Gaming Policy and Enforcement Branch and the Ombudsman of British Columbia to assure players of the integrity of lottery gaming in British Columbia. This year's focus was on obtaining a better understanding of the mass communication solutions necessary to communicate this strategy and achieve measurable improvement in increasing the public's awareness of the beneficiaries of gaming and responsible gambling. However, this has not yet commenced. BCLC opened Responsible Play Information Centres in the Cascades and Boulevard Casinos to supplement existing locations at Edgewater and River Rock Casinos. These kiosks are staffed by two Responsible Gaming Officers during peak hours. BCLC has contracted with the BC Centre for Social Responsibility to begin a four-year study to evaluate the Voluntary Self-exclusion Program.

Insufficient Skills and Capacity Risk

Impact and Likelihood	Results for 2006/07
Significant changes in the labour market, such as shifting workforce demographics or the availability of technical skills, adversely affect BCLC's ability to attract and retain highly skilled and motivated employees. BCLC is heavily reliant on technology and, as such, recognizes the need to focus on building resources to meet the complexity and integration needs of the business.	**Strategy 7: Instil a high-performance culture.** BCLC has recognized that having a flexible, adaptable workforce 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. During the year, the focus was on strengthening talent management with the implementation of a more robust infrastructure, succession planning and career development. A leadership development program was successfully completed by all Executive and leaders.

Fiscal 2006/07

In July 2000, the *Budget Transparency and Accountability Act* (*BTAA*) was passed in the British Columbia Legislature. The primary objectives of the *BTAA* are to make the Government budget process more accountable and accessible to the public, to improve the reliability and credibility of budget forecasts, to improve accountability for results, to improve the accounting and quality of financial information provided by Government, and to improve the timeliness, consistency, comparability and transparency of information provided to the public. In August 2001, the *BTAA* was amended to require that three-year Service Plans for Government organizations be made public annually with the budget on the third Tuesday in February.

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 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.

To manage and direct performance toward 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 used by BCLC to manage and measure performance in the organization, 11 that are considered the most relevant in measuring progress against the strategic goals have been selected by the Board and senior management.

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

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

This year's Annual Service Plan Report is the companion document to BCLC's Fiscal 2006/07 – 2008/09 Service Plan and reports on the goals, strategies, performance measures and targets that were established in this plan. While BCLC's goals, strategies and performance measures remain unchanged from the 2006/07 – 2008/09 Service Plan, targets for the years 2007/08 to 2009/10 have been updated in the 2006/07 Annual Report to reflect management's best estimates and the most current information contained in BCLC's current Service Plan.

Availability and Reliability of Data

The data for BCLC's performance targets is 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 BCLC'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 gambling, beneficiaries of gaming, employee engagement) are provided by independent research agencies that use statistical sampling methodologies that provide information that can be relied upon with a high level of confidence.

Linking Goal and Results

Goals	Strategies	Measures	Service Plan Target	2006/07 Results	
To generate net income for the public good.	Transform and reinvent lotteries to a growth business.	Revenue	$ 2,365	$ 2,425.2	Exceeded
		Net Income	$ 940	$ 1,018.8	Exceeded
	Build player participation and loyalty by providing a fun and entertaining gaming experience.	Operating Cost Ratio (%)	4.7%	4.4%	Exceeded
		FTEs	600	596	Achieved
	Develop a viable community gaming centre model.	Player Participation	65%	61%	Not Achieved
		Player Satisfaction	84%	85%	Achieved
	Develop a viable eLottery business.				
	Grow our business through innovative new product development.				
To be a respected organization that has a broad base of public support.	Build public and stakeholder trust/support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs.	Public support of BCLC	66%	68%	Achieved
		Public support of gaming	52%	56%	Achieved
		Public recognition of social responsibility	56%	58%	Achieved
		Public awareness of the beneficiaries of gaming	32%	37%	Achieved
To have a workforce passionately driving the success of our business.	Instil a high-performance culture through strong leadership, employee development and engagement.	Employee engagement	70%	54%	Not Achieved

Goal 1: To Generate Net Income for the Public Good

Strategies
1. Transform and reinvent lotteries to a growth business.
2. Develop a viable community gaming centre model.
3. Develop eLottery as a viable business.
4. Build player participation and loyalty by providing a fun and entertaining gaming experience.
5. Grow our business through innovative product development.

Performance Measures	Fiscal 2005/06 Actual	Fiscal 2006/07 Actual	Fiscal 2007/08 Targets	Fiscal 2008/09 Targets	Fiscal 2009/10 Targets
Revenue (in millions)					
Lottery	$ 967.4	$ 997.4	$1,025.0	$ 1,090.0	$ 1,170.0
Casino	1,085.3	1,208.9	1,240.0	1,285.0	1,330.0
Bingo	208.0	218.9	230.0	250.0	260.0
Total	**$ 2,260.7**	**$ 2,425.2**	**$ 2,495.0**	**$ 2,625.0**	**$ 2,760.0**
Operating Cost Ratio	4.5%	4.4%	4.6%	4.5%	4.5%
Net Income (in millions)					
Lottery	$ 271.3	$ 281.6	$ 285.6	$ 303.9	$ 328.5
Casino	621.6	698.6	701.3	726.5	749.5
Bingo	27.9	36.7	44.2	54.7	62.1
Horse Racing Fees	1.9	1.9	1.9	1.9	1.9
Total	**$ 922.7**	**$ 1,018.8**	**$ 1,033.0**	**$ 1,087.0**	**$ 1,142.0**
FTEs	575	596	625	650	650
Player Participation	61%	61%	67%	67%	68%
Player Satisfaction	84%	85%	88%	90%	90%

BCLC's Fiscal 2006/07 Service Plan included five strategies to support the achievement of our goal to generate net income for the public good.

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 a viable community gaming centre model

In February 2002, BCLC assumed responsibility for commercial bingo operations in British Columbia. In previous years, traditional bingo paper had been a declining industry with aging facilities and products that were unable to compete in the rapidly evolving gaming marketplace. Since BCLC assumed responsibility, the Corporation has worked with our business partners to revitalize and re-energize this gaming channel. Changes have included new improved facilities with a broader range of entertainment options, improved customer service, the introduction of slot machines in community gaming centres and the introduction of new games, including Ka-Chingo and DJ Bingo.

3. Develop eLottery as a viable business

The introduction of PlayNow, BCLC's online gaming channel, represents a major strategic initiative for BCLC. Introduced in 2004, sales from this channel have increased from $5 million in the first full year of operation to $14 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.

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 the 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 River Rock, Cascades 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.

5. Grow our business through innovative product development

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, bingo and online gaming through the eLottery channel, PlayNow.

Recent product innovations include Pacific Hold'Em Poker, a new monitor-style game in the lottery hospitality network, the replacement of 1,000 older-style slot machines with new higher entertainment games in the casino division, and the introduction of Ka-Chingo, a new provincewide linked bingo game.

Goal 1: To Generate Net Income for the Public Good (continued)

Measure – Gaming Revenue

Importance of the Measure

This performance indicator measures BCLC's total revenues as reported in the consolidated financial statements. This measure is important as it is directly linked to our mission of offering responsible gaming entertainment to generate income for the public good.

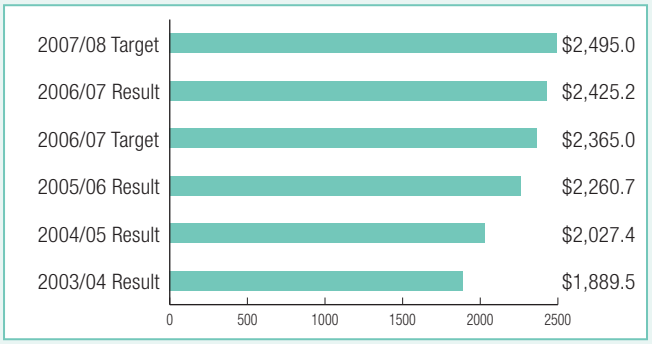
Performance Results 2006/07

In fiscal 2006/07, BCLC established new benchmarks for both revenue and net income. At $2.4 billion, total gaming revenues exceeded budget by $60.2 million and the previous fiscal year by $164.5 million. Highlights included the continuing strong performance from the casino division, the introduction of Pacific Hold'Em Poker in the lottery network and the continuing build-out and development of community gaming centres.

Further discussion and analysis of BCLC's gaming revenue is included in the Management Discussion and Analysis.

Target Exceeded

Revenue in Millions



Data Source

BCLC Audited Financial Statements

Measure – Net Income

Importance of the Measure

This performance indicator measures BCLC's total net income as reported in the consolidated financial statements. This measure is important as it is directly linked to our mission of offering responsible gaming entertainment to generate income for the public good.

Performance Results 2006/07

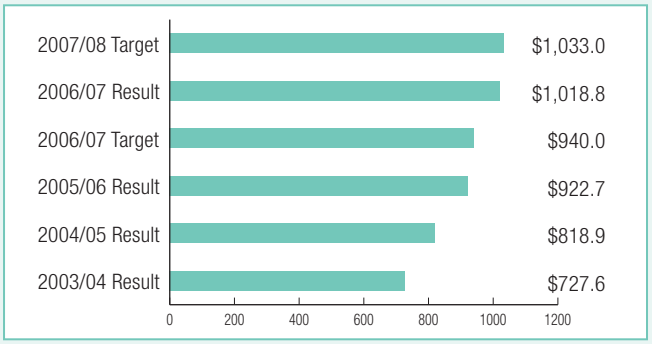
Fiscal 2006/07 was a milestone year for BCLC, with the Corporation exceeding the billion dollar level in net income. At $1,018.8 million, BCLC's net income exceeded budget by $78.8 million and the previous fiscal year by $96.1 million.

Strong revenue performance from each of the gaming divisions, a continuing shift in product mix to higher contribution casino-style games, and operational cost savings resulted in BCLC achieving exceptional financial results.

Further discussion and analysis of BCLC's gaming income is included in the Management Discussion and Analysis.

Target Exceeded

Net Income in Millions



Data Source

BCLC Audited Financial Statements

Measure – Operating Cost Ratio

Importance of the Measure

This performance indicator measures the ratio of operating expenses 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 on our ability to generate net income for the Government of British Columbia.

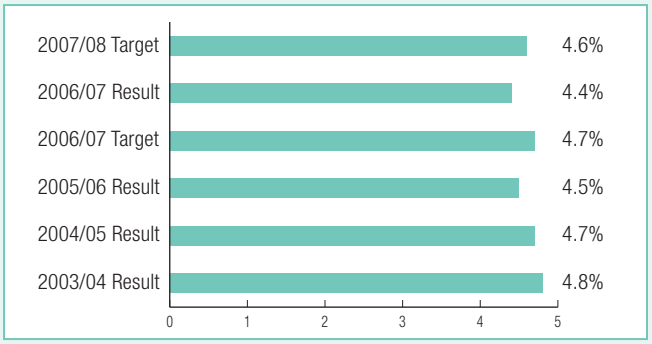
Performance Results 2006/07

At 4.4% of total gaming revenues, BCLC's operating cost ratio was .3% less than budget. Continuing strong revenue growth and effective cost management resulted in lower than budgeted operating costs.

Over the last five years, BCLC has been successful in reducing the Corporation's operating cost ratio as a percentage of total gaming revenues from 5.5% to 4.4%.

Target Exceeded

Operating Cost Ratio



Data Source

Internal management reports

Goal 1: To Generate Net Income for the Public Good (continued)

Measure – Full-time Equivalents (FTEs)

Importance of the Measure

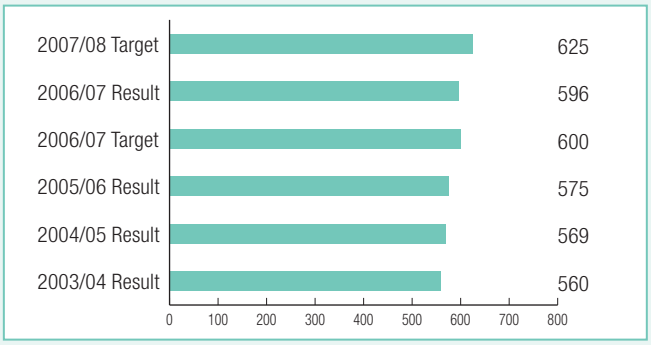
This performance indicator measures the number of full-time equivalents (FTEs) employed by BCLC. This measure is important as salaries represent BCLC's single largest operating cost.

Performance Results 2006/07

BCLC ended the year with 596 FTEs, four fewer than budget. Delays in the planned opening of several gaming facilities, along with longer employee recruitment periods, resulted in the positive variance.

Target Achieved

Full-time Equivalents



Data Source

Internal management reports

Measure – Player Participation (%)

Importance of the Measure

This performance indicator measures the participation of adult British Columbians who have played a lottery game or visited a bingo or casino facility in the past month. Within the framework of Government gaming policy, it is our objective to achieve a high level of participation while emphasizing responsible play.

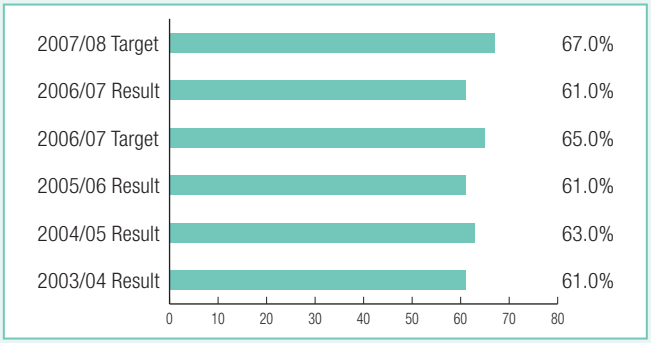
Performance Results 2006/07

At 61%, BCLC's player participation in fiscal 2006/07 remained level with the previous fiscal year, but less than the 65% target.

BCLC will continue to develop gaming facilities and products that are fun and entertaining and promote responsible play.

Target Not Achieved

Player Participation



Data Source

This information is obtained through a continuous tracking study completed by an external research agency.

Measure – Player Satisfaction (%)

Importance of the Measure

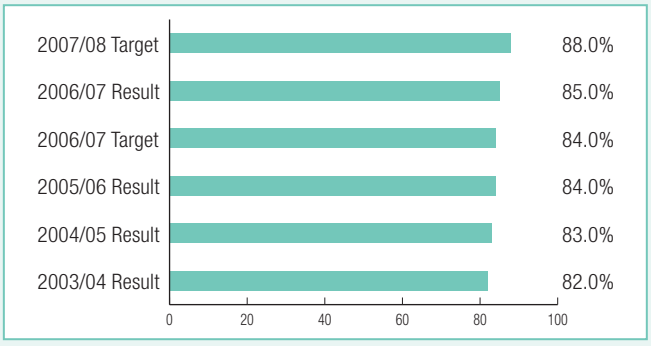
This performance indicator measures player satisfaction for the games and gaming facilities offered through the lottery, casino and bingo gaming channels. This performance measure is directly linked to our goal to provide outstanding gaming entertainment and is a key factor in our ability to generate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

Performance Results 2006/07

At 85%, BCLC's player satisfaction rate was slightly ahead of target and the previous fiscal year's results. The continuing development and improvement of casino and bingo gaming facilities, innovative new product development, including games such as Pacific Hold'Em Poker, Ka-Chingo and DJ Bingo, the continuing development of the eLottery channel, PlayNow, and continuing enhancements to the BC Gold Player Club casino loyalty program contributed to the high levels of player satisfaction.

Target Achieved

Player Satisfaction



Data Source

This information is obtained through tracking studies completed by an external research agency. Player satisfaction ratings by channel in fiscal 2006/07 were: lottery retail network – 87%; lottery hospitality network – 95%; casino – 85%; and bingo – 75%. From these ratings an overall composite average for gaming is calculated based on each channel's contribution to overall revenue.

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 Actual	Fiscal 2007/08 Targets	Fiscal 2008/09 Targets	Fiscal 2009/10 Targets
Public Support of Gaming	51	56	52	52	52
Public Support of BCLC	67	68	65	65	65
Public Recognition of Social Responsibility	56	58	56	56	56
Public Awareness of Beneficiaries of Gaming	36	37	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:
  - 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
- Fully implement all of the recommendations of the Gaming Policy and Enforcement Branch's December 2006 report and the Ombudsman of British Columbia's May 2007 review.

Measure – Public Support of BCLC

Importance of the Measure

This performance indicator measures the percentage of adults surveyed in British Columbia who have a favourable impression of BCLC. This measure is important as public support for gaming is largely based on their perception of the integrity and fairness of the games offered by BCLC.

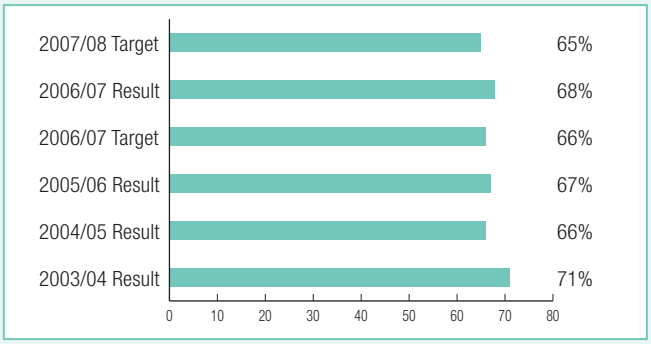
Performance Results 2006/07

BCLC has provided gaming entertainment products in British Columbia since 1985 and has established high levels of product brand awareness and public trust in the fairness of games. The Corporation maintains a strong focus on integrity of products, highly regulated facilities and continued development of industry practices that promote responsible play.

BCLC must continue to raise public awareness that games are offered in a socially responsible manner, that problem gambling prevention and treatment programs are available for those at risk, and that gaming net income is directed to Government for public service programs.

Enhanced responsible play and prevention programs, along with enhanced pro-active strategies to communicate about responsible play initiatives and the beneficiaries of gaming revenue, are required.

Target Exceeded



Data Source

This information is obtained through a continuous tracking study completed by an external research agency.

Goal 2: To be a Respected Organization that has a Broad Base of Public Support (continued)

Measure – Public Support of Gaming

Importance of the Measure

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. This measure is important as public support for gaming is dependent on the public's view of how well gaming is managed and conducted by lottery retailers, casino and bingo service providers, GPEB and BCLC.

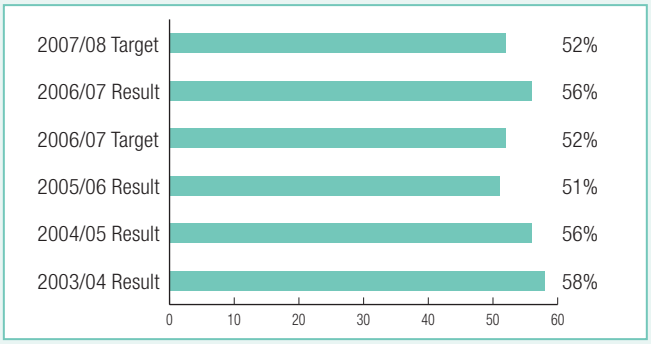
Performance Results 2006/07

Public trust and confidence in the integrity of BCLC's games and systems are paramount. Without strong public acceptance and support, BCLC's business and revenue objectives are at risk.

In fiscal 2006/07, GPEB investigated and reported on the integrity of BCLC's prize payout and validation policies and procedures. The Ombudsman of British Columbia began an investigation into how BCLC ensures that the lottery process in British Columbia is fair. The Ombudsman's report was tabled in the Legislature in May 2007. BCLC welcomed both of these reviews as opportunities to make improvements and set new standards within the lottery industry and provide the public with greater confidence in the integrity of lottery gaming.

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.

Target Exceeded



Data Source

This information is obtained through a continuous tracking study completed by an external research agency.

Measure – Public Recognition of Social Responsibility

Importance of the Measure

This performance indicator measures the percentage of adult British Columbians who agree that BCLC markets gaming in a socially responsible manner. 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.

Performance Results 2006/07

BCLC works in partnership with GPEB to ensure that problem gambling issues are addressed through public awareness, research, education, prevention and treatment programs.

BCLC and GPEB have developed the British Columbia Partnership for Responsible Gambling, which engages municipalities, the gaming industry and social agencies in goals to 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.

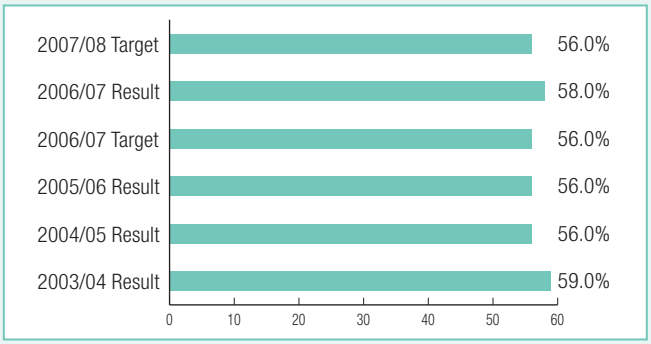
A Responsible Gambling Forum was held to further expand the Partnership, and a working group was formed to recommend a formal operational structure.

Responsible Play Information Centres are one of the initiatives undertaken by the Partnership. New centres opened at Cascades Casino and Boulevard Casino. Existing locations at Edgewater Casino and River Rock Casino were moved to more visible locations on the gaming floors.

Appropriate Response Training (ART) began in fiscal 2004/05. This program develops and enhances the knowledge, awareness, attitudes and skills of gaming industry employees to help them respond to difficult situations involving customers who may be in distress.

To date, 4,500 employees from casinos, bingo halls and community gaming centres have received ART training. An e-course for frontline bingo hall employees launched in November, while a pilot project for lottery retail locations began in March.

Target Exceeded



Data Source

This information is obtained through a continuous tracking study completed by an external research agency.

Goal 2: To be a Respected Organization that has a Broad Base of Public Support (continued)

Measure – Public Awareness of the Beneficiaries of Gaming

Importance of the Measure

This performance indicator measures the percentage of adults in British Columbia who have an awareness of how gaming net income supports key Government programs, charities, municipalities and other worthy programs. This measure is important because public awareness of the beneficiaries of gaming is directly related to public support for gaming.

Performance Results 2006/07

BCLC's net income distributed to Government benefits public programs for health, education, social, community, charitable and municipal purposes. Over the fiscal year, 6,000 community and charitable groups received $142.4 million in community gaming grants.

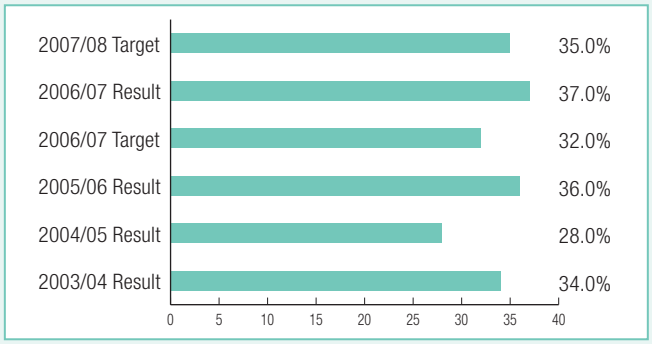
At 37%, BCLC exceeded the target for fiscal 2006/07 and exceeded the result of the previous fiscal year.

BCLC strives to improve public awareness of the beneficiaries of gaming revenue through messages that speak to "where the money goes."

Communication approaches include information shared through BCLC.com, public presentations and speaking engagements, corporate sponsorship advertising, electronic signage at lottery retail outlets and gaming facilities, employee education and various publications.

Community organizations that receive community gaming grants must acknowledge the financial assistance of the Province of British Columbia on promotional materials for funded programs, including any signage used for funded capital projects.

Target Exceeded



Data Source

This information is obtained through an independent survey completed by an external research agency.

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

Strategies	Performance Measures (%)	Fiscal 2005/06 Actual	Fiscal 2006/07 Actual	Fiscal 2007/08 Targets	Fiscal 2008/09 Targets	Fiscal 2009/10 Targets
6. Instil a high-performance culture through strong leadership, innovation, employee development and engagement.	Employee Engagement	not measured	54	60	65	70

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

- Ensure that BCLC leaders are aligned, demonstrating and accountable for managing the business and leading the organization in a way that leads to high performance.
- Create a culture where people focus on the player, foster teamwork, innovation, growth and choose to be accountable for results.
- Develop clear, flexible and adaptable structures, roles and responsibilities to ensure successful implementation of business goals.
- Provide leading, innovative programs and processes that meet the changing needs of the business and encourage organizational health and balance.

Measure – Employee Engagement

Importance of the Measure

This category measures the overall engagement of BCLC employees. In an independent survey, the level of passion and commitment employees have to their organization is measured. Engagement goes beyond just satisfaction and measures whether employees say great things about the company, stay, and strive to do their best.

This measure is important as it has a direct impact on BCLC's ability to achieve its goals and objectives.

Performance Results 2006/07

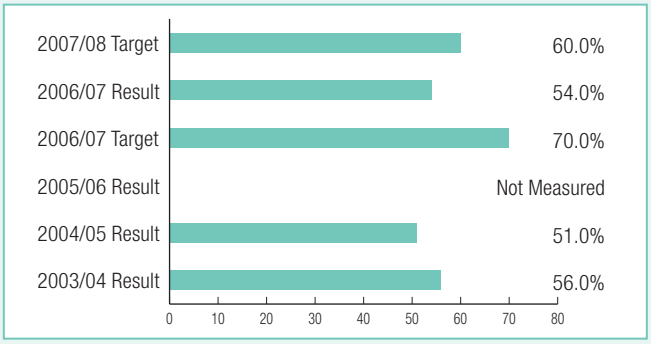
Although there was an increase in satisfaction in the engagement drivers of focus for fiscal 2005/06, there was not a significant increase in overall Corporate engagement as the engagement measurement only increased from 51% to 54%.

Following receipt of the survey results, BCLC took the following actions:

- Reviewed the results at the senior executive level to gain a complete understanding.
- Communicated the results to all employees and encouraged managers to have discussions with their employees.
- Held employee focus groups to better understand the key employee engagement issues.
- Developed an action plan to address specific employee issues that were identified through the focus group process.

Not Achieved

Revenue in Millions



Data Source

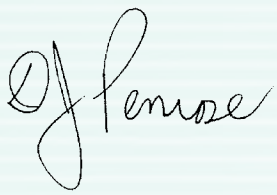
This information is obtained through an independent survey completed by an external research agency.

Management's Responsibility for Financial Reporting

The financial statements of British Columbia Lottery Corporation have been prepared by management in accordance with generally accepted accounting principles. The financial statements present fairly the financial position of British Columbia Lottery Corporation as at March 31, 2007, and the results of its operations and cash flow for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of British Columbia Lottery Corporation and expressed an opinion on the financial statements of British Columbia Lottery Corporation.



Doug Penrose

Vice-President, Finance and Corporate Services

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2007 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kamloops, Canada

April 20, 2007

Consolidated Balance Sheet

March 31, 2007, with comparative figures for 2006

(in thousands of dollars)	2007	2006
Assets		
Cash and short-term investments (note 3)	$ 107,546	$ 81,310
Accounts receivable (note 4)	82,443	73,967
Prepaid expenses	9,483	7,504
Accrued pension plan asset (note 5)	11,933	6,646
Property, plant and equipment (note 6)	119,910	140,887
	$ 331,315	$ 310,314
Liabilities		
Prizes payable	$ 40,514	$ 42,475
Accounts payable and accrued liabilities	53,652	67,095
Accrued post retirement benefit obligation (note 5)	27,454	23,541
Payable to Interprovincial Lottery Corporation	4,161	1,669
Due to Government of British Columbia	205,534	175,534
Commitments and contingencies (notes 13 and 14)		
	$ 331,315	$ 310,314

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Director

Kathy Stevenson
Director

Consolidated Statement of Income

Year ended March 31, 2007, with comparative figures for 2006

(in thousands of dollars)	2007	2006
Revenue (note 7):		
Lottery	$ 997,414	$ 967,358
Casino	1,208,891	1,085,346
Bingo	218,903	208,002
	2,425,208	2,260,706
Direct expenses:		
Prizes	650,846	641,477
Commissions	528,446	483,665
Ticket printing and bingo paper	19,586	20,637
	1,198,878	1,145,779
Revenue less direct expenses	1,226,330	1,114,927
Operating expenses:		
Administrative expenses	106,728	103,161
Amortization	64,024	52,777
Interest and other expense	2,586	3,823
Marketing Trust Account (note 8):		
Marketing Trust Account income	(9,715)	(3,223)
Marketing Trust Account expenditures	9,715	3,223
Net income from operations	1,052,992	955,166
Non-operating income (expense):		
Net horse racing betting fees (note 9)	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses (note 10)	(1,600)	(1,474)
Goods and Services Tax expense	(34,472)	(32,873)
Net income	$ 1,018,798	$ 922,697
Allocation of net income:		
Government of British Columbia	$ 1,010,387	$ 914,410
Government of Canada (note 11)	8,411	8,287
	$ 1,018,798	$ 922,697

Sector activity information (note 17)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Government of British Columbia

Year ended March 31, 2007, with comparative figures for 2006

(in thousands of dollars)	2007	2006
Balance, beginning of year	$ 175,534	$ 178,783
Net income	1,018,798	922,697
	1,194,332	1,101,480
Payments to Government of British Columbia	980,387	917,659
Allocation of income to Government of Canada	8,411	8,287
	988,798	925,946
Due to Government of British Columbia	$ 205,534	$ 175,534

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

(in thousands of dollars)	2007	2006
Cash provided by (used in):		
Operations:		
Net income	$ 1,018,798	$ 922,697
Adjustments for:		
Amortization of property, plant and equipment	64,024	52,777
Loss (gain) on disposal of property, plant and equipment	(485)	426
	1,082,337	975,900
Changes in non-cash operating items:		
Increase in accounts receivable	(8,476)	(20,609)
Increase in prepaid expenses	(1,979)	(1,080)
Increase in accrued pension plan asset	(5,287)	(657)
Increase (decrease) in prizes payable	(1,961)	10,175
Increase (decrease) in accounts payable and accrued liabilities	(13,443)	10,069
Increase in accrued post retirement benefit obligation	3,913	4,095
Increase in payable to Interprovincial Lottery Corporation	2,492	91
	1,057,596	977,984
Financing:		
Payments to Government of British Columbia	(980,387)	(917,659)
Allocation of income to Government of Canada	(8,411)	(8,287)
	(988,798)	(925,946)
Investments:		
Additions to property, plant and equipment	(43,927)	(82,880)
Proceeds on disposal of property, plant and equipment	1,365	793
	(42,562)	(82,087)
Increase (decrease) in cash and short-term investments	26,236	(30,049)
Cash and short-term investments, beginning of year	81,310	111,359
Cash and short-term investments, end of year	$ 107,546	$ 81,310

See accompanying notes to consolidated financial statements.

Years ended March 31, 2007 and 2006

(in thousands of dollars)

1. NATURE OF THE CORPORATION:

British Columbia Lottery Corporation (BCLC) is a Crown corporation. BCLC was incorporated under the *Company Act of British Columbia* on October 25, 1984, and is continued under the *Gaming Control Act* (August 2002). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games that are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation, as well as the Marketing Trust Account, a variable interest entity (see note 8).

(b) Short-term investments:

Short-term investments are valued at the lower of cost and market.

(c) Property, plant and equipment:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year will be capitalized.

The Corporation's property, plant and equipment are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Corporate facilities and equipment	5 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
Casino gaming systems and equipment	3 years
Bingo gaming systems and equipment	3 years

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(d) Employee future benefits:

The Corporation has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the highest 60 consecutive months of pensionable earnings. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.

Years ended March 31, 2007 and 2006

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(d) Employee future benefits (continued):

- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the average remaining service period (EARSL) of active members expected to receive benefits under the plans. The EARSL for the Registered Plan is 15 years.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(e) Revenue recognition:

Lottery games:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the consolidated statement of income in the period the ticket is sold.

Bingo games:

Revenue from the operation of paper, electronic, linked, and handheld bingo and the associated selling costs and prize expenses are included in the consolidated statement of income in the same period the game is played. Revenue from bingo slot machines is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

Casinos:

Revenues from casino slot machines and table games are recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

(f) Prize expenses:

The Corporation has changed its accounting policy for prize expenses. Lottery prize expenses are recorded based on the actual prize liability experienced for each game. The adoption of this policy better reflects the actual results of the lottery business unit.

Prior to fiscal 2006-2007, lottery prizes were based on the theoretical prize liability. The actual expense incurred each year will vary from theoretical prize expense based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. The effect of this change on both the 2006 and 2007 fiscal years presented in these consolidated financial statements is not significant. As a result, there is no restatement of the prior period.

Expired prize funds are to be paid out to the player in the form of bonus prizes and/or bonus draw promotions.

(g) Software development costs:

Software development costs are deferred if they meet certain criteria specified by Canadian generally accepted accounting principles, otherwise they are expensed as incurred.

(h) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(i) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include pension plan assets, liabilities and expenses, and Goods and Services Tax liability and expense. Actual results could differ from those estimates.

Years ended March 31, 2007 and 2006

(in thousands of dollars)

3. CASH AND SHORT-TERM INVESTMENTS:

The Corporation considers deposits in banks and short-term investments with original maturities of one year or less as cash and short-term investments. The Corporation's short-term investments are recorded at cost, which approximates current market value. The major components of cash and short-term investments are as follows:

	2007	2006
Cash (overdraft)	$ (4,338)	$ (2,568)
Short-term investments with the British Columbia Investment Management Corporation	111,884	83,878
	$ 107,546	$ 81,310

Cash and short-term investments include an amount of $6,163 (2006 - $3,478) held in trust in accordance with the Casino Operational Services Agreement (COSA) between BCLC and the participating Service Providers.

A corresponding trust liability in the amount of $6,163 (2006 - $3,478) is also included in accounts payable and accrued liabilities (see note 8).

4. ACCOUNTS RECEIVABLE:

	2007	2006
Trade accounts receivable:		
Lottery retailers	$ 24,499	$ 21,030
Casino service providers	15,698	13,060
Bingo service providers	3,426	2,025
	43,623	36,115
Casino cash floats	32,075	32,925
Other	6,745	4,927
Total accounts receivable	$ 82,443	$ 73,967

Casino cash floats provided by the Corporation are secured by Irrevocable Standby Letters of Credit.

Years ended March 31, 2007 and 2006

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan (RPP) and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2007	2006	2007	2006
ACCRUED BENEFIT OBLIGATION:				
Balance at beginning of year	$ 68,658	$ 62,570	$ 33,128	$ 32,189
Current service cost	2,912	2,908	1,792	1,893
Interest cost	3,813	3,802	2,073	2,036
Employee contributions	1,451	1,508	–	–
Past service cost	–	–	–	(5,704)
Benefits paid	(3,493)	(3,142)	(458)	(429)
Curtailments	–	–	–	(2,915)
Actuarial loss	8,161	1,012	3,384	6,058
Balance at end of year	81,502	68,658	39,919	33,128
PLAN ASSETS:				
Fair value at beginning of year	65,829	55,660	–	–
Actual return on plan assets	6,889	7,811	–	–
Employer contributions	7,377	3,992	458	429
Employee contributions	1,451	1,508	–	-
Benefits paid	(3,493)	(3,142)	(458)	(429)
Balance at end of year	78,053	65,829	–	–
Funded status - deficiency	(3,449)	(2,829)	(39,919)	(33,128)
Employer contributions after measurement date	179	–	–	–
Unamortized past service cost	762	879	(5,297)	(5,704)
Unamortized net actuarial loss	14,441	8,596	17,762	15,291
Accrued pension plan benefit asset (liability)	$ 11,933	$ 6,646	$ (27,454)	$ (23,541)

PLAN ASSETS BY ASSET CATEGORY:

	2007	2006
Equity securities	64%	59%
Debt securities	36%	41%
	100%	100%

Years ended March 31, 2007 and 2006

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS (CONTINUED):

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made as of March 31, 2006 by Mercer Human Resource Consulting, a firm of consulting actuaries. The next required valuation will be as of March 31, 2009, with results available in late 2009. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2007	2006	**2007**	2006
AT BEGINNING OF PERIOD:				
Discount rate	5.5%	6.0%	5.5%	6.0%
Expected rate of return on plan assets	7.0%	7.0%	–	–
Rate of compensation increase	3.0%	4.0%	–	–
Health care cost trend rate:				
2006/2007	–	–	7.02%	6.82%
Ultimate	–	–	4.52%	4.49%
Year ultimate reached	–	–	2012	2011
AT END OF PERIOD:				
Discount rate	5.3%	5.5%	5.4%	5.5%
Rate of compensation increase	5.0%	3.0%	–	–
Health care cost trend rate:				
2007/2008	–	–	6.60%	7.02%
Ultimate	–	–	4.50%	4.52%
Year ultimate reached	–	–	2012	2012

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2007	2006	**2007**	2006
Current service cost, net of employees' contributions (including provision for plan expenses)	$ 2,912	$ 2,908	$ 1,792	$ 1,893
Interest cost	3,813	3,802	2,073	2,036
Actual return on plan assets	(6,889)	(7,811)	–	–
Actuarial loss on accrued benefit obligation	8,161	1,012	3,384	6,058
(Negative) past service cost	–	–	–	(5,704)
Costs arising in the year	7,997	(89)	7,249	4,283
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	2,194	3,828	–	–
Actuarial gain	(8,039)	(602)	(2,471)	(5,463)
Plan amendment	117	117	–	–
(Negative) past service cost	–	–	(407)	5,704
Net benefit cost recognized	$ 2,269	$ 3,254	$ 4,371	$ 4,524

Years ended March 31, 2007 and 2006

(in thousands of dollars)

6. PROPERTY, PLANT AND EQUIPMENT:

	2007			2006
	Cost	Accumulated amortization	Net	Net
Land	$ 700	$ –	$ 700	$ 700
Corporate facilities and equipment	28,058	25,336	2,722	3,184
Corporate information systems	28,184	22,153	6,031	4,867
Lottery gaming systems and equipment	95,980	56,338	39,642	43,234
Casino gaming systems and equipment	176,836	119,035	57,801	75,963
Bingo gaming systems and equipment	44,049	31,035	13,014	12,939
	$ 373,807	$ 253,897	$ 119,910	$ 140,887

7. REVENUE:

	2007	2006
LOTTERY:		
Keno	$ 230,023	$ 231,619
Scratch & Win	169,684	185,544
Lotto 6/49	212,227	211,059
Lotto Super 7	86,243	84,934
Pull Tab	70,455	77,774
Extra	57,238	57,126
BC/49	53,105	57,452
Sports Action	45,259	38,351
Millionaire Life	11,555	–
Pacific Hold'Em Poker	35,558	–
Living Large Lottery	–	(178)
Daily 3	–	3,602
Chaser	–	3,942
Special Event	4,195	3,631
PayDay	7,108	2,706
Racetrax	1,564	4,260
SportsFunder	12,453	5,519
Interactives	747	17
	997,414	967,358
BINGO:		
Bingo Paper	82,685	87,996
Electronic Bingo	70,234	70,508
Linked Bingo	11,078	11,001
Handheld Bingo	13,222	13,385
Bingo slot machines – net win	41,684	25,112
	218,903	208,002
CASINO - NET WIN:		
Slot machines	869,855	762,298
Poker	20,794	14,599
Table games	318,242	308,449
	1,208,891	1,085,346
Total revenue	$2,425,208	$2,260,706

Years ended March 31, 2007 and 2006

(in thousands of dollars)

8. MARKETING TRUST ACCOUNT (MTA):

The Marketing Trust Account (MTA) was implemented between BCLC and Casino Service Providers who are provided with more than 300 slot machines. Under the terms of the Casino Operational Services Agreement (COSA), Service Providers are required to contribute to this account for the purpose of funding casino marketing programs promoting the Corporation's casinos in a socially responsible manner.

In the event that the amount contributed to the Trust Account by the Casino Service Providers in any fiscal year of BCLC commencing April 1, 2006 is not expended on marketing programs promoting the casinos by the last day of the following fiscal year of BCLC, any such balance shall be repaid to the Casino Service Providers.

The Corporation has included the activities of the MTA in its consolidated financial statements pursuant to Accounting Guideline 15 — Consolidation of Variable Interest Entities.

Amounts related to the MTA are as follows:

	2007	2006
MTA contributions and interest	$ 12,400	$ 4,984
MTA unearned contributions	(2,685)	(1,761)
MTA income	9,715	3,223
MTA expenditures	(9,715)	(3,223)
Net MTA income	$ –	$ –

Amounts included in cash (note 3) and accounts payable and accrued liabilities related to the MTA are as follows:

	2007	2006
Opening MTA trust assets and liabilities	$ 3,478	$ 1,717
Current year unearned MTA contributions	2,685	1,761
Ending MTA trust assets and liabilities	$ 6,163	$ 3,478

9. NET HORSE RACING BETTING FEES:

Pursuant to section 16 of the *Gaming Control Act*, BCLC is responsible for the collection and distribution of horse racing fees in the province of British Columbia. The rates of fee collection and the responsibility for their distribution are set forth in the *Act*. The amount shown as net horse racing betting fees in these statements is the portion of those fees collected by BCLC and then remitted to Government, and approximates the cost of regulating the industry as determined by the Gaming Policy and Enforcement Branch (GPEB).

	2007	2006
Revenue collected from the horse racing industry	$ 6,588	$ 6,794
Less: revenue returned to the horse racing industry	(4,710)	(4,916)
Net horse racing betting fees	$ 1,878	$ 1,878

Years ended March 31, 2007 and 2006

(in thousands of dollars)

10. INTEGRATED ILLEGAL GAMING ENFORCEMENT TEAM EXPENSES:

In February 2003, based on direction from the provincial government, the Integrated Illegal Gaming Enforcement Team (IIGET) was established. The expenditures required to fund the IIGET are provided by British Columbia Lottery Corporation pursuant to a Sponsoring Agreement with the Province. IIGET is a specialized division of the Royal Canadian Mounted Police that works cooperatively with Gaming Policy and Enforcement Branch to provide a comprehensive and integrated approach to the investigation and enforcement of the criminal code as it relates to illegal gaming activities in British Columbia.

11. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

12. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized as a direct expense. The Corporation's share of the ILC's interest income less operating expenses is included in interest and other expense.

13. COMMITMENTS:

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2008	2,314
2009	1,185
2010	884
2011	526
2012	162

14. CONTINGENCIES:

The Corporation has been named a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

15. RELATED PARTY TRANSACTIONS:

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. FINANCIAL INSTRUMENTS:

The carrying values of cash and short-term investments, accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation approximate their fair value due to the relatively short period to maturity of these items or because they are receivable or payable on demand.

Year ended March 31, 2007 and 2006

(in thousands of dollars)

17. SECTOR ACTIVITY INFORMATION:

Year ended March 31, 2007					
	Lottery	Casino	Bingo	Horse Racing	Consolidated
Revenue	$ 997,414	$ 1,208,891	$ 218,903	$ –	$ 2,425,208
Direct expenses:					
Prizes	543,501	–	107,345	–	650,846
Commissions	67,836	408,897	51,713	–	528,446
Ticket printing and bingo paper	17,575	–	2,011	–	19,586
	628,912	408,897	161,069	–	1,198,878
Revenue less direct expenses	368,502	799,994	57,834	–	1,226,330
Operating expenses:					
Administrative expenses	58,790	39,782	8,156	–	106,728
Amortization	13,777	43,285	6,962	–	64,024
Interest and other expense	1,161	462	963	–	2,586
Marketing Trust Account:					
Marketing Trust Account income	–	(9,715)	–	–	(9,715)
Marketing Trust Account expenditures	–	9,715	–	–	9,715
Net income from operations	294,774	716,465	41,753	–	1,052,992
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses	(409)	(1,090)	(101)	–	(1,600)
Goods and Services Tax expense	(12,712)	(16,813)	(4,947)	–	(34,472)
Net income	$ 281,653	$ 698,562	$ 36,705	$ 1,878	$ 1,018,798

Years ended March 31, 2007 and 2006

(in thousands of dollars)

17. SECTOR ACTIVITY INFORMATION (CONTINUED):

Year ended March 31, 2006					
	Lottery	Casino	Bingo	Horse Racing	Consolidated
Revenue	$ 967,358	$ 1,085,346	$ 208,002	$ –	$ 2,260,706
Direct expenses:					
Prizes	530,263	–	111,214	–	641,477
Commissions	64,754	369,879	49,032	–	483,665
Ticket printing and bingo paper	18,757	–	1,880	–	20,637
	613,774	369,879	162,126	–	1,145,779
Revenue less direct expenses	353,584	715,467	45,876	–	1,114,927
Operating expenses:					
Administrative expenses	57,756	37,203	8,202	–	103,161
Amortization	11,389	36,365	5,023	–	52,777
Interest and other expense	15	2,794	1,014	–	3,823
Marketing Trust Account:					
Marketing Trust Account income	–	(3,223)	–	–	(3,223)
Marketing Trust Account expenditures	–	3,223	–	–	3,223
Net income from operations	284,424	639,105	31,637	–	955,166
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses	(398)	(989)	(87)	–	(1,474)
Goods and Services Tax expense	(12,747)	(16,474)	(3,652)	–	(32,873)
Net income	$ 271,279	$ 621,642	$ 27,898	$ 1,878	$ 922,697

18. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

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BCLC's 2006/07 – 2008/09 Service Plan is available at BCLC.com

British Columbia Partnership for Responsible Gambling:
www.bcresponsiblegambling.ca

Problem Gambling Help Line
1-888-795-6111

APPENDIX U

Our Commitment to British Columbia

Printed in Canada

British Columbia Lottery Corporation

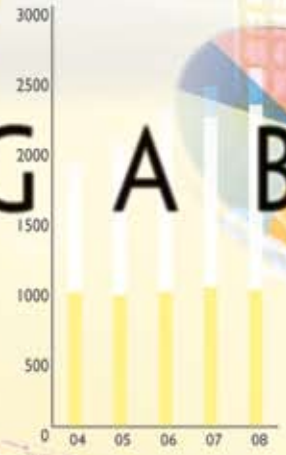
APPENDIX U

Appendix V – 2007/08:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2007-2008,* (Kamloops: British Columbia Lottery Corporation, 2008).

ANNUAL REPORT 2007/08

STRIKING A BALANCE



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1. British Columbia Lottery Corporation – Periodicals.
2. Gambling industry – Government policy – British Columbia – Periodicals.
3. Gambling industry – British Columbia – Periodicals.
4. Lotteries – British Columbia – Periodicals.

I. Title. II. Title: First annual report.

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BRITISH COLUMBIA
The Best Place on Earth

APPENDIX V

HONOURABLE JOHN VAN DONGEN

MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL

MINISTER RESPONSIBLE FOR GAMING

Dear Minister:

BCLC takes our commitment to provide responsible gaming entertainment seriously. Since 1985, we have generated income for programs that benefit all British Columbians, including health care, education, social, community, charitable and municipal purposes.

Fiscal 2007/08 represented a record year for BCLC with respect to financial performance, as new levels for both revenue and net income were established. Total gaming revenue of $2.6 billion exceeded budget by $64.2 million and resulted in a net income of $1,088.9 million.

BCLC distributed $1,080.4 million to our shareholder, the Government of British Columbia, to support vital public programs for the benefit of British Columbians, while $8.5 million was remitted to the Government of Canada.

BCLC's 2007/08 Annual Report 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 report, including what is contained in the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of BCLC for the 12 months ended March 31, 2008, in relation to the Service Plan 2007/08 – 2009/10. The measures presented are consistent with BCLC's mission, goals and objectives and focus on aspects critical to the organization's performance.

All significant decisions, events and identified risks, as of March 31, 2008, have been considered in preparing the report. The report contains estimates and interpretive information that represents the best judgement of management. Any significant changes in mandate direction, goals, strategies, measures or targets made since the Service Plan was released in February 2007 and any significant limitations in the reliability of data are identified in the report.

The Board is responsible for ensuring that management has developed and implemented appropriate internal controls to ensure that performance information is measured accurately and in a timely fashion.

On behalf of BCLC's Board of Directors, senior management and employees, it is my privilege to submit the Annual Report for the fiscal year ended March 31, 2008.

Respectfully submitted,

John McLernon
Chair, Board of Directors

SINCE 1985, BCLC HAS GENERATED:

- $10 billion in net income distributed to the Government of British Columbia
- $10.2 billion in prizes won by lottery and bingo players
- $4.1 billion in commissions and service fees earned by lottery retailers and casino and bingo service provider companies

Message from the Chair

JOHN MCLERNON
CHAIR, BOARD OF DIRECTORS

Fiscal 2007/08 represented one of the most challenging years in BCLC's 23-year history. While undergoing a review by the British Columbia Ombudsman and numerous audits, we continued to fulfill our mission of offering socially responsible gaming entertainment to generate income for the public good.

I am pleased to report that BCLC once again achieved significant revenue and net income results. Total gaming revenue of $2.6 billion surpassed the year's budget by $64.2 million, while net income of $1,088.9 million exceeded budget by $55.9 million. Strong revenue performance, operational cost savings and a shift to lower commission games resulted in BCLC exceeding the billion-dollar target in net income, with the distribution of $1,080.4 million to the Government of British Columbia.

Our direct costs of $1.2 billion were higher than budgeted by $16.1 million due mostly to increased service provider commissions. Conversely, total operating costs of $226.9 million were less than budgeted by $7.8 million. Cost savings in advertising, marketing, corporate communications and cost of premises, in addition to lower amortization, offset increased expenditures in salaries and benefits, professional fees and supplies.

As the gaming entertainment business has become increasingly competitive and complex, BCLC faces a number of risks: competition from neighbouring gaming jurisdictions, changing consumer needs and Internet gaming, rapidly evolving technology, a shortage of skilled labour and shifts in social attitudes.

The integrity and security of the games and products that we offer are paramount to maintaining and building public trust. BCLC continued to introduce practices that focus on the player, including the introduction of Player First, a program incorporating recommendations from the British Columbia Ombudsman report and other audits.

Our commitment to strengthen gaming integrity, while at the same time upholding our standard of excellent player service, required the dedication of considerable resources. Consequently, plans to develop new innovative games to support the lottery business were, for the most part, postponed and resulted in lower than targeted lottery revenue and net income for the year.

BCLC's strategic plan to upgrade and develop fewer, higher quality casino facilities that offer a more diverse entertainment experience continued with the addition of slot machines to Hastings Racecourse Casino, the opening of Starlight Casino and upgrades to Fraser Downs and Treasure Cove casinos.

The revitalization of commercial bingo gaming in British Columbia gained ground with the opening of seven Chances-branded community gaming centres. Host local government approval for additional centres was realized in four communities.

BCLC is strongly committed to maintaining a balance in offering gaming entertainment within a socially responsible framework. Our partnerships with Government, service providers and municipalities strengthen our ability to implement programs and services to raise awareness for and educate our players in responsible play practices.

Working collaboratively, we significantly increased the number of Responsible Play Information Centres to 21 from five. BCLC continued to implement our Voluntary Self-Exclusion and Appropriate Response Training programs, including lottery retailer and online training.

Supporting the communities where we live and work is one way that BCLC demonstrates our commitment to good corporate citizenship. We sponsored a number of festivals, sport and civic events, tournaments and fundraisers throughout the province.

The tenets of public and player trust, support and satisfaction are imperative to BCLC's continued success. Ongoing external research provides the basis for determining whether we have achieved targets related to public and player sentiment.

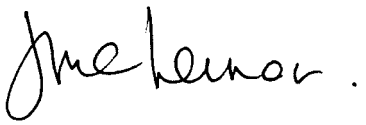
In the areas of player participation and satisfaction with BCLC games, services and gaming facilities, the ratings were below target and decreased from the previous fiscal year. With respect to public awareness for the beneficiaries of gaming, we were on target, while public recognition of our social responsibility exceeded the target. Despite player support for BCLC being slightly below target, player support for gaming was above target. However, employee engagement was lower than both target and the previous fiscal year.

In fiscal 2008/09, BCLC will focus on improving public trust and confidence in BCLC games through continued implementation of activities that enhance the integrity and security of our systems, including increasing staff in key departments: player relations, internal audit, security and legal. The development of a new human resources plan in fiscal 2008/09 will better align our human resources activities with our business needs.

During fiscal 2007/08, BCLC underwent significant changes in leadership. On June 8, 2007, BCLC's Board announced the appointment of Dana Hayden as Interim President and CEO. She successfully guided our leadership team through the integration of recommendations from the British Columbia Ombudsman and other audits. We acknowledge Ms. Hayden for bringing our employees and business partners together to execute timely and needed change.

In early March, the Board announced the appointment of a new President and CEO. After an extensive search across North America, the Board was confident that the right individual with the exceptional management experience needed to lead BCLC had been found. Michael Graydon joined BCLC on March 31, 2008, bringing with him more than 20 years of leadership experience.

We are confident that with his business acumen and guidance, BCLC will be better positioned to continue meeting our goals and improving our service to players.



John McLernon
Chair, Board of Directors

BOARD OF DIRECTORS

Chair

John McLernon	Vancouver – Appointed December 9, 2005

Vice-Chair

Arthur Willms	Vancouver – Appointed September 26, 2001

Directors

John Bell	West Vancouver – Resigned June 8, 2007
David Gillespie	Kamloops – Appointed March 31, 2005
D. Neil McDonnell	North Vancouver – Appointed April 23, 2002
Tazeem Nathoo	West Vancouver – Appointed July 26, 2002
Eric Sorensen	Kelowna – Resigned December 31, 2007
Kathy Stevenson	Kelowna – Appointed April 23, 2002
Walter Gray	Kelowna – Appointed November 22, 2007
Trudi Brown	Victoria – Appointed April 2, 2008
Michael Riley	Surrey – Appointed April 2, 2008

Message from the President and CEO

MICHAEL GRAYDON
PRESIDENT AND CEO

Although I joined BCLC late in the 2007/08 fiscal year and my tenure is short, I have assessed our organization and am delighted by what I have seen with respect to our potential for continued success.

BCLC has gone through a tough year, but demonstrated remarkable resiliency in our ability to adapt to and manage significant change. At the same time that many employees were focused on delivering results for more than 60 Player First projects, we remained committed to our primary objective: delivering great gaming products in a socially responsible manner. This resulted in a fiscal year where our total revenues and net income continued to grow, ultimately benefiting British Columbians.

The British Columbia Ombudsman released a report last year that triggered a substantial level of activity aimed at enhancing our lottery integrity. The Ombudsman challenged us to do better for our players and, in this regard, we have.

There is no question that BCLC is a better organization today than it was a year ago. Equipment enhancements, prize claim processes, security measures, retailer training and investment in new technology have all improved, and we are confident that our retail network is keeping the interests of our players at the forefront. We are also bringing this same sense of urgency to our other lines of business: casino and bingo gaming. We are investing in new security systems, adding a BCLC presence to community gaming centres, and experimenting with new surveillance technologies at our casinos.

BCLC is an entertainment business, and our record of success in the past 23 years has been the result of our ability to understand our players and bring products and facilities that entertain to life. As is the case with any consumer business, we live in a world that requires constant renewal and reinvention. Innovation continues to be a priority for BCLC not only in our products, but also in the way that we conduct our business.

Innovation is inherent in our responsible gambling efforts and the continued introduction of Responsible Play Information Centres to our casino and community gaming centre facilities. Innovation is leading the development of a new lottery self-serve kiosk that will soon be introduced in age-restricted facilities across British Columbia, replacing older technology and delivering a much higher level of customer service. And innovation is even central to new database management techniques for our Voluntary Self-Exclusion program.

Innovation also means a willingness to learn from others. Although Texas Hold'Em poker is widely recognized as one of the most popular games in North America, BCLC realized the opportunity presented by a game widely played in Asia and introduced Canada's first Mahjong Charity Open this year. We will continue to look for the very best practices in gaming operations management around the world and bring those to play here in British Columbia.

I am struck by the passion and dedication that characterizes our entire organization. That tells me that there is significant opportunity for even greater success. My challenge is to find ways that allow the potential of a committed and engaged employee group to be fully realized.

It is an exciting time to lead this organization. In our lottery retailers and service providers we have strong and committed business partners. In our employees we have a team that is dedicated and eager to contribute to our success. I look forward to reporting on our progress next year.

Michael Graydon
President and CEO

SENIOR EXECUTIVE

President and CEO

Michael Graydon	Appointed – March 31, 2008
Scott Norman	Interim – Appointed February 18, 2008
Dana Hayden	Interim – Appointed June 8, 2007
Vic Poleschuk	– Until June 1, 2007

Vice-Presidents

Debbie Toole	Human Resources
Kevin Gass	Corporate Communications and Marketing
Jim Lightbody	Lottery Gaming
Darryl Schiewe	Casino Gaming – Acting effective July 3, 2007
Scott Norman	Information Technology and Chief Information Officer
Doug Penrose	Finance and Corporate Services – Retired April 4, 2008
Tom Williamson	Finance and Corporate Services – Acting effective April 4, 2008
Marsha Walden	Bingo Gaming

BCLC 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* (2002) of British Columbia.

Government has chosen to operate gaming through a Crown corporation not only to meet the requirements of the *Criminal Code* of Canada, but to carefully balance the objective of revenue generation with the objectives of social responsibility, and gaming security and integrity.

BCLC is the agent of Government mandated to conduct and manage lottery schemes within British Columbia.

BCLC, on behalf of the Government of British Columbia, has responsibilities to:

- Conduct, manage and operate lottery gaming, including the marketing of nationwide and regional lottery games in association with other provinces in Canada;
- Conduct, manage and operate casino gaming;
- Conduct, manage and operate commercial bingo gaming; and
- Conduct, manage and operate eGaming.

BCLC net income is distributed to Government for the benefit of the people and communities of British Columbia.

REGULATION AND AUTHORITY

BCLC operates within the strict statutory authority and regulatory guidelines of the *Criminal Code* of Canada and *Gaming Control Act*.

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.

A Government-appointed Board of Directors guides BCLC in fulfilling its mandate. A key component of the governance framework is the Shareholder's Letter of Expectations (http://www.bclc.com/cm/aboutbclc/corporategovernance.htm), the basis of a co-operative agreement between Government and BCLC on corporate mandate and core services, high-level performance expectations, public policy issues and strategic priorities. This Letter is also the basis for the development of BCLC's three-year Service Plan and Annual Report.

The Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Public Safety and Solicitor General regulates all gaming in British Columbia, ensures the integrity of people and equipment involved in the gaming industry and investigates allegations of wrongdoing. GPEB's responsibilities include regulatory oversight of BCLC, all gaming service provider companies and gaming workers, licensed gaming events, and British Columbia's horse racing industry.

SCOPE OF OPERATIONS

BCLC officially opened April 1, 1985, and operated within a limited, traditional lottery market until a new gaming policy introduced in fiscal 1997/98 by the Government of British Columbia created new opportunities. BCLC was given responsibility to conduct and manage slot machines when they were introduced in the province in fiscal 1997/98, and the Corporation assumed responsibility for all casino gaming in 1998/99.

Further changes by Government resulted in BCLC assuming management responsibilities for commercial bingo halls in fiscal 2001/02. In fiscal 2004/05, the Corporation introduced a model for community gaming centres, which service local markets with a wide variety of bingo, lottery and slot machine entertainment options.

Internet play and purchase, a way to distribute lottery products online in a regulated environment, was introduced on PlayNow at bclc.com (http://playnow.bclc.com/) in fiscal 2004/05.

BCLC has two corporate offices, as well as gaming operations and retail locations throughout British Columbia. The head office is located in Kamloops, the centre for finance, administration and information technology. Sales and marketing functions are based in the Richmond office.

ECONOMIC BENEFITS

BCLC makes significant economic contributions to the Government of British Columbia, players, businesses and communities throughout the province.

In fiscal 2007/08, BCLC distributed $1,080.4 million to Government to support a variety of health care, education, social, charitable and municipal programs that benefit British Columbians every day.

Financial benefits included $647.1 million in prizes won by lottery and bingo players, $557.2 million in commissions and service fees paid to lottery, casino and bingo service provider partners, and over $137 million in the procurement of equipment, goods and services.

Within the gaming industry, there has been an investment of an estimated $1.1 billion in gaming facility developments pursuant to service provider contracts established and managed by BCLC.

BUSINESS PARTNERSHIPS

The vast majority of BCLC's product sales and operational services are contracted through private sector business service partners. Lottery, casino and bingo gaming networks include about 4,000 lottery retailers, 15 casinos, two racetrack gaming centres, 15 commercial bingo halls and 12 community gaming centres.

These valued partners play an important role in delivering high-quality, responsible gaming entertainment and a high level of customer service that contributes to player experiences.

B.C. LOTTOTECH

B.C. Lottotech International Inc. is a wholly owned subsidiary of BCLC and is included in the Corporation's consolidated financial statements. The primary purpose of B.C. Lottotech is to purchase capital assets for lease to BCLC.

The management and oversight of B.C. Lottotech is consolidated with BCLC operations and the Board of Directors reviews and approves capital purchases through the budget process.

EMPLOYMENT

Gaming in British Columbia has created significant employment opportunities, and it is expected that the need for labour will continue to increase over the next five years.

During fiscal 2007/08, BCLC had a workforce of 638 full-time equivalents, which included employees in the two offices and in field locations to support gaming operations throughout the province.

The gaming industry is responsible for the direct employment of an estimated 16,400 people and indirectly for more than 9,700 jobs.*

The numbers include direct employment in gaming operations, employment in gambling-related government and charity organizations, and employment in professions that service and support the gaming sector.*

**Source: Economic Impact of the Canadian Gaming Industry: Key Findings Report – HLT Advisory Inc. (April 2008)*

OUR VISION

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

OUR MISSION

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

OUR GOALS

To provide outstanding gaming entertainment, generating income for the public good.

To be a respected organization that has a broad base of public support.

To have a workforce passionately driving the success of our business.

OUR VALUES

Integrity

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

We:

- conduct, manage and operate commercial gaming in accordance with the *Criminal Code* of Canada and *Gaming Control Act*.
- are open and transparent and fully accountable for our actions and decisions.
- operate on sound business principles and practices.
- publicly report on our plans and performance.
- are responsive to Government, our Minister, our players and British Columbians.

Social Responsibility

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

We:

- consult with communities on the types and levels of gaming that are right for them.
- promote responsible play practices and the safe and healthy use of our gaming entertainment products.
- actively support Government's Problem Gambling Program and efforts to address problem gambling issues through public awareness, education, prevention and treatment programs.
- actively support Government's Problem Gambling Strategy by partnering with the B.C. Partnership for Responsible Gambling, local governments, gaming service providers and other government agencies to deliver gaming in British Columbia in a responsible way.
- actively support research to address youth gaming and work with the Partnership to develop strategies to implement young adult responsible gambling awareness and problem gambling prevention.
- adhere to Government's Responsible Gambling Standards for the BC Gambling Industry.
- are an active and founding partner in the Canadian Partnership for Responsible Gambling.
- distribute problem gambling information to help adults make informed choices about participating in gaming entertainment through the installation of Responsible Play Information Centres in gaming facilities.
- work with service providers and lottery retailers to deliver Appropriate Response Training (ART) to enhance the knowledge, awareness and attitudes of gaming industry personnel so they can respond appropriately to players.

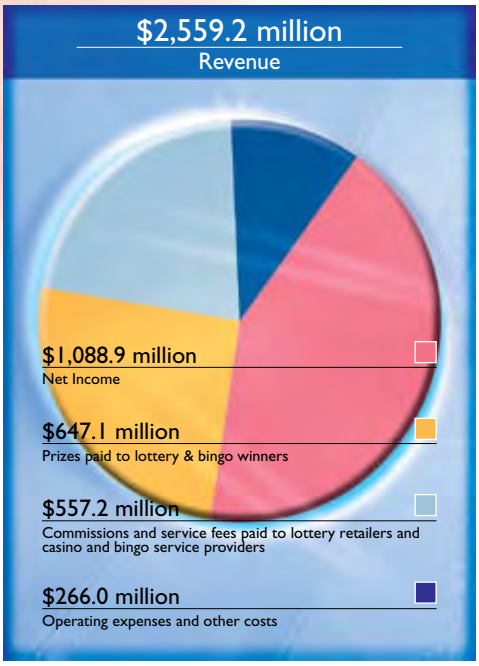
Respect

Our workplace fosters openness, mutual respect and individual development.

We:

- strive to be a great place to work.
- promote a fair, open, respectful and progressive workplace.
- support an innovative, high-performance culture.
- encourage employee development through continuous learning and professional growth.
- honour the contributions of individuals and teams through formal and informal recognition programs.
- provide a competitive compensation and benefits package.
- work to attract and retain talented leaders and experts.
- encourage work/life balance, including mind, body and spirit.

WHERE THE MONEY GOES



WHERE THE MONEY GOES

	Millions
Consolidated Revenue:	$ 677.5
Health Special Account:	$ 147.3
Charitable and community organizations:	$ 146.1
Host local governments:	$ 83.0
Horse racing purse enhancements:	$ 5.7
Development Assistance Compensation:	$ 18.8
SportsFunder:	2.0
Government of British Columbia:	**$ 1,080.4**
Government of Canada:	**$ 8.5**
Net Income:	**$ 1,088.9**

Offering fun, exciting gaming entertainment is only part of what we do at BCLC. Since 1985, we have generated income for vital public, charitable and public service programs that benefit British Columbians. We also offer players the chance to dream and sometimes the opportunity to turn those dreams into reality.

WHERE DOES THE MONEY GO?

In fiscal 2007/08, BCLC generated $2.6 billion in revenue from lottery, casino and bingo gaming. From the revenue, prizes are paid to lottery and bingo winners. Revenue (net of prizes) generated from casino games, including slot machines and table games, is reported as net win. Prizes are paid to winners of casino games during game play. Revenue generated from slot games in community gaming centres is also reported as net win.

This contrasts with revenue generated by lottery, eGaming and bingo games. Revenue from these products is reported based on gross sales before prize payments have been deducted.

Commissions and service fees are paid to our private sector lottery retailers and casino and bingo service providers. Operating expenses and lottery, casino and community gaming supplies and leases are paid, and we remit the Goods and Services Tax.

Our net income is derived from the money remaining after expenses are paid. Through a long-standing agreement with the provinces on the withdrawal of the federal government from lotteries, the Government of Canada receives a portion of net income while the remainder is distributed to the Government of British Columbia. In fiscal 2007/08, BCLC net income totalled $1,088.9 million, resulting in the distribution of $1,080.4 million to the Government of British Columbia.

CONSOLIDATED REVENUE

Government dedicates the largest portion of BCLC net income to consolidated revenue and a further portion to the Health Special Account for public service programs. In fiscal 2007/08, consolidated revenue received $677.5 million.

The Health Special Account is administered by the Ministry of Health. This account received $147.3 million. Money may be paid out of the account for the administration, operation and delivery of health care, health research, health promotion and health education services.

COMMUNITY GAMING GRANTS

The proceeds of gaming net income reached some 6,850 community and charitable organizations across British Columbia through Government community gaming grants in fiscal 2007/08. These community and charitable groups deliver valuable services to their communities.

Eligibility for community gaming grants requires organizations to be non-profit and driven by volunteers, and funds must be used for the direct delivery of programs that benefit the local community.

Government distributed $146.1 million in BCLC net income to community and charitable organizations through Direct Access and Bingo Affiliation grant programs in fiscal 2007/08. Gaming Policy and Enforcement Branch (GPEB) administers the distribution of these grants.

DIRECT ACCESS

The Direct Access program provides funding to eligible organizations based on approved programs in one of five categories: Arts, culture and sport; the environment; human and social services; public safety; and parent advisory councils and district parent advisory councils.

BINGO AFFILIATION

Bingo Affiliation grants provide organizations with funding to support the delivery of programs that benefit the broader community in exchange for volunteer activities in a bingo hall and the community. Commercial bingo halls in British Columbia are represented by an association comprising all non-profit organizations affiliated with that hall.

PARENT ADVISORY COUNCILS

School Parent Advisory Councils can apply for grants to support programs that benefit students by enhancing extracurricular opportunities.

District Parent Advisory Councils, comprising representatives from advisory councils within a district, can also apply for annual grants to foster relationships and enhance communication between schools, parents, students and the community.

MAJOR CAPITAL PROJECTS

Non-profit organizations can apply for funding to assist with major capital projects that are essential to an organization's specific purpose.

HOST LOCAL GOVERNMENTS

Communities where a casino or community gaming centre is located receive a share of BCLC net income generated by that facility through host local government payments. In fiscal 2007/08, Government distributed $83.0 million in host local government payments to 25 communities throughout the province.

Local governments can allocate funds for any purpose, within their legal authority, that will benefit their community. In the past, funds have been used for a number of projects and initiatives such as grants for non-profit organizations, policing, sports fields, road improvements, seniors' facilities and heritage programs.

In accordance with the Host Financial Assistance Agreements between Government and individual host local governments where a casino or community gaming centre is located, the host local government receives a 10% share of the net income generated from casino games.

One exception to the 10% share is the distribution of one-sixth share of net income generated from the Casino of the Rockies to the Ktunaxa Nation Council Society.

RESPONSIBLE PLAY

BCLC and Government believe in a shared approach to delivering gaming in British Columbia with integrity and in a socially responsible manner. Government directs a portion of BCLC net income annually to address problem gambling. Fiscal 2007/08 saw $7.0 million from consolidated revenue distributed to responsible gambling research, treatment and prevention programs, including GPEB's Problem Gambling Program.

HORSE RACING

British Columbia horse racing receives funding from Government to support efforts to stabilize and revitalize the industry. A portion of net income from slot machines at racetrack gaming centres is distributed to purse enhancements. In fiscal 2007/08, the horse racing industry received $5.7 million divided between the standardbred and thoroughbred sectors.

BCLC 's corporate sponsorship program provided further support to horse racing in British Columbia as the Presenting Sponsor for race events at Sunflower Downs in Princeton, Kin Park in Vernon and Sagebrush Downs in Kamloops throughout the summer.

HOST LOCAL GOVERNMENT SHARE OF COMMUNITY GAMING CENTRE REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2008

LOCAL GOVERNMENT	COMMUNITY GAMING CENTRE	2007/08 TOTAL	2006/07 TOTAL
Campbell River	Chances Campbell River	$ 677,359	$ 432,574
Courtenay	Chances Courtenay	53,553	–
Dawson Creek	Chances Dawson Creek	816,935	691,606
Duncan	Chances Cowichan	691,552	–
Fort St. John	Chances Fort St. John	424,770	–
Kamloops	Chances Kamloops	306,720	215,655
Kelowna	Chances Kelowna	970,692	635,199
Mission	Chances Boardwalk Mission	265,243	–
Port Alberni	Chances RimRock	227,556	–
Prince George	Chances Good Time Prince George	7,755	–
Prince Rupert	Chances Prince Rupert	190,606	–
Williams Lake	Chances Signal Point	611,791	466,687
TOTAL		**$ 5,244,532**	**$ 2,441,721**

HOST LOCAL GOVERNMENT SHARE OF CASINO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2008

LOCAL GOVERNMENT	CASINO	2007/08 TOTAL	2006/07 TOTAL
Burnaby	Gateway Casino	$ 10,435,053	$ 9,806,757
Coquitlam	Boulevard Casino	9,946,589	9,186,194
Langley	Cascades Langely Casino	7,508,465	6,807,092
Kamloops	Lake City Casino	2,401,859	2,119,709
Kelowna	Lake City Casino	3,072,288	2,957,877
Ktunaxa Nation Council Society	Casino of the Rockies	1,731,596	1,534,266
Nanaimo	Great Canadian Casino	3,054,116	3,084,271
New Westminster	Gateway Casino Royal Towers	–	11,347
	Royal City Star Casino	2,387,439	3,399,656
	Starlight Casino	1,776,486	–
New Westminster Total		$ 4,163,925	$ 3,411,003
Penticton	Lake City Casino	1,853,805	2,543,797
Prince George	Treasure Cove Casino	3,039,251	2,859,167
Quesnel	Billy Barker Casino	702,038	638,976
Richmond	River Rock Casino Resort	12,583,081	12,698,623
Surrey	Fraser Downs Racetrack and Casino	3,923,856	3,387,454
Vancouver	Edgewater Casino	5,556,848	4,717,207
	Gateway Casino Mandarin Centre	–	704
	Great Canadian Casino Holiday Inn	773,996	1,252,919
	Hastings Racecourse Casino	131,842	–
Vancouver Total		$ 6,462,686	$ 5,970,830
Vernon	Lake City Casino	1,862,517	1,763,005
View Royal	Great Canadian Casino	5,037,149	4,901,585
Wells	Jack o' Clubs	–	150
TOTAL		**$ 77,778,274**	**$ 73,670,756**

BCLC is an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games in the category of Lottery and Gaming. BCLC is also a proud supporter of the Canadian Olympic Teams for Beijing 2008, Vancouver 2010 and London 2012. This sponsorship is based on a business strategy that maximizes BCLC's position in the marketplace through association with one of the most powerful brands in the world – the Olympics. The 2010 Winter Games are a "once-in-BCLC's-lifetime" opportunity to link brand image, culture, products, programs and people to the brand attributes of the Olympic movement and the 2010 Winter Games.

As part of our support for the 2010 Winter Games, BCLC launched SportsFunder, a made-in-British Columbia lottery brand developed to provide financial assistance to amateur athletes.

In February 2006, BCLC launched the SportsFunder suite of lottery games with proceeds directly supporting amateur sport in British Columbia. In two years, $4.2 million has been allocated to amateur sport through SportsFunder, benefiting more than 12,000 youth in community sport from all corners of British Columbia.

Net income generated from SportsFunder products is over and above any current funding provided to British Columbia sport and recreation programs. Proceeds from SportsFunder products are managed by the provincial government and directed to four key areas.

KIDSPORT™:

Managed by Sport BC, this program provides sport registration grants to financially disadvantaged children. The program allows 2,000 children each year to play a season of sport by removing financial barriers.

By the end of fiscal 2007/08, KidSport™ had received $732,000 from the SportsFunder program, making it possible for a further 1,875 kids to play a season of sport.

TEAM BC:

Developed by British Columbia's sport community, this is a strategy designed to improve the performance of British Columbia athletes striving to represent Canada at the Olympic Games and Paralympic Games and other world competitions. Funding is directed to high-performance coaches, sport technology development and equipment. In a little more than two years, $1.1 million has been directed to this program through SportsFunder.

COACH AND LEADERSHIP DEVELOPMENT:

Funding is dedicated to support coaching and leadership development for coaches affiliated with Team BC, the Canada Games and the North American Indigenous Games. Since the launch of SportsFunder, $675,000 has been directed to coach and leadership development with $550,000 distributed to the Coaches Association of B.C. and $125,000 to the British Columbia Recreation and Parks Association High Five Program. Proceeds have helped certify some 1,500 new coaches.

YOUTH SPORT TRAVEL ASSISTANCE:

The travel costs for athletes to attend competitions and access training facilities can be prohibitive, especially for those living in more remote areas of British Columbia.

Through SportsFunder, $1.6 million has been allocated to subsidize travel costs for athletes. The funding has been shared among three categories with $1.1 million directed to Provincial Sport Organizations, $390,000 to BC School Sports and $100,000 to Aboriginal Sport. Through SportsFunder, 165 school sports teams have benefited, affecting 2,100 athletes and 18 sport disciplines, while Provincial Sport Organizations have awarded funding to 8,100 athletes from more than 100 communities.

Youth Benefited by Region

14% of youth benefited	North West British Columbia
10% of youth benefited	Kootenays
7% of youth benefited	Cariboo North East
4% of youth benefited	Thompson Okanagan
3% of youth benefited	Vancouver Island/Central Coast and the Vancouver/ Squamish regions
2% of youth benefited	Lower Mainland

SPORTSFUNDER PRODUCTS

Three new SportsFunder Pull Tab games, Linebacker, Soccer Cup and Snowboard, were added to the SportsFunder suite of lottery products in fiscal 2007/08. SportsFunder Split the Uprights is a new Interactive game available on PlayNow on bclc.com.

Lottery retailers had the opportunity to give back to their community through the SportsFunder 50/50 Retailer Award. The retailer who sold the winning ticket for the week's highest SportsFunder 50/50 draw won $2,010 for distribution to the local team or sport organization of their choice. Since its introduction in February 2006, the award program directly benefited 80 teams across the province through $160,000 in contributions. The program was discontinued in August 2007.

Lottery players have a hand in directing funds to amateur sport organizations of their choice through instant win tickets. When players win a Share the Dream prize on certain SportsFunder Instant Win tickets, they win a cash prize to keep and the same amount to give. Players select an amateur sport organization from an approved list and BCLC directs the team prize portion to that organization. Since February 2006, lottery players have chosen 14 different organizations to receive a total of $47,000.

Share the Dream beneficiaries since February 2006

BC Amateur Hockey Association
BC Blind Sports
Cycling BC
Special Olympics BC
BC Archery Association
BC Speed Skating Association
Boxing BC Association
BC Disability Sports
Baseball BC
BC Amateur Athletics Association
BC Soccer Association
Disabled Skiers Association of BC
BC Amateur Football
BC Rugby Union

SportsFunder sponsored a number of events during fiscal 2007/08, including the BC Sports Hall of Fame, Memorial Cup hockey championship, Northern BC Winter Games and the Sport BC 2007 Athlete of the Year Banquet.

2010 AND SPORTSFUNDER

BCLC was the first local partner with sponsorship rights for the Vancouver 2010 Olympic and Paralympic Winter Games. As an Official Supporter, BCLC plans to provide players with exciting opportunities leading up to the 2010

Winter Games through chances to win unique prizes, including 2010 Winter Games event tickets, trips and merchandise. The marketing agreement with BCLC will result in more than $10 million in royalties directed to the staging of the 2010 Winter Games.

SportsFunder will give thousands of British Columbians the opportunity to experience the 2010 Winter Games first-hand through experiential prizes of event tickets. Of the six new SportsFunder Instant Win tickets launched during fiscal 2007/08, three offered players the first chance to win tickets to Olympic events.

The First Tickets to 2010 Instant Win game was introduced in October, giving British Columbians the first chance to secure tickets for the 2010 Winter Games Opening Ceremony. With 100 pairs of tickets available, top prize winners receive $1,000 in spending money and more importantly, the opportunity of a lifetime to attend the Opening Ceremony.

Gwen Blair of Maple Ridge won the very first tickets in the world to the 2010 Winter Games Opening Ceremony. Blair liked the odds and that the money would go to a good cause. Her ticket purchase yielded the best possible result, as her dream of going to the Opening Ceremony on February 12, 2010 has become a reality.

In January, BCLC launched the $5 SportsFunder Gold Medal Hockey Instant Win ticket, featuring retired Canadian NHL hockey player Joe Nieuwendyk. Featuring 100 pairs of gold medal hockey tickets and top prizes of $75,000 cash, the game provides British Columbians with one of the first chances to receive tickets for the Men's or Women's Gold Medal Hockey finals in 2010.

Fraser Lake resident, Stacy Reynolds, is thrilled to be one of the first in the world to secure tickets to the men's gold medal hockey game at the 2010 Winter Games. Reynolds participated in BCLC's SportsFunder Gold Medal Hockey promotion. Players who spent $5 on SportsFunder Interactive games or SportsFunder 50/50 were eligible to win a pair of tickets.

The $3 SportsFunder Gold Medal Figure Skating Instant Win ticket was released in March, featuring top cash prizes of $50,000 and a chance to win tickets to the 2010 Winter Games Gold Medal Figure Skating finals. Players have the chance to win tickets to the Pairs, Dance, Men's and Ladies' Finals.

BCLC purchases 2010 Winter Games tickets for SportsFunder lottery games from our allotment as an Official Supporter in the category of Lottery and Gaming.

EMPLOYEE INVOLVEMENT

BCLC is committed not only to offering our players opportunities to participate in the 2010 Winter Games, but also providing employees with the chance to be involved.

In February, the BCLC 2010 Olympic and Paralympic Winter Games Employee Participation program was introduced.

The journey leading up to February 12, 2010, offers employees the opportunity to be a part of British Columbia history. While some employees are working on BCLC projects and initiatives that are directly related to the 2010 Winter Games, others, in true BCLC spirit, expressed interest in volunteering for the 2010 Winter Games.

Interested employees submitted their names and committed their vacation time to volunteer for the 2010 Winter Games. Due to the tremendous response, a random draw was conducted to reduce the list to 50. Volunteer applications were submitted to the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games™ (VANOC) for final approval.

Acting as Community Ambassadors for the 2010 Winter Games is just one of the opportunities that may be available to BCLC employees.

STRIKING A BALANCE

The gaming entertainment business has become increasingly competitive and complex. In offering exciting gaming entertainment to our players, BCLC strives to strike a balance between being innovative and competitive and continuing to be socially responsible in all aspects of our business.

In fiscal 2007/08, BCLC continued to focus on the player with the implementation of projects to put the player first and increase the integrity of our systems. BCLC also successfully undertook a major capital project to replace the lottery network in more than 4,000 lottery retail locations across British Columbia.

BCLC continued to develop properties that are sized to fit the marketplace and offer a full range of entertainment options for players. The installation of slot machines at Hastings Park Racecourse transformed the facility into one of two racetrack gaming centres in the province, and British Columbia's newest full-service entertainment facility, Starlight Casino, opened in New Westminster.

The community gaming centre model gained momentum with six brand new facilities and one renovated facility. BCLC also received host local government approval for community gaming centres in Terrace, Castlegar, Langley and Abbotsford.

BUSINESS PARTNERS

BCLC contracts with business partners to provide gaming and day-to-day operational services at lottery retail outlets, casinos, community gaming centres and commercial bingo halls.

In addition to forming an integral part of our business, these partnerships have a significant economic benefit for the province. Commissions paid to lottery retailers for product sales and service fees paid to casino and bingo hall service providers totalled $557.2 million. Significant economic benefit is also generated through the procurement of about $137 million in equipment, goods and services from suppliers.

BCLC has contractual agreements with 2,869 retail locations, which range from family stores to corporate chains, and 1,141 hospitality locations, mainly bars and pubs, to sell lottery products. Retailers receive an industry-standard commission for the sale of lottery products, with opportunities to increase earnings through incentive programs.

BCLC contracts with private businesses for day-to-day operations at casino facilities. Casino service providers are compensated through fees based on a percentage of net win (after prizes) from slot machines and table games. An additional percentage is available for facility development.

Commercial bingo halls and community gaming centres are operated through contracts with BCLC. Service fees are paid to these companies based on a weekly net win (after prizes) for bingo products and slot machines. An additional percentage is available for facility development.

COMMUNITY FORUMS

In fiscal 2007/08, BCLC continued our program of meeting with representatives and community leaders from business, health services, tourism, policing, local government and groups that benefit from community gaming grants. The intent is to provide local representatives with the opportunity to learn more about BCLC and the contributions and impacts that gaming has on their communities.

In fiscal 2007/08, BCLC hosted forums in New Westminster, Dawson Creek, Surrey, Kamloops, Burnaby, Chilliwack and the North Shore.

PLAYER PROFILES

Through an independent research company, BCLC surveyed a random selection of adult British Columbians about their attitudes toward gaming, as well as their participation in lottery, casino and bingo gaming over the past year. Throughout fiscal 2007/08, a total of 3,000 respondents were interviewed.

The characteristics of our lottery, casino and bingo players can be compared against the general characteristics of adult British Columbians, as follows:

- 51% are female and 49% are male
- 27% are 19-34 years old
- 73% are 35 years or older
- 69% have some post-secondary education
- 51% are from households with an annual income of $60,000 or greater

In the past year, 81% of adult British Columbians participated in at least one form of gaming offered by BCLC.

- 79% played a lottery product
- 32% visited a British Columbia casino
- 8% visited a British Columbia commercial bingo hall or community gaming centre

Source: Gaming Watch fiscal 2007/08

LOTTERY BUSINESS UNIT

For the past several years, a major strategic priority for BCLC has been the transformation and reinvention of the lottery business. Fiscal 2007/08 marked another year of successes, as BCLC continued to introduce products and games that focus on enhancing the player experience.

AWARDS

BCLC's very own Pacific Hold'Em Poker was honoured last year with the distinction of the "Best New Online Game" in North America. Presented by the North American Association of State and Provincial Lotteries (NASPL), Pacific Hold'Em Poker won because of its uniqueness. Launched in September 2006, the lottery game provides a realistic representation of playing a game of poker through computer-generated graphics presented on a television monitor.

BCLC's Scratch and Win advertising campaigns are often recognized for their fresh approach and quirky humour. The television commercial, "Honest," was no exception, featuring a woman asking her spouse to comment on her outfit. After a bit of prodding, he rattles off a surprisingly detailed commentary of fashion advice, shocking both the woman and viewers and highlighting the odds of something happening in life compared to the great odds in Scratch and Win.

Created by advertising agency TBWA with oversight by BCLC's Instant Win team, the commercial won a silver medal award at the 2007 Marketing Awards Gala in Toronto.

APPENDIX V

SPORTS ACTION

BCLC continued our long-standing tradition of sponsoring the BC Lions and Vancouver Canucks through Sports Action products.

A Sports Action kiosk, offering fun games for fans and the chance to win prizes, was new on the scene this year for every BC Lions' home game. The Sports Action Catch to Win promotion was a hit at every home game, offering participants the chance to win $5,000 for successfully catching three punted footballs.

BCLC also supported the BC Lions' Courage for Kids program, sending 500 underprivileged children to home games.

Mike Pascoa was thrilled to win the opportunity to participate in the Sports Action Million Dollar Shootout, which included tickets to the Sports Action suite at General Motors Place and a Vancouver Canucks hockey jersey. Players who spent $10 or more on Sports Action were eligible to enter the contest.

Pascoa had three shots during the intermission of a Vancouver Canucks home game. Netting $11,000 for scoring the first two shots, Pascoa moved back to the far blue line and narrowly missed the net and a chance to win $1 million.

TICKETS FOR A CAUSE

BCLC entered into a marketing partnership with the conservation organization World Wildlife Federation-Canada to help raise awareness of its Save Our Climate campaign. The $2 Save Our Polar Bears ticket offered more than $1 million in prizes, including Polar Bear Adoption Kits. The biggest win, though, was the unique opportunity to raise provincewide awareness through BCLC's broad spectrum of lottery players.

NATIONAL GAMES

For the second year in a row, BCLC offered Millionaire Life, a nationwide raffle-style game available for a limited time during February. The lottery offers the largest annuity in Canadian history with the top prize of $1 million a year for 25 years.

Fiscal 2007/08 marked the 25th anniversary of Lotto 6/49. Debuting in June 1982, the nationwide game has remained popular with lottery players across the country. To commemorate its quarter century status, a 6/49 Instant ticket was launched in September and sold out in record time. The $5 ticket offered top prizes of $125,000 and every ticket was a winner. Players who did not win a cash prize were guaranteed a free ticket prize.

PAYDAY

As part of our commitment to offer fun and exciting games that engage our players, BCLC regularly reviews our portfolio of lottery products for popularity and sales performance. BCLC made the decision to discontinue PayDay, a British Columbia-only game that offered players a top prize of $2,000 every two weeks for 20 years. The last draw was held in March.

CAPITAL PROJECT

During fiscal 2007/08, BCLC undertook a major capital project with the replacement of the lottery network. While the task of upgrading from telephone lines to Internet Protocol, cellular and satellite technology in 4,100 lottery retail locations across British Columbia was daunting, the transition was seamless, resulting in no loss of play or sales at any locations.

eGAMING

During fiscal 2007/08, PlayNow initiatives

included launching an Interactive Games home page, introducing a monthly newsletter, installing site security updates and maintaining a top-three merchant status for Canadian e-commerce sales volume using *Interac* Online. By fiscal year-end, PlayNow registrants totalled some 90,000 players.

INTERACTIVES

Among the 10 new Interactive games launched on PlayNow on bclc.com, Fruit Smash proved to be the most popular.

Two holiday-themed games were featured for a limited time during December. Stocking Stuffer returned for a second season, while Holiday Cheer was new to the line-up and marked the first multi-priced "Match 3" Interactive game offered on PlayNow.

In September, PlayNow introduced a new more user-friendly Interactive Games home page that allows players to filter the games list through set categories.

In fiscal 2007/08, BCLC launched a provincewide print media campaign designed to highlight the convenience of PlayNow on bclc.com.

PLAYER FIRST

BCLC has remained steadfast in our commitment to players through 23 years of selling lottery products, often pioneering player security policies and technologies. However, we know that there is room for improvement.

In fiscal 2007/08, BCLC's lottery business unit formalized our player-focused practices into a new initiative, Player First. Based on the concept of improving player security and validation procedures, Player First initiatives saw new standards at retail locations and improvements to the lottery prize payout and validation system.

With 60 projects identified, BCLC's commitment to Player First quickly gained momentum and substantial progress has been made. Progress reports are released on a quarterly basis at http://www.bclc.com. GPEB continues to monitor BCLC's progress through regular audits of lottery gaming.

Sign your ticket — *Check your own ticket*

Watch the customer display monitor — *Check your validation slip*

Quarter One updates:

- Implemented a new Lottery Retailer Code of Conduct, including a No Play at Work policy and introduced a retailer progressive discipline policy.
- Improved retail locations by securely locking all Customer Display Monitors in player-facing positions and developing a new winning jingle that is louder and plays longer than the former version.
- Launched improved validation procedures. All tickets, whether winning or non-winning, must be returned to players. All winning tickets paid out by retailers are stamped "paid," and the prize, ticket and validation slip are returned to the player.
- Extended hours of operation at Prize Payout offices to accommodate changes to prize payout claims.
- Activated Lottery Player Complaint Centre telephone hotline at 1-866-601-1818.

Quarter Two updates:

- Commenced lottery retailer training and certification in October, with direct certification by BCLC staff, classroom training at BCLC offices in Kamloops or Richmond, regional training at major centres across British Columbia, and on-site training at retail locations.
- Installed Check-A-Ticket terminals in all outlets with lottery terminals.
- Developed *Play with Confidence*, an ongoing education program that includes the Player First section of bclc.com, in-store signage, advertisements in major newspapers and messaging printed on tickets.
- Implemented a terminal freeze for wins of $10,000 or greater, requiring contact from a BCLC representative to unfreeze.
- Locked down and altered lottery terminals to prevent tampering.
- Implemented another layer of security where all wins by retailers of $1,000 or greater are reviewed by Corporate Security investigators.
- Established the requirement for a statutory declaration by all prize claimants, including mail-in prizes, for amounts of $3,000 or greater to confirm whether or not they are a lottery retailer, BCLC employee or a family member of a lottery retailer or BCLC employee.

Quarter Three updates:

- Completed implementation of all 10 GPEB recommendations (http://www.bclc.com/documents/PlayerFirst/OmbudsmanReportStatusSummary_Q2.pdf) to BCLC.
- Created a database of all BCLC lottery retailers and BCLC retailer employees.
- Performed security enhancements that monitor Check-A-Ticket terminals, speakers and other devices that alert customers to a win.
- Completed development of a program where all persons operating a lottery terminal are trained and certified.

THE FUTURE

With changes made over the past year, our system today is leading the way in player protection in North America. Moving forward, BCLC's strategic initiative is to complete the implementation of Player First projects while continuing to offer innovative games and products that enhance the gaming experience for our players.

CASINO BUSINESS UNIT

BCLC's primary strategic priority during the past few years has been to develop fewer, higher quality casino properties sized to fit the marketplace.

CASINO OPENINGS AND UPGRADES

Starlight Casino in New Westminster opened in December and offers players a full-service entertainment facility featuring British Columbia's newest poker room, the most up to date slot machines, a luxurious Asian restaurant, sports bar and a show lounge with live entertainment. In keeping with BCLC's strategy to upgrade existing facilities, this 100,000 square foot landmark replaces the now closed Royal City Star Casino.

After an extensive approval process, 150 slot machines were added to Hastings Park Racecourse in November. A total of 600 slot machines are planned for this facility, with the installation of additional machines scheduled for summer 2008.

BCLC plans to continue renovating and upgrading existing facilities to better meet marketplace demand and to continue to meet and exceed player expectation for an exceptional entertainment experience.

POKER TOURNAMENTS

Attracting out-of-province visitors not only requires having world-class facilities but also consistently offering high-quality entertainment. BCLC began hosting large poker tournaments two years ago. Popular mainstays, Pacific Poker Shootout, B.C. Poker Championships and Women's Poker Classic, continue to attract players from British Columbia, across Canada and the United States.

Poker legend Johnny Chan drew so much attention at the 2006/07 B.C. Poker Championships that BCLC approached him about hosting a Johnny Chan Poker Classic. The week-long tournament held at River Rock Casino Resort in May featured five events, some 1,700 players and a total prize pool of $2.16 million, making it one of the largest poker tournaments ever in British Columbia.

Jennifer Tokarek and her mother, Lillian, celebrate their success at the 2007 Pacific Poker Shootout.

Diane Ilich, grand prize winner of BCLC's Live Your Dream Giveaway, selected a shopping spree vacation.

Vivencia Kiraly, 2007 Pacific Poker Shootout Champion, is congratulated by Danny Chang of BCLC and James Park of Gateway Casinos.

Sarah Maxine Farber played for breast cancer research and won the top prize at the Women's Poker Classic.

BCLC CASINO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2008

CASINO	SERVICE PROVIDER	CITY	BCLC SLOT MACHINE REVENUE	NUMBER OF SLOT MACHINES AT MARCH 31	BCLC TABLE GAME REVENUE	NUMBER OF TABLES AT MARCH 31	BCLC COMBINED CASINO REVENUE FISCAL 2007/08	BCLC COMBINED CASINO REVENUE FISCAL 2006/07
COMMUNITY CASINOS								
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 10,832,828	140	$ 445,562	7	$ 11,278,390	$ 10,168,146
Boulevard Casino	Great Canadian Casinos Inc.	Coquitlam	132,367,001	938	46,162,580	70	178,529,581	158,237,485
Cascades Langley Casino and Hotel	Gateway Entertainment and Casinos Inc.	Langley	103,471,728	531	23,544,171	36	127,015,899	114,887,017
Edgewater Casino	Edgewater Casinos Inc.	Vancouver	54,764,219	493	48,189,928	67	102,954,147	85,030,165
Fraser Downs Racetrack and Casino	Orangeville Raceway Ltd.	Surrey	61,245,505	465	1,353,675	12	62,599,180	51,863,309
Gateway Casino Burnaby	Gateway Entertainment and Casinos Inc.	Burnaby	133,611,580	678	43,080,771	33	176,692,351	164,773,592
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	Nanaimo	45,992,503	382	4,060,545	9	50,053,048	49,893,300
Great Canadian Casinos Vancouver	Great Canadian Casinos Inc.	Vancouver	–	–	16,141,383	–	16,141,383	26,263,565
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	View Royal	72,928,931	439	10,292,223	24	83,221,154	80,138,560
Hastings Racecourse Casino	Hastings Entertainment Inc.	Vancouver	2,139,220	150	–	–	2,139,220	–
Lake City Casino Kamloops	Gateway Entertainment and Casinos Inc.	Kamloops	36,694,779	301	2,649,699	8	39,344,478	34,429,785
Lake City Casino Kelowna	Gateway Entertainment and Casinos Inc.	Kelowna	46,209,716	342	4,570,389	11	50,780,105	48,400,953
Lake City Casino Vernon	Gateway Entertainment and Casinos Inc.	Vernon	28,906,396	210	1,593,768	8	30,500,164	28,540,144
River Rock Casino Resort	Great Canadian Casinos Inc.	Richmond	112,408,538	901	123,382,271	108	235,790,809	233,067,408
Treasure Cove Casino	Prince George Casino Supply Ltd.	Prince George	47,206,436	550	4,059,762	10	51,266,198	46,296,953
Total			**$ 888,779,380**	**6,520**	**$329,526,727**	**403**	**$ 1,218,306,107**	**$1,131,990,382**
DESTINATION CASINOS								
Casino of the Rockies	SEM Casino Limited Partnership	Cranbrook	$ 15,128,090	227	$ 1,500,924	11	$ 16,629,014	$ 14,362,294
Lake City Casino Penticton	Gateway Entertainment and Casinos Inc.	Penticton	28,380,514	228	2,310,215	11	30,690,729	27,196,038
Royal City Star Casino .	Gateway Entertainment and Casinos Inc.	New Westminster	19,405,465	–	5,983,346	–	25,388,811	35,342,654
Starlight Casino	Gateway Entertainment and Casinos Inc.	New Westminster	22,214,865	862	8,893,801	56	31,108,666	–
Total			**$ 85,128,934**	**1,317**	**$ 18,688,286**	**78**	**$ 103,817,220**	**$ 76,900,986**
Grand Total			**$ 973,908,314**	**7,837**	**$ 348,215,013**	**481**	**$1,322,123,327**	**$1,208,891,368**

Starlight Casino opened December 10, 2007
Hastings Racetrack Casino opened November 10, 2007
Fraser Downs Racetrack and Casino added tables to the gaming floor on November 22, 2007
Royal City Star Casino closed on December 8, 2007 and relocated as Starlight Casino
Great Canadian Casinos Vancouver (Holiday Inn) closed November 17, 2007

Cashing in on the opportunity of a lifetime to pit his skills against the 2002 Poker Hall of Fame inductee, Henry Tran of Toronto won the No Limit Texas Hold'Em main event and walked away with $325,000. The tournament attracted professional poker players Brad "Yukon" Booth, Lacey Jones and Gavin Smith, who joined Johnny Chan.

For the second year in a row, Cascades Casino hosted BCLC's Pacific Poker Shootout. The three-day tournament featured two events, 530 players and a total prize pool of $285,000. Vivencia Kiraly of Grand Forks proved she was worthy of being the last player standing, winning seats at the final tables for two events and a total of $51,300. After placing fifth in the $300 No Limit Texas Hold'Em Shootout, Vivencia upped the ante for the $1,000 No Limit Texas Hold'Em Shootout and walked away with the grand prize.

The third annual B.C. Poker Championships at River Rock Casino Resort once again attracted players from across North America. Featuring a total prize pool of $2.4 million, the largest to date in British Columbia's history, the week-long tournament had four events and some 1,700 players. Entering the final table with one of the highest chip counts, Tsawwassen's Daniel Idema stayed strong to the end and won the grand prize of $402,500.

Playing for breast cancer research continued to draw women to the third annual Women's Poker Classic. Held at Cascades Casino in Langley, the tournament attracted 767 players, had a total prize pool of $229,785, and raised close to $40,000 for the Canadian Breast Cancer Foundation, B.C./Yukon region.

After eliminating 269 women, Sarah Maxine Farber of Surrey won the top prize in the No Limit Texas Hold'Em Main Event. Sarah won $33,750 and a seat at the World Series of Poker Ladies No Limit Hold'Em World Championship in Las Vegas.

BCLC hosted its second provincewide Three Card Poker contest. Every Three Card Poker player who was dealt a Mini-Royal, which is an Ace-King-Queen suited, and made a minimum table bet was entered into a draw to win a seat in the world championships.

In December, 15 poker players travelled to the 2007 Three Card Poker World Championship in Las Vegas where they had a chance to win the top prize of $500,000 (US). Each winner had their entry fee paid by BCLC and received $2,000 cash for accommodation and travel expenses.

Maria Chau won the top prize of $5,000 in the inaugural Mahjong Charity Open at River Rock Casino Resort in October, defeating 227 players.

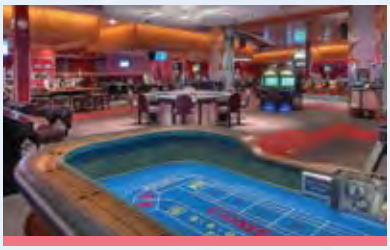
Sponsored by BCLC and presented by River Rock Casino Resort, the Mahjong Charity Open raised $5,000 for the Richmond Community Foundation. The funds supported three Terra Nova Park Programs: preserving a local park, teaching children about healthy eating habits and collecting local fruit for families in need.

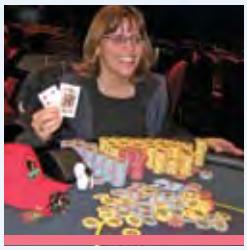
SHOPPING SPREE

Not many people have the chance to jet off on a $20,000 cross-country shopping spree, but that is exactly what Diane Ilich of Nanaimo did after winning BCLC's Live Your Dream Giveaway contest. The provincewide contest held in British Columbia casinos featured a number of prizes: 16 Caribbean Carnival cruises, six Volvos, and a once-in-a-lifetime dream getaway adventure. Grand prize winner Diane had the opportunity to choose from five getaways, opting for the $20,000 Los Angeles and New York shopping spree.

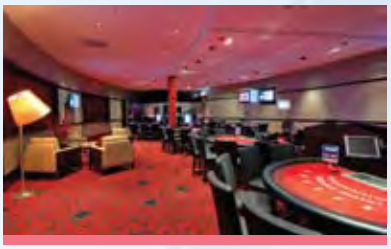
Daryl McCullough of Great Canadian Gaming and Julienne Joe of BCLC congratulate Maria Chau, winner of the Mahjong Charity Open.

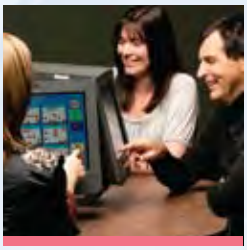
Johnny Chan of the Poker Hall of Fame and Danny Chang of BCLC congratulated Henry Tran, the grand prize winner of the Johnny Chan Poker Classic.



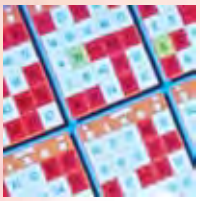


Paula Stregger, winner of the No Limit Texas Hold'em Ladies Event at the 2007 B.C. Poker Championships.





Daniel Idema, champion of the main event at the 2007 B.C. Poker Championships.



BINGO BUSINESS UNIT

Community Gaming Centres

In fiscal 2004/05, BCLC developed a community gaming centre model to help revitalize commercial bingo gaming in British Columbia. Facilities in Kamloops, Kelowna, Williams Lake and Dawson Creek were upgraded with the addition of slot machines and a new Chances brand was developed to set the standard for these centres.

The basic concept to increase the overall entertainment value for players while retaining bingo as the primary game has been achieved through offering an expanded array of entertainment options in facilities sized to fit the marketplace. Our bingo service providers have supported this through the introduction of small-scale live entertainment featuring musicians, comedians and game shows, big-screen televisions to broadcast sports and other events, comfortable gathering places including high-quality lounges and restaurants, and fun, creative promotions and special events.

The community gaming centre model gained ground in fiscal 2007/08 with the opening of seven facilities.

Chances Campbell River opened in July with a unique west coast theme, featuring electronic and paper bingo, slot machines, lottery products and food and beverage services. Replacing the Campbell River Bingo Palace, which had been in operation since 1985, the new facility offers 17,000 square feet of high-quality gaming entertainment.

In August, Mission's Boardwalk Gaming Centre became a community gaming centre, and after extensive renovations to the existing facility it was rebranded as part of the Chances family in October. Offering a new level of entertainment, Chances Boardwalk added slot machines to complement existing touch screen bingo

BCLC BINGO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2008

	SERVICE PROVIDER	CITY	NUMBER OF SLOT MACHINES	SLOT SALES FISCAL 2007/08	SLOT SALES FISCAL 2006/07	NUMBER OF BINGO SEATS	BINGO SALES FISCAL 2007/08	TOTAL BINGO REVENUE FISCAL 2007/08	TOTAL BINGO REVENUE FISCAL 2006/07
COMMERCIAL BINGO HALLS AND COMMUNITY GAMING CENTRES									
Abbotsford Bingo	Playtime Peardonville Ventures Ltd.	Abbotsford	–	–	–	512	$ 3,929,629	$3,929,629	$5,772,346
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria	–	–	–	220	5,360,716	5,360,716	4,954,262
Bistro Bingo	Mount Pleasant Starship Community Charitable Assoc.	Vancouver	–	–	–	–	–	–	3,931
Boardwalk Gaming Centre - Burnaby	427967 BC Ltd. (DBA Bingo Country)	Burnaby	–	–	–	536	7,073,430	7,073,430	7,849,352
Chances Boardwalk Mission	Boardwalk Gaming Mission Inc.	Mission	50	4,296,438	–	177	2,599,678	6,896,116	3,156,234
Chances Campbell River	Playtime Community Gaming Centres Inc.	Campbell River	100	11,255,806	7,075,897	300	3,436,689	14,692,495	11,073,576
Chances Courtenay	Playtime Community Gaming Centres Inc.	Courtenay	75	932,515	–	205	3,167,435	4,099,950	3,324,112
Chances Cowichan	Duncan Dabber Bingo Society	Duncan	75	10,374,836	864,754	400	4,719,995	15,094,831	5,401,708
Chances Dawson Creek	0542603 BC Ltd.	Dawson Creek	142	14,090,911	11,734,218	176	1,218,798	15,309,709	12,934,096
Chances Fort St. John	243045 Alberta Ltd.	Fort St. John	142	7,365,154	–	175	2,242,947	9,608,101	3,200,944
Chances Kamloops	Enterprise Entertainment Ltd.	Kamloops	50	4,993,955	3,585,276	672	10,377,040	15,370,995	13,785,919
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	100	15,756,237	10,336,656	740	11,196,390	26,952,627	21,208,470
Chances Good Time Prince George	Good Time Bingo Hall Inc.	Prince George	79	125,075	–	660	14,939,136	15,064,211	14,191,123
Chances Prince Rupert	0733244 BC Ltd.	Prince Rupert	117	3,165,728	–	120	832,418	3,998,146	1,363,606
Chances RimRock	Alberni Valley Bingo Association	Port Alberni	75	3,872,429	–	182	2,463,838	6,336,267	3,481,972
Chances Signal Point	Lucky's Ventures Ltd.	Williams Lake	100	10,488,196	8,086,775	338	4,221,229	14,709,425	11,811,693
Chilliwack Bingo	Chilliwack Bingo Association	Sardis	–	–	–	474	14,192,797	14,192,797	13,094,461
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon	–	–	–	480	6,002,922	6,002,922	5,945,004
Haney Bingo Plex	Great Canadian Entertainment Centres Ltd.	Maple Ridge	–	–	–	525	9,069,283	9,069,283	9,021,698
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	–	–	–	500	7,481,342	7,481,342	6,407,510
Langford Drop-In Bingo	Playtime Community Gaming Centres Inc.	Victoria	–	–	–	–	–	–	809,494
Langley Bingo Palace	Playtime Community Gaming Centres Inc.	Langley	–	–	–	642	8,106,007	8,106,007	7,021,636
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	–	–	–	300	5,183,502	5,183,502	4,663,518
Newton Bingo Country	427967 BC LTD. (DBA Bingo Country)	Surrey	–	–	–	684	13,181,309	13,181,309	13,885,803
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton	–	–	–	482	4,188,630	4,188,630	4,073,780
Planet Bingo	Community Gaming Management Association	Vancouver	–	–	–	676	16,632,853	16,632,853	17,016,029
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo	–	–	–	460	4,915,785	4,915,785	5,416,480
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria	–	–	–	508	3,784,526	3,784,526	4,147,553
River City Bingo	River City Bingo Association	Powell River	–	–	–	–	–	–	809,625
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook	–	–	–	285	2,190,876	2,190,876	2,330,204
Total			**1,105**	**$86,717,280**	**$41,683,576**	**11,429**	**$172,709,200**	**$259,426,480**	**$218,156,139**
Independent Bingo Hall Ka-Chingo Sales								449,033	472,642
Paper Bingo Distribution Revenue								278,881	274,113
Grand Total								**$260,154,394**	**$218,902,894**

As of March 31, 2008

Commercial Halls offering Handheld Bingo	12
Commercial Halls offering Starship Bingo	22
Commercial Halls offering Paper Bingo	27
Commercial Halls offering Starship Bingo (Personal Play)	26
Commercial Halls offering Ka-Chingo	27
Commercial Halls offering Gecko	5
Commercial Halls offering Bets	19

Facilities closed in 2007/08

Playtime Gaming Campbell River - Campbell River, closed June 30, 2007
Dob City - Port Alberni, closed, August 25, 2007
Rainbow Bingo Hall - Fort St. John, closed September 15, 2007
Valley Entertainment Palace - Courtenay, closed February 19, 2008
Good Time Bingo Hall - Prince George, closed March 22, 2008

New Community Gaming Centres

Chances Campbell River - Campbell River, open July 5, 2007
Chances Boardwalk Mission - Mission, open August 24, 2007
Chances RimRock - Port Alberni, open September 14, 2007
Chances Fort St. John - Fort St. John, open September 21, 2007
Chances Prince Rupert - Prince Rupert, open October 11, 2007
Chances Courtenay - Courtenay, open February 28, 2008
Chances Good Time Prince George - Prince George, open March 27, 2008

terminals, traditional bingo, lottery products and food service.

September marked the opening of two new community gaming centres, Chances RimRock in Port Alberni and Chances Fort St. John. Adopting a Pacific Northwest rainforest theme, Chances RimRock offers a virtual games room and an on-site microbrewery in addition to the standard amenities. Chances Fort St. John also offers off-track betting for horse-racing and an 85-seat show lounge that features live entertainment and Pay-Per-View events.

Opening in October, Chances Prince Rupert operates in a new 16,000 square foot facility with views of the harbour and provides residents and tourists with a special brand of coastal hospitality featuring a 60-seat restaurant, lounge and patio and off-track betting for horse racing.

In February, Chances Courtenay opened, featuring a West Coast theme complete with a bistro and lounge. Chances Prince George opened in March, offering a fresh entertainment option set in a relaxing atmosphere showcasing aboriginal and naturalist art.

BCLC also obtained host local government approval for community gaming centres in Terrace, Castlegar, Langley and Abbotsford.

CHANCES BRAND

To support new and existing community gaming centres, BCLC launched a Chances-branded media campaign. Focusing on radio and print advertisements, the campaign launched in every community that hosts a Chances facility.

BINGO GAMES AND PROMOTIONS

Lightning Bingo was piloted this year in three bingo halls: Burnaby, Chilliwack and Terrace. This new and exciting electronic game is played at full-speed with players winning money for every spot dabbed.

Ka-Chingo, a provincewide linked bingo game offered three times a day in commercial bingo halls and community gaming centres, received a refresh in December. This included new prizing with jackpots that always start at $25,000, changes to speed up the game and a fixed winning pattern.

Susan Thomson of Calgary proved bingo gaming in British Columbia is well worth the travel after she won the grand prize in the $10,000 Shopping Dream contest. The contest was open to all Ka-Chingo players, but Susan had the first bingo in the province. Each hall offered a consolation shopping spree prize, ranging in value from $1,250 to $5,000.

BCLC's bingo marketing team stretched the fun out until May when they hosted a mini-vacation for the winners of a Ka-Chingo promotion that occurred in early 2007. The highlight of the trip to Las Vegas was seeing *The Price is Right Live Stage Show*. Even though none of the winners were selected to participate in the show, their front-row seats and Ka-Chingo T-shirts did win them an acknowledgement by the host.

SMOKING REGULATION

British Columbia's *Tobacco Control Act and Regulation* was amended March 31, 2008, banning smoking in all indoor public places and work places. BCLC supported our service providers in implementing strategies that complied with the amendment while ensuring players continued to have the best possible entertainment experience through upgraded amenities, marketing initiatives and the development of compliant smoking patios.

Marsha Walden, BCLC Vice-President Bingo Gaming, Mark Foan, Construction Project Manager at Playtime Community Gaming Centres Inc., Tom Nellis, CEO of Playtime Community Gaming Centres Inc., Starr Winchester, Mayor of the City of Courtenay, Greg Phelps, Councillor of the City of Courtenay, and Manno Theos, Councillor of the City of Courtenay celebrate the opening of Chances Courtenay.

For the past 23 years, BCLC has been helping British Columbians turn their dreams into reality. In fiscal 2007/08, lottery and bingo winners collected $647.1 million in prizes, including one of the largest lottery prizes won in British Columbia history.

MILLIONAIRE FOR LIFE

Although Burnaby resident, Angela Towle, had spent many nights dreaming about ways to spend the Millionaire Life jackpot, she waited until she heard that the winning ticket was sold in Burnaby before chancing a look at the winning numbers on bclc.com. After a few minutes of pacing around her apartment, Angela regained her composure enough to share the news, that she was now a millionaire for life, with her family and boyfriend.

Opting for the lump sum payment of $17 million rather than the annuity, Angela planned to share some of her winnings with family and invest a large portion. She also planned to move back to Nova Scotia to open a business while pursuing her love of writing and travelling.

In addition to the top prize, seven subsidiary prizes of $100,000 each were won in British Columbia.

SHARING SISTERS

Abbotsford sisters, Sheryle and Barbara Harms, have one more thing to share after winning the $4 million jackpot on Lotto Super 7. They were on their way to bingo when they stopped at a lottery retail location to check their ticket. Sheryle planned to join Barbara in retirement, while Barbara intended to use the winnings to pay off the mortgage and renovations and do some travelling.

SEEING IS BELIEVING

Dorothy Lois Lee of Vernon needed to double-check her ticket before she could believe it. Initially checking on bclc.com, Dorothy made a trip to her neighbourhood lottery retailer to confirm that she had indeed won the BC/49 grand prize of $2 million. Plans for the windfall involved putting it in the bank while taking some time to think and plan.

THREE TIMES LUCKY

After triple-checking their numbers in the Prince George newspaper, on bclc.com and at the Lottery Ticket Centre in Save-On-Foods where they had purchased the ticket, Tom and Leona Alcock were finally convinced that they had won the Lotto Super 7 jackpot. They planned to use the $12 million for a cross-Canada honeymoon and among other things, invest, and purchase a miniature horse and new vehicle.

WINDFALL FOR CO-WORKERS

A group of 10 lucky employees from the Comox Valley Home Depot had a chance to renovate their bank accounts with a little help from Lotto 6/49. Each employee netted about $446,000 from the $4.46 million win, enough to pay some debt and help family. The group has contributed to an office lottery pool for about two and a half years. Most planned to continue at their jobs.

HAPPY HANDYMAN

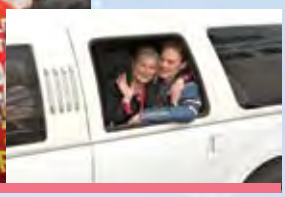
Although he had checked the winning numbers several times, Sidney resident Deighton King was unable to convince his wife that he had won $75,000 playing BC/49 on PlayNow on bclc.com. Even a printout of the draw results would not change her mind. Finally, Deighton called BCLC to confirm the prize amount and this finally prompted his wife to shout in joy. The happy handyman planned to pay debt and complete home improvement projects.

WINNING WORDS

When Prince George resident, Doris Latino, won $50,000 on SportsFunder Crossword, she planned to purchase a new wheelchair and other equipment for her son and share with family.

STRIKING GOLD

Hoping to win tickets to the Vancouver 2010 Olympic Winter Games Opening Ceremony, Liz Sullivan played SportsFunder Going for Gold, an Interactive game available exclusively through PlayNow on bclc.com. The Hope resident won the top prize of $20,100. She was so excited that she took a picture of her computer screen and started spreading the news of her good fortune. Liz planned to share her windfall with her children, buy a new laptop and pay bills.



Corporate Citizenship

BCLC recognizes the importance of giving back to communities in British Columbia not only through generating net income for Government public service programs, but also through demonstrating good corporate citizenship.

We endeavour to support a wide range of worthwhile causes and in fiscal 2007/08, BCLC sponsored festivals, tournaments, awards and charitable banquets, fundraisers, the arts, horse racing, and civic and sport events.

SportsFunder was a sponsor for many high-profile events, including the World Junior A Challenge, BC Winter Games, Coaches for Kids Charity Golf Classic and Canada Cup.

Merritt Mountain Music Festival, Alberni Fall Fair, Jack Webster Awards, Junior Achievement Business Laureates of BC Gala Dinner and the United Way National Conference represent a cross-section of events that BCLC sponsored throughout the province.

BCLC also supports business events such as excellence awards, annual general meetings, workshops and conferences. To foster relationships with our municipal partners, we attend a series of local government conferences each spring.

Our long history of giving back to the communities where we work and live includes providing financial sponsorship, expertise, in-kind involvement or merchandise packages.

In the Kamloops community, home to our head office, BCLC has maintained a strong presence as an active and prominent corporate sponsor since 1985. In fiscal 2007/08, BCLC provided support to a number of community organizations and events, including the Kamloops Art Gallery, Western Canada Theatre, Kamloops Symphony, British Columbia Wildlife Park, Canadian Pacific Holiday Train, Music in the Park, and the Rotary Invitational Golf Tournament.

Employee-driven committees and campaigns are entrenched in BCLC's culture, and our leadership team supports the efforts and time commitment it takes to carry out these activities.

Throughout the year, employees raise thousands of dollars for worthwhile causes such as Christmas charities, Salvation Army, United Way and the food bank. Employee enthusiasm was so high after the first year of being involved in the United Way Day of Caring that we participated for a second time in 2007. Kamloops employees spent the day at a seniors' assisted living centre constructing slabs for garden structures. BCLC employees have also raised $99,000 through 24 years of participation in the Easter Seals 24 Hour Relay.

BCLC's Green Committee is raising awareness and introducing initiatives at a grassroots level. The goals and mission of the committee align with BCLC's core values of integrity and social responsibility.

During 2007/08, the Green Committee demonstrated our employees' innovative spirit through hosting electronic waste days where, in addition to the collection of corporate electronic waste, employees were encouraged to bring unwanted personal electronic equipment to work where it was packaged and transported to a local site for recycling. The sale of glass tableware to employees resulted in a substantial reduction in disposable products. Other initiatives include ensuring that, where possible, requests for proposals and contracts contain clauses regarding sustainable practices.

BCLC proudly acknowledges the good work and community spirit of our employees whose involvement in volunteer organizations and associations extend beyond the work place. From offering to chair committees to rolling up their sleeves to serve as front-line volunteers, our employees share a vested interest in effecting positive change in our communities.

BCLC's Commitment

BCLC takes its commitment to social responsibility seriously and aims to strike a balance in everything we do. From the development of new, innovative games and products to the opening of full-service gaming facilities, BCLC carefully considers the impact of these decisions on players and on the public.

Gambling is an entertainment option available to adults 19 years and older. The majority of adult players gamble responsibly, but BCLC recognizes that a small proportion of the population is prone to problem gambling behaviour. A 2007 Ipsos Reid Public Affairs problem gambling prevalence study confirmed that the overall prevalence of problem gambling remained unchanged from 2002 to 2007, with an estimated 4.6% of adults in British Columbia considered moderate or severe problem gamblers.

Partnerships

BCLC and Government believe in a shared approach to encouraging responsible play practices and mitigating problem gambling. Each year, a portion of BCLC's net income is distributed to Government's Problem Gambling Program (www.bcresponsiblegambling.ca/problem), managed by Gaming Policy and Enforcement Branch (GPEB). The Program offers a toll-free 24-hour Help Line (1-888-795-6111) with information on problem gambling and referrals for free counselling. In fiscal 2007/08, Government allocated $7.0 million to the program.

The B.C. Partnership for Responsible Gambling (www.bcresponsiblegambling.ca) was established by BCLC, GPEB, gaming service providers and local governments and works to reduce the incidence of problem gambling, reduce the harmful impacts of excessive gambling and ensure the delivery of gambling in a manner that encourages responsible gambling and healthy choices.

BCLC co-sponsored the Annual Responsible Gambling Forum in November where Youth Gambling and Prevention was the focus. Cutting-edge research on British Columbia's gaming industry was presented along with the finding that parents play a role in shaping youth attitudes toward gambling. The forum identified youth strategies to provide direction for the development of communications, support materials, services and programs to engage parents as partners.

BCLC is a founding and active member of the Canadian Partnership for Responsible Gambling, a national body that provides a forum for sharing information about best practices in the responsible gambling field across Canada and around the world.

Responsible Play Information Centres

Responsible Play Information Centres (RPICs) were developed to promote healthy gambling behaviours through player education and support. Designed as interactive kiosks located on or near the gaming floor, players can test their knowledge of gambling or watch a slot tutorial to learn how a slot machine and random number generator work.

Centres provide information about our games and products and the risks associated with gambling, including:

- odds of winning;
- how to play BCLC games;
- responsible play strategies;
- gambling myths and facts;
- problem gambling risk factors; and
- support and referral information for problem gambling.

At casinos, Responsible Gambling Officers (RGOs) are on hand to provide responsible play education and are trained to respond to customers in distress and provide referral to professional treatment service. All RPICs include electronic Self-Service Terminals, a valuable responsible gambling resource for players that allows players to access, explore and interact with responsible play and problem gambling information on their own.

During fiscal 2007/08, BCLC worked with our gaming service providers and GPEB to significantly increase the number of RPICs across the province, resulting in 16 new installations. Centres are now located in seven casinos, two racetrack casinos and 12 community gaming centres. BCLC plans to install centres in all commercial gaming facilities across the province.

ART

BCLC implemented an Appropriate Response Training (ART) program during fiscal 2004/05. The purpose is to provide gaming industry employees with a better understanding of how to respond to a player showing signs of distress. The program focuses on increasing awareness of concerning behaviour, respecting a player's right to privacy and providing gaming information and referral when asked for help.

A pilot ART program for lottery retailers commenced in March 2007, resulting in the addition of ART to the lottery retailer training program. Online ART programs are available for casino, bingo and community gaming centre employees. Almost 1,600 gaming industry employees were trained during fiscal 2007/08, while more than 6,000 employees have received training in the past three years.

Voluntary Self-Exclusion

BCLC's Voluntary Self-Exclusion program is available to players who frequent casinos, commercial bingo halls and community gaming centres and PlayNow on bclc.com. Individuals can choose to self-exclude from PlayNow or from facilities that have slot machines or bingo for a period of six months, one year, two years or three years.

Standard Practices

BCLC's commitment to social responsibility extends beyond established programs and new initiatives to smaller, everyday practices that increase player awareness and knowledge:

- The responsible play message, "Know your limit, play within it," is included on our point-of-sale materials.
- Product information includes the odds of winning.
- Information about percent payout on slot machines is available on bclc.com.
- Our products carry the Problem Gambling Help Line number (1-888-795-69111).
- Laws concerning the legal age to participate in gaming in British Columbia are upheld and extensively publicized.
- New gaming initiatives are developed with appropriate consideration for responsible play practices.
- Responsible Gambling Standards and Advertising and Marketing Standards for the B.C. Gambling Industry are followed.

Know your limit, play within it.

British Columbia Lottery Corporation

19+ YEARS

APPENDIX V

Corporate Governance

AUTHORITY AND REGULATION

British Columbia's gaming industry is operated and regulated in accordance with the *Gaming Control Act* and under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

BCLC, as an agent of the Crown, has responsibility to conduct, manage and operate lottery, casino, and commercial bingo gaming, and eGaming.

The Gaming Policy and Enforcement Branch (GPEB), a branch of the Ministry of Public Safety and Solicitor General, regulates all aspects of the gaming industry in British Columbia. The branch develops and manages gaming policy, legislation and standards, licenses charitable gaming events and horse racing, registers gaming service providers and gaming workers, certifies gaming equipment, and investigates allegations of wrongdoing in all gaming sectors.

GPEB conducts charitable and commercial audits to ensure compliance, and manages distribution of Government's gaming proceeds, including community gaming grants to charitable and community organizations. The branch administers Government's Problem Gambling Program and ensures that policies and standards are in place to help minimize the harm from gambling and promote responsible gambling practices.

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 all 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 Practices Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations with a view to implementation by April 1, 2006. 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 by the end of April 2006 was fully compliant with the standards and guidelines. Information about BCLC's corporate governance is available at http://www.bclc.com/cm/aboutbclc/corporategovernance.htm.

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 organizations. As part of its governance practices, 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

In accordance with the *Gaming Control Act*, a maximum nine-member Board is appointed for BCLC by order of Lieutenant-Governor in Council. The Board currently consists of nine directors, independent of management, who are chosen on the basis of their skills, expertise and experience.

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

The Board has a primary responsibility to foster BCLC's long-term success, to oversee the conduct of the Corporation's business and to supervise management who are responsible for day-to-day operations. The Board is responsible for participating with management in developing, and ultimately approving, BCLC's mission, vision and values, strategic and service plans, business plans, and operating and capital budgets.

The Board regularly receives information on financial results and monitors BCLC's performance against the approved strategic and operating plans. The Board is also responsible for setting and revising as necessary major policies, including policies related to human resources and compensation matters, financial and risk management issues, and stakeholder communications. Through the strategic planning process and the operation of committees, the Board also reviews the principal risks facing BCLC to ensure the strategies are implemented to manage such risks.

The Board met 11 times in fiscal 2007/08. In addition, as part of the strategic planning process, the Board held its annual strategic planning retreat with management with the focus of establishing BCLC's strategic direction for the upcoming years. Senior management attend all Board meetings. However, the Board also ensures its independence by meeting in camera at every Board meeting without management present.

STANDARD OF CONDUCT FOR DIRECTORS

In carrying out the Board's mandate, each director is responsible for acting honestly and in good faith with a view to the best interests of BCLC and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Upon appointment as a director and each year thereafter, directors are required to agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines.

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.

COMMITTEE STRUCTURE

To assist the Board in fulfilling its oversight responsibilities, the Board has established committees and has specifically set out the terms of reference for each committee. BCLC committees are responsible for advising and formulating recommendations to the Board.

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

STANDING COMMITTEES

**as at March 31, 2008*

Audit Committee

Chair Kathy Stevenson
Members: Arthur Willms, John Bell[1], David Gillespie
Met nine times in fiscal 2007/08

Liaises between the external and internal auditors and the Board.

Oversees the review of BCLC's financial operations by the external auditors and makes recommendations to the Board with respect to approval of audited financial statements and quarterly reports.

Reviews the financial information that will be provided to Government and the public.

Oversees the review of BCLC's information systems, risk management and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

Governance and Corporate Social Responsibility Committee

Chair: David Gillespie
Members: Arthur Willms, Tazeem Nathoo, Walter Gray[2]
Met two times in fiscal 2007/08

Provides focus on corporate governance to enhance BCLC's performance.

Implements the evaluation process for the Board and makes recommendations regarding Board effectiveness.

Oversees the development of a long-term Board composition and succession plan and leads the process for developing potential director criteria.

Reviews, monitors and makes recommendations regarding the orientation and ongoing development of directors.

Oversees BCLC's corporate social responsibility.

Human Resources and Compensation Committee

Chair: Tazeem Nathoo
Members: Neil McDonnell, Eric Sorensen[3]
Met seven times in fiscal 2007/08

Examines BCLC'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.

Oversees matters related to the compensation and performance assessment of the President and CEO.

Reviews management's succession plans, staff resourcing allocation plans, and staff development and training programs with a view to enhancing a performance-based culture.

Marketing and Sponsorship Committee

Chair: Neil McDonnell[4]
Members: Walter Gray[5], Arthur Willms[6], Eric Sorensen[3]
Met two times in fiscal 2007/08

Provides support to the Board during strategic planning process with respect to the marketing components of the strategic plan.

Reviews the overall marketing and sponsorship strategies and guidelines that govern BCLC's role on brands and sponsorships.

Monitors BCLC's performance against the marketing strategies and guidelines.

Ex-officio members of all committees:

The Chair and President and CEO are ex-officio members of all Board committees.

Notes:

[1]Note: John Bell resigned from the Board June 8, 2007.

[2]Note: Walter Gray appointed member of the Governance and Corporate Social Responsibility Committee effective January 24, 2008.

[3]Note: Eric Sorensen resigned from the Board December 31, 2007.

[4]Note: Neil McDonnell appointed Chair of the Marketing and Sponsorship Committee effective January 24, 2008.

[5]Note: Walter Gray appointed member of the Marketing and Sponsorship Committee effective January 24, 2008.

[6]Note: Arthur Willms appointed member of the Marketing and Sponsorship Committee effective January 24, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for the fiscal year ended March 31, 2008 and should be read in conjunction with the Corporation's audited financial statements.

FINANCIAL OVERVIEW

FINANCIAL RESULTS ($ IN MILLIONS)	2003/04 ACTUAL	2004/05 ACTUAL	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE	VARIANCE FROM PRIOR YEAR	2008/09 TARGET	2009/2010 TARGET	2010/2011 TARGET
REVENUE											
Lottery	$ 960.4	$ 938.0	$ 967.4	$ 997.4	$ 976.9	$ 1,025.0	$ (48.1)	$ (20.5)	$ 1,008.0	$ 1,037.0	$ 1,063.0
Casino	733.4	892.9	1,085.3	1,208.9	1,322.1	1,240.0	82.1	113.2	1,400.0	1,450.0	1,510.0
Bingo	195.7	196.5	208.0	218.9	260.2	230.0	30.2	41.3	240.0	280.0	290.0
	1,889.5	2,027.4	2,260.7	2,425.2	2,559.2	2,495.0	64.2	134.0	2,648.0	2,767.0	2,863.0
EXPENDITURES											
Lottery	671.5	653.2	694.2	713.9	713.0	737.5	24.5	0.9	755.4	777.6	792.2
Casino	315.1	377.6	463.7	510.3	560.3	538.7	(21.6)	(50.0)	607.7	641.4	666.9
Bingo	175.3	177.7	180.1	182.2	197.0	185.8	(11.2)	(14.8)	174.9	188.0	193.9
	1,161.9	1,208.5	1,338.0	1,406.4	1,470.3	1,462.0	(8.3)	(63.9)	1,538.0	1,607.0	1,653.0
NET INCOME											
Lottery	288.9	284.8	273.2	283.5	263.9	287.5	(23.6)	(19.6)	252.6	259.4	270.8
Casino	418.3	515.3	621.6	698.6	761.8	701.3	60.5	63.2	792.3	808.6	843.1
Bingo	20.4	18.8	27.9	36.7	63.2	44.2	19.0	26.5	65.1	92.0	96.1
	$ 727.6	$ 818.9	$ 922.7	$1,018.8	$ 1,088.9	$ 1,033.0	$ 55.9	$ 70.1	$ 1,110.0	$ 1,160.0	$ 1,210.0
Profit Margin	38.5%	40.4%	40.8%	42.0%	42.6%	41.4%	1.2%	0.6%	41.9%	41.9%	42.3%
Debt	–	–	–	–	–	–	–	–	–	–	–
Capital Expenditures	$ 49.0	$ 93.5	$ 82.9	$ 43.9	$ 60.5	$ 85.0	$ 24.5	$ (16.6)	$ 123.9	$ 115.8	$ 117.3
FTEs	560	569	575	596	638	633	(5)	(42)	784	798	778

Fiscal 2007/08 represented a record year for BCLC, with the achievement of new levels for both revenue and net income. With total gaming revenue of $2.6 billion, BCLC surpassed last year's revenue by $134.0 million and budget by $64.2 million. Highlights during the year included the introduction of seven new community gaming centres and the early openings of Hastings Racetrack Casino and Starlight Casino. Revenue contributions by casinos and bingo facilities, including community gaming centres, were partially offset by lower than expected lottery performance. BCLC's lottery business unit continued to introduce practices that focused on the player, incorporating recommendations from the British Columbia Ombudsman report and a number of audits. This required significant resources and capacity to implement and, as a result, several new games were postponed.

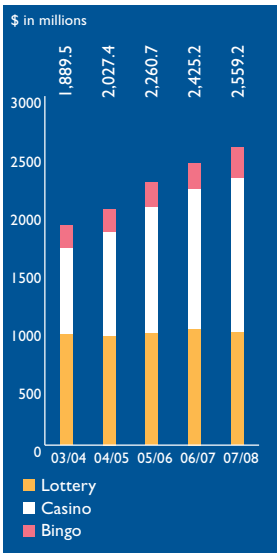
Direct costs of $1.2 billion were $16.1 million greater than budget and $44.5 million greater than the previous fiscal year. Most of the variance is attributable to commissions, which are a direct consequence of higher than budgeted revenues in the casino and bingo business units.

At $226.9 million, total operating costs were $7.8 million less than budget and $19.4 million greater than the previous fiscal year. Cost savings in advertising, marketing, corporate communications, and cost of premises were more than offset by additional expenditures in salaries and benefits, professional fees, equipment and supplies. Much of this is directly related to the costs required to support Player First and other initiatives, which accounted for $6.7 million of total administrative costs. As a result of lower than anticipated capital spending, amortization was $4.1 million below budget. A reduction in GST from 6% to 5%, lower than expected capital spending, and a GST tax recovery resulted in overall taxes being $4.8 million less than budget.

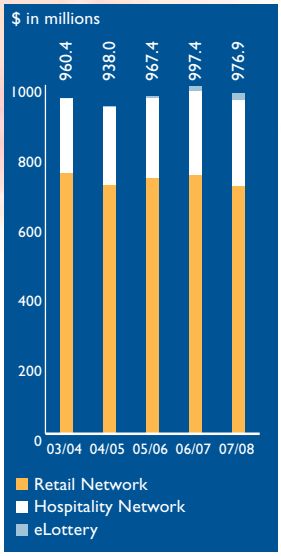
At $1.089 billion, net income exceeded budget by $55.9 million and the previous fiscal year by $70.1 million. Strong revenue performance, a shift in product mix to lower commission games and operational cost savings resulted in BCLC exceeding the billion dollar milestone in net income.

BCLC remits its net income to Government on a monthly basis and has no retained earnings.

Gaming Revenue Trends



Lottery Revenue Trends

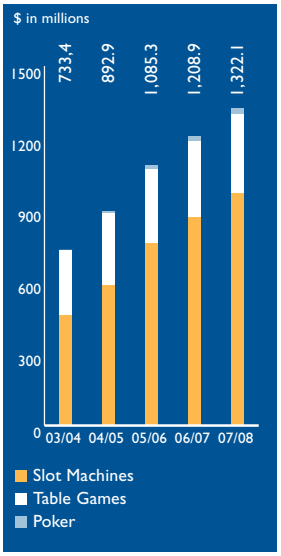


LOTTERY OPERATIONS

FINANCIAL RESULTS ($ IN MILLIONS)	2003/04	2004/05	2005/06	2006/07	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE	VARIANCE FROM PRIOR YEAR
Revenue								
Retail Network	$ 747.0	$ 712.4	$ 733.0	$ 742.5	$ 709.7	$ 733.2	$ (23.5)	$ (32.8)
Hospitality Network	213.4	225.3	229.2	240.6	248.5	266.8	(18.3)	7.9
eLottery	–	0.3	5.2	14.3	18.7	25.0	6.3	4.4
	960.4	938.0	967.4	997.4	976.9	1,025.0	(48.1)	(20.5)
Direct Expenses	602.3	581.4	613.8	628.9	621.8	644.7	22.9	7.1
Operating Expenses	69.2	71.8	80.4	85.0	91.2	92.8	1.6	(6.3)
Net Income	**$ 288.9**	**$ 284.8**	**$ 273.2**	**$ 283.5**	**$ 263.9**	**$ 287.5**	**$ (23.6)**	**$ (19.7)**
Lottery Retailers	4,513	4,490	4,397	4,321	4,033			
Lottery Terminals	4,072	4,082	4,081	4,074	3,969			

Lottery revenues of $976.9 million were $48.1 million less than budget and $20.5 million less than the previous fiscal year. Lottery revenues markedly underperformed both budget and the previous year. Several large jackpot rolls for Lotto 6/49 helped it exceed budgeted revenues, and Sports Action also outperformed expectations; however, lower than planned revenues from other products offset these gains. BCLC continued to introduce practices that focus on the player, incorporating recommendations from the British Columbia Ombudsman report and a number of audits. Implementation required significant resources and capacity, which contributed to the postponement of several new lottery games. This was also noticeable in eLottery where revenues, despite being $4.4 million greater than last year, were still $6.3 million under plan.

Casino Revenue Trends



CASINO OPERATIONS

FINANCIAL RESULTS ($ IN MILLIONS)	2003/04	2004/05	2005/06	2006/07	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE	VARIANCE FROM PRIOR YEAR
Revenue								
Slot Machines	$ 463.5	$ 588.6	$ 762.3	$ 869.9	$ 973.9	$ 912.5	$ 61.4	$ 104
Table Games	269.9	298.9	308.4	318.2	325.8	307.0	18.8	7.6
Poker	–	5.4	14.6	20.8	22.4	20.5	1.9	1.6
	733.4	892.9	1,085.3	1,208.9	1,322.1	1,240.0	82.1	113.2
Direct Expenses	252.3	307.3	369.9	408.9	450.4	422.9	(27.5)	(41.5)
Operating Expenses	62.8	70.3	93.8	101.4	109.9	115.8	5.9	(8.5)
Net Income	**$ 418.3**	**$ 515.3**	**$ 621.6**	**$ 698.6**	**$ 761.8**	**$ 701.3**	**$ 60.5**	**$ 63.2**
Casinos	20	19	18	17	17			
Slot Machines	3,832	6,307	7,149	6,951	7837			
Tables	377	419	454	464	481			

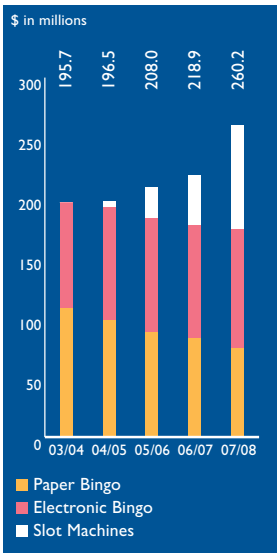
Casino revenues of $1.3 billion were $82.1 million greater than budget and $113.2 million greater than the previous fiscal year. The completion of slot machine conversion and refresh programs early in the fiscal year, upgrades to Fraser Downs and Treasure Cove casinos, the early opening of Starlight Casino, and the opening of Hastings Racetrack Casino combined to produce record revenues for the casino business unit. All game areas (slot machines, table games and poker) exceeded both plan and the previous fiscal year's results.

BINGO OPERATIONS

FINANCIAL RESULTS ($ IN MILLIONS)	2003/04	2004/05	2005/06	2006/07	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE	VARIANCE FROM PRIOR YEAR
Revenue								
Paper Bingo	$ 107.5	$ 98.2	$ 88.0	$ 82.7	$ 74.3	$ 78.0	$ (3.7)	$ (8.4)
Electronic Bingo	88.2	93.5	94.9	94.5	99.2	92.0	7.2	4.7
Slot Machines	0.0	4.8	25.1	41.7	86.7	60.0	26.7	45.0
	195.7	196.5	208.0	218.9	260.2	230.0	30.2	41.3
Direct Expenses	160.2	160.1	162.1	161.1	171.2	159.7	(11.5)	(10.1)
Operating Expenses	15.1	17.6	18.0	21.1	25.8	26.1	0.3	(4.7)
Net Income	**$ 20.4**	**$ 18.8**	**$ 27.9**	**$ 36.7**	**$ 63.2**	**$ 44.2**	**$ 19.0**	**$ 26.5**
Commercial Halls	32	27	24	20	15			
Independent Operators	20	16	15	15	15			
Community Gaming Centres	–	4	5	6	12			
Electronic Bingo Terminals	2,750	3,244	3,240	3,324	4,105			
Slot Machines	–	253	355	497	1,105			

Bingo revenues of $260.2 million were $30.2 million greater than budget and $41.3 million greater than the previous fiscal year. The addition of seven new community gaming centres and the addition of 600 slot machines were the primary drivers of this year's strong revenue growth. All products, with the exception of traditional paper bingo and linked bingo, exceeded revenue targets.

Bingo Revenue Trends

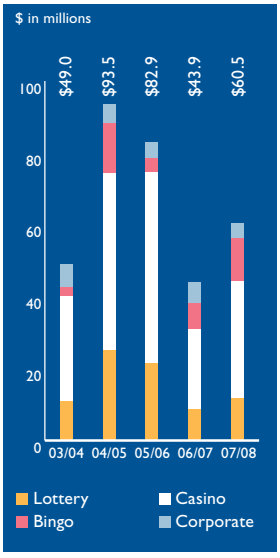


CAPITAL SPENDING

FINANCIAL RESULTS ($ IN MILLIONS)	2003/04	2004/05	2005/06	2006/07	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE
Lottery	$ 11.1	$ 25.1	$ 21.6	$ 9.0	$ 12.0	$ 23.0	$ 11.0
Casino	29.0	49.5	53.0	22.0	32.4	44.5	12.1
Bingo	2.7	13.7	4.1	7.2	12.0	10.5	(1.5)
Corporate	6.2	5.2	4.2	5.7	4.1	7.0	2.9
	$ 49.0	$ 93.5	$ 82.9	$ 43.9	$ 60.5	$ 85.0	$ 24.5

Capital spending was $24.5 million under budget and $16.6 million greater than the previous fiscal year. The opening of several new community gaming centres led to a small negative variance in the bingo business unit, while shifting priorities because of a focus on Player First led to project delays in other areas. While more than $5 million was spent directly to improve systems and processes that support the security and integrity of our lottery prize payout systems, this year was primarily a planning year that will set the stage for future investments in this area. Capital expenditures will also be incurred to upgrade bingo, casino, and back office support systems in order to provide a high level of internal control and integrity.

Capital Spending



B.C. LOTTOTECH INTERNATIONAL INC.

BCLC's consolidated statements include B.C. Lottotech International, a wholly owned subsidiary of BCLC. B.C. Lottotech's primary purpose is to purchase capital assets that are leased back to BCLC and the major expense is the amortization on the capital acquisitions. The management and oversight of B.C. Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

REVENUE ($ IN THOUSANDS)	2007/08	2006/07
Lease Revenue	$ 60,973	$ 60,821
Expenses		
Amortization	62,558	60,674
Other Expenses (Income)	(418)	(697)
	62,140	**59,977**
Net Income	**$ (1,167)**	**$ 844**

COMMERCIAL NET GAMING EXPENDITURES BY PROVINCE, NET OF PRIZES AS AT MARCH 31, 2007

In British Columbia, Government's gaming policy promotes responsible play. BCLC's revenue and net income growth has come primarily from the casino business and the upgrading of commercial bingo halls to community gaming centres with slot machines and other amenities. BCLC per capita lottery revenue remains in the top three in Canada and in the top 15 of all 53 North American lottery jurisdictions.

TOTAL NET EXPENDITURE

	BC	AB	SK	MB	ON	QC
Adult Population	3,453,000	2,595,086	749,161	898,069	9,909,985	6,116,825
Lottery	$ 453,913,000	$ 269,111,805	$ 72,013,749	$ 90,658,088	$ 1,191,995,000	$ 877,491,000
Casino	$ 1,208,891,000	$ 1,160,714,000	$ 226,363,592	$ 145,327,716	$ 3,501,313,000	$ 758,224,000
Video Lottery	$ –	$ 876,281,000	$ 233,615,000	$ 320,504,335	$ –	$ 1,097,917,000
Bingo	$ 111,558,000	$ 12,072,000	$ 20,711,631	$ 4,480,840	$ 19,466,000	$ 39,370,000
Horse Racing	$ 48,070,000	$ 40,841,249	$ 3,051,595	$ 7,781,954	$ 255,176,531	$ 40,598,095
Total	**$ 1,822,432,000**	**$ 2,359,020,054**	**$ 555,755,567**	**$ 568,752,933**	**$ 4,967,950,531**	**$ 2,813,600,095**

	NB	NS	NF	PEI	CAN	
Adult Population	601,685	749,228	411,060	108,363	25,592,462	
Lottery	$ 76,065,808	$ 94,373,607	$ 80,121,337	$ 14,572,244	$ 3,220,302,638	
Casino	$ –	$ 89,405,006	$ –	$ –	$ 7,090,238,682	
Video Lottery	$ 137,872,321	$ 151,303,684	$ 117,475,596	$ 18,348,009	$ 2,953,316,945	
Bingo	$ –	$ 986,841	$ –	$ –	$ 209,225,081	
Horse Racing	$ 1,393,094	$ 2,752,226	$ 348,988	$ 1,917,718	$ 401,931,053	
Total	**$ 215,331,222**	**$ 338,821,364**	**$ 197,945,921**	**$ 34,837,971**	**$ 13,875,014,399**	

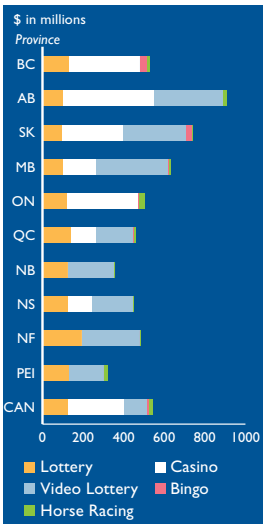
Sources: Annual reports, lottery organizations, Statistics Canada
BCLC does not manage horse racing in British Columbia. The horse racing revenues for British Columbia are provided by the Canadian Pari-Mutuel Agency and are for comparative purposes only; they are not consolidated into the financial statements of BCLC. For an explanation of the net horse racing betting fees collected by BCLC, on behalf of Government, please see note 10 of BCLC's audited financial statements.

ELECTRONIC GAMING DEVICES IN CANADA AS AT MARCH 31, 2007

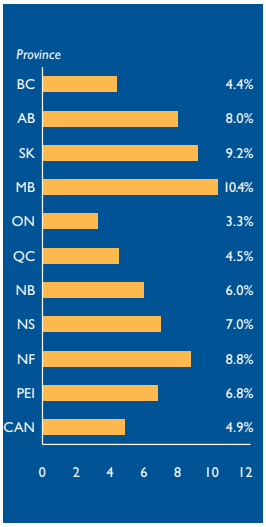
	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	Canada
Lottery Terminals	4,074	2,332	785	837	8,862	8,585	969	1,240	1,130	187	29,001
Slot Machines	7,448	10,232	2,115	2,125	22,381	5,983	–	1,051	–	210	51,545
Casino Table Games	464	550	93	74	538	208	–	53	–	4	1,984
VLTs	–	5,986	3,929	5,586	–	12,779	2,628	2,835	2,478	340	36,561
Electronic Bingo Terminals	3,234	1,625	–	752	547	–	–	51	–	–	6,209
Total gaming devices	**15,220**	**20,725**	**6,922**	**9,374**	**32,328**	**27,555**	**3,597**	**5,230**	**3,608**	**741**	**125,300**
Gaming Devices per 1,000 Population	**4.4%**	**8.0%**	**9.2%**	**10.4%**	**3.3%**	**4.5%**	**6.0%**	**7.0%**	**8.8%**	**6.8%**	**4.9%**

Over the next fiscal year, BCLC plans to explore benchmarking used in gaming and other industry in order to develop additional benchmarks that will provide more information to Government and the public on BCLC's performance.

Net Gaming Expenditure per Capita by Province



Electronic Gaming Devices per thousand adult population



Notes
1. Net Gaming Expenditures:
   Amount spent by players after deducting money returned as prizes, for all forms of gaming.
2. Information Sources:
   a) Population represents Statistics Canada estimate of the population (18 and over) as of July 1, 2006. Estimates current as of December 2006.
   b) Gaming information:
   - British Columbia Lottery Corporation
   - Atlantic Lottery Corporation
   - Saskatchewan Liquor and Gaming Authority
   - Canadian Pari-Mutuel Agency
   - Ontario Lottery and Gaming
   - Alberta Liquor and Gaming Commission
   - Manitoba Lotteries Corporation
   - Loto-Québec
   - Sask Sport Inc.
   - Nova Scotia Gaming Corporation

Shareholder's letter of expectations

The Government of British Columbia establishes the legislative, regulatory and policy framework under which BCLC conducts and manages gaming. BCLC reports to the Minister, Public Safety and Solicitor General through our Board of Directors. We comply with policies, directives and standards issued by the Minister as well as by the regulator, the Gaming Policy and Enforcement Branch (GPEB).

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*.

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 the Board of BCLC. This document establishes BCLC's mandate and identifies Government's strategic priorities and performance expectations for BCLC. The direction from Government and the status of BCLC's actions to implement this direction is shown in the following chart.

GOVERNMENT DIRECTION	BCLC ALIGNMENT
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 million in revenue and $1,089 million in net income in 2007/08 and is forecasting $2,648 million in revenue and $1,110 million in net income in 2008/09.
Improve the performance of casino, bingo, lottery and eGaming through products and approaches in response to customer and marketplace demand, consistent with the Corporation's mandate.	BCLC is forecasting net income growth through increased focus on the player. This includes upgrading and improving gaming facilities, developing new game innovations, improving player service and implementing operational efficiencies.
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.	BCLC's responsible gaming activities are focused on our players and our service providers' facilities to ensure that we jointly: ■ reduce the incidence of problem gambling; ■ reduce the harmful impacts of excessive gambling; and ■ deliver gaming in a manner that encourages responsible gambling and healthy choices.
Implement the recommendations made by the British Columbia Ombudsman in May 2007 related to the Corporation.	BCLC continues to implement the British Columbia Ombudsman's recommendations, which will enhance the fairness, integrity, transparency, security and customer focus of the lottery system. It will take until 2009 to fully implement all recommendations. BCLC issues quarterly reports on our progress.
Implement recommendations made by Deloitte and Touche LLP (Deloitte) in their independent audit of lottery operations in British Columbia undertaken in 2007 as directed by the Shareholder.	BCLC continues to implement the Deloitte recommendations to further enhance BCLC's integrity and transparency.
Notify the Shareholder of BCLC's resolution of any significant issues related to the implementation of recommendations of either the British Columbia Ombudsman or Deloitte.	BCLC is working closely with our Shareholder as we implement these recommendations to ensure a shared understanding of any issues. Significant costs and workload associated with implementing the recommendations and increased regulatory, audit, compliance and enforcement activities will continue to be a challenge for the organization. BCLC and GPEB are meeting on a quarterly basis to enhance co-operation and co-ordination between the organizations, including the implementation of these recommendations.
Build public and key stakeholder trust/support by continuously improving the quality of service to customers and relationships with its service providers.	Building public and stakeholder trust and improving the quality of service to players are key strategies for BCLC. A senior player relations function has been established to lead this effort with BCLC's executive, and we are seeking ways to continuously improve our relationships with our lottery retailers and service providers.

GOVERNMENT DIRECTION	BCLC ALIGNMENT
Operate the business of BCLC in an efficient and effective manner for the benefit of its customers and the Shareholder.	BCLC's systems and processes will be upgraded over the next three years in order for us to continue to ensure the integrity of our games and services. A key challenge will be the culture change required to successfully implement business changes and entrench player focus.
Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact BCLC's achievement of its Service Plan targets either negatively or positively.	BCLC regularly notifies the Shareholder of any major changes occurring or likely to occur that may impact the achievement of our Service Plan targets.
Present a Strategic Plan for BCLC's Conduct and Management of Gaming to the Shareholder.	Based on direction and input from Government and the Board, BCLC presents a Strategic Plan to Government on an annual basis.
Comply with the Shareholder's requirements to make the public sector carbon neutral by 2010, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from BCLC's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of BCLC's scope of operations. Encourage staff involvement in developing ideas and new solutions to meet Government's climate change objectives, including energy conservation programs and fleet and traffic management initiatives, and report on results achieved.	BCLC is developing carbon reduction plans that adhere to the Climate Action Secretariat's *Framework for Greenhouse Gas Measurement and Reporting: Guidance for Crown Corporations*. BCLC is determining our carbon emission data in anticipation of Government's provision of a computer system that will centralize this information. An employee committee is already engaged in developing recycling programs and environmentally sustainable behaviour at BCLC. Employees will be encouraged to participate further in the development of ideas and solutions.

RISK

BCLC faces risks specific to our business that could significantly impact our ability to conduct and manage gaming in British Columbia, and/or our ability to achieve the short- and long-term goals in our Service Plan. While risks cannot be eliminated, BCLC has developed strategies to minimize or mitigate risks.

BCLC has implemented a formal Enterprise Risk Management process that involves staff, our Executive, our Board of Directors and others to identify risks, on a semi-annual basis, that are affecting or may affect BCLC's business. Risk mitigation strategies are developed for the most significant risks, and actions to mitigate those risks are a key factor in business planning and resource decisions.

BCLC is also developing a risk tolerance framework to ensure that we not only identify and mitigate risks, but that we consciously determine our tolerance for risk by establishing key risk indicators and targets. In this way, BCLC can better understand the costs and benefits associated with various risk mitigation activities and better prioritize them. BCLC is also assessing the effectiveness of existing practices to minimize and manage these risks, and identifying changes to strengthen them if required.

Key risks that were identified in the Service Plan 2007/08-2009/10 as possible threats to the achievement of our goals and the results of BCLC's mitigation strategies are outlined below.

Market Sustainment and development risk

IMPACT AND LIKELIHOOD	RESULTS FOR 2007/2008
If BCLC cannot adapt, in a timely manner, to changes in the entertainment environment or market conditions, it could threaten BCLC's long-term viability. The inability to renew and sustain our products and/or brand could threaten the demand for BCLC products to the point that it may impair the company's ability to develop future revenues. 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 our efforts in this regard on new product innovation balanced with social responsibility.	**Strategy 1: Transform and reinvent lotteries to a growth business.** BCLC concentrated our strategic efforts on building the lottery business through innovation in products, promotion and distribution. As a result of the British Columbia Ombudsman report and other audits, including GPEB and Deloitte, many of the programs previously intended to support this strategy were deferred or delayed to focus on the implementation of the resulting recommendations. The SportsFunder line of products was a significant focus of the increased sustainment of the lottery business. However, SportsFunder achieved $14.8 million in revenue, which was less than the target of $23.5 million. **Strategy 2: Develop eLottery as a viable business.** The eGaming business strategy targeted player acquisition, product innovation and value-added services for our players. During the year, five of the 20 planned new product offerings were launched on PlayNow on bclc.com. **Strategy 3: Build casino and community gaming facilities to meet domestic demand and build long-term tourism markets.** BCLC continued to pursue our goal of developing a long-term sustainable casino and community gaming centre strategy in 2007/2008. Initiatives to support this strategy included the successful opening of Starlight Casino and the addition of 150 slot machines to Hastings Racetrack Casino, the replacement of 700 slot machines as part of the refresh program, and the opening of seven additional community gaming centres, which exceeded the target of five. **Strategy 4: Build player participation and loyalty by providing a fun and entertaining gaming experience.** BCLC has prioritized player satisfaction with our games, services and facilities as a key tactic in our continued ability to generate income. BC Gold player card memberships of 319,000 fell short of the targeted 400,000. This will continue as an ongoing strategy to ensure the continued development of this player base. During the fiscal year, BCLC replaced our network technology, moving 3,600 retailers to new Asymmetric Digital Subscriber Line (ADSL)-based network and completed development of a solution for 500 retailers outside of the ADSL coverage area to improve delivery and provide for future capacity in a secure and trusted manner.

Public acceptance risk

IMPACT AND LIKELIHOOD	RESULTS FOR 2007/2008
Without strong public support and acceptance, BCLC's ability to achieve our business and revenue objectives are placed 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.	**Strategy 5: Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs.** 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 robust industry practices that promote responsible play. We are committed to taking immediate action against breaches to assure players that gaming in British Columbia remains a secure and safe entertainment option. However, we need a better understanding and delivery method to address the beneficiaries of gaming and responsible gambling concerns in order to design solutions that will yield a measurable improvement in increasing player awareness of responsible gambling activities. Work during the 2007/2008 fiscal year has yielded results through the installation of 16 new Responsible Play Information Centres in casino and community gaming centre facilities, and the implementation of a new three-year Responsible Gambling Strategy. Additionally, BCLC committed significant resources to complete 11 of 23 British Columbia Ombudsman recommendations and five of 36 Deloitte recommendations to ensure the safety and integrity of our lottery system. BCLC's primary focus is to regain public trust and confidence in the lottery business, and we will continue to make substantial investments in implementing the British Columbia Ombudsman and Deloitte recommendations as part of our Player First initiatives.

Employee engagement and insufficient skills and capacity risks

IMPACT AND LIKELIHOOD	RESULTS FOR 2007/2008
Significant changes in the labour market, such as shifting workforce demographics or the availability of technical skills, adversely affect BCLC's ability to attract and retain highly skilled and motivated employees. Our service providers, and the service industry in general, are having difficulty recruiting workers for gaming facilities and retail locations. BCLC is heavily reliant on technology and skilled workers and, as such, recognizes the need to focus on building resources to meet the complexity and integration needs of our business.	**Strategy 6: Create a high-performance culture** During the fiscal year, BCLC completed an enterprise-wide engagement survey, yielding feedback and assessments from which to base change. Although the engagement score of 44% did not meet the target of 60%, BCLC is committed to an ongoing program of continuous improvement and with the feedback provided by all levels of the organization is positioning to demonstrate leadership and culture change. BCLC was successful in hiring 149 new employees in a difficult job market for skilled positions to support the strategic objectives of the organization.

CAPACITY

In fiscal 2007/08, Player First was introduced to improve BCLC's lottery business. To support this initiative, BCLC identified 60 projects incorporating recommendations from the British Columbia Ombudsman report and other audits. This resulted in a substantial increase in demand for capacity and resources.

To meet the responsibilities of this new focus, as well as the goals previously determined in the Service Plan 2007/08-2009/10, BCLC undertook a major recruitment process during the first three quarters of the year, including hiring significantly more lottery security investigators. Recruitment during the last quarter focused on providing more resources to departments that offer support services, and replacements for employees who had left the Corporation.

Between April 1, 2007 and March 31, 2008, BCLC hired 149 new employees. Overall, a total of 232 positions were filled by both new employees and existing employees, with 69 of these being temporary and contract positions.

BCLC continues to find the recruitment of high-level, qualified candidates with specific skills challenging.

In fiscal 2007/08, BCLC also made major investments in our technology infrastructure through a significant change in network capability.

FISCAL 2007/08

Along with other Crown corporations, BCLC produces public Service Plans and Annual Reports to detail our business plans and our progress in achieving those plans. These plans include public financial information, consistent with the requirements of the *Budget Transparency and Accountability Act* and the *Financial Information Act*.

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

To manage and direct performance against each of these goals, BCLC 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.

Data to evaluate progress in meeting BCLC's performance targets continues to be obtained from internal and external sources. Revenue and net income results are obtained from our audited financial statements. Other financial measures, including the operating cost ratio, are obtained from internal and public management reports.

BCLC contracts with external professional agencies to conduct surveys to assess our level of success in achieving public, player and employee performance targets. These agencies use statistical sampling and survey methodologies that can be relied upon with a high level of confidence. The responses are scored and reviewed against the targets BCLC has set. If we are doing well, we should be reaching our targets. If we are not doing well, with a rating below our target, we need to adjust the programs we are implementing and how we are delivering them.

In reporting on our performance, targets for 2008/09, 2009/10 and 2010/11 are as set in BCLC's Service Plan 2008/09-2010/11.

ALIGNMENT OF 2007/08 GOALS, STRATEGIES AND PERFORMANCE MEASURES

GOAL	STRATEGIES	PERFORMANCE MEASURES
1. To provide outstanding gaming entertainment generating income for the public good	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	1. Revenue 2. Operating Costs 3. Net Income 4. FTEs 5. Player Participation 6. Player Satisfaction
2. To be a respected organization that has a broad base of public support	5. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs	7. Public Support of Gaming 8. Public Support of BCLC 9. Public Recognition of Social Responsibility 10. Public Awareness of the Beneficiaries of Gaming
3. To have a workforce passionately driving the success of our business	6. Create a high-performance culture	11. Employee Engagement

GOAL 1: TO PROVIDE OUTSTANDING GAMING ENTERTAINMENT GENERATING INCOME FOR THE PUBLIC GOOD

BCLC's achievement of revenue, net income and player performance targets is dependent on our ability to develop innovative new games and services for our players that provide an exciting entertainment experience.

STRATEGIES	PERFORMANCE MEASURES	FISCAL 2006/07 ACTUAL	FISCAL 2007/08 TARGET	FISCAL 2007/08 ACTUAL	FISCAL 2008/09 TARGET	FISCAL 2009/10 TARGET	FISCAL 2010/11 TARGET
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	**Revenue ($ millions)**						
	Lottery	$ 983.1	$ 1,000.0	$ 958.2	$ 980.0	$ 1,000.0	$ 1,015.0
	eGaming	14.3	25.0	18.7	28.0	37.0	48.0
	Casino	1,208.9	1,240.0	1,322.1	1,400.0	1,450.0	1,510.0
	Bingo						
	Community Gaming Centre (CGC)	75.0	108.4	127.9	179.9	249.8	284.1
	Commercial	143.9	121.6	132.3	60.1	30.2	5.9
	Total Revenue	$ 2,425.2	$ 2,495.0	$ 2,559.2	$ 2,648.0	$ 2,767.0	$ 2,863.0
	Operating Cost Ratio (revenue)	4.4%	n/a	4.6%	n/a	n/a	n/a
	Operating Cost Ratio (net income)	10.5%	11.1%	10.9%	12.5%	12.2%	11.8%
	Net Income ($ millions)						
	Lottery	$ 282.6	$ 283.7	$ 261.7	$ 248.8	$ 252.4	$ 259.9
	eGaming	0.9	3.8	2.2	3.8	7.0	10.9
	Casino	698.6	701.3	761.8	792.3	808.6	843.1
	CGC/Bingo	36.7	44.2	63.2	65.1	92.0	96.1
	Total Net Income	$ 1,018.8	$ 1,033.0	$ 1,088.9	$ 1,110.0	$ 1,160.0	$ 1,210.0
	FTEs	596	633	638	n/a	n/a	n/a
	Player Participation	61%	67%	58%	n/a	n/a	n/a
	Player Satisfaction	85%	88%	84%	90%	90%	90%

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

1. Transform and reinvent lotteries to a growth business

Lottery gaming revenues have been relatively flat over the past few years. In fiscal 2007/08, the completion of a review by the British Columbia Ombudsman and audits of the lottery gaming system, including by GPEB and Deloitte, resulted in the dedication of considerable resources to a new Player First program to enhance the integrity, transparency, security and customer service of BCLC's lottery gaming activities.

This work had a significant impact on the ability to complete plans for new innovative and entertaining games designed to transform the lottery business, resulting in revenue and net income below targets by $48.1 million and $23.6 million respectively. SportsFunder provided lucky winners with the opportunity to experience the 2010 Winter Games through winning tickets to the Opening Ceremony and gold medal games.

BCLC completed a replacement of our lottery network technology that was reaching its end of life. This major project resulted in a new Asymmetric Digital Subscriber Line (ADSL), cellular and satellite Internet Protocol network that will provide the speed and capacity necessary to support future game and service innovations.

BCLC's primary focus is to regain public trust in our lottery system and we will continue to make substantial investments in implementing the British Columbia Ombudsman and other audit recommendations as part of our Player First initiatives.

To attract and entertain lottery players, investments will be made in strategic business drivers, including new games, distribution/service and marketing. We will also continue to work closely with our lottery channel partners, numbering 4,000 strong, to deliver outstanding customer service to players across the province.

2. Develop eLottery as a viable business

PlayNow revenue and net income targets were negatively impacted by several cancelled game launches this year. Several large Lotto 6/49 jackpot rolls combined with advertising and promotional offerings resulted in more registered players and revenue that was $4.4 million greater than last year.

With 2007/08 sales of $18.7 million, PlayNow continues to provide "best practice" responsible play controls that include spending limits and age and British Columbia residency verifications.

3. Build casino and community gaming facilities to meet domestic demand and build long-term tourism markets

Fiscal 2007/08 performance was a record year for casino and community gaming facilities, with casino revenues $82.1 million greater than target and $113.2 million greater than the previous year, and community gaming centre revenues $19.5 million greater than target and $52.9 million greater than the previous year.

BCLC continues our strategy to upgrade the quality of casino facilities, including opening the new Starlight Casino in Queensborough ahead of schedule as well as Hastings Park Racecourse, upgrading Fraser Downs and Treasure Cove and the closures of the Holiday Inn and Royal City Star. Slot machine product updates were completed ahead of schedule and the number of BC Gold player card members rose to 319,000. The fiscal 2007/08 casino gaming result was $1,322.1 million in revenue and $761.8 million in net income.

The traditional bingo business has continued to decline, with paper bingo revenue below fiscal 2007/08 targets. As part of the strategy to revitalize bingo, BCLC and our service providers continue to introduce community gaming centres with slot machines and new Chances facilities with improved aesthetics, amenities, customer service and entertainment value. In fiscal 2007/08, seven Chances community gaming centres opened. Fiscal 2007/08 community and bingo gaming results are $260.2 million in revenue and $63.2 million in net income.

4. Build player participation and loyalty by providing a fun and entertaining gaming experience

Player satisfaction with BCLC's games, services and facilities is a key factor in our continuing ability to generate income.

We will build on the excitement counting down to the Vancouver 2010 Olympic and Paralympic Winter Games with new games offering unique and coveted event-ticket prizes with proceeds allocated to amateur sport in British Columbia.

During the next three years, BCLC will continue upgrades to gaming facilities that include other entertainment and dining amenities, open more Chances locations, develop out-of-province tourism markets and offer players refreshed games, events and promotions that provide fun and entertaining play experiences. BCLC is also investigating the potential to partner with other Canadian jurisdictions to source an open system that would enable us to have one view of the BCLC player and provide the opportunity for players to participate in any of our games, where and when they want.

BCLC continues to provide player focused-rewards and incentives, including the planned introduction of the BC Gold player card in community gaming centres, and over the next three years will extend rewards and incentives across all gaming channels.

GOAL 1: TO PROVIDE OUTSTANDING GAMING ENTERTAINMENT GENERATING INCOME FOR THE PUBLIC GOOD

MEASURE 1: REVENUE GENERATION

IMPORTANCE

This performance indicator measures BCLC'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 by our ability to achieve or exceed our revenue targets while offering entertaining and socially responsible products to our players.

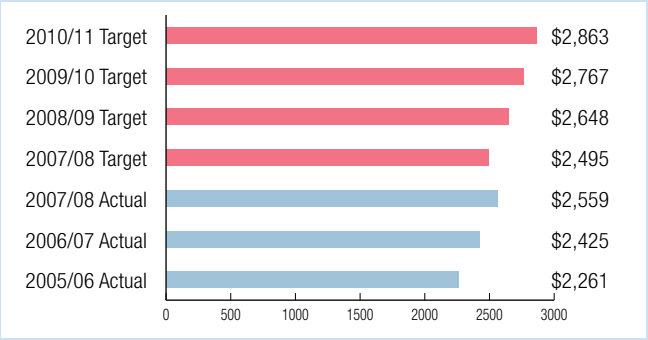
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, revenue grew $134 million or 5.5% over the previous fiscal year. Lottery and eGaming revenue did not meet targets as internal resources focused on the review of the lottery gaming system by the British Columbia Ombudsman and the independent audit by Deloitte. Casino revenue continued to increase more than forecast and strong growth was also the experience in community gaming.

During the next three years, revenues are forecast to increase from $2,559.2 million to $2,863.0 million, an increase of $303.8 million or 11.8%. This reflects strong casino and community gaming centre revenue growth through facility improvements and game innovations, a conservative lottery forecast and a decline in bingo revenue.

TARGET EXCEEDED

REVENUE IN MILLIONS



DATA SOURCE:

BCLC Service Plan 2008/09-2010/11 and Audited Financial Statements

MEASURE 2: OPERATING COST RATIO

IMPORTANCE

In fiscal 2007/08, this performance indicator measured the ratio of operating costs as a percentage of total revenues as reported in our consolidated financial statements. Operating costs exclude direct costs, amortization, other expenses and taxes.

Starting in fiscal 2008/09, this performance indicator will measure operating costs as a percentage of net income. Reporting on the cost of delivering a dollar of net income to Government is important for BCLC to ensure our operations are effective and efficient. BCLC has provided the operating cost ratio based on net income for years prior to fiscal 2008/09 for comparison purposes.

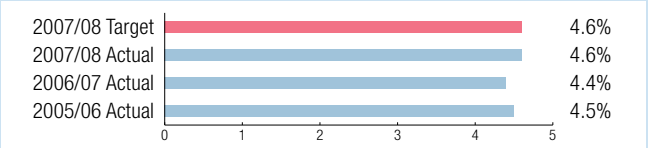
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, operating costs as a percentage of total revenue were on target at 4.6%. When measured as a percentage of net income, operating costs were 10.9% of net income and 0.2% better than the target of 11.1%.

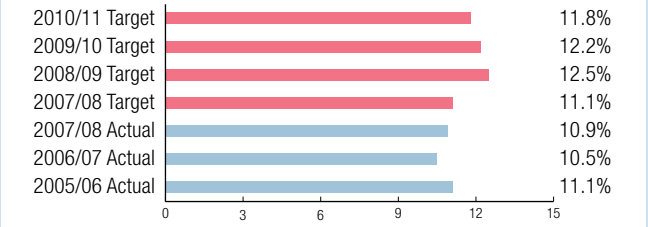
In fiscal 2008/09, the operating cost ratio based on net income is forecast to increase by 1.6%. We will continue to utilize technology and implement best practices to ensure the organization is as effective and efficient as possible. This will include continuing to implement Player First activities and fund upgrades to BCLC's lottery, casino, bingo and eGaming systems so that all gaming systems have a high level of internal control and integrity.

TARGET ACHIEVED

OPERATING COSTS AS A % OF REVENUE



OPERATING COSTS AS A % OF NET INCOME



DATA SOURCE:

BCLC Service Plan 2008/09-2010/11 and Audited Financial Statements

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 mandate to generate income for Government.

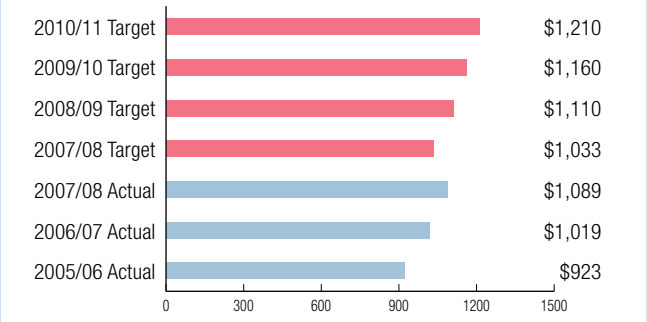
PERFORMANCE RESULTS 2007/08

This was an extremely successful year for BCLC as net income was up more than $70 million or 6.9% over last year, and fiscal 2007/08 targets were exceeded by $56 million. The strong performance was due to the successful shift from commercial bingo hall facilities to community gaming centres and stronger than forecast growth for casinos.

During the next three-year period, net income is forecast to increase from $1,088.9 million to $1,210.0 million, an increase of $121 million or 11.1%. This increase reflects a shift in product mix to higher margin contribution casino-style games and BCLC's strategies to encourage innovation and better player focus on service, building participation and loyalty and continued casino and community gaming centre improvements, customer relationship management, the transformation and growth of the lottery business and continued optimization of our PlayNow eGaming site on bclc.com.

TARGET EXCEEDED

NET INCOME IN MILLIONS



DATA SOURCE:

BCLC Service Plan 2008/09-2010/11 and Audited Financial Statements

GOAL 1: TO PROVIDE OUTSTANDING GAMING ENTERTAINMENT GENERATING INCOME FOR THE PUBLIC GOOD (CONTINUED)

MEASURE 4: FULL-TIME EQUIVALENTS

IMPORTANCE

This performance indicator measures the number of full-time equivalents (FTEs) employed by BCLC.

Starting in fiscal 2008/09, this performance indicator will no longer be reported, as BCLC plans to measure operating costs as a percentage of net income in order to report on our cost to deliver a dollar of net income to Government. The cost of FTEs is included in operating costs.

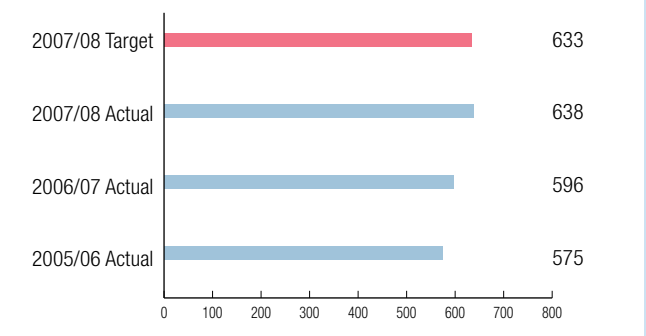
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, FTEs were five higher than target and are attributed to BCLC's focus on improving the integrity and security in the lottery gaming system through Player First programs.

The number of FTEs will increase by 146 positions in fiscal 2008/09 to support our lottery, eGaming, casino and community gaming business, Player First and other business integrity investments. This increase in FTEs will be tempered by the effectiveness and efficiencies that will be achieved as systems are upgraded and processes are improved so that all systems have a high level of internal control and integrity.

TARGET NOT ACHIEVED

FULL-TIME EQUIVALENTS



DATA SOURCE:

BCLC internal management report

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.

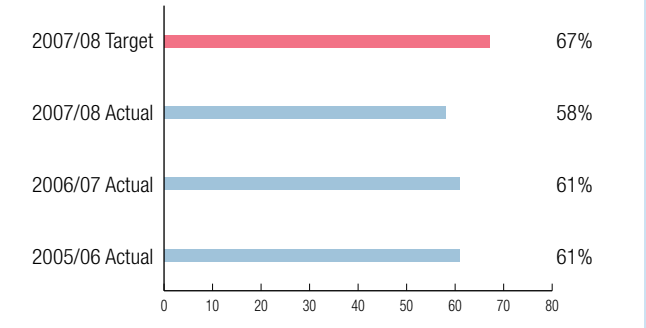
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, player participation declined 3% over the previous fiscal year and was 9% below target. While BCLC planned to continue growing player participation, the focus on events surrounding the British Columbia Ombudsman report is the primary reason for this downward trend, which began to reverse in the fourth quarter.

BCLC does not plan to use this measure going forward as our net income is the result of player participation and our mandate is to generate income for Government through conducting and managing gaming in a socially responsible way.

TARGET NOT ACHIEVED

PLAYER PARTICIPATION



DATA SOURCE:

This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

MEASURE 6: PLAYER SATISFACTION

IMPORTANCE

This performance indicator measures player satisfaction for the games, services and gaming facilities offered through the lottery, eGaming, casino and bingo gaming channels. This performance measure is directly linked to our ability to generate net income.

Player satisfaction has been in the 80% range over the past several years.

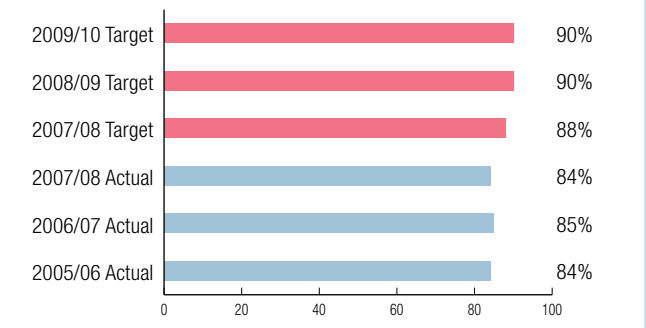
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, player satisfaction declined 1% compared to the previous year and was 4% lower than the target. The decrease resulted from a decline in satisfaction at lottery hospitality locations, casinos and existing commercial bingo halls (not renovated), while satisfaction at community gaming sites was maintained at the same level as the previous fiscal year.

Through innovation in games and services and improving the player experience, our objective is to increase player satisfaction to 90% and maintain that level for the next three years.

TARGET NOT ACHIEVED

PLAYER SATISFACTION



DATA SOURCE:

This information is obtained through a continuous tracking study completed by an external research agency and through facility exit interviews reported to BCLC quarterly. The composite average is obtained from the satisfaction results in lottery, eGaming, casino and bingo gaming weighted with each channel's audited annual contribution to net income.

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

STRATEGY	PERFORMANCE MEASURES	FISCAL 2006/07 ACTUAL	FISCAL 2007/08 TARGET	FISCAL 2007/08 ACTUAL	FISCAL 2008/09 TARGET	FISCAL 2009/10 TARGET	FISCAL 2010/11 TARGET
5. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs	Public Support of Gaming	56%	52%	62%	62%	63%	64%
	Public Support of BCLC	68%	65%	64%	n/a	n/a	n/a
	Public Recognition of Social Responsibility	58%	56%	61%	n/a	n/a	n/a
	Public Awareness of Beneficiaries of Gaming	37%	35%	35%	n/a	n/a	n/a

BCLC's success in the marketplace is dependent on public support. In 2007/08, BCLC utilized four measures for public support: public support of gaming; public support of BCLC; public recognition of social responsibility; and public awareness of the beneficiaries of gaming.

The achievement of BCLC's goal to be a respected organization that has a broad base of public support was supported by three strategies:

1. Increase the public's awareness of the beneficiaries of gaming revenues

BCLC met our target of maintaining public awareness of beneficiaries of gaming at 35%, a target that is 2% lower than the previous year and was accomplished through public communication programs. We have removed this measure for future years, as BCLC does not have the mandate to make the public aware of how Government distributes gaming income.

BCLC will continue to strive to have a positive effect on British Columbia communities as we operate our business. Over the next three years as Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games, BCLC's sponsorship will benefit players as well as the public. In concert with other Crowns, our activities to be carbon neutral by 2010 are good for BCLC and the environment.

2. In partnership with GPEB, execute best practice responsible gambling programs

BCLC has made substantial progress in advancing our responsible gambling programming activities, with significant focus on the continued introduction of Responsible Play Information Centres, expansion of Appropriate Response Training to our lottery retailers, continued development of the British Columbia Partnership for Responsible Gambling and development of a new BCLC advertising code.

The World Lottery Association (WLA) endorses seven responsible gaming principles and a certification process that provides its members with a four-level framework to publicly demonstrate their commitment to operating gaming in a socially responsible manner.

BCLC is completing the self-assessment application process for the review and approval of WLA and plans to achieve level 3 in 2008/09. This process will be used as a tool for planning responsible gambling activities.

- **Continue the three-year Responsible Gambling Strategic Plan**
  BCLC's responsible gambling programming primarily targets gamblers who may have a propensity to develop a problem. BCLC's responsible gambling programs are designed to inform and educate players to help encourage responsible play and to prevent problem gambling behaviours from developing. Programs in place to respond to problem gamblers include our Voluntary Self-Exclusion program and referral to Government's Problem Gambling Help Line.
- **Expand the British Columbia Partnership for Responsible Gambling**
  The membership includes 10 municipalities and six gaming service providers. The most recent Responsible Gambling Forum focused on youth and generated a number of ideas for educational initiatives. One result is an advertisement that discourages parents from purchasing lottery tickets as Christmas gifts for minors. A steering committee is developing a broad strategic plan to guide further activities.
- **Expand Responsible Play Information Centres**
  BCLC's Responsible Play Information Centres (RPICs) are now well established in casinos and community gaming centres. Casino RPICs are located on or immediately adjacent to the gaming floors in high-traffic areas, with on-site staff to reach a broad base of players. Self-service terminals are available when RPICs are unstaffed and are in use in some casinos where RPICs are scheduled for implementation in 2008/09. All community gaming centres have self-service terminals. By the end of 2008/09, RPICs will be in all casinos and community gaming centres.
- **Enhance youth prevention initiatives**
  To date, initiatives are being addressed through the British Columbia Partnership for Responsible Gambling.
- **Continue responsible gambling training with frontline gaming workers**
  Appropriate Response Training (ART) is provided for all front-line gaming facility employees, supervisors and managers and is available online and in classroom formats. Training is delivered by BCLC and trained facilitators from GPEB's network of problem gambling counsellors and prevention co-ordinators. This year, BCLC launched an ART program for lottery retailers; responsible gambling questions are included in the lottery retailer certification test. The ART program was reviewed this year with areas identified for improvement. ART improvements will be made by the Responsible Gambling Council in 2008/09 along with recommendations formulated to improve the delivery model.

3. Maintain, improve and protect the integrity of our games, services and business operations

In 2006 and 2007, BCLC's lottery operations underwent a review by the British Columbia Ombudsman and other audits, including by GPEB and Deloitte. None of them identified any incorrect payments of lottery prizes, but each recommended ways BCLC can enhance the integrity and security of the lottery system, particularly prize payout and validation processes, security investigations and overall support provided to the player. BCLC developed Player First as our most important initiative to significantly enhance our focus on lottery players and the lottery prize payout and validation processes.

Player First is a comprehensive response to implementing 23 recommendations made by the British Columbia Ombudsman and Deloitte recommendations, and in many cases goes even further than recommended to put the player first. It includes initiatives that range 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 to take to adequately protect themselves. In 2007/08 BCLC completed 11 of the British Columbia Ombudsman recommendations.

In 2008/09, BCLC will add full-time security in major casinos to augment the security and surveillance provided by our service providers, as well as to liaise with local police authorities as required. In community gaming centres, BCLC is adding staff to improve our oversight of the controls and security. Our back office casino systems are being upgraded to ensure they can continue to support the integrity of gaming in casinos and community gaming centres.

BCLC is upgrading our internal controls and processes to enhance business integrity and support transparency. In 2007/08, BCLC increased internal audit and compliance focus and supported this with a newly formalized code of business conduct and ethical standards for our employees. Increased staff in internal audit, legal and security and a new player relations function are examples of new initiatives to effect these changes. The Business Continuity Management program will focus on warehouse/distribution and finance activities in the coming fiscal year.

GOAL 2: TO BE A RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT (CONTINUED)

MEASURE 7: PUBLIC SUPPORT OF GAMING

IMPORTANCE

This performance indicator measures the percentage of adults in British Columbia who support legalized gaming in British Columbia. Gaming continues to be controversial, with increasing numbers and types of games, services and facilities. Public concerns with the impacts of problem gambling in local communities and a lack of awareness of how gaming revenues are spent continues to negatively impact public acceptance for gaming in British Columbia. This is also true across Canada, where support has been declining for a number of years.

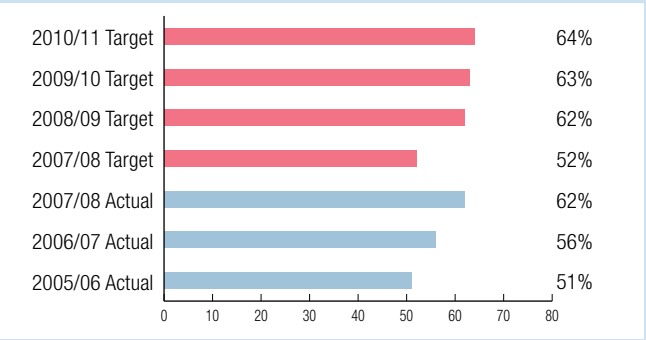
PERFORMANCE RESULTS 2007/08

From fiscal 2003/04 to fiscal 2005/06, public support of gaming declined by 7%. This trend has reversed, with a 6% increase in support in fiscal 2007/08 compared to the previous fiscal year and 10% higher than BCLC's target.

BCLC will continue to build public support of gaming. This will be done through the delivery of our games in a socially responsible manner, the continued strengthening of responsible gambling programs, having a positive effect on British Columbia communities as we operate our business, by ensuring the integrity and security of our games and raising awareness of gaming beneficiaries through linking games to worthy causes, such as SportsFunder.

TARGET EXCEEDED

PUBLIC SUPPORT OF GAMING



DATA SOURCE:

This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

MEASURE 8: PUBLIC SUPPORT OF BCLC

IMPORTANCE

This performance indicator measures the percentage of adults in British Columbia who have a favourable impression of BCLC.

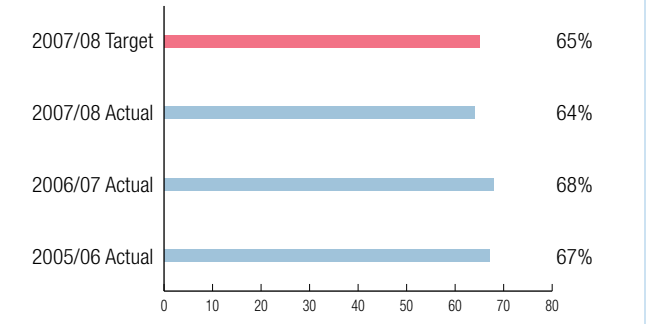
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08 support for BCLC declined 4% compared to the previous year and was 1% below target. The focus on events surrounding the review by the British Columbia Ombudsman is the primary reason for this trend, which began to reverse in the fourth quarter.

This measure has been removed for fiscal 2008/09. Support of BCLC as an organization is of lesser importance than whether the public has trust and confidence in the gaming activities BCLC oversees.

TARGET NOT ACHIEVED

PUBLIC SUPPORT OF BCLC



DATA SOURCE:

This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

MEASURE 9 : PUBLIC RECOGNITION OF SOCIAL RESPONSIBILITY

IMPORTANCE

This performance indicator measures the percentage of adults in British Columbia who agree that BCLC 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 seriously.

PERFORMANCE RESULTS 2007/08

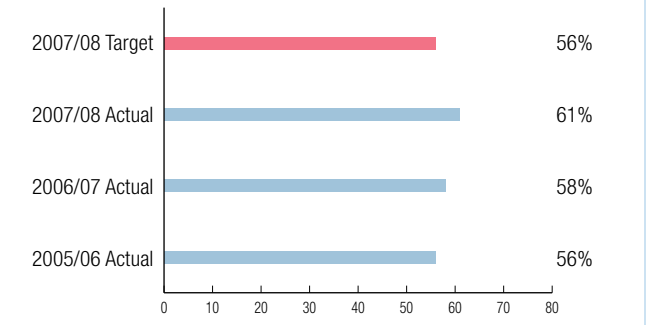
In fiscal 2007/08, the public's recognition of social responsibility was 3% higher than last year and 5% higher than BCLC's target.

For fiscal 2008/09, BCLC has changed this measure to Player Awareness of Responsible Gambling Activities. This new measure is better aligned with BCLC's mandate to communicate with our players and within our gaming facilities about responsible play and how to access the programs that are available.

BCLC will measure the percentage of our players who are aware of our activities to deliver responsible gambling programs. Working in partnership with GPEB, service provider partners and those involved in the prevention and treatment of problem gambling through the Responsible Gambling Strategy, BCLC will continue to encourage safe and healthy use of our gaming entertainment products.

TARGET EXCEEDED

PUBLIC RECOGNITION OF SOCIAL RESPONSIBILITY



DATA SOURCE:

This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

GOAL 2: TO BE A RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT (CONTINUED)

MEASURE 10: PUBLIC AWARENESS OF THE BENEFICIARIES OF GAMING

IMPORTANCE

This performance indicator measured the percentage of adults in British Columbia who have an awareness of how gaming income is distributed. Public awareness of the beneficiaries of gaming is directly related to public acceptance of gaming and BCLC's ability to generate income.

BCLC offers great gaming entertainment experiences and chances to win prizes. In addition to the more than $647.1 million in lottery, bingo and eGaming prizes that was paid out to players in fiscal 2007/08, BCLC paid $557.2 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 2007/08, $1,080.4 million in net income was provided to Government to use to support key programs, including health care, education and recreation, and is distributed to local communities that offer our gaming products and charitable and community organizations throughout British Columbia.

BCLC will continue to be involved in the communities where we operate.

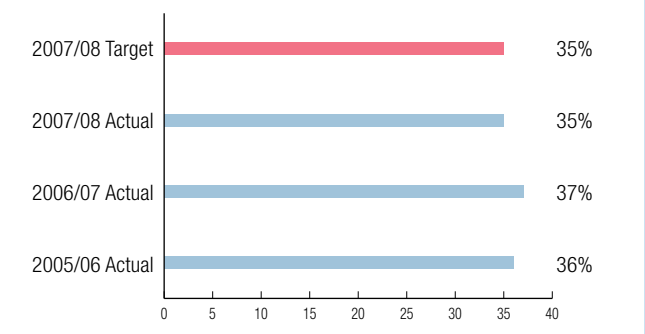
PERFORMANCE RESULTS 2007/08

The public awareness of how gaming income is distributed was on target this year at 35%, but down 2% over the previous year.

This measure has been removed for fiscal 2008/09. BCLC's mandate is to provide net income to Government. BCLC does not have the mandate to make the public aware of how Government distributes gaming income.

TARGET ACHIEVED

PUBLIC AWARENESS OF THE BENEFICIARIES OF GAMING



DATA SOURCE:

This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

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

STRATEGY	PERFORMANCE MEASURE	FISCAL 2006/07 ACTUAL	FISCAL 2007/08 TARGET	FISCAL 2007/08 ACTUAL	FISCAL 2008/09 TARGET	FISCAL 2009/10 TARGET	FISCAL 2010/11 TARGET
6. Create a high-performance culture	Employee Engagement	54%	60%	44%	55%	60%	65%

The achievement of BCLC's goal to have a workforce passionately driving the success of our business was 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.

For the second year, BCLC was recognized as one of British Columbia's Top 40 Employers and this recognition is one factor that will continue to attract new employees with the leadership and skills required to take BCLC into the future.

In fiscal 2007/08, BCLC underwent significant change in leadership. Over the next three years, focus on employee engagement, leadership, communication, recognition and work processes are expected to positively impact BCLC's employee culture.

GOAL 3: TO HAVE A WORKFORCE PASSIONATELY DRIVING THE SUCCESS OF OUR BUSINESS (CONTINUED)

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.

PERFORMANCE RESULTS 2007/08

In 2006 and 2007 several factors, including the review and audits of BCLC, negative media and public attention to lottery gaming issues and organizational change, negatively impacted employee morale, which was reflected in the pulse check conducted in November 2007. This pulse check asked employees to rate their level of engagement over an abbreviated range of attributes, including alignment with the Player First program, work environment, people practices, recognition and benefits.

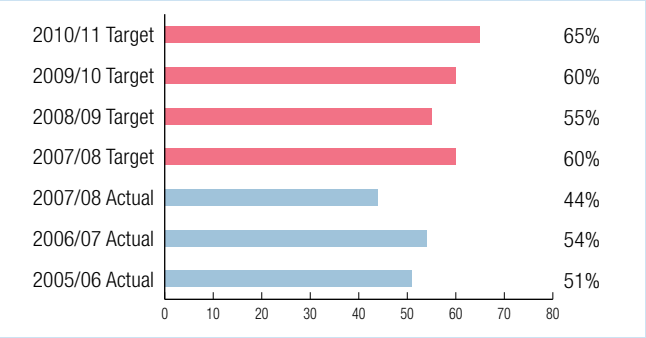
Participation by employees was high at 81% but resulted in a 44% engagement score, a decrease of 10% from the previous year. This result is lower than the 52% average for Canadian gaming, overall Canadian average of 62% and North American average of 55%.

BCLC reviewed the engagement results at the senior executive level and communicated the results to all employees. Senior executive discussed engagement results with their teams and built divisional action plans. A team of leaders from across the organization have been reviewing ideas and will make recommendations to the senior executive on ways to improve engagement. Another pulse check will be held in spring 2008 to measure our progress and gauge employee perception of changes made to date, although BCLC recognizes that significant change will take more time.

BCLC is fully committed to improving employee engagement. Significant leadership focus will improve programs that support employee recognition, development and productivity in fiscal 2008/09 with the objective of increasing employee engagement from 44% to 55% in fiscal 2008/09 and to 65% in the next three years.

TARGET NOT ACHIEVED

EMPLOYEE ENGAGEMENT



DATA SOURCE:

This information is obtained through an annual employee survey or pulse check conducted by Hewitt Associates. BCLC participates in Hewitt's cross-Canada survey of Canadian businesses for which results are published as the 50 Best Employers in Canada.

SERVICE PLAN 2008/09 – 2010/2011

BCLC's Board and Executive review our mission, goals, strategies, performance measures and the associated targets on an annual basis.

For fiscal 2008/09, BCLC's mission statement has been updated to "To generate income by offering responsible gaming entertainment" removing "for the public good." BCLC's net income is provided to Government, and Government makes all decisions about how to distribute gaming income for public benefit.

BCLC has added one new goal and updated the first two of our four goals to reflect a better balance between our mandate to conduct and manage gaming in British Columbia to generate revenue and our corporate social responsibility. Updated strategies describe how we will achieve this balance. Performance measures and targets have also been revised to reflect an increased focus on our players and strengthened social responsibility.

This chart compares the goals in our Service Plan 2007/08-2009/10 to the goals in our Service Plan 2008/09-2010/11.

2007/08 – 2009/10 SERVICE PLAN GOALS	2008/09 – 2010/11 SERVICE PLAN GOALS	COMMENTS
To be a respected organization that has a broad base of public support.	Ensure players come first.	It is important that the gaming BCLC manages has the support of the public in order for BCLC to continue to generate and maximize net income for Government.
To provide outstanding gaming entertainment, generating income for the public good.	Provide an outstanding gaming experience for players and generate income.	Our primary focus is on the games, services, facilities and overall support we provide to our players. Government determines how gaming income will be distributed and distributes it.
N/A	Demonstrate social responsibility in all of our activities.	This new goal and associated activities will place more emphasis on ensuring social responsibility and better balance between this goal and that of generating revenue.
To have a workforce passionately driving the success of our business.	Have a workforce passionately driving the success of our business.	Minor wording change.

SERVICE PLAN 2008/09 – 2010/11 GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

GOALS	OBJECTIVES	STRATEGIES	PERFORMANCE MEASURES
1. Ensure players come first	a. Grow the public trust in the integrity of, and support for, gaming BCLC manages	1. Entrench a player focus in all BCLC activities	1. Public trust and confidence in BCLC games
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	2. Provide opportunities within BCLC's business and operating model to encourage innovation and better player service 3. Build player participation and loyalty through player-focus on product innovation, continued facility improvement and customer relations management 4. Implement programs to improve business integrity and operational efficiencies 5. Transform and grow the lottery business 6. Build and leverage PlayNow to achieve its potential as a robust, secure and successful channel	2. Net income 3. Operating cost ratio (of net income) 4. Player satisfaction
3. Demonstrate social responsibility in all our activities	a. Ensure our games are provided in a socially responsible manner b. Have a positive effect on communities as we operate our business	7. Improve responsible gambling strategy and delivery of programs 8. Develop and begin implementation of BCLC's plan for carbon neutrality by 2010 9. Promote BCLC's business through Vancouver 2010 Olympic and Paralympics Winter Games sponsorship	5. Player awareness of responsible gambling activities 6. Public support of gaming
4. Have a workforce passionately driving the success of our business	a. Create a high performing organization that strives to continually improve	10. Develop and implement a high performance culture human resources plan 11. Provide recognition and engagement opportunities for employees to be visibly connected to and appreciated for their contribution to British Columbia's communities	7. Employee engagement

This chart provides the new performance measures and targets reflected in BCLC's Service Plan 2008/09 - 2010/11.

PERFORMANCE MEASURES	2007/08 SERVICE PLAN TARGET	2007/08 SERVICE PLAN ACTUAL	2008/09 SERVICE PLAN TARGET	COMMENTS
Public Trust and Confidence in BCLC Games	n/a	n/a (baseline 61%)	64%	This new measurement will provide BCLC with an understanding of whether our activities to enhance the integrity and security of the games we manage are increasing the public's trust and confidence in gaming. We will adjust programs and delivery if needed based on actual performance. A baseline was established in the final quarter of 2007/08 and the target subsequently set for 2008/09.
Player Awareness of Responsible Gambling Activities	n/a	n/a (baseline 82%)	84%	BCLC's role in the Responsible Gambling Strategy is to communicate to our players and ensure players have access to responsible gaming programs. This measure will assess whether we are successful in making players aware of how to play responsibly and what programs are available. A baseline was established in the final quarter of 2007/08 and the target subsequently set for fiscal 2008/09.

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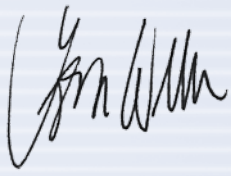
APPENDIX V

Management's Responsibility for Financial Reporting

The financial statements of British Columbia Lottery Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of British Columbia Lottery Corporation as at March 31, 2008, and the results of its operations and cash flow for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of British Columbia Lottery Corporation and expressed an unqualified opinion on the financial statements of British Columbia Lottery Corporation.



Tom Williamson
Vice-President (Acting),
Finance and Corporate Services

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2008 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Kamloops, Canada
April 18, 2008

Consolidated Balance Sheet

March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

	2008	2007
ASSETS		
Cash (note 3)	$ 3,999	$ (4,338)
Short-term investments	91,325	111,884
Accounts receivable (note 4)	80,440	82,443
Prepaid expenses	5,721	4,227
Inventory (note 5)	4,203	5,256
Accrued pension plan asset (note 6)	15,749	11,933
Property, plant and equipment (note 7)	115,051	119,910
	$ 316,488	$ 331,315
LIABILITIES		
Prizes payable	$ 43,837	$ 40,514
Accounts payable and accrued liabilities	46,319	53,652
Accrued post retirement benefit obligation (note 6)	31,767	27,454
Payable to Interprovincial Lottery Corporation	1,685	4,161
Due to Government of British Columbia	192,880	205,534
Commitments and contingencies (notes 14 and 15)		
	$ 316,488	$ 331,315

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Director

Approved:

Kathy Stevenson
Director

Consolidated Statement of Income

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

	2008	2007
Revenue (note 8):		
Lottery	$ 976,910	$ 997,414
Casino	1,322,123	1,208,891
Bingo	260,154	218,903
	2,559,187	2,425,208
Direct expenses:		
Prizes	647,059	650,846
Commissions	579,313	528,446
Ticket printing and bingo paper	17,041	19,586
	1,243,413	1,198,878
Revenue less direct expenses	1,315,774	1,226,330
Operating expenses:		
Administrative expenses	118,817	106,728
Amortization	64,908	64,024
Other expenses	3,442	2,586
Marketing Trust Account (note 9):		
Marketing Trust Account income	(13,703)	(9,715)
Marketing Trust Account expenditures	13,703	9,715
Net income from operations	1,128,607	1,052,992
Non-operating income (expense):		
Net horse racing betting fees (note 10)	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses (note 11)	(1,600)	(1,600)
Goods and Services Tax expense (note 20)	(39,992)	(34,472)
Net income, being comprehensive income	$ 1,088,893	$ 1,018,798
Allocation of net income:		
Government of British Columbia	$ 1,080,377	$ 1,010,387
Government of Canada (note 12)	8,516	8,411
	$ 1,088,893	$ 1,018,798

Sector activity information (note 18)
See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Government of British Columbia

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

	2008	2007
Balance, beginning of year	$ 205,534	$ 175,534
Net income	1,088,893	1,018,798
	1,294,427	1,194,332
Payments to Government of British Columbia	1,093,031	980,387
Payments to Government of Canada	8,516	8,411
	1,101,547	988,798
Due to Government of British Columbia	$ 192,880	$ 205,534

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

	2008	2007
Cash provided by (used in):		
OPERATIONS:		
Net income	$ 1,088,893	$ 1,018,798
Adjustments for:		
Amortization of property, plant and equipment	64,908	64,024
Gain on disposal of property, plant and equipment	(518)	(485)
	1,153,283	1,082,337
Changes in non-cash operating items:		
Accounts receivable	2,003	(8,476)
Prepaid expenses	(1,494)	(1,636)
Inventory	1,053	(343)
Accrued pension plan asset	(3,816)	(5,287)
Prizes payable	3,323	(1,961)
Accounts payable and accrued liabilities	(7,331)	(13,443)
Accrued post retirement benefit obligation	4,313	3,913
Payable to Interprovincial Lottery Corporation	(2,476)	2,492
	1,148,858	1,057,596
FINANCING:		
Short-term investments	20,559	(28,006)
Payments to Government of British Columbia	(1,093,031)	(980,387)
Payments to Government of Canada	(8,516)	(8,411)
	(1,080,988)	(1,016,804)
INVESTMENTS:		
Additions to property, plant and equipment	(60,454)	(43,927)
Proceeds on disposal of property, plant and equipment	921	1,365
	(59,533)	(42,562)
Increase (decrease) in cash	8,337	(1,770)
Cash (overdraft), beginning of year	(4,338)	2,568
Cash (overdraft), end of year	$ 3,999	$ (4,338)

See accompanying notes to consolidated financial statements.

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

1. NATURE OF THE CORPORATION:

British Columbia Lottery Corporation (BCLC) is a Crown corporation. BCLC was incorporated under the *Company Act* of British Columbia on October 25, 1984, and is continued under the *Gaming Control Act* (August 2002). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games, which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation, as well as the Marketing Trust Account, a variable interest entity (see note 9).

(b) Short-term investments:

Short-term investments are valued at fair value.

(c) Inventory:

Inventory is recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

(d) Property, plant and equipment:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year will be capitalized.

The Corporation's property, plant and equipment are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

ASSET	RATE	ASSET	RATE
Corporate facilities and equipment	5 years	Corporate information systems	3 years
Lottery gaming systems and equipment	5 years	Casino gaming systems and equipment	3 years
Bingo gaming systems and equipment	3 years		

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Employee future benefits:

The Corporation has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the highest 60 consecutive months of pensionable earnings. The cost of this program is funded by employee and employer contributions.

The Corporation also sponsors post retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on estimates provided by independent actuaries.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments or initiations are amortized on a straight-line basis over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plans. The EARSL for the Registered Plan is 13 years.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(f) Revenue recognition:

Lottery games:

The recognition of lottery sales and the corresponding direct expenses for online games is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue, and the associated direct costs are recorded as prepaid expenses.

The recognition of lottery sales and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(f) Revenue Recognition (Continued):

Bingo games:

Revenue from the operation of paper, electronic, linked, and handheld Bingo and the associated selling costs and prize expenses are included in the consolidated statement of income in the same period the game is played. Revenue from bingo slot machines is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

Casinos:

Revenues from casino slot machines and table games are recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

(g) Prize expenses:

Lottery prize expenses are recorded based on the actual prize liability experienced for each online game, and theoretical prize libilities for instant ticket games.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the nature of games of chance. Over the life of a game, the actual prize expense will equal theoretical expense.

Expired prize funds are to be paid out to the player in the form of bonus prizes and/or bonus draw promotions.

(h) Software development costs:

Software development costs are deferred if they meet certain criteria specified by Canadian generally accepted accounting principles; otherwise they are expensed as incurred.

(i) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(j) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include pension plan assets, liabilities and expenses, and Goods and Services Tax liability and expense. Actual results could differ from those estimates.

(k) Accounting pronouncements adopted during the year:

Effective April 1, 2007, the Corporation adopted the following CICA Handbook sections, which became effective for the Corporation on that date:

Section 3855 "Financial Instruments – Recognition and Measurement," which prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are subsequently measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Upon adoption of this standard, the Corporation designated or classified its financial assets and liabilities as follows:

- Cash, short-term investments, and bingo and casino cash floats were designated as held for trading and measured at their fair value, with changes in fair value recognized in the consolidated statement of income;
- Accounts receivable have been classified as loans and receivables and are measured at amortized cost; and
- Accounts payable and accrued liabilities, prizes payable and payable to Interprovincial Lottery Corporation have been classified as other financial liabilities and are measured at amortized cost.

In accordance with the transitional provisions of Section 3855, the Corporation has applied the new accounting policy retrospectively, without restatement of prior period's financial statements and there was no effect on the financial statements on adoption.

Section 3861 "Financial Instruments--Disclosure and Presentation" establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The adoption of this Section has not significantly impacted the Corporation's financial statements. Disclosure of the financial significance of financial instruments to the Corporation's financial position, performance and cash flows, and to assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments is located in note 17.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

The Corporation has determined that no items should be reported in other comprehensive income, and therefore net income is equal to comprehensive income.

(l) Accounting pronouncements issued but not yet effective:

The following new CICA Handbook sections have been issued and become effective for the Corporation, as of its fiscal year commencing April 1, 2008:

Section 3031 "Inventories," which prescribes the accounting treatment for inventories, particularly the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value. The adoption of this section is not expected to significantly impact the Corporation's financial statements.

Section 3862 "Financial Instruments – Disclosure" and Section 3863 "Financial Instruments – Presentation," which further expand on the standards for financial statement disclosure and presentation of financial instruments prescribed in Section 3861 above.

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

3. CASH:

	2008	2007
Bank overdraft	$ (2,912)	$ (10,501)
Marketing Trust Account	6,911	6,163
	$ 3,999	$ (4,338)

Cash includes an amount of $6,911 (2007 - $6,163) held in trust in accordance with the Casino Operational Services Agreement (COSA) between BCLC and the participating Service Providers.

A corresponding trust liability in the amount of $6,911 (2007 - $6,163) is also included in accounts payable and accrued liabilities (see note 9).

4. ACCOUNTS RECEIVABLE:

	2008	2007
Trade accounts receivable:		
Lottery retailers	$ 16,157	$ 24,499
Casino service providers	22,251	15,698
Bingo service providers	6,267	3,426
	44,675	43,623
Casino cash floats	34,825	32,075
Other	940	6,745
Total accounts receivable	$ 80,440	$ 82,443

Casino cash floats provided by the Corporation are secured by Irrevocable Standby Letters of Credit.

5. INVENTORY:

The major components of inventory are instant tickets, materials, and supplies.

	2008	2007
Instant tickets	$ 3,375	$ 4,034
Online supplies	91	225
Casino mystery bonus	498	561
Bingo paper and supplies	234	431
Other inventory	5	5
	$ 4,203	$ 5,256

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

6. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan (RPP) and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2008	2007	2008	2007
Accrued benefit obligation:				
Balance at beginning of year	$ 81,502	$ 68,658	$ 39,919	$ 33,128
Current service cost	3,841	2,912	2,102	1,792
Interest cost	4,401	3,813	2,256	2,073
Employee contributions	1,644	1,451	–	–
Past service cost	–	–	–	–
Benefits paid	(3,125)	(3,493)	(499)	(458)
Special termination benefits	725	–	–	–
Actuarial loss (gain)	(13,133)	8,161	(8,258)	3,384
Balance at end of year	75,855	81,502	35,520	39,919
Plan assets:				
Fair value at beginning of year	78,053	65,829	–	–
Actual return on plan assets	(1,347)	6,889	–	–
Employer contributions	7,794	7,377	499	458
Employee contributions	1,644	1,451	–	–
Benefits paid	(3,125)	(3,493)	(499)	(458)
Balance at end of year	83,019	78,053	–	–
Funded status – excess (deficiency)	7,164	(3,449)	(35,520)	(39,919)
Employer contributions after measurement date	176	179	–	–
Unamortized past service cost	645	762	(4,890)	(5,297)
Unamortized net actuarial loss	7,764	14,441	8,643	17,762
Accrued pension plan benefit asset (liability)	$ 15,749	$ 11,933	$ (31,767)	$ (27,454)

	2008	2007
Plan assets by asset category:		
Equity securities	66%	64%
Debt securities	34%	36%
	100%	100%

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made as of March 31, 2006 by Mercer Human Resource Consulting, a firm of consulting actuaries. The next required valuation will be as of March 31, 2009, with results available in late 2009. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

6. EMPLOYEE FUTURE BENEFITS (CONTINUED):

	Pension Plans		Post Retirement Benefit Plans	
	2008	2007	2008	2007
At beginning of period:				
Discount rate	5.3%	5.5%	5.4%	5.5%
Expected rate of return on plan assets	7.0%	7.0%	–	–
Rate of compensation increase	5.0%	3.0%	–	–
Health care cost trend rate:				
2007/2008	–	–	6.60%	7.02%
Ultimate	–	–	4.50%	4.52%
Year ultimate reached	–	–	2012	2012
At end of period:				
Discount rate	6.25%	5.3%	6.35%	5.4%
Rate of compensation increase	5.0%	5.0%	–	–
Health care cost trend rate:				
2007/2008	–	–	6.24%	6.60%
Ultimate	–	–	4.50%	4.50%
Year ultimate reached	–	–	2012	2012

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2008	2007	2008	2007
Current service cost, net of employees' contributions (including provision for plan expenses)	$ 3,841	$ 2,912	$ 2,102	$ 1,792
Interest cost	4,401	3,813	2,256	2,073
Actual return on plan assets	1,347	(6,889)	–	–
Actuarial loss (gain) on accrued benefit obligation	(13,133)	8,161	(8,258)	3,384
Special termination benefits	725	–	–	–
Costs arising in the year	(2,819)	7,997	(3,900)	7,249
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	(6,993)	2,194	–	–
Actuarial loss (gain)	13,670	(8,039)	9,119	(2,471)
Plan amendment	117	117	–	–
(Negative) past service cost	–	–	(407)	(407)
Net benefit cost recognized	$ 3,975	$ 2,269	$ 4,812	$ 4,371

7. PROPERTY, PLANT AND EQUIPMENT:

	Cost	Accumulated amortization	2008 Net	2007 Net
Land	$ 700	$ –	$ 700	$ 700
Corporate facilities and equipment	29,026	26,116	2,910	2,722
Corporate information systems	30,811	25,319	5,492	6,031
Lottery gaming systems and equipment	107,651	70,204	37,447	39,642
Casino gaming systems and equipment	197,233	145,166	52,067	57,801
Bingo gaming systems and equipment	54,571	38,136	16,435	13,014
	$ 419,992	$ 304,941	$ 115,051	$ 119,910

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

8. REVENUE:

	2008	2007
Lottery:		
Keno	$ 224,806	$ 230,023
Scratch & Win	165,324	169,684
Lotto 6/49	229,758	212,227
Lotto Super 7	62,086	86,243
Pull Tab	64,562	70,455
Extra	52,030	57,238
BC/49	53,044	53,105
Sports Action	49,371	45,259
Millionaire Life	7,854	11,555
Pacific Hold'Em Poker	45,410	35,558
Special Event	3,726	4,195
PayDay	3,159	7,108
Racetrax	–	1,564
SportsFunder	14,754	12,453
Interactives	1,026	747
	976,910	997,414
Casino - net win:		
Slot machines	973,908	869,855
Poker	22,420	20,794
Table games	325,795	318,242
	1,322,123	1,208,891
Bingo:		
Bingo Paper	74,295	82,685
Electronic Bingo	77,085	70,234
Linked Bingo	10,305	11,078
Handheld Bingo	11,752	13,222
Bingo slot machines – net win	86,717	41,684
	260,154	218,903
Total revenue	**$ 2,559,187**	**$ 2,425,208**

9. MARKETING TRUST ACCOUNT (MTA):

The Marketing Trust Account was implemented between BCLC and Casino Service Providers who are provided with more than 300 slot machines. Under the terms of the Casino Operational Services Agreement (COSA), Service Providers are required to contribute to this account for the purpose of funding casino marketing programs promoting the Corporation's casinos in a socially responsible manner.

In the event that the amount contributed to the Trust Account by the Casino Service Providers in any fiscal year of BCLC commencing April 1, 2006 is not expended on marketing programs promoting the casinos by the last day of the following fiscal year of BCLC, any such balance shall be repaid to the Casino Service Providers.

The Corporation has included the activities of the MTA in its consolidated financial statements pursuant to Accounting Guideline 15—Consolidation of Variable Interest Entities.

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

9. MARKETING TRUST ACCOUNT (MTA) (CONTINUED):

Amounts related to the MTA are as follows:

	2008	2007
MTA contributions and interest	$ 14,451	$ 12,400
MTA unearned contributions	(748)	(2,685)
MTA income	13,703	9,715
MTA expenditures	(13,703)	(9,715)
Net MTA income	$ –	$ –

Amounts included in cash (note 3) and accounts payable and accrued liabilities related to the MTA are as follows:

	2008	2007
Opening MTA trust assets and liabilities	$ 6,163	$ 3,478
Current year unearned MTA contributions	748	2,685
Ending MTA trust assets and liabilities	$ 6,911	$ 6,163

10. NET HORSE RACING BETTING FEES:

Pursuant to section 16 of the *Gaming Control Act*, BCLC is responsible for the collection and distribution of horse racing fees in the province of British Columbia. The rates of fee collection and the responsibility for their distribution are set forth in the *Act*. The amount shown as net horse racing betting fees in these statements is the portion of those fees collected by BCLC and then remitted to Government, and approximates the cost of regulating the industry as determined by the Gaming Policy and Enforcement Branch (GPEB).

	2008	2007
Revenue collected from the horse racing industry	$ 6,656	$ 6,588
Less: revenue returned to the horse racing industry	(4,778)	(4,710)
Net horse racing betting fees	$ 1,878	$ 1,878

11. INTEGRATED ILLEGAL GAMING ENFORCEMENT TEAM EXPENSES:

In February 2003, based on direction from the provincial government, the Integrated Illegal Gaming Enforcement Team (IIGET) was established. The expenditures required to fund the IIGET are provided by BCLC pursuant to a Sponsoring Agreement with the Province. IIGET is a specialized division of the Royal Canadian Mounted Police that works co-operatively with GPEB to provide a comprehensive and integrated approach to the investigation and enforcement of the *Criminal Code* of Canada as it relates to illegal gaming activities in British Columbia.

12. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

13. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized as a direct expense. The Corporation's share of the ILC's interest income less operating expenses is included in interest and other expenses.

14. COMMITMENTS:

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2009	$ 3,285
2010	3,099
2011	2,639
2012	1,033
2013	922

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

15. CONTINGENCIES:

The Corporation has been named a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third-party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

16. RELATED PARTY TRANSACTIONS:

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. FINANCIAL INSTRUMENTS:

The carrying values of cash, accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

Short-term investments, and bingo and casino cash floats are recorded at their fair value.

In management's opinion, the maximum credit risk exposure for all financial assets is the carrying amount of those assets.

18. SECTOR ACTIVITY INFORMATION:

Year ended March 31, 2008

	Lottery	Casino	Bingo	Horse Racing	Consolidated
Revenue	$ 976,910	$ 1,322,123	$ 260,154	$ –	$ 2,559,187
Direct expenses:					
Prizes	542,790	–	104,269	–	647,059
Commissions	63,765	450,426	65,122	–	579,313
Ticket printing and bingo paper	15,245	–	1,796	–	17,041
	621,800	450,426	171,187	–	1,243,413
Revenue less direct expenses	355,110	871,697	88,967	–	1,315,774
Operating expenses:					
Administrative expenses	64,213	43,444	11,160	–	118,817
Amortization	15,199	40,945	8,764	–	64,908
Other expenses	2,006	1,031	405	–	3,442
Marketing Trust Account:					
Marketing Trust Account income	–	(13,703)	–	–	(13,703)
Marketing Trust Account expenditures	–	13,703	–	–	13,703
Net income from operations	273,692	786,277	68,638	–	1,128,607
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses	(360)	(1,110)	(130)	–	(1,600)
Goods and Services Tax expense	(11,310)	(23,402)	(5,280)	–	(39,992)
Net income	$ 262,022	$ 761,765	$ 63,228	$ 1,878	$ 1,088,893

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

18. SECTOR ACTIVITY INFORMATION (CONTINUED):

Year ended March 31, 2007

	Lottery	Casino	Bingo	Horse Racing	Consolidated
Revenue	$ 997,414	$ 1,208,891	$ 218,903	$ –	$ 2,425,208
Direct expenses:					
Prizes	543,501	–	107,345	–	650,846
Commissions	67,836	408,897	51,713	–	528,446
Ticket printing and bingo paper	17,575	–	2,011	–	19,586
	628,912	408,897	161,069	–	1,198,878
Revenue less direct expenses	368,502	799,994	57,834	–	1,226,330
Operating expenses:					
Administrative expenses	58,790	39,782	8,156	–	106,728
Amortization	13,777	43,285	6,962	–	64,024
Other expenses	1,161	462	963	–	2,586
Marketing Trust Account:					
Marketing Trust Account income	–	(9,715)	–	–	(9,715)
Marketing Trust Account expenditures	–	9,715	–	–	9,715
Net income from operations	294,774	716,465	41,753	–	1,052,992
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses	(409)	(1,090)	(101)	–	(1,600)
Goods and Services Tax expense	(12,712)	(16,813)	(4,947)	–	(34,472)
Net income	$ 281,653	$ 698,562	$ 36,705	$ 1,878	$ 1,018,798

19. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

20. GOODS AND SERVICES TAX (GST):

As a prescribed GST registrant, BCLC makes GST remittances to the federal government pursuant to the Games of Chance regulations of the *Excise Tax Act*. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities. The net tax attributable to gaming activities results in a 10% tax burden on most taxable gaming expenditures incurred by the Corporation. The net tax attributable to non-gaming activities is calculated similar to any other GST registrant in Canada.

Head Office

74 West Seymour Street
Kamloops, BC V2C 1E2
Tel: (250) 828-5500
Fax: (250) 828-5631

Sales and Marketing Office

10760 Shellbridge Way
Richmond, BC V6X 3H1
Tel: (604) 270-0649
Fax: (604) 276-6424

bclc.com

Consumer Services

Tel: 1-866-815-0222

E-mail: consumerservices@bclc.com

Lottery Player Complaint Centre

Tel: 1-866-601-1818

BCLC's Service Plan 2007/08 – 2009/10 is available at bclc.com

British Columbia Partnership for Responsible Gambling:
www.bcresponsiblegambling.ca

Problem Gambling Help Line
1-888-795-6111

APPENDIX V

STRIKING A BALANCE
BETWEEN SOCIAL RESPONSIBILITY
AND
PROVIDING FUN,
ENGAGING ENTERTAINMENT
FOR OUR PLAYERS.

British Columbia Lottery Corporation

PRINTED IN CANADA

Appendix W – 2008/09:

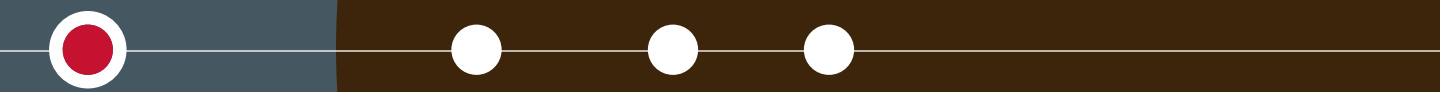
British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2008-2009,* (Kamloops: British Columbia Lottery Corporation, 2009).

CONNECTING

APPENDIX W

BCLC is a gaming entertainment company made up of dedicated employees serving all British Columbians. We are citizens, with a mutual sense of commitment to each other as well as communities across B.C. We strive to be accountable in all that we do and promote sustainability for today and the future. We listen and respond to our customers' needs. We uphold integrity and transparency. Our focus on social responsibility is collective.

WE ARE CONNECTED.



playing it right

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HONOURABLE RICH COLEMAN
MINISTER OF HOUSING AND SOCIAL DEVELOPMENT
MINISTER RESPONSIBLE FOR GAMING

STATEMENT OF ACCOUNTABILITY

Dear Minister:

On behalf of BCLC, our Board of Directors, senior leadership team and employees, it is my privilege to submit the Annual Service Plan Report for fiscal year ended March 31, 2009.

BCLC's 2008/09 Annual Service Plan Report 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 report, including what is contained in the report and how it has been reported.

The information presented has been prepared in accordance with the B.C. Reporting Principles and reflects the actual performance of BCLC for the 12 months ended March 31, 2009, in relation to the Service Plan 2008/09–2010/11. The measures presented are consistent with BCLC's mission, goals and objectives, and focus on aspects critical to the organization's performance.

All significant decisions, events and identified risks, as of March 31, 2009, have been considered in preparing the report. The report contains estimates and interpretive information that represents the best judgment of management. Any significant changes in mandate direction, goals, strategies, measures or targets made since the Service Plan was released in February 2009, and any significant limitations in the reliability of data, are identified in the report.

The Board is responsible for ensuring that management has developed and implemented appropriate internal controls to ensure that performance information is measured accurately and in a timely fashion.

Respectfully submitted,

John McLernon
Chair, Board of Directors

JOHN MCLERNON
CHAIR, BOARD OF DIRECTORS

Message from our Chair and President & CEO

CONNECTING VISION WITH ACTION

This year, BCLC continued to transform in a way that has brought us closer to our core values and strengthened our connections to our players, partners and the public.

This transformation has brought about new opportunities to rethink and reshape how we do business. We put in place new plans to build out the technological infrastructure that is critical to our business and delivering the best service to our players. We continued to build sustainability and social responsibility into the fabric of our products, services and work culture. And, we are providing a more positive customer experience through the refinement of the policies and procedures that guide us. The achievements are evident throughout the company and are a result of a more focused and connected vision among the dedicated team who make up BCLC.

During this transformation we also continued to deliver strong results to our shareholder, the Province of British Columbia, for the benefit of all British Columbians. BCLC achieved record net income for the 24th consecutive year in 2008/09 despite a number of challenges. Prolonged economic uncertainty continues to impact BCLC's business. Our players are mindful of their discretionary dollar spend, which affects total revenue. We see increasing competition for the entertainment dollar as well as the impact from offshore-based Internet gambling sites.

While BCLC achieved net income of $1.09 billion, total revenue was $2.55 billion, $97.8 million less than budgeted and $9.0 million less than in 2007/08. Although BCLC achieved operating cost savings, it was not possible to completely offset our lower net win achievement. This resulted in actual net income of $19.3 million less than our performance measure target and $1.8 million greater than last year.

In 2008/09, our performance was measured against benchmark organizations in addition to targets established in our 2008/09–2010/11 Service Plan. Such high-level diligence will help our company with achieving performance measures in public support, player satisfaction, responsible gaming awareness, operational efficiencies and financial performance.

To be more player-focused and capture synergies, we realigned BCLC's organizational structure, creating two new areas and consolidating and enhancing others to spearhead strategic objectives. Customer Strategy and Corporate Marketing was formed to move BCLC's focus from products to players by developing new customer policies aimed at improving our customers' experience. BCLC's Corporate Security division was broadened to

MICHAEL GRAYDON
PRESIDENT & CEO

include responsibility for safeguarding corporate compliance through the management of products and services integrity, with a focus on player protection. Business Transformation was created to drive change at BCLC by ensuring that our infrastructure supports a customer-centric approach while delivering sustainable net income for the future. BCLC's merging of community gaming centre and casino operations allows us to achieve efficiencies, and a seamless gaming experience for players will position us for the future.

Also key to our momentum is our continued emphasis on corporate social responsibility. BCLC pioneered GameSense, a new way of providing information to players about appropriate play. And, we attained level two certification with the World Lottery Association, an international benchmark for socially responsible gambling.

BCLC continued to advance player security and business safeguards in response to recommendations from the B.C. Ombudsman in 2007. Internal and external automated monitoring, retailer training certification and Self-Service Terminals were added to the initiatives introduced over the past two years. We believe strongly that these investments have made BCLC a better company and are an achievement all staff can be proud of.

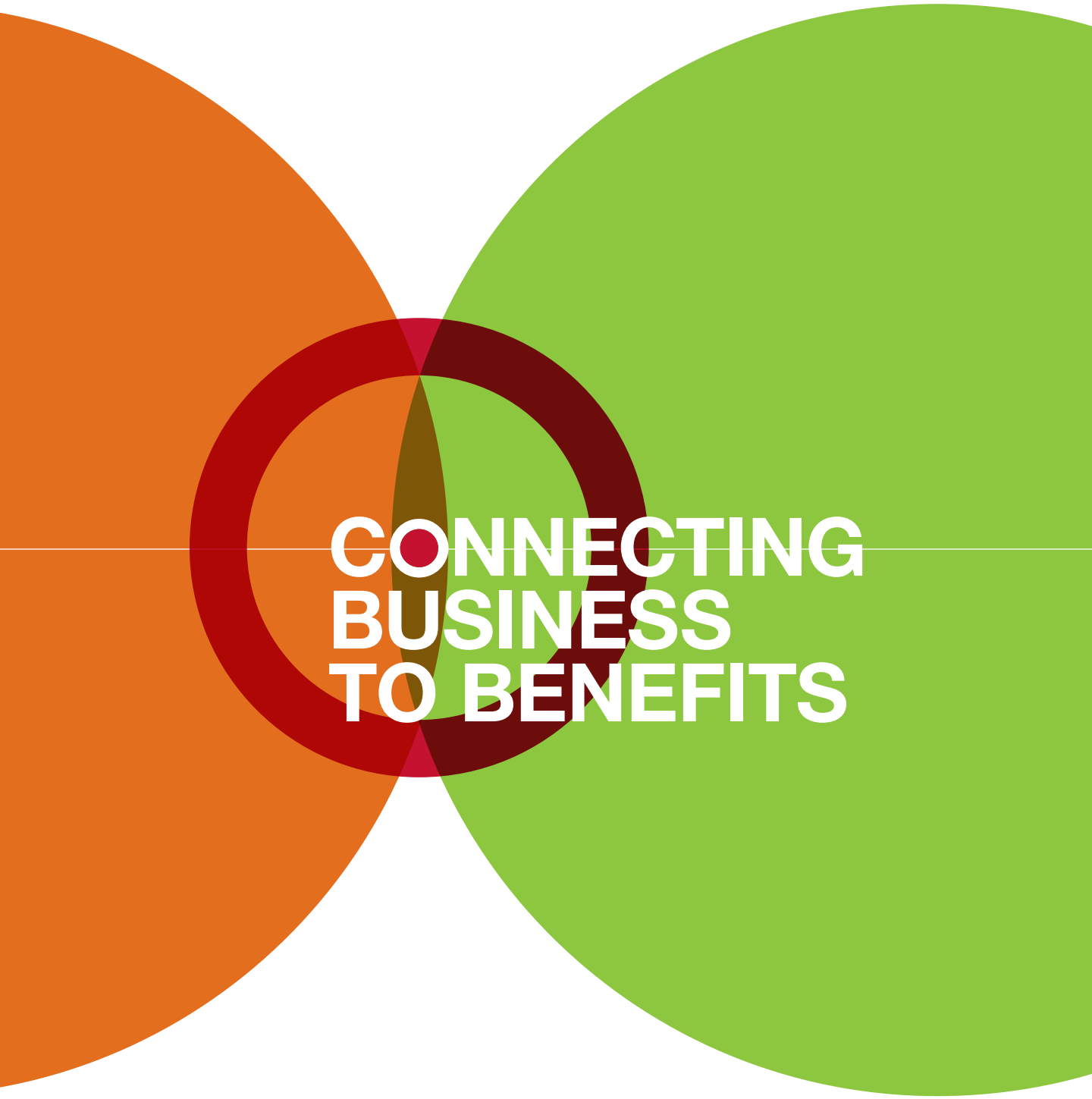
We are equally proud of our strategic partnership with the Vancouver 2010 Olympic and Paralympic Winter Games and continue to capitalize on our involvement with this truly extraordinary event.

The culmination of enterprise-wide alignment, strategic customer focus, fortified commitment to corporate social responsibility, including "green" initiatives, enhanced facilities and diversified and exciting entertainment products all contribute to connecting us closer to our core values and the achievement of our goals.

We are confident that the company is making significant progress in connecting our actions to our vision and look forward to the potential these achievements will bring in the 2009/10 fiscal year.

John McLernon
Chair, Board of Directors

Michael Graydon
President & CEO



CONNECTING BUSINESS TO BENEFITS

BCLC MANDATE PURSUANT TO AMENDMENTS TO THE *CRIMINAL CODE* OF CANADA IN 1969 AND ENABLING LEGISLATION, BCLC WAS INCORPORATED IN OCTOBER 1984 AND OPERATES UNDER THE *GAMING CONTROL ACT* (2002) OF BRITISH COLUMBIA.

On behalf of the Government of British Columbia, BCLC is mandated to conduct, manage and operate:

- lottery gaming, including the marketing of nationwide and regional lottery games aligned with other Canadian provinces
- casino gaming
- commercial bingo gaming
- eGaming

REGULATION AND AUTHORITY

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister of Housing and Social Development. Gaming Policy and Enforcement (GPE) branch of the Ministry develops and oversees policy, legislation and standards, licenses charitable events and horse racing, registers gaming workers and service providers, certifies equipment, investigates allegations of impropriety and directs all of Government's responsible gambling initiatives.

GPE also distributes Government gaming proceeds such as community grants to local and charitable organizations and conducts audits of commercial and charitable gaming to ensure compliance.

SCOPE OF BCLC

For the most part, BCLC's products are sold through private sector service partners, including 4,000 lottery retailers, 15 casinos, 13 bingo halls, 14 community gaming centres and two racecourse casinos, who provide day-to-day operations under contract to BCLC.

Online play of select games is offered via the Internet on PlayNow at playnow.bclc.com in a highly-regulated environment with spending limits.

Our corporate offices include Kamloops, primarily responsible for finance, administration and information technology, and Richmond, which oversees sales, marketing and corporate affairs.

B.C. Lottotech International Inc. is our wholly owned subsidiary that purchases capital assets for lease to BCLC. All acquisitions are budgeted, reviewed and approved by our Board of Directors and consolidated in BCLC's financial statements.

PARTNER PROCEEDS

Business partnerships play an important role in providing personalized service that contributes to customer enjoyment. In turn, significant income is generated for these family stores, shops, pubs, corporate accounts and gaming facility service providers. In 2008/09, BCLC paid $578.6 million in commissions to private sector service partners.

SOCIAL BENEFITS

Once prizes are awarded and after service partner fees/commissions and BCLC operating costs are paid, the remaining revenue forms BCLC's net income, which is remitted to the Government of British Columbia for health care, education, social, charitable and municipal programs that benefit British Columbians every day. A portion of net income is also remitted to the Government of Canada.

Annually, approximately 6,700 B.C. community and charitable organizations receive program support through a variety of gaming grants administered by GPE in the areas of culture, arts, sport, environment, public safety, capital programs and parent advisory councils. For details, visit www.hsd.gov.bc.ca/gaming/revenue/index.htm.

BCLC AT WORK

Our workforce of 737 full-time equivalents (FTEs), in our two corporate offices and field locations across B.C., support the administrative, financial, technological, corporate, marketing, security and operational aspects of our business.

It is estimated that approximately 26,000 people in B.C. are directly and indirectly employed in gaming operations, related government agencies and charities, as well as services that support the gaming industry.

Data source:
Economic Impact of the Canadian Gaming Industry: Key Findings Report–HLT Advisory Inc. (April 2008)

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

CONNECTING RESULTS

2008/09 HIGHLIGHTS

Financial summary

With $1,090.7 million in net income, BCLC reached a record for the 24th consecutive year; however, revenue of $2,550.2 million was $97.8 million less than budget and $9.0 million less than the previous year. Net income was $19.3 million less than target; however, it surpassed 2007/08 by $1.8 million. BCLC distributed $1,082.0 million to our shareholder, the Government of British Columbia, to support vital public programs, and $8.7 million was remitted to the Government of Canada. For more information, see Management's Discussion and Analysis.

Performance

In 2008/09, BCLC had four corporate goals with seven performance measures as outlined in our 2008/09–2010/11 Service Plan. BCLC exceeded performance targets for employee engagement, responsible gambling awareness and public support for gaming. The net income target was not achieved and we were just short of reaching our public trust and confidence in BCLC games measure. For more information see Report on Performance.

New focus

2008/09 began an era of transformation as BCLC shifted focus from products to players. An organizational realignment merged the community gaming and casino business units and enhanced security and compliance. In addition, two corporate divisions were created: Customer Strategy and Corporate Marketing to strengthen player relations, satisfaction and confidence; and Business Transformation to direct and support the organization in building future-focused technological infrastructure to support our player-focused vision.

New look

We've updated BCLC's identity to symbolize our fresh focus on our players and the future. Our revitalized brand, updated logo and "Playing it Right" tag line reflect our renewed vision and strategic realignment. The BCLC brand essence, "Fair Play," communicates the fun appeal of gaming, and reinforces our corporate integrity and commitment to social responsibility. This identity is now integrated into our continuum of new and existing customer services, gaming products, gaming facilities and enterprise-wide operations.

New voice

BCLC pioneered GameSense, a revitalization of our responsible gambling programs that offers players and the public a more approachable and accessible range of responsible gambling resources.

Corporate responsibility

In addition to providing great gaming entertainment that generates net income for public good, BCLC is striving to take the lead in provincial, national and international standards of social responsibility.

To formalize our pledge to conduct operations in the best interests of our players and our province, we realigned a team of staff to focus exclusively on corporate social responsibility.

Enhanced facilities

In 2008/09, BCLC opened the redeveloped Grand Villa Casino in Burnaby and community gaming centres in Langley and Terrace. The community gaming centre in Kelowna and Cranbrook's Casino of the Rockies were enhanced to feature new amenities, as were Hastings Racecourse, Cascades, Edgewater, Starlight and River Rock casinos.

More fun

We listened to our players and added more entertainment value and excitement, including casino, bingo, and PlayNow lottery promotions and tournaments. Ten games, including ePacific Hold'Em Poker and eBingo, launched in 2008/09 to add to the excitement on PlayNow, our interactive website that features industry-leading security and technology.

Also new is the exclusive Players eClub and electronic newsletters to announce winners and upcoming promotions.

FAST FACT

Since 1985, BCLC has generated $11.3 billion for Government to support vital public programs that benefit British Columbians.

The table below provides all revenue generated by commercial bingo hall service providers and community gaming centre service providers on behalf of BCLC for 2008/09 as compared to 2007/08. Slot machine revenue is recorded as "net win," which is the revenue after prizes are paid.

The BCLC Casino Revenue table provides all revenue generated by B.C. casino and racecourse casino facilities on behalf of BCLC for 2008/09 as compared to 2007/08. Revenue is recorded as "net win," which is the revenue after prizes are paid.

BCLC COMMUNITY GAMING REVENUE

	Service Provider	City	No. of Slot Machines	Slot Machine Revenue 2008/09	No. of Bingo Seats	Bingo Revenue 2008/09	Total Community Gaming Revenue 2008/09	Slot Machine Revenue 2007/08	Bingo Revenue 2007/08	Total Community Gaming Revenue 2007/08
				$		$	$	$	$	$
Abbotsford Bingo	Playtime Peardonville Ventures Ltd.	Abbotsford	–	–	512	1,410,735	1,410,735	–	3,929,629	3,929,629
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria	–	–	220	5,242,453	5,242,453	–	5,360,716	5,360,716
Boardwalk Gaming Centre–Burnaby	427967 BC Ltd. (DBA Bingo Country)	Burnaby	–	–	536	5,138,623	5,138,623	–	7,073,430	7,073,430
Chances Boardwalk Mission	Boardwalk Gaming Mission Inc.	Mission	100	9,813,280	311	1,849,121	11,662,401	4,296,438	2,599,678	6,896,116
Chances Campbell River	Playtime Community Gaming Centres Inc.	Campbell River	100	10,707,818	404	2,053,387	12,761,205	11,255,806	3,436,689	14,692,495
Chances Courtenay	Playtime Community Gaming Centres Inc.	Courtenay	100	11,396,795	284	2,314,778	13,711,573	932,515	3,167,435	4,099,950
Chances Cowichan	Duncan Dabber Bingo Society	Duncan	100	12,408,815	380	3,415,330	15,824,145	10,374,836	4,719,995	15,094,831
Chances Dawson Creek	0542603 BC Ltd.	Dawson Creek	142	12,265,301	318	795,003	13,060,304	14,090,911	1,218,798	15,309,709
Chances Fort St. John	243045 Alberta Ltd.	Fort St. John	142	14,261,889	357	968,659	15,230,548	7,365,154	2,242,947	9,608,101
Chances Good Time Prince George	Good Time Bingo Hall Inc.	Prince George	79	3,872,206	739	10,518,096	14,390,302	125,075	14,939,136	15,064,211
Chances Kamloops	Enterprise Entertainment Ltd.	Kamloops	65	6,276,739	756	6,180,186	12,456,925	4,993,955	10,377,040	15,370,995
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	150	16,776,971	770	9,068,852	25,845,823	15,756,237	11,196,390	26,952,627
Chances Prince Rupert	0733244 BC Ltd.	Prince Rupert	100	8,606,670	209	1,473,616	10,080,286	3,165,728	832,418	3,998,146
Chances RimRock	Alberni Valley Bingo Association	Port Alberni	75	7,289,523	261	2,172,119	9,461,642	3,872,429	2,463,838	6,336,267
Chances Signal Point	Lucky's Ventures Ltd.	Williams Lake	100	10,166,663	278	3,292,935	13,459,598	10,488,196	4,221,229	14,709,425
Chances Terrace	Lucky Dollar Bingo Management Ltd.	Terrace	75	1,352,748	280	537,856	1,890,604	–	–	–
Chilliwack Bingo	Chilliwack Bingo Association	Sardis	–	–	474	11,305,272	11,305,272	–	14,192,797	14,192,797
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon	–	–	480	4,297,860	4,297,860	–	6,002,922	6,002,922
Haney Bingo Plex	Great Canadian Entertainment Centres Ltd.	Maple Ridge	–	–	525	6,989,252	6,989,252	–	9,069,283	9,069,283
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	–	–	500	5,870,463	5,870,463	–	7,481,342	7,481,342
Langley Bingo Palace	Playtime Community Gaming Centres Inc.	Langley	50	801,582	642	6,648,535	7,450,117	–	8,106,007	8,106,007
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	–	–	–	3,599,801	3,599,801	–	5,183,502	5,183,502
Newton Bingo Country	427967 BC LTD. (DBA Bingo Country)	Surrey	–	–	684	10,383,158	10,383,158	–	13,181,309	13,181,309
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton	–	–	482	3,212,659	3,212,659	–	4,188,630	4,188,630
Planet Bingo	Community Gaming Management Association	Vancouver	–	–	676	11,416,457	11,416,457	–	16,632,853	16,632,853
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo	–	–	460	2,863,357	2,863,357	–	4,915,785	4,915,785
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria	–	–	508	3,594,842	3,594,842	–	3,784,526	3,784,526
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook	–	–	285	1,458,573	1,458,573	–	2,190,878	2,190,878
Total Commercial Halls & Community Gaming Centres			1,378	125,997,000	12,331	128,071,978	254,068,978	86,717,280	172,709,200	259,426,480
Independent Bingo Hall Ka-Chingo Revenue							411,196			449,033
Paper Bingo Distribution Revenue							246,204			278,881
Grand Total							$254,726,378			$260,154,394

Lucky Dollar Bingo Palace closed January 28, 2009 and reopened as Chances Terrace on January 29, 2009.

Langley Bingo Palace opened October 14, 2008.

BCLC CASINO REVENUE

Casino	Service Provider	City	No. of Slot Machines	Slot Machine Revenue 2008/09	No. of Tables	Table Game Revenue 2008/09	Total Casino Revenue 2008/09	Total Casino Revenue 2007/08
				$		$	$	$
Billy Barker Casino	585 Holdings Ltd.	Quesnel	140	9,722,791	6	447,559	10,170,350	11,278,390
Boulevard Casino	Great Canadian Casinos Inc.	Coquitlam	941	129,315,023	70	44,680,605	173,995,628	178,529,581
Cascades Langley Casino and Hotel	Gateway Casinos and Entertainment Inc.	Langley	762	95,085,387	35	20,110,274	115,195,661	127,015,899
Casino of the Rockies	SEM Resort Limited Partnership	Cranbrook	224	14,635,739	11	1,388,674	16,024,413	16,629,014
Edgewater Casino	Edgewater Casinos Inc.	Vancouver	493	60,457,521	65	59,993,709	120,451,230	102,954,147
Fraser Downs Racetrack and Casino	Orangeville Raceway Ltd.	Surrey	456	49,543,785	8	5,196,901	54,740,686	62,599,180
Grand Villa Casino	Gateway Casinos and Entertainment Inc.	Burnaby	1000	120,656,581	54	52,141,743	172,798,324	176,692,351
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	Nanaimo	393	43,485,252	8	4,129,209	47,614,461	50,053,048
Great Canadian Casinos Vancouver	Great Canadian Casinos Inc.	Vancouver	–	–	–	–	–	16,141,383
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	Victoria	462	70,847,175	16	9,445,089	80,292,264	83,221,154
Hastings Racecourse Casino	Hastings Entertainment Inc.	Vancouver	589	18,005,764	–	–	18,005,764	2,139,220
Lake City Casino Kamloops	Gateway Casinos and Entertainment Inc.	Kamloops	299	32,486,509	8	2,829,874	35,316,383	39,344,478
Lake City Casino Kelowna	Gateway Casinos and Entertainment Inc.	Kelowna	367	40,884,696	11	4,847,800	45,732,496	50,780,105
Lake City Casino Penticton	Gateway Casinos and Entertainment Inc.	Penticton	244	27,152,544	12	2,269,941	29,422,485	30,690,729
Lake City Casino Vernon	Gateway Casinos and Entertainment Inc.	Vernon	220	28,018,499	8	1,458,326	29,476,825	30,500,164
River Rock Casino Resort	Great Canadian Casinos Inc.	Richmond	869	104,272,816	107	128,741,326	233,014,142	235,790,809
Royal City Star Casino	Gateway Casinos and Entertainment Inc.	New Westminster	–	–	–	–	–	25,388,811
Starlight Casino	Gateway Casinos and Entertainment Inc.	New Westminster	845	76,373,005	56	39,992,377	116,365,382	31,108,666
Treasure Cove Casino	Treasure Cove Casino Inc.	Prince George	514	40,465,386	10	2,157,727	42,623,113	51,266,198
Total			8,818	961,408,473	485	379,831,134	1,341,239,607	1,322,123,327

Hastings Park temporary facility closed August 11, 2008 and the new facility opened August 14, 2008.
Gateway Casino Burnaby closed November 4, 2008 and reopened as Grand Villa Casino on November 5, 2008.

HOST LOCAL GOVERNMENT SHARE OF COMMUNITY GAMING CENTRE REVENUE

Local Government	Community Gaming Centre	2008/09 Total	2007/08 Total
		$	$
Campbell River	Chances Campbell River	636,530	677,359
Courtenay	Chances Courtenay	658,252	53,553
Dawson Creek	Chances Dawson Creek	699,544	816,935
Cowichan Indian Band	Chances Cowichan	752,920	691,552
Fort St. John	Chances Fort St. John	822,731	424,770
Kamloops	Chances Kamloops	385,630	306,720
Kelowna	Chances Kelowna	1,028,289	970,692
Langley	Playtime Gaming Langley	23,780	265,243
Mission	Chances Boardwalk Mission	582,778	227,556
Port Alberni	Chances Rim Rock	425,452	–
Prince George	Chances Good Time Prince George	204,473	7,755
Prince Rupert	Chances Prince Rupert	520,981	190,606
Terrace	Chances Terrace	93,389	–
Williams Lake	Chances Signal Point Gaming	572,115	611,791
Total		7,406,864	5,244,532

HOST LOCAL GOVERNMENT SHARE OF CASINO REVENUE

Local Government	Casino	2008/09 Total	2007/08 Total
		$	$
Burnaby	Gateway Casino–Grand Villa	9,894,191	10,435,053
Coquitlam	Great Canadian Casino–Boulevard	9,677,331	9,946,589
Langley	Gateway Casino–Cascades	6,745,290	7,508,465
Kamloops	Lake City	2,147,795	2,401,859
Kelowna	Lake City	2,754,687	3,072,288
Ktunaxa/Kinbasket			
Tribal Council Society	Casino of the Rockies	1,681,240	1,731,596
Nanaimo	Great Canadian Casino	2,898,471	3,054,116
New Westminster	Royal City Star Casino	–	2,387,439
	Starlight Casino	6,346,229	1,776,486
New Westminster Total		6,346,229	4,163,925
Penticton	Lake City	1,717,191	1,853,805
Prince George	Treasure Cove Casino	2,509,792	3,039,251
Quesnel	Billy Barker Casino	633,093	702,038
Richmond	Great Canadian Casino–River Rock	12,099,891	12,583,081
Surrey	Fraser Downs Racetrack and Casino	3,209,361	3,923,856
Vancouver	Edgewater Casino	6,463,316	5,556,848
	Great Canadian Casino Holiday Inn	–	773,996
	Hastings Racecourse Casino	1,077,132	131,842
Vancouver Total		7,540,448	6,462,686
Vernon	Lake City	1,800,088	1,862,517
View Royal	Great Canadian Casino	4,797,452	5,037,149
Total		$76,452,550	$77,778,274

Burnaby Casino closed November 4, 2008.
Grand Villa Casino opened November 5, 2008.

FAST FACT
In 2008/09, BCLC paid $578.6 million in commissions to our private sector service partners.

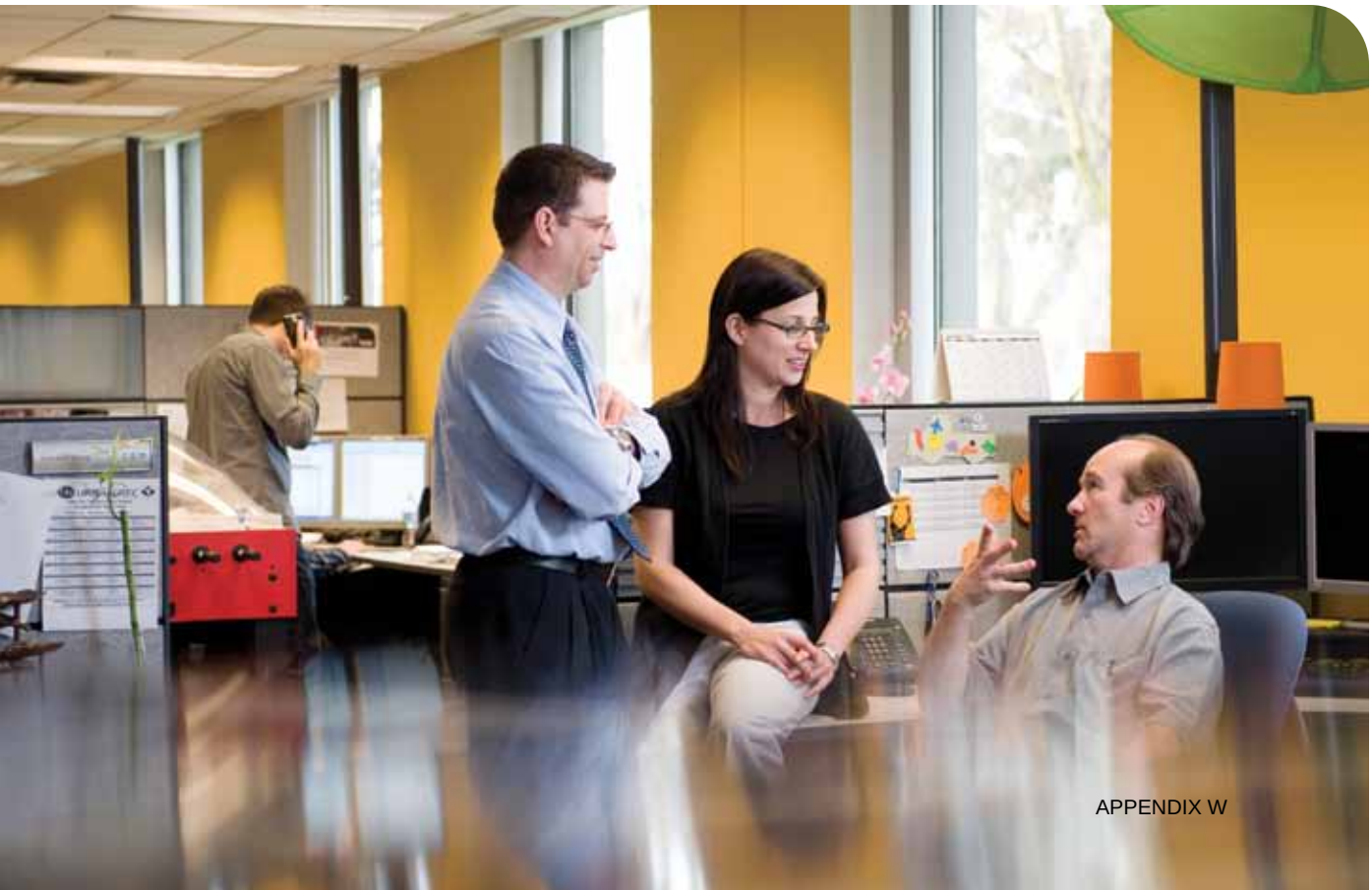
APPENDIX W

CONNECTING RESPONSIBLY

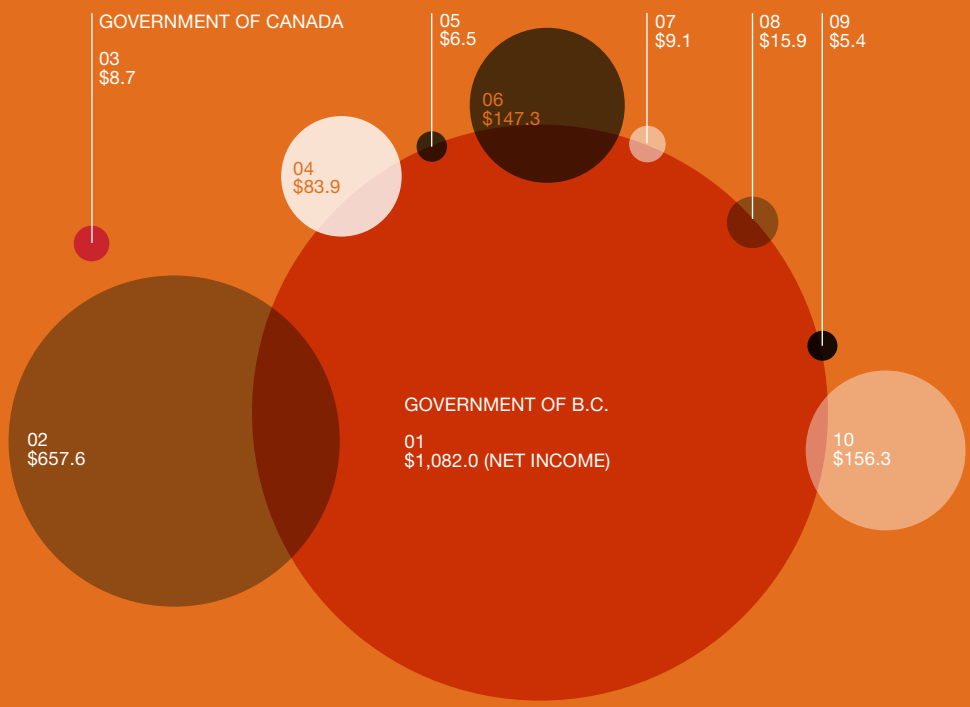
IN 2008/09 WE SET IN MOTION SEVERAL NEW ENTERPRISE-WIDE ACTIONS AND STRATEGIES TO ENTRENCH SOCIAL RESPONSIBILITY AND SUSTAINABILITY IN OUR PRODUCTS, SERVICES AND FACILITIES. OUR COMMITMENT TO CONDUCTING OUR BUSINESS IN THE BEST INTERESTS OF THE PUBLIC, OUR PLAYERS AND THE PLANET IS CAPTURED IN OUR CORPORATE SOCIAL RESPONSIBILITY CHARTER, WHICH WE BEGAN DEVELOPING THIS YEAR.

This year, BCLC enhanced our commitment to corporate social responsibility by:

- aligning with internationally-recognized standards of corporate social responsibility
- utilizing internationally-recognized tools to proactively promote responsible gambling
- revitalizing industry programs for responsible play
- engaging with communities throughout B.C.
- increasing "green" initiatives while minimizing our carbon footprint



ANNUAL BENEFITS TO B.C. EVERY YEAR, BCLC NET INCOME SUPPORTS A VARIETY OF GOVERNMENT INITIATIVES. BELOW IS A SUMMARY OF GOVERNMENT'S DISTRIBUTION OF BCLC'S 2008/09 NET INCOME (IN MILLIONS)



01 $1,082.0 million in net income was distributed to the Government of B.C. (Government).

02 Government dedicated the largest portion of net income to consolidated revenue, which totaled $657.6 million.

03 As a result of an agreement between the federal and provincial governments on the withdrawal of the Government of Canada from the lottery field, they received $8.7 million of net income.

04 Host local governments (HLG) with a casino or community gaming centre receive a share of net income generated from that facility for HLG-chosen programs that benefit their community. $83.9 million in Provincial payments were issued to 25 host communities.

05 The horse racing industry received $6.5 million, which was divided between the standardbred and thoroughbred sectors.

06 Government dedicated $147.3 million to the Health Special Account, for the administration, operation and delivery of health care, health research and health promotion, and education services.

07 Development Assistance Compensation of $9.1 million helped B.C. casinos, racecourse casinos and community gaming centre service providers upgrade or renovate gaming facilities to enhance player experiences and amenities.

08 $15.9 million is administered by Gaming Policy and Enforcement (GPE) branch for regulatory oversight of BCLC, gaming service providers and gaming workers, B.C.'s horse racing industry, lottery retailers and licensed charitable gaming events.

09 Government directed $5.4 million to responsible gambling strategies. Initiatives include gambling research, treatment and prevention programs, including the Problem Gambling Program managed by GPE.

10 6,800 charitable and community organizations received a total of $156.3 million in gaming grants administered by GPE. For more on grant programs, visit: www.hsd.gov.bc.ca/gaming/grants/index.htm.

GameSense

In 2008/09 BCLC pioneered 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.

World Lottery Association

BCLC is pleased to have attained level two in the World Lottery Association's four-level certification process which recognizes demonstrated commitment to responsible gambling. BCLC plans to achieve the highest certification level in 2009/10.

GAM-GaRD

BCLC is now utilizing GAM-GaRD, an assessment tool developed by an international team of researchers to evaluate potential impacts of gaming products and mitigate risks.

National best practices

In 2008/09, we continued to share best practices with other Canadian jurisdictions, including ground-breaking research projects such as:

- a Parents as Partners study advocating Canada-wide responsible play attitudes and parental awareness of youth gambling and problem gambling prevention
- analysis of BCLC's Voluntary Self-Exclusion program
- benchmarking national findings of Public Attitudes Towards Gambling (PAGE)

RESPONSIBLE PLAY

Our ongoing Responsible Play education activities have been renamed and refreshed with the GameSense look to provide a new way of communicating to our players and the public about smart gaming choices.

In 2008/09, we completed the installation of GameSense Information Centres in all BCLC casinos and community gaming centres. These interactive kiosks located on or near gaming floors provide players with easy access to responsible gambling education, resources and assistance in an open, approachable manner.

The centres feature self-service touch-screen interactive terminals that engage players with instant access to informative quizzes on how various games work, odds of winning and tips on keeping it fun.

Centres located at casinos are staffed by GameSense Advisors, professionals trained in approaches to keeping gambling safe and fun. They are available to answer questions about common misperceptions about gambling and other related topics. They are also skilled in responding to players experiencing problems with gambling and provide referrals to free professional counselling services offered by the Government of B.C. and information about BCLC's Voluntary Self-Exclusion program.

BCLC continues to build on our comprehensive responsible gambling awareness and education initiatives. We also promote 19+ age restrictions and Government's Problem Gambling Help Line across multiple channels such as:

- lottery products, ticket transaction slips, marketing and advertising materials
- large plasma screens in casinos and community gaming centres
- prominent videos, posters, brochures, decals and plaques in all gaming areas, often in multiple languages
- digital display screens and brochures at retail outlets, and on the PlayNow website

Voluntary Self-Exclusion

BCLC helps players with their choice to abstain from gaming in B.C. gaming facilities and PlayNow for set periods of time through our Voluntary Self-Exclusion (VSE) program.

Upon sign up, individuals who choose to self-exclude are encouraged to access free Government-provided problem gambling counselling. Self-excluded individuals cannot reduce the length of exclusion time or rescind the agreement they have entered into.

In 2008/09, BCLC tested new automobile license plate recognition technology for comparison to a database of B.C. license plate numbers provided by self-excluded individuals. The technology is another resource available through the VSE program that assists in spotting self-excluded individuals before they enter a gaming facility. This became a preventative measure at select casinos in early 2009 to strengthen our commitment to VSE.

Appropriate Response Training

Appropriate Response Training (ART) enhances responsible gambling awareness and provides all gaming staff with tools and knowledge to assist players.

Training is provided by BCLC and GPE prevention specialists, in person or via an eLearning program. Accreditation must be attained by gaming facility staff within four months of becoming a registered gaming worker. 8,500 gaming workers are now ART-certified, of which 2,500 were certified in 2008/09 alone.

"GAMESENSE IS GENERATING INTEREST ACROSS CANADA AND WILL CONNECT WITH BCLC PLAYERS AND THE GENERAL PUBLIC IN NEW AND COMPELLING WAYS." PAUL SMITH, BCLC, CO-CREATOR.

Jobs and income
BCLC provides employment and income opportunities for about 4,000 lottery retailers across the province, including small family stores, retail shops, corporate accounts and age-restricted hospitality establishments selling lottery products. Each earns industry-standard sales commissions with potential to increase income through incentive programs.

BCLC also contracts with private sector business partners to operate casinos and community gaming centres for a percentage of the net win they generate.

In 2008/09, BCLC paid $578.6 million in commissions and service fees to private sector business partners.

Community engagement
BCLC conducts community engagement forums with elected officials, municipal staff, police, health authorities, chambers of commerce and charities to discuss the benefits and impacts of gaming, social responsibility, sustainability and safety, and to collect local feedback. Feedback received is extremely valuable and considered as part of our business operations. Additionally, we attend a variety of local government conferences and meetings where gaming is a topic to provide information and research that may be helpful.

To date, BCLC has hosted 29 community engagement forums, 16 of these in 2008/09. We also launched a revisit program to follow up and build on these relationships on a continuing basis. Meeting summary reports are posted at: www.bclc.com/cm/wherethemoneygoes/communityengagement.htm.

Community event partnerships
BCLC strongly believes in investing in B.C. communities and we demonstrate this in part by providing support for a range of special events and community initiatives, such as:

- Kamloops Music in the Park—a summer-long series of free entertainment
- Port Alberni Hockey Challenge—an international youth tournament partially funded through net income from BCLC's SportsFunder lottery games
- B.C. Summer Games in Kelowna—supporting athletic participation, team building and individual achievement

Vancouver 2010 Olympic and Paralympic Winter Games
As the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games' first partner in the Official Supporter category and its first sponsor to be headquartered in B.C., BCLC has been benefiting players, amateur athletes and the general public by:

- providing BCLC players with chances to win event tickets, trips and merchandise
- bringing the spirit of the 2010 Winter Games to communities across B.C. with the BCLC 2010 Winter Games Dome
- supporting amateur athletes in B.C. with funds generated through SportsFunder

To further showcase the spirit of the 2010 Winter Games, BCLC offices in Kamloops and Richmond unveiled building mural wraps depicting Canadian winter athletes, and BCLC lottery kiosks in major malls across the province now sport Games-themed graphics.

The BCLC 2010 Winter Games Dome is a multi-sensory experience created in 2008/09 to tour B.C. communities throughout the summer of 2009. Four tents feature event sets, equipment and special effects that immerse visitors in the exhilaration of competition and bring the 2010 Winter Games experience to British Columbians across the province.

FAST FACT
BCLC encourages and supports our employees in their community volunteer efforts. In 2008, BCLC employees raised more than $36,000 for the United Way.

SportsFunder
In conjunction with our support for the 2010 Winter Games, BCLC launched SportsFunder in 2006, a brand family of Instant Win tickets, Pull Tabs, province-wide 50/50 draws and PlayNow online games.

SportsFunder has generated more than $4.1 million for amateur sports in B.C.

Proceeds from SportsFunder are distributed by Government to four amateur sports programs:

- KidsSport™—helps disadvantaged kids each year play on teams, get coaching and training, travel to competitions and more
- Team B.C.—helps aspiring Olympians access top coaches, hi-tech equipment and sporting innovations
- Coach and Leadership Development—is dedicated to advancing the skills and expertise of coaches. To date, 1,500 coaches have been certified
- Youth Sport Travel Assistance—provides subsidies for travel costs to help geographically-isolated youth attend competitions, events and access training. Funds are distributed between provincial sports organizations, Aboriginal Sport and B.C. School Sports

Environmental action
To become carbon neutral by 2010, offset our emissions and enhance "green" initiatives, BCLC is integrating sustainability into our products, services and operations. In addition to establishing a Carbon Neutrality Steering Committee and implementing innovative ideas generated by our employee-led Green Committee, in 2008/09 we:

- started converting our corporate vehicle fleet to hybrid vehicles
- enhanced our procurement practices to include sustainable criteria
- installed and began testing solar power in our Kamloops office
- expanded recycling services, waste reduction and energy conservation, where possible
- upgraded our video conferencing capabilities to further encourage reductions in inter-office travel

FAST FACT
To date, 170 SportsFunder lottery players have won pairs of tickets to coveted 2010 Winter Games events.

CONNECTING WITH PLAYERS

BCLC works to ensure the integrity and security of commercial gaming across B.C. A new corporate division was created in 2008/09 and another broadened to focus on policies and actions that entrench player advocacy, protection and education.

Today and for the future, our experts in Corporate Security and Compliance and Customer Strategy and Corporate Marketing divisions will champion the public voice and set new standards in player relations and fair play.

PLAYER FIRST

Our Player First program is a collection of major initiatives that puts the interests of players at the forefront of everything we do. Some of these initiatives were implemented in 2007/08 while others are being implemented over the longer term. BCLC is on track to have all Player First initiatives implemented by 2010/11. For more information visit www.bclc.com/cm/AboutBCLC/PlayerFirst/.

Since in September 2007, quarterly progress reports on Player First have been posted on www.bclc.com.

A sampling of initiatives and enhancements that were introduced in 2008/09 include:

Retailer standards

- BCLC launched the Retailer Training project to ensure that all retailers receive training and certification that meets BCLC requirements to operate a lottery terminal. Requirements include proper security procedures, transparent ticket validations and conveying of responsible play messaging. More details can be found at www.bclc.com.
- On August 1, 2008, BCLC publicly shared our first independently researched and analyzed report on BCLC retailer play, spend rates, and their win rates. The report concluded that retailer win rates were within expected statistical variations given the higher spending rates by retailers at that time.

Equipment enhancements

- 878 new Self-Service Terminals (SSTs) were installed in all age-controlled hospitality network locations across B.C.
- If multiple attempts to validate a single instant ticket exceed a certain threshold, a trigger in the lottery system now automatically shuts down the lottery terminal. This new feature is another step in recognizing trends in our retailers' activities and highlights any re-training retailers may need.

Internal upgrades

- We developed a database of all retailers and their employees, including which retailers have been certified to operate BCLC lottery machines. This information can be used to verify if a player is a retailer during prize payout, and helps us monitor the rate of retailer wins.
- We've enhanced our internal tracking system for handling and escalating incoming inquiries from our players and the public to ensure a timely and accurate response.

BCLC's player awareness measures help maintain the integrity of lottery games and validation procedures. In 2008/09, BCLC continued our Play with Confidence advertising campaign reminding players of proper validation processes, ticket self-checks, displayed monitor readings and the importance of signing the back of their tickets.

In March 2009, BCLC added current winning lottery numbers to our Consumer Services toll-free hotline menu in response to player requests. Today people across the province have another fast, easy option for checking winning numbers. Now when players ask the number one question, "How can I check the latest winning numbers?", we reply:

- on the phone anywhere in B.C. at 1-866-815-0222
- online at www.bclc.com
- at your local lottery retailer store
- in most local newspapers

Players can also access any self-service Check-A-Ticket (CAT) machine to check if their ticket is a winner.

FAST FACT

BCLC has completed 21 of 23 recommendations set out in the B.C. Ombudsman's 2007 report. We are on track to have all 23 completed in 2010/11.

PLAYER PROFILE

Through an independent research company, BCLC surveyed a random selection of adult British Columbians about their attitudes toward gaming, as well as their participation in lottery, casino and bingo gaming over the past year. Throughout 2008/09, a total of 3,000 respondents were interviewed.

The characteristics of our lottery, casino and community gaming players can be compared against the general characteristics of adult British Columbians, as follows:

- 50 per cent are male and 50 per cent are female
- 27 per cent are 19-34 years old
- 73 per cent are 35 years or older
- 70 per cent have some post-secondary education
- 56 per cent are from households with an annual income of $60,000 or greater

In the past year, 84 per cent of adult British Columbians participated in at least one form of gaming offered by BCLC.

- 81 per cent played a lottery product
- 37 per cent visited a British Columbia casino
- 9 per cent visited a British Columbia commercial bingo hall or community gaming centre

Source: Gaming Watch 2008/09

FULL SPECTRUM ENTERTAINMENT

BCLC offers players a complete experience of fun, action and excitement.

More excitement—in 2008/09, BCLC introduced new poker, blackjack, mahjong and slot machine tournaments, including Mountains of Money, a province-wide slot tournament with the largest prize pools and player attendance in Canada. Our 2 Chances to Win and $1,000,000 Jackpot Give-Away promotions proved very popular as well.

More facility amenities—the redeveloped Grand Villa Casino in Burnaby opened in November 2008 with two floors of gaming, dining and live entertainment. Facilities in Langley and Terrace became community gaming centres and upgrades to the community gaming centre in Kelowna, Cranbrook's Casino of the Rockies, Hastings Racecourse, Cascades, Edgewater, Starlight and River Rock casinos provided new services.

More interactive–PlayNow eGaming signed up 25,000 new players in 2008/09 for a total of 115,000 registered players as of year end. We launched 10 games on PlayNow, including the new ePacific Hold'Em Poker, eBingo and the Olympic-themed Going for Gold Summer Edition.

WINNING NUMBERS

$509.0 million – Prizes awarded to lottery winners

$ 12.8 million – Prizes awarded to PlayNow winners

$ 77.9 million – Prizes awarded to community gaming centre winners

Casino revenues are recorded after prizes have been paid and; therefore, are not reflected above. For casino information see page 9 and the consolidated financial statements.

MORE THAN 67 MILLION WINNING LOTTERY TICKETS WERE VALIDATED IN 2008/09

CONNECTING ACCOUNTABILITY WITH ACTION

GOVERNANCE FRAMEWORK

As an agent of the Crown regulated by the Gaming Policy and Enforcement (GPE) branch of the Ministry of Housing and Social Development, BCLC is in compliance with Government disclosure requirements for public accountability and transparency detailed in *Best Practices Guidelines–B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations*, including Section 3 of the Board Resourcing and Development Office's stipulations.

BCLC also has a formal governance framework outlining our:

- corporate mandate and mission
- principles and guidelines for our Board of Directors, Chair, Standing Committees, President and Chief Executive Officer (CEO)
- processes for strategic and succession planning
- procedures for Board performance evaluations

SHAREHOLDER'S LETTER OF EXPECTATIONS

Key to our governance framework is the Shareholder's Letter of Expectations (SLE), which clearly outlines our mutual commitment to deliver on performance expectations for the benefit of B.C. The SLE is reviewed annually with Government, updated as required and forms the basis for our three-year Service Plan and Annual Service Plan Report. More at www.bclc.com/cm/aboutbclc/corporategovernance.htm

BOARD OF DIRECTORS

As per the *Gaming Control Act* (B.C.), and appointed by order of the Lieutenant-Governor in Council, BCLC's Board of Directors comprises nine members independent of management, chosen on the basis of expertise and experience. While BCLC's senior management attend all Board meetings, autonomy is maintained by convening an in-camera session at the end of every meeting.

FAST FACT

When they're appointed, and for every year after, BCLC's Board of Directors agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines. The guidelines are available on our website at www.bclc.com/cm/aboutbclc/corporategovernance.htm.

Fundamentally, the Board provides stewardship and ethical leadership of BCLC with a view to BCLC's long-term success in the best interests of the shareholder, the Government of B.C., as well as ensuring our governance framework reflects strong business practices aligned with Crown principles.

Overall Board duties include:

- overseeing the conduct of BCLC management, which is responsible for day-to-day operations
- participating with management in the development of BCLC's mission, vision, values, business and service plans, priorities and capital and operational budgets, and approving the same
- providing advice on major policies relating to human resources, compensation, stakeholder communications and risk management
- reviewing risk factors and implementing resolution strategies
- evaluating annual financial results and measuring performance against objectives

CHAIR

As the presiding Director responsible for effective leadership and performance of the Board, the Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister of Housing and Social Development.

DIRECTORS

Upon appointment, and each subsequent year, Directors must agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines, including performing in honest, good faith in the best interests of BCLC and exercising due skill, care and diligence that is reasonably prudent.

BOARD MEMBERS

Chair

John McLernon[1], Vancouver

Vice-Chair

Arthur Willms, Vancouver

Directors

Michael Riley[2], Surrey; Moray Keith[3], Delta; Kathy Stevenson[4], Kelowna; Trudi Brown[5], Victoria; Cindy Grauer[6], Vancouver; David Gillespie, Kamloops; D. Neil McDonnell, North Vancouver; Tazeem Nathoo[7], West Vancouver; Walter Gray, Kelowna.

COMMITTEE STRUCTURE

The Board creates specific committees to fulfil responsibilities, formulate recommendations and provide advice. An appointed committee Chair reports to the Board with findings and recommendations. The Board Chair and BCLC President & CEO are ex-officio members of all committees.

AUDIT COMMITTEE

- liaise with BCLC internal and external auditors to review financial operations
- advise the Board regarding approved financial statements and quarterly reports
- review financial information provided to Government and the public
- oversee information systems, risk management and internal controls to ensure effective, accurate, appropriate and timely management

Chair	Members
Michael Riley	Arthur Willms, David Gillespie, Kathy Stevenson, Moray Keith

GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

- focus on governance to improve BCLC's overall performance
- oversee and enhance BCLC's scope of corporate social responsibility
- evaluate and make recommendations on Board effectiveness
- develop criteria and succession planning for future Board composition

Chair	Members
David Gillespie	Trudi Brown, Walter Gray, Moray Keith

HUMAN RESOURCES AND COMPENSATION COMMITTEE

- evaluate current strategies, practices and succession plans and recommend future considerations
- assess performance and compensation of the President & CEO
- review employee compensation and benefits, management succession plans, human resource allocation and staff training programs to enhance performance-driven culture

Chair	Members
D. Neil McDonnell	Cindy Grauer, Tazeem Nathoo, John McLernon

Marketing and Sponsorship Committee was dissolved May 6, 2008.

BCLC SENIOR MANAGEMENT AND EXECUTIVES

President & CEO

Michael Graydon – appointed March 31, 2008

Vice-Presidents

Debbie Toole – Human Resources
Kevin Gass[8] – Corporate Affairs
Lynette Hughes – Business Transformation
– appointed May 30, 2008
Jim Lightbody – Lottery Gaming
Scott Norman – Information Technology and Chief Information Officer
Doug Penrose – Finance and Corporate Services
– resigned April 1, 2008
Darryl Schiewe[9] – Casino and Community Gaming
– appointed May 30, 2008
Terry Towns – Corporate Security and Compliance
– appointed May 30, 2008
Marsha Walden[10] – Customer Strategy and Corporate Marketing
– appointed May 30, 2008
Tom Williamson[11] – Finance and Corporate Services
– appointed May 30, 2008

B.C. LOTTOTECH INTERNATIONAL INC.

B.C. Lottotech International Inc. (Lottotech) is a wholly owned subsidiary of BCLC. The management and oversight of Lottotech is consolidated within BCLC operations (Kamloops/Richmond) and the Board reviews and approves capital purchases through the annual business planning and budget process.

Lottotech's Board is comprised of all appointed Board members in 2008/09 as listed. The Officers of Lottotech are BCLC's President & CEO and all vice-presidents in 2008/09 as listed.

1 John McLernon was appointed a member of the Human Resources and Compensation Committee on January 22, 2009.
2 Michael Riley was appointed to the Board on April 2, 2008, became an Audit Committee member on May 6, 2008 and was appointed Chair of the Audit Committee as of November 26, 2008.
3 Moray Keith was appointed to the Board on December 11, 2008, and became both an Audit Committee member and Corporate Social Responsibility Committee member on January 22, 2009.
4 Kathy Stevenson was Audit Committee Chair until her resignation November 26, 2008.
5 Trudi Brown was appointed to the Board on April 2, 2008 and became a member of the Governance and Corporate Responsibility Committee on May 6, 2008.
6 Cindy Grauer was appointed to the Board on December 4, 2008 and became a member of the Human Resources and Compensation Committee on January 22, 2009.
7 Tazeem Nathoo was Chair of the Human Resources and Compensation Committee and member of the Governance Committee until her resignation December 10, 2008.
8 Kevin Gass was formerly, Vice-President, Corporate Communications and Marketing prior to a restructure in 2008.
9 Darryl Schiewe was formerly acting Vice-President, Casino Gaming prior to a restructure in 2008.
10 Marsha Walden was formerly Vice-President, Community Gaming prior to a restructure in 2008.
11 Tom Williamson was Acting Vice-President, Finance and Corporate Services, effective April 4, 2008.

SHAREHOLDER'S LETTER OF EXPECTATIONS

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, providing our games and services in a socially responsible manner consistent with our responsibilities reflected in British Columbia's Responsible Gambling Strategy.

Key to our governance framework is the *Shareholder's Letter of Expectations* 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.

GOVERNMENT DIRECTION	BCLC ALIGNMENT
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 the Province of British Columbia, BCLC achieved $1,950.5 million in net win in 2008/09, $66.5 million below target. BCLC reduced operating costs, but did not meet the net income target of $1,110.0 million, achieving $1,090.7 million or $19.3 million below target. BCLC is forecasting to meet targets for 2009/10 with $2,124.3 million in net win and $1,163.0 million in net income.
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 its 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 the Service Plan 2009/10–2011/12.
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;	BCLC delivers gaming in a manner that encourages responsible gambling and healthy choices. Our responsible gambling efforts are focused on enhancing responsible play programs for our players and communicating the availability of and access to programs, including Voluntary Self-Exclusion. 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.
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 processes and technology are being upgraded and will constantly be improved in order for us to continue to provide integrity and security in gaming systems.
Implement the recommendations made by the provincial Ombudsman in May 2007 related to the Corporation;	BCLC has two Ombudsman's recommendations remaining to implement to enhance the fairness, integrity, transparency, security and player focus of our lottery system. BCLC regularly issues reports that assess our progress.

GOVERNMENT DIRECTION	BCLC ALIGNMENT
Implement recommendations made by Deloitte and Touche LLP in their independent audit of lottery operations in B.C. 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, security 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 ensure a shared understanding of any issues, including the associated costs, workload and increased regulatory, audit, compliance and enforcement activities.
Operate in a manner consistent with the GPE regulatory responsibilities as they apply to BCLC;	BCLC operates its gaming business and financial activities within the legislative, regulatory and policy framework established by the Province of British Columbia. BCLC and GPE continue to meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPE'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 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 *Gaming Control Act* (B.C.) and with policies, directives and standards that may be issued from time to time by the regulatory agency (Gaming Policy and Enforcement branch) established under the *Gaming Control Act* (B.C.);	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'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 of submitted reporting and oversight of that reporting. BCLC and GPE oversight and compliance audits of service providers have also increased. BCLC continues to direct its service providers to report suspicious and large cash transactions as required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* through the Casino and Community Gaming Standards, Policies and Procedures.
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;	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;	While the Province of B.C. 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. BCLC is extending 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 engaged in this work.

REPORT ON BCLC'S 2008/09 PERFORMANCE

Along with other Crown corporations, BCLC produces public Service Plans and Annual Service Plan Reports to detail our business plans and our progress in achieving those plans. These plans include public financial information, consistent with the *Budget Transparency and Accountability Act* and the *Financial Information Act* requirements.

Within the overall framework of Government gaming policy and BCLC's mandate, BCLC's Board and senior management established four goals to guide the organization in the achievement of our mission statement. To manage and direct performance against each of these goals, BCLC 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.

In 2008, BCLC's performance framework was compared with information available publicly for other gaming organizations. The result of this performance review was the addition of new measures in the framework BCLC will use to assess our level of success in achieving our 2009/10 business plans. Performance measure results are reviewed against the targets BCLC has set. If we are doing well, we should be reaching our targets. If BCLC has a rating below our target, we will need to adjust the programs we are implementing and how we are delivering them.

As part of the performance review, other gaming organizations were selected for benchmarking BCLC's results. The external comparative data was provided by an independent consultant. The organizations selected 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 performance results. Ontario Lottery and Gaming Corporation (OLG), Loto-Québec (LQ), the Swedish lottery Svenska Spel (Svenska) and the Canadian gaming industry total were selected. Svenska Spel is widely regarded as one of the most innovative international lottery and eGaming jurisdictions, and the Canadian gaming industry total provides insight into BCLC's financial performance above or below national norms.

BCLC sets revenue and net income targets for our lottery, eGaming, casino, community gaming and bingo gaming channels. For 2009/10 we have added net win targets, which is the level of revenue after prizes are paid. Net win provides a consistent means of comparing our results across our own gaming channels as well as with other jurisdictions.

Data to evaluate our level of success in meeting BCLC's performance targets is obtained from internal and external sources. Data for benchmarking our performance results with other gaming organizations is obtained from publicly available reporting.

BCLC's past year's revenue, net win and net income results are obtained from our audited financial statements. Forecasts and other financial measures are obtained from BCLC internal reports. BCLC contracts with external professional suppliers to conduct surveys to assess our level of success in achieving public, player and employee performance targets. These suppliers conduct surveys to assess our level of success by asking questions pertinent to our performance measures and can be relied upon with a high level of confidence. The responses are scored and reviewed against the targets BCLC has set.

ALIGNMENT OF 2008/09 GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

PERSPECTIVE	GOALS & OBJECTIVES →	STRATEGIES →	PERFORMANCE MEASURES
PLAYER	1 Ensure players come first - Grow the public trust in the integrity of, and support for, gaming BCLC manages	1 Entrench a player focus in all BCLC activities	- Public trust and confidence in BCLC games
FINANCIAL/ OPERATIONS	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	2 Provide opportunities within BCLC's business and operating model to encourage innovation and better player service 3 Build player participation and loyalty through player focus on product innovation, continued facility improvement and customer relations management 4 Implement programs to improve business integrity and operational efficiencies 5 Transform and grow the lottery business 6 Build and leverage PlayNow to achieve its potential as a robust, secure and successful channel	- Net income - Operating cost ratio (of net income) - Player satisfaction
PUBLIC/PLANET	3 Demonstrate social responsibility in all of our activities - Ensure our games are provided in a socially responsible manner - Have a positive effect on communities as we operate our business	7 Improve responsible gambling strategy and delivery of programs 8 Develop and begin implementation of BCLC's plan to achieve carbon neutrality by 2010 9 Promote BCLC's business through the Vancouver 2010 Olympic and Paralympic Winter Games sponsorship	- Player awareness of responsible gambling activities - Public support for gaming
PEOPLE	4 Have a workforce passionately driving the success of our business - Create a high performing organization that strives to continually improve	10 Develop and implement a high- performance culture human resources plan 11 Provide recognition and engagement opportunities for employees to be visibly connected to and appreciated for their contribution to B.C.'s communities	- Employee engagement

FAST FACT
Consumer Services responded to more than 230,000 player/public requests for information in 2008/09.

APPENDIX W

GOAL 01: ENSURE PLAYERS COME FIRST

PUBLIC TRUST AND CONFIDENCE IN BCLC GAMES (%)

TARGET NOT ACHIEVED

CALCULATION

In a continuous tracking study conducted by an external research supplier, adult British Columbians are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement: "I have trust and confidence in the games offered by BCLC." Results are based on the top three box responses.

RATIONALE

This new performance metric measures the percentage of B.C. adults who have confidence in the integrity of BCLC's games. BCLC set the 2008/09 target at 64 per cent.

As BCLC continues the development and implementation of initiatives that entrench a player focus in all of its activities, BCLC will use this metric to gauge progress in achieving a high level of gaming integrity and security.

MANAGEMENT COMMENTS

This metric is dependent upon BCLC's ability to communicate its awareness of responsible gambling initiatives, and also how the government uses the proceeds from gaming to fund good causes.

Significant national publicity highlighting concerns about player security in lottery gaming resulted in an increased focus by BCLC on enhancing the integrity and security of its lottery, casino, community gaming and bingo, and eGaming channels to improve business processes, procedures and compliance.

FY09 PUBLIC TRUST AND CONFIDENCE IN BCLC GAMES

(%)

Benchmarking availability and reliability

As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source

Research International

GOAL 02: PROVIDE AN OUTSTANDING GAMING EXPERIENCE FOR PLAYERS AND GENERATE INCOME

NET INCOME

TARGET NOT ACHIEVED

CALCULATION

Net income is the calculation of total revenue minus prizes and operating expenses.

RATIONALE

BCLC distributes its net income to the Province of B.C. and, as the result of a contractual agreement with the federal and provincial governments, a portion to the Government of Canada.

MANAGEMENT COMMENTS

BCLC optimizes our financial performance within the gaming and social policy framework established by Government. In 2008/09, BCLC achieved $1,090.7 million in net income, $19.3 million below its target of $1,110.0 million.

Net income exceeded the previous year and was achieved despite the impact and duration of global economic events that were not present when the 2008/09 financial budget targets were prepared. In previous economic downturns, gaming has performed relatively well in comparison to other industry sectors.

BCLC will continue to be diligent in managing costs and assessing its consumer behaviour and the impact on our gaming business in a more challenging marketplace.

FY05–FY09 TREND: NET INCOME

($ millions)

Benchmarking availability and reliability

Net income is not benchmarked with other jurisdictions as a result of the differences in the types of gaming offered and population levels.

For the 2009/10 year, BCLC has added a net win per capita measure based on its widespread use in the gaming industry, which makes consistent benchmarking possible.

Data source

BCLC Audited Financial Statements

OPERATING COST RATIO

TARGET NOT ACHIEVED

CALCULATION

Operating cost ratio is defined as operating costs divided by net income, calculated from information available publicly in BCLC's financial statements and expressed as a percentage.

BCLC is changing this metric for 2009/10 to operating cost ratio as a percentage of net win and will include service provider commissions in the operating costs. This will more closely normalize the different operating models of other jurisdictions for benchmarking purposes.

RATIONALE

This performance indicator measures the ratio of operating costs as a percentage of net income and indicates the degree to which BCLC is efficient in generating net income. BCLC set the 2008/09 target at 12.5 per cent.

MANAGEMENT COMMENTS

In 2008/09, BCLC's net income target was not met, and although operating costs were reduced, the need to continue to invest in people, capacity and systems aimed at strengthening gaming integrity and player security as well as our internal processes could not be compromised by reductions to spending.

BCLC anticipates that increased spending on people, systems and processes will continue to result in a somewhat elevated operating cost percentage; however, it will position BCLC to sustain current revenue generation and provide for future growth.

FY05–FY09 TREND: OPERATING COST RATIO

(% of net income)

Benchmarking availability and reliability

In past years, BCLC calculated operating cost ratio as a percentage of revenue. In 2008/09, BCLC changed this measure to operating cost ratio as a percentage of net income and has recalculated past years for comparison purposes.

Data source

BCLC Audited Financial Statements

PLAYER SATISFACTION

TARGET NOT ACHIEVED

CALCULATION

This metric is an overall composite average of the player/visitor satisfaction metrics of the lottery retail and hospitality networks, casino, community gaming and bingo gaming channels. eGaming satisfaction is not currently represented in this metric.

BCLC is planning to move to a consistent measurement methodology across all gaming channels for 2009/10. As a result, this measure will change in future years.

RATIONALE

This performance metric measures player satisfaction for the games, services and facilities offered through the lottery, casino and community gaming and bingo channels, and in the future, the eGaming channel. The metric is directly linked to BCLC's ability to continue to generate net income. BCLC set the 2008/09 target at 90 per cent.

MANAGEMENT COMMENTS

Player satisfaction remained relatively constant in all gaming channels, with a slight increase at lottery retailers and casino and community gaming facilities. The fluctuations at the enterprise level are not statistically significant.

BCLC's focus on its players is intended to improve this measure in all gaming channels, with improvements to player-facing activities that include initiatives such as customer service training.

FY05–FY09 TREND: PLAYER SATISFACTION

(%)

Benchmarking availability and reliability

As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source

Research International

GOAL 03: DEMONSTRATE SOCIAL RESPONSIBILITY IN ALL OF OUR ACTIVITIES

PLAYER AWARENESS OF RESPONSIBLE GAMBLING ACTIVITIES

TARGET EXCEEDED

CALCULATION

In a continuous tracking study conducted by an external research supplier, players of BCLC games are asked questions about their awareness of six specific responsible gambling initiatives. The calculation represents the percentage of players who are aware of at least one of these initiatives.

RATIONALE

This metric considers the impact on the people and communities of B.C. in BCLC's delivery of commercial gaming in the province. BCLC is committed to strengthening responsible gambling programs and their delivery. BCLC set the 2008/09 target at 84 per cent.

MANAGEMENT COMMENTS

To raise awareness among BCLC's players of what responsible play means, BCLC continues to promote responsible use of our gaming products.

BCLC plans to expand this awareness through education and communication programs to improve gaming literacy (dispel myths and misinformation about gaming) and further integrate responsible play in all gaming channels.

This new measure is intended to track the success of these efforts over time.

FY09 PLAYER AWARENESS OF RESPONSIBLE GAMING ACTIVITIES

(%)

Benchmarking availability and reliability

As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source

Research International

PUBLIC SUPPORT FOR GAMING

TARGET EXCEEDED

CALCULATION

In a continuous tracking study conducted by an external research supplier, adult British Columbians 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 results of the top three box responses.

RATIONALE

This metric measures the percentage of adults in B.C. who support legalized gaming and whose support is central to management and growth of the business. BCLC set the 2008/09 target at 62 per cent.

MANAGEMENT COMMENTS

The positive trend in public support for gaming reflects BCLC's success in raising awareness of our efforts to provide a secure and socially responsible gaming experience that is supported by systems and programs that enhance player security and the integrity of gaming.

The public places importance on BCLC's overall effect on B.C. communities. The trend reflects BCLC's continued provision of gaming in a socially responsible manner and continued strengthening of responsible gambling awareness.

Increasing this measure further will require raising public awareness about the beneficiaries of gaming and the integrity and security of its gaming systems.

FY06–FY09 TREND: PUBLIC SUPPORT FOR GAMING

(%)

Benchmarking availability and reliability

As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source

Research International

GOAL 04: HAVE A WORKFORCE PASSIONATELY DRIVING THE SUCCESS OF OUR BUSINESS

EMPLOYEE ENGAGEMENT

TARGET EXCEEDED

CALCULATION

This survey is completed by an external firm, Ipsos Reid. Prior to 2009, BCLC's engagement surveys were conducted by Hewitt Associates.

BCLC is transitioning from the model where engagement is determined by employee responses to questions focused on what employees say about BCLC, why they stay at BCLC and how they strive to deliver on organizational goals, to one where engagement is focused on employee alignment with BCLC's values and objectives. The 2008/09 engagement result has been calculated consistent with previous years.

RATIONALE

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. BCLC set the 2008/09 target at 55 per cent.

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.

MANAGEMENT COMMENTS

A pulse check survey (Hewitt Associates) in May 2008 revealed an increase to a 55 per cent engagement score, putting BCLC on par with the Canadian average. BCLC conducted a full survey in March 2009 and the result is a further significant increase to 77 per cent employee engagement. This result exceeds BCLC's goal of reaching 65 per cent by 2010/11. BCLC's challenge will be in maintaining and enhancing this level of engagement.

BCLC's improvement can be attributed to a strengthened leadership team and a continued focus and commitment to improving employee engagement. This improvement has been achieved by implementing programs corporately and within the divisions to develop our leadership teams, support employee recognition and development, performance management and workforce productivity.

FY07–FY09 TREND: EMPLOYEE ENGAGEMENT

(%)

Benchmarking availability and reliability

BCLC's engagement survey is a reflection of a broad range of attributes that are important to BCLC: player-centricity, delivering an outstanding gaming experience, social responsibility and making BCLC a great place to work.

The survey result can not be directly benchmarked and is best analyzed on a time-series basis.

Data source

Hewitt Associates; Ipsos Reid

FAST FACT

BCLC is recognized as one of B.C.'s Top 50 Employers.

APPENDIX W

OTHER PERFORMANCE MEASURES

Although not established as measures in our Service Plan 2008/09–2010/11, BCLC has provided similar information in previous years and is including these measures in our 2009/10 framework.

NET WIN PER CAPITA

NO TARGET SET

CALCULATION

Net win is the calculation of sales after prizes are paid and is available publicly in BCLC's financial statements. The net win is divided by the total B.C. population based on publicly reported population figures. BCLC uses B.C. Stats for the total population, when in the past this information was obtained from another source. Gaming is benchmarked among organizations with similar gaming offerings.

RATIONALE

This new measure normalizes all gaming revenue to net win. In previous years, revenue generated from lottery, community gaming, bingo and eGaming has been reported as a gross sales amount before prize payments are calculated and deducted. Revenue generated from casino games has been reported as net win, a calculation of sales after prizes awarded to players during game play.

Net win was selected as a core measure based on its widespread use in the gaming industry, which makes consistent benchmarking possible.

Video Lottery Terminal (VLT) revenues have been included from Loto-Québec and in the Canada Total comparators to give a complete picture of spending on gaming.

MANAGEMENT COMMENTS

To entertain our players, BCLC strives to develop innovative games and high quality gaming facilities and improve player services.

This measure indicates the extent to which BCLC is able to balance offering gaming entertainment with responsible play to grow income for Government.

BCLC ranks first among comparators, including the Canadian Total.

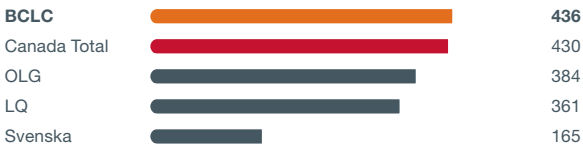
Growth in recent years has come primarily from the casino business and the upgrades that transform commercial bingo halls to community gaming centres.

FY06–FY09 TREND: BCLC NET WIN PER CAPITA

($)

2007/08 BENCHMARK DETAIL

($)



Data source

B.C. Stats; LQ and Svenska Annual Reports; OLG audited financial statements; BCLC internal data

FAST FACT

In 2008/09, BCLC paid $599.7 million in prizes to lottery and community gaming winners.

LEVEL OF GHG EMISSIONS (CO_2e TONNES)

NO TARGET SET

CALCULATION

BCLC uses standard calculations provided by Government to record and report our emissions in a standard format. This calculation is completed and reported as tonnes of carbon dioxide emissions (CO_2e) for the calendar year.

RATIONALE

Like other Crowns, BCLC is required to record and report greenhouse gas (GHG) emissions from our operations and achieve carbon neutrality by 2010. BCLC's GHG emissions result from buildings, fleet vehicles and paper supplies.

MANAGEMENT COMMENTS

BCLC views sustainability as a key component of corporate social responsibility and is advancing environmentally sustainable behaviours in our organizational culture as an integral component of business transformation.

Supported by a carbon neutrality steering committee and employee Green Committee, we are actively encouraging the development of ideas and solutions from employees in all levels of the organization.

In 2008, some of the initiatives to reduce our carbon footprint included replacing aging fleet vehicles with hybrid alternatives, enhancing procurement practices to include sustainable criteria, exploring alternative power sources for building upgrades, recycling end of life equipment and upgrading video conferencing equipment.

2008 LEVEL OF GHG EMISSIONS

(CO_2e tonnes)

Benchmarking availability and reliability

This metric will lend itself to government benchmarking against other Crown agencies.

Data source

BCLC internal reporting

ELECTRONIC GAMING DEVICES PER CAPITA

NO TARGET SET

CALCULATION

This metric represents the number of slot machine and VLT electronic gaming devices divided by the total population x 1000.

Previously, this calculation was reported in BCLC's 2007/08 Annual Report using "adult population" as opposed to "total population," which is the reason for variance in the results previously reported. This change has been made for benchmarking purposes.

RATIONALE

This metric provides a measure of the accessibility of BCLC gaming to British Columbians and compares it over time and across various jurisdictions.

Differences in government policy regulate the types of gaming devices that are prevalent across Canadian provinces.

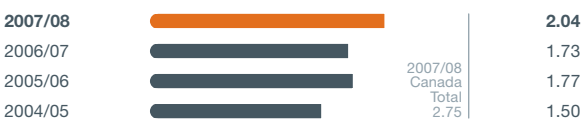
MANAGEMENT COMMENTS

Gaming policy varies across the Canadian provinces. In British Columbia, Government gaming policy excludes VLTs, providing for a responsible gaming model that limits participation in this category of gaming to slot machines in casino and community gaming facilities, where accessibility is limited to adults. OLG also does not have VLTs.

This socially responsible gaming 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 and domestic and international tourism market opportunities.

FY05–FY08 TREND: BCLC DEVICES PER CAPITA

(devices per 1,000 population)



2007/08 BENCHMARK DETAIL

(devices per 1,000 population)

Data source

B.C. Stats, specific data prepared by BCLC

THIS CHART PROVIDES PERFORMANCE MEASURE ACHIEVEMENTS OVER THE PAST THREE YEARS AND THE TARGETS FOR THE NEXT THREE YEARS BASED ON THE PERFORMANCE FRAMEWORK SET OUT IN THE SERVICE PLAN 2009/10–2011/12

	Service Plan 2009/10–2011/12 Performance Measures	2006/07 Actual	2007/08 Actual	**2008/09 Actual**	2009/10 Target	2010/11 Target	2011/12 Target
PUBLIC/ PLANET	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
	Level of GHG Emissions (CO_2e Tonnes)	N/A	N/A	**1,667**	N/A	N/A	N/A
PLAYER	Player Satisfaction (%)	85	84	**85**	85	86	87
	Player Participation (% past year)	83	81	**84**	82	83	83
	Net Win per Capita ($)	412	436	**443**	480	501	511
FINANCIAL/ OPERATIONS	Net Win ($ millions)	1,774.4	1,912.1	**1,950.5**	2,124.3	2,216.8	2,264.0
	Net Income ($ millions)	1,018.8	1,088.9	**1,090.7**	1,163.0	1,207.0	1,237.0
	Operating Cost Ratio (% net win)	39.6	40.1	**41.6**	42.4	42.7	42.5
PEOPLE	Employee Engagement (%)	54	44	**77**	60	65	68
	Employee Vacancy Rate (%)	N/A	N/A	**N/A**	7	5	5

Results shaded grey were not performance measures in the years shown, but have been recalculated for comparison purposes. Operating cost ratio for 2008/09 was calculated as a percentage of net income.

BCLC uses B.C. Stats for the total population, when in the past this information was obtained from another source.

THIS CHART COMPARES THE PERFORMANCE MEASURE TARGETS AND ACTUAL ACHIEVEMENT IN 2008/09 TO THE TARGETS SET IN SERVICE PLAN 2009/10–2011/12

PERFORMANCE MEASURES	2008/09 Service Plan Target	2008/09 Actual	2009/10 Service Plan Target	COMMENTS
Public Support for Gaming	62%	65%	63%	This measures the percentage of adults in B.C. who support legalized gaming. This support is central to BCLC's management and growth of the business. The positive trend reflects BCLC's success in raising awareness of our efforts to provide a secure and socially responsible gaming experience supported by systems and programs that enhance player security and the integrity of gaming.
Public Trust and Confidence in BCLC Games	64%	60%	61%	This measure was new for the 2008/09 year; BCLC set the target by obtaining a baseline measure. This measure is intended to track the percentage of adults in B.C. who have confidence in the integrity of BCLC's games. We will continue to use this measure to gauge our progress in entrenching player focus in all of our activities and achieving a high level of gaming security and integrity.

PERFORMANCE MEASURES	2008/09 Service Plan Target	2008/09 Actual	2009/10 Service Plan Target	COMMENTS
Player Awareness of Responsible Gambling Activities	84%	89%	88%	This measure was new for the 2008/09 year; BCLC set the target by obtaining a baseline measure. This measure is intended to track the success of our efforts to expand player awareness through education and communication programs to improve gaming literacy and raise awareness of what responsible play means, and promote the responsible use of our gaming products.
Level of GHG Emissions (tonnes)	N/A	1,667	N/A	This measure was new for the 2008/09 year. Like other Crowns, BCLC is required to record and report greenhouse gas emissions from our operations and achieve carbon neutrality by 2010. BCLC views sustainability as a key component of corporate social responsibility and is advancing environmentally sustainable behaviours in our culture as an integral component of business transformation.
Player Participation (past year)	N/A	84%	82%	This measure assesses the percentage of adult British Columbians who have participated in a BCLC game in the past year and gauges BCLC's success in attracting and retaining players. Although used in previous years, this measure was not included in the 2008/09 plan. BCLC continued to monitor its performance and our achievement exceeded expectations. This measure has been reinstated for the 2009/10 plan.
Player Satisfaction	90%	85%	85%	This measure assesses player satisfaction for the games, services and facilities offered through all of BCLC's gaming channels and is directly linked to our ability to continue to generate income. BCLC's focus is to improve this measure with initiatives such as customer service training and improving player-facing activities.
Net Win per Capita	N/A	$443	$480	This measure is new for the 2009/10 year. BCLC has recalculated past years for comparison purposes. This measure provides a calculation of net win divided by the total population and was established as a comparator for benchmarking across other gaming jurisdictions. This measure indicates the extent to which BCLC is able to balance our gaming entertainment offerings with responsible play to grow income for Government. This measure is benchmarked with other gaming organizations.
Net Win (millions)	$1,989.9	$1,950.5	$2,124.3	This measure is new for the 2009/10 year. BCLC has recalculated past years for comparison purposes. This is the total amount of revenue after all prizes have been paid, which is comparable across all of BCLC's gaming channels and can be benchmarked with other gaming organizations. BCLC's net win was less than target and is primarily attributed to the changes in the economy over the last four months of the fiscal year.

PERFORMANCE MEASURES	2008/09 Service Plan Target	2008/09 Actual	2009/10 Service Plan Target	COMMENTS
Net Income (millions)	$1,110.0	$1,090.7	$1,163.0	This is the total amount of income generated by BCLC for Government programs in health care and education and community, charitable and municipal initiatives, that benefit British Columbians. Although BCLC achieved operating cost savings, it was not possible to completely offset our lower net win achievement and net income was $19.3 million less than target.
Operating Cost Ratio (% net win)	40.1%	41.6%	42.4%	This measure is new for the 2009/10 year. BCLC has recalculated the 2008/09 year for comparison purposes. This measures the ratio of consolidating operating costs as a percentage of net win and indicates the degree to which BCLC is efficient in generating net income for Government while maintaining or improving our business integrity and infrastructure.
Electronic Gaming Devices per Capita	N/A	2.04	N/A	This measure is new for the 2009/10 year, although BCLC has provided similar information in past reporting. This measures the accessibility of gaming to British Columbian adults and compares it over time. It is also benchmarked with other gaming organizations. BCLC does not set a target for this measure. Differences in Government policy regulate the types of devices that are prevalent across Canadian provinces.
Employee Engagement	55%	77%	60%	This measure indicates the intellectual and emotional involvement employees have in BCLC. Highly engaged employees exert extra effort and are dedicated to doing the best job possible to contribute to the organizations' success. Organizations with high employee engagement are more successful at retaining and recruiting. BCLC's improvement is attributed to the strengthened leadership team and a continued focus and commitment through implementing programs to develop leadership teams, support employee recognition, development, performance management and productivity.
Employee Vacancy Rate	N/A	N/A	7%	This measure is new for the 2009/10 year and is intended to measure BCLC's turnover, competitiveness and the effectiveness of recruitment processes. It 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 context of the time frame it is being measured.

FAST FACT
In 2008/09, BCLC exceeded 400,000 B.C. Gold membership registrations.

RISK AND CAPACITY

BCLC considers integrity and security core to the success of our business. We have adopted an approach to risk management that ensures these values are considered across the organization and decisions are made responsibly.

The primary method for consideration of risk management in BCLC is the Enterprise Risk Management Advisory Committee (ERMAC). The committee has senior representatives from all divisions and meets regularly to consider risk issues. Twice each year the committee conducts an enterprise-wide risk assessment. Formal risk assessments are also conducted for all large initiatives as part of the project management process.

ERMAC's mandate was reviewed in 2008/09. In 2009/10, the committee will move to a monitoring role, formally reporting to BCLC's senior management and Audit Committee of the Board. Risk assessments have been undertaken through all divisions, creating risk registers that will be updated on a quarterly basis. ERMAC will oversee the resulting risk treatment plans, ensuring that the risks identified are addressed as part of management processes.

Risk assessments will be formally incorporated into the strategic and business planning processes, and aligned with corporate goals and performance management measures. In 2009/10, we will also be working to develop performance metrics for the risk management process. The top three areas identified for a risk management focus over the past year were:

RISK
Player trust and support risk

ISSUE	ACTIVITIES IN 2008/09
It is essential to BCLC's success that our players are certain that BCLC's gaming and prize payout systems are trustworthy. Should players feel the integrity of their experience is undermined, or cease to enjoy the games that BCLC offers, our revenue, and strategic and operational objectives would be at risk.	Two key goals and objectives support this area: Goal 1: Ensure players come first - Grow the public trust in the integrity of, and support for, gaming BCLC manages BCLC's compliance activities include strengthening the reporting of suspicious transactions relevant to suspected money laundering, strengthening training programs for gaming sites and increased monitoring and oversight of reporting. BCLC's Casino and Community Gaming Standards, Policies and Procedures stipulate that our service providers must report suspicious and large cash transactions as required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* of Canada. BCLC continued to implement the Player First program, with more than 60 projects coming from the recommendations made by the B.C. Ombudsman and Deloitte. BCLC enhanced its Corporate Security and Compliance division, specifically tasked to ensure the transparency and security of our games. Goal 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 BCLC has been working to transform into a customer-centric organization, through the Player First program and our ongoing programs to provide exciting and innovative new games and services for our players.

FAST FACT
Our GameSense Advisors at casinos and community gaming centres across B.C. shared gaming information with players approximately 9,000 times in 2008/09.

Decline in public consent risk

ISSUE	ACTIVITIES IN 2008/09
It is very important to BCLC that the public support gaming as an acceptable form of adult entertainment. Without the public's support BCLC's business and revenue objectives could be placed at risk.	One key goal supports this area: Goal 3: Demonstrate social responsibility in all of our activities - Ensure our games are provided in a socially responsible manner - Have a positive effect on communities as we operate our business BCLC has an active program of education and communication to inform players about responsible play and the programs and services available if they encounter a problem with gambling. All front line gaming staff, their supervisors and managers must participate in Appropriate Response Training (ART), an educational program intended to equip staff with the necessary knowledge to assist players. In partnership with GPE, BCLC has installed GameSense Information Centres in all its casinos and community gaming centres. Centres located at casinos are staffed by GameSense Advisors trained to provide players with information about game odds, tips for keeping it fun, the Voluntary Self-Exclusion program and information about resources such as the Government's free problem gambling counselling program. BCLC achieved level two responsible gambling certification through the World Lottery Association. BCLC is very proud to be an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games. In 2006, BCLC launched the SportsFunder suite of lottery games, which offers players chances to win once-in-a-lifetime experiences to the 2010 Winter Games and provides funding to support amateur sports programs in British Columbia. BCLC has adopted a commitment to be environmentally responsible and to support sustainable business operations through recycling and other programs that go beyond carbon neutrality requirements.

Employee disengagement and insufficient skills and capacity risks

ISSUE	ACTIVITIES IN 2008/09
BCLC's success is dependent on attracting and retaining highly skilled and motivated staff. BCLC has experienced some difficulty recruiting skilled workers in areas such as project management, purchasing, audit and information technology. Our service providers and the service industry in general have also experienced difficulties in recruiting workers for gaming facilities and retail locations.	A key goal supports this area: Goal 4: Have a workforce passionately driving the success of our business - Create a high performing organization that strives to continually improve BCLC's Human Resources Strategy endeavours to provide high quality recruitment and retention policies. We have improved our average recruitment time by 32 per cent over the previous year. This year, BCLC was recognized as one of B.C.'s Top 50 Employers and was successful in recruiting high quality, skilled employees. After some challenges in 2007/08, employee engagement rose in 2008/09, highlighting the value of our new programs to support leadership development, employee recognition, education, workforce flexibility and employee engagement. Business transformation plans for the future will require additional expert employee resources, new skill sets and systems.

CAPACITY

During 2008/09, BCLC continued to work on the recommendations resulting from the review conducted by the B.C. Ombudsman and other audits. BCLC has continued to increase our human resources to ensure that this work and other projects to improve the quality and integrity of our infrastructure and our gaming products are carried forward. We created the Customer Strategy and Corporate Marketing division as well as the Business Transformation division, which includes the Strategic Planning and Policy and Program Management offices. BCLC's Corporate Security division was broadened to include responsibility for safeguarding corporate compliance.

FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis reviews the financial condition and results of operation of British Columbia Lottery Corporation for the fiscal year ended March 31, 2009 and should be read in conjunction with BCLC's audited financial statements.

Year ended March 31, 2009
(in millions of dollars)

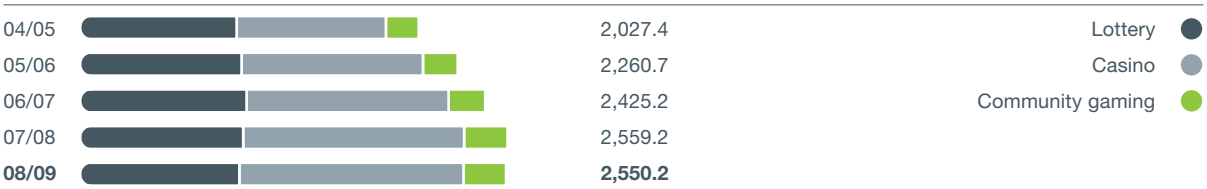
FINANCIAL OVERVIEW

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	**2008/09 Actual**	2008/09 Budget	2008/09 Variance	2008/09 Variance from prior Year	2009/10 Target	2010/11 Target	2011/12 Target
REVENUES											
Lottery	$ 938.0	$ 967.4	$ 997.4	$ 976.9	**$ 954.2**	$ 1,008.0	$ (53.8)	$ (22.7)	$ 1,009.0	$ 1,025.0	$ 1,044.0
Casino	892.9	1,085.3	1,208.9	1,322.1	**1,341.3**	1,400.0	(58.7)	19.2	1,457.0	1,529.0	1,550.0
Community Gaming	196.5	208.0	218.9	260.2	**254.7**	240.0	14.7	(5.5)	299.0	309.0	323.0
	2,027.4	2,260.7	2,425.2	2,559.2	**2,550.2**	2,648.0	(97.8)	(9.0)	2,765.0	2,863.0	2,917.0
Prizes	622.7	641.5	650.8	647.1	**599.7**	631.0	31.3	47.4	640.7	646.2	653.0
Net Win	1,404.7	1,619.2	1,774.4	1,912.1	**1,950.5**	2,017.0	(66.5)	38.4	2,124.3	2,216.8	2,264.0
EXPENDITURES											
Lottery	147.3	163.9	170.4	170.2	**176.0**	200.6	24.6	(5.8)	191.8	190.3	195.0
Casino	377.6	463.7	510.3	560.3	**583.2**	607.5	24.3	(22.9)	647.2	690.7	698.4
Community Gaming	60.9	68.9	74.9	92.7	**100.6**	98.9	(1.7)	(7.9)	122.3	128.8	133.6
	585.8	696.5	755.6	823.2	**859.8**	907.0	47.2	(36.6)	961.3	1,009.8	1,027.0
NET INCOME											
Lottery	284.8	273.2	283.5	263.9	**256.4**	252.5	3.9	(7.5)	256.9	265.4	269.1
Casino	515.3	621.6	698.6	761.8	**758.1**	792.5	(34.4)	(3.7)	809.8	838.3	851.6
Community Gaming	18.8	27.9	36.7	63.2	**76.2**	65.0	11.2	13.0	96.3	103.3	116.3
	$ 818.9	$ 922.7	$ 1,018.8	$ 1,088.9	**$ 1,090.7**	$ 1,110.0	$ (19.3)	$ 1.8	$ 1,163.0	$ 1,207.0	$ 1,237.0
Profit Margin	40.4%	40.8%	42.0%	42.6%	**42.8%**	41.9%	0.9%	0.2%	42.1%	42.2%	42.4%
Debt	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures	$ 93.5	$ 82.9	$ 43.9	$ 60.5	**$ 97.4**	$ 109.3	$ 11.9	$ (36.9)	$ 157.2	$ 115.0	$ 115.0
FTEs	569	575	596	638	**737**	784	47	(99)	865	880	900

2009/10 capital spending includes $37.5 million in approved capital carried forward from previous years.

GAMING REVENUE TRENDS

($ millions)



In 2008/09, BCLC achieved record net income results for the 24th consecutive year. This continuing growth was achieved despite the challenging economic times and severe winter conditions that impacted lottery sales and attendance at BCLC's casino and community gaming facilities.

While BCLC achieved record net income of $1,090.7 million, revenue of $2,550.2 million was $97.8 million less than budget and $9.0 million less than the previous year. A continuing shift in player preference from slot machines to table games in our gaming facilities contributed to this year's net income performance. Expenditures were $47.2 million less than budget. This was due to revenues being under budget, as well as effective management of costs.

Year highlights included the opening of Grand Villa Casino in Burnaby, two new community gaming centres in Langley and Terrace, and the introduction of two new eGaming products: ePacific Hold'Em Poker and eBingo.

PERFORMANCE MEASUREMENT

In 2008, BCLC's performance framework was compared with information available publicly for other gaming organizations. One of the results of this performance review was the addition of new measures in the framework that BCLC will use to assess its level of success in achieving its 2009/10 business plans.

For 2008/09, BCLC has assessed operational performance against the measures and targets established for the year's business plan, and has also compared this performance to the benchmark organizations that will be used for comparison in 2009/10.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board has announced that generally accepted accounting principles (GAAP) will cease to apply for all publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. As a Government Business Entity (GBE), BCLC meets the definition of "publicly accountable" and will be required to begin reporting under International Financial Reporting Standards (IFRS) for its fiscal year beginning April 1, 2011.

BCLC has established a formal project team and engaged an external consultant to facilitate the conversion from Canadian GAAP to IFRS.

To date, the following progress has been made:

Project management

BCLC has established an IFRS Steering Committee to provide oversight and guidance to the implementation project team. Together with the team, the IFRS Steering Committee has established a detailed project timeline, key milestones and project deliverables to ensure that BCLC is ready to implement IFRS by April 1, 2011.

Accounting policy changes

In conjunction with its IFRS consultant, BCLC has undertaken a detailed analysis to determine the differences between its current GAAP-compliant policies and those required under IFRS. Based on this analysis, BCLC expects the areas that will be most affected by IFRS are capital assets; employee future benefits, revenue recognition, contingencies and IFRS 1 (first-time adoption of IFRS).

The International Accounting Standards Board (IASB), which sets the standards for IFRS continues to develop and modify standards, and it is anticipated that some areas of impact and the nature of that impact could change somewhat before the implementation date. BCLC will continually assess the impact of changing standards and adapt its policies and procedures accordingly.

Reporting and disclosure changes

As BCLC works through the detailed reporting and disclosure requirements of IFRS it will develop the systems and methodologies required to capture and disclose the requisite information. BCLC will also carefully consider the elections allowed it under IFRS 1 (first-time adoption of IFRS) and will disclose those choices and their impacts closer to the implementation date.

The conversion to IFRS could also affect the presentation and measurement of balances and transactions in BCLC's audited financial statements. BCLC will also provide an explanation of the nature and effect of these differences closer to the IFRS implementation date.

Training and communication

BCLC will ensure that key stakeholders are kept informed and up-to-date on IFRS developments. Key finance staff have received IFRS training. Regular IFRS status updates have been given to the Audit Committee of BCLC's Board of Directors. BCLC is actively participating in the B.C. Government's Crown Agencies Working Group on IFRS, sponsored by the Office of the Comptroller General for British Columbia. A similar gaming industry-focused IFRS Share Forum sponsored by KPMG involves gaming jurisdictions across Canada.

We intend to continue to expand its training and communication efforts to involve other key stakeholder groups and our entire finance team.

Business impacts

BCLC is considering the possible business impacts of IFRS implementation, and anticipates changes to policies and procedures, internal controls, budgeting, and reporting requirements (especially the requirement for dual reporting for the year ended March 31, 2011).

ECONOMIC OUTLOOK

The world economy is experiencing some of the most difficult financial times since the Great Depression of the 1930s. While the gambling industry in British Columbia has been relatively recession-proof in the past, the current economic downturn is having an impact on BCLC's more diverse operations.

BCLC's strategy to manage the significant downturn in the economy has two main focuses: revenue generation and strategic cost management.

BCLC's greatest opportunity to manage the current downturn in the economy is through revenue generation. As part of BCLC's business planning for fiscal 2009/10, the organization has identified key revenue initiatives that will continue to deliver new and innovative gaming entertainment to lottery, casino and bingo players.

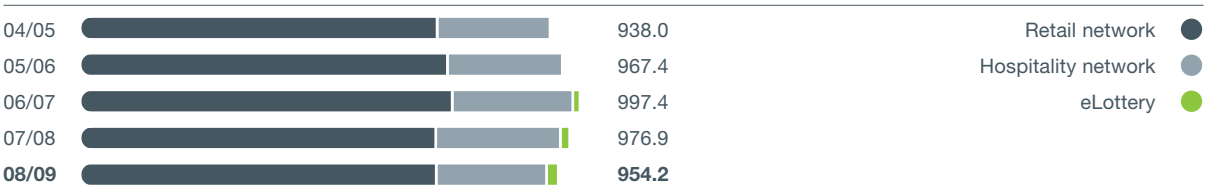
Over the next three years, BCLC will continue to manage operating and capital programs strategically. Operating and capital programs that do not contribute to revenue performance, key infrastructure investments or gaming integrity will be managed carefully and reduced if necessary. For more, visit www.bclc.com/cm/aboutbclc/corporatereports.htm.

LOTTERY OPERATIONS

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	**2008/09 Actual**	2008/09 Budget	2008/09 Variance	Variance from Prior Year
Revenue								
Retail network	$ 712.4	$ 733.0	$ 742.5	$ 709.7	**$ 710.7**	$ 725.3	$ (14.6)	$ 1.0
Hospitality network	225.3	229.2	240.6	248.5	**220.0**	254.7	(34.7)	(28.5)
eLottery	0.3	5.2	14.3	18.7	**23.5**	28.0	(4.5)	4.8
	938.0	967.4	997.4	976.9	**954.2**	1,008.0	(53.8)	(22.7)
Prizes	505.9	530.3	543.5	542.8	**521.8**	554.9	33.1	21.0
Net win	432.1	437.1	453.9	434.1	**432.4**	453.1	(20.7)	(1.7)
Direct expenses	75.5	83.5	85.4	79.0	**75.5**	82.8	7.3	3.5
Operating expenses	71.8	80.4	85.0	91.2	**100.5**	117.8	17.3	(9.3)
Net income	$ 284.8	$ 273.2	$ 283.5	$ 263.9	**$ 256.4**	$ 252.5	$ 3.9	$ (7.5)
Lottery retailers	4,490	4,397	4,321	4,033	**4,046**			
Lottery terminals	4,082	4,081	4,074	3,969	**3,995**			

LOTTERY REVENUE TRENDS

($ millions)



In spite of a tough market environment, lottery net income of $256.4 million exceeded budget of $252.5 million, in part due to a cost-management focus. The retail channel held stable versus last year due to the strong performance of Lotto 6/49; however, the hospitality channel was down significantly, hampered by the economic downturn, provincial smoking ban, and a delay in the distribution of lottery self-service terminals. The PlayNow eGaming business was under budget due to delayed releases of new games, but still performed better than the previous year.

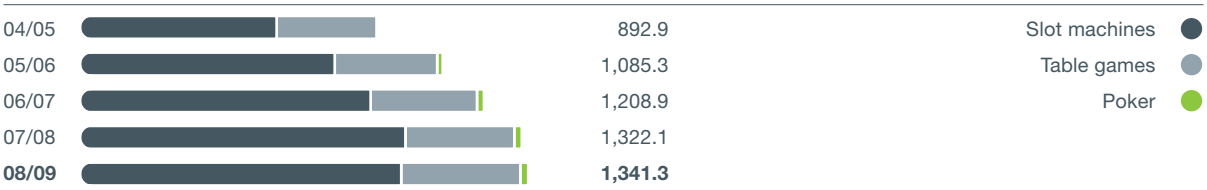
Year ended March 31, 2009
(in millions of dollars)

CASINO OPERATIONS

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	**2008/09 Actual**	2008/09 Budget	2008/09 Variance	Variance from Prior Year
Revenue								
Slot machines	$ 588.6	$ 762.3	$ 869.9	$ 973.9	**$ 961.4**	$ 1,080.0	$ (118.6)	$ (12.5)
Table games	298.9	308.4	318.2	325.8	**356.4**	295.0	61.4	30.6
Poker	5.4	14.6	20.8	22.4	**23.5**	25.0	(1.5)	1.1
	892.9	1,085.3	1,208.9	1,322.1	**1,341.3**	1,400.0	(58.7)	19.2
Prizes	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0
Net win	892.9	1,085.3	1,208.9	1,322.1	**1,341.3**	1,400.0	(58.7)	19.2
Direct expenses	307.3	369.9	408.9	450.4	**473.6**	479.7	6.1	(23.2)
Operating expenses	70.3	93.8	101.4	109.9	**109.6**	127.8	18.2	0.3
Net income	$ 515.3	$ 621.6	$ 698.6	$ 761.8	**$ 758.1**	$ 792.5	$ (34.4)	$ (3.7)
Casinos	19	18	16	17	**17**			
Slot machines	6,307	7,149	6,951	7,837	**8,818**			
Tables	419	454	464	481	**485**			

CASINO REVENUE TRENDS

($ millions)



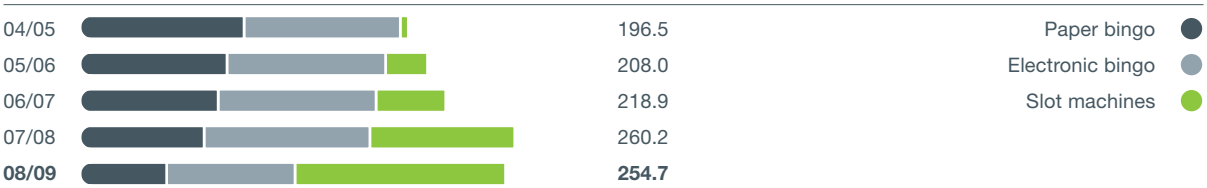
Casino revenues of $1,341.3 million were $58.7 million less than budget but $19.2 million greater than last year. A combination of the slowing economy, extreme weather conditions in December 2008 and a shift in player preference from slot machines to table games had an impact on revenue and net income results.

COMMUNITY GAMING OPERATIONS

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	**2008/09 Actual**	2008/09 Budget	2008/09 Variance	Variance from Prior Year
Revenue								
Paper bingo	$ 98.2	$ 88.0	$ 82.7	$ 74.3	**$ 51.9**	$ 53.0	$ (1.1)	$ (22.4)
Electronic bingo	93.5	94.9	94.5	99.2	**76.8**	67.0	9.8	(22.4)
Slot machines	4.8	25.1	41.7	86.7	**126.0**	120.0	6.0	39.3
	196.5	208.0	218.9	260.2	**254.7**	240.0	14.7	(5.5)
Prizes	116.8	111.2	107.3	104.3	**77.9**	76.2	(1.7)	26.4
Net win	79.7	96.8	111.6	155.9	**176.8**	163.8	13.0	20.9
Direct expenses	43.3	50.9	53.8	66.9	**70.7**	63.6	(7.1)	(3.8)
Operating expenses	17.6	18.0	21.1	25.8	**29.9**	35.2	5.3	(4.1)
Net income	$ 18.8	$ 27.9	$ 36.7	$ 63.2	**$ 76.2**	$ 65.0	$ 11.2	$ 13.0
Commercial bingo halls	27	24	20	15	**13**			
Independent operators	16	15	15	15	**14**			
Community gaming centres	4	5	6	12	**14**			
Slot machines	253	355	497	1,105	**1,378**			

COMMUNITY GAMING REVENUE TRENDS

($ millions)



Community gaming performance continued to be strong despite the fact that only two of five planned community gaming centre openings occurred this year. Revenue of $254.7 million was $14.7 million greater than budget although $5.5 million below last year. The addition of 273 slot machines and 263 electronic bingo terminals were the primary drivers of this year's positive revenue variance. All products with the exception of traditional paper bingo, exceeded revenue targets.

Year ended March 31, 2009
(in millions of dollars)

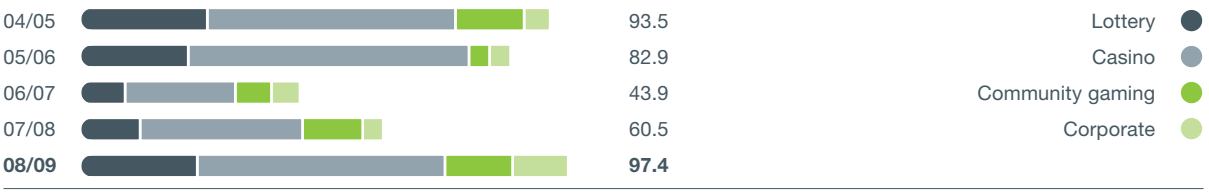
CAPITAL SPENDING

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	**2008/09 Actual**	2008/09 Budget	2008/09 Variance
Lottery	$ 25.1	$ 21.6	$ 9.0	$ 12.0	**$ 23.4**	$ 37.2	$ 13.8
Casino	49.5	53.0	22.0	32.4	**49.4**	45.4	(4.0)
Community gaming	13.7	4.1	7.2	12.0	**13.5**	16.0	2.5
Corporate	5.2	4.2	5.7	4.1	**11.1**	10.7	(0.4)
Capital expenditures	$ 93.5	$ 82.9	$ 43.9	$ 60.5	**$ 97.4**	$ 109.3	$ 11.9

Note: B.C. Lottotech International Inc.'s capital spending for the 2008/09 year was $94.0 million.

CAPITAL SPENDING

($ millions)



From year to year, capital spending varies in response to revenue and gaming facility initiatives. In 2008/09, capital spending of $97.4 million was $11.9 million under budget but $36.9 million greater than 2007/08. The positive budget variance arose in part because BCLC completed a number of Player First initiatives using solutions that were more cost effective and less capital intensive than originally planned, and in part because some business transformation capital programs were delayed and carried forward to future years.

B.C. LOTTOTECH INTERNATIONAL INC.

The consolidated statements of British Columbia Lottery Corporation include B.C. Lottotech International Inc. (Lottotech), a wholly owned subsidiary of the Corporation. 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 (Kamloops/Richmond) and the Board reviews and approves capital purchases through the annual business planning and budget process.

REVENUE

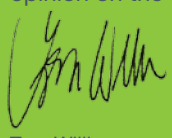
($ in thousands)	**2008/09**	2007/08
Lease revenue	**$ 60,929**	$ 60,973
Expenses		
Amortization	**61,367**	62,558
Other expenses (income)	**408**	(418)
	61,775	62,140
Net income (loss)	**$ (846)**	$ (1,167)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of British Columbia Lottery Corporation (BCLC) have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of BCLC as at March 31, 2009 and the results of its operations and cash flow for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the financial statements of BCLC.



Tom Williamson
Vice-President
Finance and Corporate Services

AUDITORS' REPORT

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2009 and the consolidated statements of income, amounts due to Government of British Columbia and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Kamloops, Canada
April 20, 2009

March 31, 2009, with comparative figures for 2008
(in thousands of dollars)

CONSOLIDATED BALANCE SHEET

	2009	2008
ASSETS		
Funds held in trust (note 4)	**$ 3,445**	$ 6,911
Short-term investments (note 5)	**58,520**	91,325
Accounts receivable (note 6)	**89,004**	80,440
Prepaid expenses	**7,184**	5,721
Inventory (note 7)	**6,267**	4,203
Accrued pension plan asset (note 8)	**21,739**	15,749
Property, plant and equipment (note 9)	**147,984**	115,051
	$ 334,143	$ 319,400
LIABILITIES		
Cheques issued in excess of funds on hand (note 4)	**$ 3,494**	$ 2,912
Prizes payable	**41,719**	43,837
Accounts payable and accrued liabilities	**51,906**	46,319
Accrued post retirement benefit obligations (note 8)	**35,288**	31,767
Payable to Interprovincial Lottery Corporation	**–**	1,685
Due to Government of British Columbia	**201,736**	192,880
Commitments and contingencies (notes 16 and 17)		
	$ 334,143	$ 319,400

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Chair, Board of Directors

Approved:

Michael Riley
Chair, Board Audit Committee

CONSOLIDATED STATEMENT OF INCOME

	2009	2008
Revenue (note 10):		
Lottery	**$ 954,208**	$ 976,910
Casino	**1,341,240**	1,322,123
Community gaming	**254,726**	260,154
	2,550,174	2,559,187
Direct expenses:		
Prizes	**599,745**	647,059
Commissions	**602,598**	579,313
Ticket printing and bingo paper	**17,134**	17,041
	1,219,477	1,243,413
Revenue less direct expenses	**1,330,697**	1,315,774
Operating expenses:		
Administrative expenses	**138,145**	118,817
Amortization	**64,138**	64,908
Other expenses	**4,898**	3,948
Marketing Trust Account (note 11):		
Marketing Trust Account income	**(15,642)**	(13,703)
Marketing Trust Account expenditures	**15,642**	13,703
	207,181	187,673
Income from operations	**1,123,516**	1,128,101
Non-operating income (expenses):		
Net horse racing betting fees (note 12)	**1,878**	1,878
Integrated Illegal Gaming Enforcement Team expenses (note 13)	**(981)**	(1,094)
Goods and Services Tax expense (note 21)	**(33,727)**	(39,992)
	(32,830)	(39,208)
Net income, being comprehensive income	**$ 1,090,686**	$ 1,088,893
Allocation of net income:		
Government of British Columbia	**$ 1,081,989**	$ 1,080,377
Government of Canada (note 14)	**8,697**	8,516
	$ 1,090,686	$ 1,088,893

Sector activity information (note 19)

See accompanying notes to consolidated financial statements.

Year ended March 31, 2009, with comparative figures for 2008
(in thousands of dollars)

CONSOLIDATED STATEMENT OF AMOUNTS DUE TO GOVERNMENT OF BRITISH COLUMBIA

	2009	2008
Balance, beginning of year	**$ 192,880**	$ 205,534
Net income	**1,090,686**	1,088,893
	1,283,566	1,294,427
Payments to Government of British Columbia	**1,073,133**	1,093,031
Payments to Government of Canada (note 14)	**8,697**	8,516
	1,081,830	1,101,547
Due to Government of British Columbia	**$ 201,736**	$ 192,880

See accompanying notes to consolidated financial statements.

Year ended March 31, 2009, with comparative figures for 2008
(in thousands of dollars)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2009	2008
Cash provided by (used in):		
OPERATIONS		
Net income	**$ 1,090,686**	$ 1,088,893
Adjustments for:		
Amortization of property, plant and equipment	**64,138**	64,908
Gain on disposal of property, plant and equipment	**(513)**	(518)
	1,154,311	1,153,283
Changes in non-cash operating items:		
Accounts receivable	**(8,564)**	2,003
Prepaid expenses	**(1,463)**	(1,494)
Inventory	**(2,064)**	1,053
Accrued pension plan asset	**(5,990)**	(3,816)
Prizes payable	**(2,118)**	3,323
Accounts payable and accrued liabilities	**5,587**	(7,331)
Accrued post retirement benefit obligation	**3,521**	4,313
Payable to Interprovincial Lottery Corporation	**(1,685)**	(2,476)
	1,141,535	1,148,858
FINANCING		
Short-term investments	**32,805**	20,559
Payments to Government of British Columbia	**(1,073,133)**	(1,093,031)
Payments to Government of Canada (note 14)	**(8,697)**	(8,516)
	(1,049,025)	(1,080,988)
INVESTMENTS		
Additions to property, plant and equipment	**(97,422)**	(60,454)
Proceeds on disposal of property, plant and equipment	**864**	921
	(96,558)	(59,533)
Increase (decrease) in cash position and funds held in trust	**(4,048)**	8,337
Funds held in trust, beginning of year	**6,911**	6,163
Cheques issued in excess of funds on hand, beginning of year	**(2,912)**	(10,501)
Cash position, end of year	**$ (49)**	$ 3,999
Comprised of:		
Funds held in trust	**$ 3,445**	$ 6,911
Cheques issued in excess of funds on hand	**(3,494)**	(2,912)
Cash position, end of year	**$ (49)**	$ 3,999

See accompanying notes to consolidated financial statements.

1 / NATURE OF THE CORPORATION

British Columbia Lottery Corporation ("BCLC" or "Corporation") is a Crown corporation. BCLC was incorporated under the *Company Act* of British Columbia on October 25, 1984 and is continued under the *Gaming Control Act* (B.C.). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2 / SIGNIFICANT ACCOUNTING POLICIES

A BASIS OF PRESENTATION

i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation, as well as the Marketing Trust Account, a variable interest entity for which the Corporation is deemed the primary beneficiary (see note 11).

B FINANCIAL INSTRUMENTS

The Corporation has designated or classified its financial assets and liabilities as follows:

Cash, short-term investments, casino, community gaming and bingo cash floats owned by the Corporation have been designated as held for trading and measured at their fair values, with changes in fair value recognized in the consolidated statement of income.

Accounts receivable (excluding cash floats owned by the Corporation) have been classified as loans and receivables and are measured at amortized cost; and

Accounts payable and accrued liabilities, prizes payable, payable to Interprovincial Lottery Corporation, and due to Government of British Columbia have been classified as other financial liabilities and are measured at amortized cost.

C INVENTORY

Inventory is recorded at the lower of cost (determined on a first-in, first-out basis) and net realizable value.

2 / SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D PROPERTY, PLANT AND EQUIPMENT

The Corporation's policy on capital purchases is that any major purchase which has a useful life beyond the current year will be capitalized.

The Corporation's property, plant and equipment is recorded at its cost less accumulated amortization. Amortization is provided over the estimated useful lives on a straight-line basis starting when the assets are available for use. Amortization is taken at the following annual rates:

Asset	Rate
	Years
Corporate facilities and equipment	5
Corporate information systems	3
Lottery gaming systems and equipment	5
Casino gaming systems and equipment	3–5
Bingo gaming systems and equipment	3

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

E EMPLOYEE FUTURE BENEFITS

The Corporation has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the average of the 60 consecutive months of highest pensionable earnings. The cost of this program is funded by employee and employer contributions.

The Corporation also sponsors post-retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligations based on estimates provided by independent actuaries.

2 / SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E EMPLOYEE FUTURE BENEFITS (CONTINUED)

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments or initiations are amortized on a straight-line basis over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10 per cent of the greater of the accrued benefit obligation and the market-related value of plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plans. The EARSL for the Registered Plan is 13 years.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*. A funding excess may be applied immediately to reduce required employer current service contributions; however, the reduction in contributions may not cause the funding excess to drop below five per cent of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of five years.

F REVENUE RECOGNITION

Lottery games

The recognition of lottery sales and the corresponding direct expenses for online games is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue and the associated direct costs are recorded as prepaid expenses.

The recognition of lottery sales and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

Community gaming

Revenue from the operation of paper, electronic, linked and handheld bingo and the associated selling costs and prize expenses are included in the consolidated statement of income in the same period the game is played. Revenue from community gaming slot machines is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

Casinos

Revenue from casino slot machines and table games are recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

2 / SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G PRIZE EXPENSES

Lottery prize expenses are recorded based on the actual prize liability experienced for each online game and theoretical prize liabilities for instant ticket games.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the nature of games of chance. Over the life of a game, the actual prize expense will equal the theoretical expense.

Expired prize funds are to be paid out to players in the form of bonus prizes and/or bonus draw promotions.

H SOFTWARE DEVELOPMENT COSTS

Software development costs are deferred if they meet certain criteria specified by GAAP, otherwise they are expensed as incurred.

I INCOME TAXES

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

J ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include pension plan assets and obligations, Goods and Services Tax liability and expense and prize liability. Actual results could differ from those estimates.

K SECTOR ACTIVITY REPORTING

The Corporation's reportable sectors are strategic business units that represent distinct distribution channels that offer similar and unique products and services. These sectors are lottery, casino, community gaming and horse racing. The sector activity is illustrated in note 19. The accounting policies of the sectors do not differ from the accounting polices of the Corporation.

3 / CHANGES IN ACCOUNTING POLICY

A ACCOUNTING PRONOUNCEMENTS ADOPTED DURING THE YEAR:

Effective April 1, 2008, the Corporation adopted the following CICA Handbook sections, which became effective for the Corporation on that date:

i) Section 1535 "Capital Disclosures" requires the Corporation to disclose information about the Corporation's objectives, policies and processes for managing its capital, quantitative data about what the Corporation regards as capital, whether the Corporation has complied with any capital requirements and if it has not complied, the consequences of such non-compliance. The additional disclosures are located in note 23.

ii) Section 3862 "Financial Instruments–Disclosure" and Section 3863 "Financial Instruments–Presentation" expand upon and replace the standards for financial statement disclosure and presentation of financial instruments prescribed in Section 3861 "Financial Instruments–Disclosure and Presentation."

Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the Corporation's financial position and performance, as well as the nature and extent of risks arising from financial instruments to which the Corporation is exposed and how the Corporation manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

There is no change in the classification and valuation of the Corporation's financial instruments in adopting Section 3862 and 3863. Disclosures resulting from the adoption of these standards are detailed in note 22.

iii) Section 3031 "Inventories" prescribes the accounting treatment for inventories, particularly the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value. The adoption of this standard has not significantly impacted the Corporation's financial statements. Disclosure on inventories is included in note 7.

B ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE:

i) The new CICA Handbook Section 3064 "Intangible Assets" has been issued and becomes effective for the Corporation as of its fiscal year commencing April 1, 2009. This section establishes further criteria on intangible costs that do not qualify for capitalization. The adoption of this standard is not expected to have a significant impact to the Corporation's financial statements.

ii) International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) announced that for fiscal years commencing on or after January 1, 2011, all publicly accountable enterprises are required to report their financial results using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). IFRS uses a conceptual framework similar to Canadian GAAP, but there are some differences in recognition, measurement and disclosures.

3 / CHANGES IN ACCOUNTING POLICY (CONTINUED)

B ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

ii) International Financial Reporting Standards (IFRS) (continued)

Currently, the Corporation meets the definition of a Government Business Entity (GBE). The Public Sector Accounting Standards Board (PSAB) has issued an Invitation to Comment to further clarify and seek views on the application of IFRS to GBEs. In the Invitation to Comment, four different alternatives are presented, three of which require a GBE to adopt IFRS, the fourth allowing the entity to choose between IFRS and the PSAB framework

The Corporation has commenced developing a plan to convert its consolidated financial statements to IFRS. The plan will address the impact that IFRS has on:

- accounting policies and implementation decisions;
- information technology and data systems;
- financial statement presentation and disclosure options available upon initial changeover to IFRS; and
- disclosure controls and procedures

A formal project structure has been established which includes a project team, as well as a steering committee comprised of management from various departments including Finance and Information Technology. Regular reporting is made to the Executives, the Audit Committee and the Board of Directors. The Corporation is utilizing various external advisors to provide expert advice.

The conversion project consists of four phases: raise awareness, assess impact, design and implement. The awareness phase consisted of the Corporation gaining an understanding of the conversion process, establishing project teams and commencing communication on the impact to organization stakeholders. The Corporation has finished the impact assessment phase through the completion of a detailed gap analysis. The analysis has identified the following areas with the highest potential impact to the Corporation: revenue recognition, employee future benefits, capital assets and the adoption of IFRS 1 (First-Time Adoption of IFRS). The Corporation will also complete a detailed assessment to determine the system impacts resulting from the conversion to IFRS.

In the 2009/10 fiscal year, the Corporation will be moving into the design phase of the project. This phase will include the development of a detailed work plan, and the formation of working groups to investigate and make recommendations on specific financial issues. These groups will also include representatives from operations.

The Corporation will then commence the implementation phase which will involve training, development and approval of accounting policies and preparation of the new IFRS financial statements.

The Corporation actively participates in an industry IFRS working group and a B.C. Government Crown Corporation IFRS working group.

The Corporation is currently in the process of assessing the differences between IFRS and the Corporation's current accounting policies, as well as the alternatives available upon adoption, and has not quantified the effect of adopting IFRS.

Years ended March 31, 2009 and 2008
(in thousands of dollars)

4 / FUNDS HELD IN TRUST AND CHEQUES ISSUED IN EXCESS OF FUNDS ON HAND

	2009	2008
Funds held in trust	**$ 3,445**	$ 6,911
Cheques issued in excess of funds on hand	**(3,494)**	(2,912)

Funds held in trust is money held within the Marketing Trust Account, in accordance with the Casino Operational Services Agreement (COSA) between BCLC and the participating service providers.

A corresponding trust liability in the amount of $3,445 (2008: $6,911) is included in accounts payable and accrued liabilities (see note 11).

5 / SHORT-TERM INVESTMENTS

	2009	2008
Held with B.C. Investment Management Corporation:		
Canadian Money Market Fund (overnight deposit)	**$ 58,370**	$ 91,205
U.S. Dollar Money Market Fund (overnight deposit)	**150**	120
	$ 58,520	$ 91,325

6 / ACCOUNTS RECEIVABLE

	2009	2008
Trade accounts receivable		
Lottery retailers	**$ 16,608**	$ 16,157
Casino service providers	**25,761**	22,251
Community gaming and bingo service providers	**1,401**	3,705
	43,770	42,113
Casino cash floats	**38,925**	34,825
Community gaming and bingo cash floats	**3,037**	2,562
Other	**3,272**	940
Total accounts receivable	**$ 89,004**	$ 80,440

Cash floats owned by the Corporation and provided by the Corporation are secured by Irrevocable Standby Letters of Credit.

7 / INVENTORY

The major components of inventory are as follows:

	2009	2008
Instant tickets	**$ 3,504**	$ 3,375
Merchandise prizes	**1,669**	-
Online supplies	**102**	91
Casino mystery bonus	**715**	498
Bingo paper and supplies	**271**	234
Other inventory	**6**	5
	$ 6,267	$ 4,203

The amount of inventory recognized as an expense during the year is $17,765 (2008: $17,629).

8 / EMPLOYEE FUTURE BENEFITS

The Corporation has a defined benefit pension plan (RPP) and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2009	2008	**2009**	2008
Accrued benefit obligation:				
Balance at beginning of year	**$ 75,855**	$ 81,502	**$ 35,520**	$ 39,919
Current service cost	**3,536**	3,841	**1,823**	2,102
Interest cost	**4,809**	4,401	**2,354**	2,256
Plan amendments	**193**	–	**–**	–
Employee contributions	**1,977**	1,644	**–**	–
Past service cost	**–**	–	**–**	–
Benefits paid	**(3,426)**	(3,125)	**(567)**	(499)
Special termination benefits	**–**	725	**–**	–
Actuarial loss (gain)	**(24,747)**	(13,133)	**(9,302)**	(8,258)
Balance at end of year	**58,197**	75,855	**29,828**	35,520
Plan assets:				
Fair value at beginning of year	**83,019**	78,053	**–**	–
Actual return (loss) on plan assets	**(13,864)**	(1,347)	**–**	–
Employer contributions	**8,638**	7,794	**567**	499
Employee contributions	**1,977**	1,644	**–**	–
Benefits paid	**(3,426)**	(3,125)	**(567)**	(499)
Balance at end of year	**76,344**	83,019	**–**	–
Funded status–excess (deficiency)	**18,147**	7,164	**(29,828)**	(35,520)
Employer contributions after measurement date	**–**	176	**–**	–
Unamortized (negative) past service cost	**721**	645	**(4,483)**	(4,890)
Unamortized net actuarial loss (gain)	**2,871**	7,764	**(977)**	8,643
Accrued pension plan benefit asset (liability)	**$ 21,739**	$ 15,749	**$ (35,288)**	$ (31,767)

8 / EMPLOYEE FUTURE BENEFITS (CONTINUED)

	2009	2008
	%	%
Plan assets by asset category		
Equity securities	**58**	66
Debt securities	**42**	34
	100	100

An actuarial valuation is required at minimum every three years to be performed to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made as of December 31, 2007 by Mercer, a firm of consulting actuaries. The next required valuation will be as at a date not later than December 31, 2010, with results available in early 2011. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations for accounting purposes are as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2009	2008	**2009**	2008
	%	%	**%**	%
At beginning of period:				
Discount rate	**6.25**	5.30	**6.35**	5.40
Expected rate of return on plan assets	**7.00**	7.00	**–**	–
Rate of compensation increase	**5.00**	5.00	**–**	–
Health care cost trend rate:				
2008/09	**–**	–	**6.24**	6.60
Ultimate	**–**	–	**4.50**	4.50
Year ultimate reached	–	–	***2012***	*2012*
At end of period:				
Discount rate	**8.60**	6.25	**8.70**	6.35
Rate of compensation increase	**4.75**	5.00	**–**	–
Health care cost trend rate:				
2008/09	**–**	–	**6.44**	6.24
Ultimate	**–**	–	**4.35**	4.50
Year ultimate reached	–	–	***2029***	*2012*

Years ended March 31, 2009 and 2008
(in thousands of dollars)

8 / EMPLOYEE FUTURE BENEFITS (CONTINUED)

	Pension Plans		Post Retirement Benefit Plans	
The Corporation's net benefit plan expense is as follows:	**2009**	2008	**2009**	2008
Current service cost, net of employees' contributions (including provision for plan expenses)	**$ 3,536**	$ 3,841	**$ 1,823**	$ 2,102
Interest cost	**4,809**	4,401	**2,354**	2,256
Plan amendment	**193**	–	**–**	–
Actual loss (return) on plan assets	**13,864**	1,347	**–**	–
Actuarial loss (gain) on accrued benefit obligation	**(24,747)**	(13,133)	**(9,302)**	(8,258)
Special termination benefits	**–**	725	**–**	–
Costs arising in the year	**(2,345)**	(2,819)	**(5,125)**	(3,900)
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	**(19,883)**	(6,993)	**–**	–
Actuarial loss (gain)	**24,776**	13,670	**9,620**	9,119
Plan amendment	**(76)**	117	**–**	–
(Negative) past service cost	**–**	–	**(407)**	(407)
Net benefit cost recognized	**$ 2,472**	$ 3,975	**$ 4,088**	$ 4,812

9 / PROPERTY, PLANT AND EQUIPMENT

			2009	2008
	Cost	Accumulated Amortization	**Net**	Net
Land	$ 700	$ –	**$ 700**	$ 700
Corporate facilities and equipment	32,372	27,245	**5,127**	2,910
Corporate information systems	37,801	28,241	**9,560**	5,492
Lottery gaming systems and equipment	129,608	85,417	**44,191**	37,447
Casino gaming systems and equipment	222,722	155,063	**67,659**	52,067
Bingo gaming systems and equipment	65,708	44,961	**20,747**	16,435
	$ 488,911	$ 340,927	**$ 147,984**	$ 115,051

Years ended March 31, 2009 and 2008
(in thousands of dollars)

10 / REVENUE

	2009	2008
Lottery		
Keno	**$ 210,239**	$ 224,806
Scratch & Win	**158,325**	165,324
Lotto 6/49	**240,487**	229,758
Lotto Super 7	**68,550**	62,086
Pull Tab	**54,918**	64,562
Extra	**53,965**	52,030
BC/49	**51,878**	53,044
Sports Action	**52,911**	49,371
Millionaire Life	**5,637**	7,854
Pacific Hold'Em	**39,926**	45,410
SportsFunder	**15,255**	14,754
Interactives	**1,338**	1,026
eBingo	**779**	–
Special Event	**–**	3,726
Payday	**–**	3,159
	954,208	976,910
Casino–net win*		
Slot machines	**961,408**	973,908
Poker	**23,462**	22,420
Table games	**356,370**	325,795
	1,341,240	1,322,123
Community Gaming		
Paper Bingo	**51,924**	74,295
Electronic Bingo	**66,335**	77,085
Linked Bingo	**7,675**	10,305
Handheld Bingo	**2,795**	11,752
Slot machines–net win*	**125,997**	86,717
	254,726	260,154
Total revenue	**$ 2,550,174**	$ 2,559,187

* Net win represents revenue net of prizes paid.

11 / MARKETING TRUST ACCOUNT

The Marketing Trust Account (MTA) was established in 2004 between BCLC and casino service providers who are provided with more than 300 slot machines. Under the terms of the Casino Operational Services Agreement (COSA), casino service providers were required to contribute to this account for the purpose of funding casino marketing and responsible gaming programs.

BCLC and the casino service providers have agreed to the termination of contributions to the MTA as of December 27, 2008. The remaining MTA balance as of March 31, 2009 will be returned to the casino service providers subsequent to year end.

The Corporation has included the activities of the MTA in its consolidated financial statements pursuant to Accounting Guideline 15—Consolidation of Variable Interest Entities, as it is deemed to be the primary beneficiary of the MTA.

Amounts related to the MTA are as follows:

	2009	2008
MTA contributions and interest	**$ 12,176**	$ 14,451
MTA earned (unearned) contributions	**3,466**	(748)
MTA income	**15,642**	13,703
MTA expenditures	**(15,642)**	(13,703)
Net MTA income	**$ –**	$ –

Amounts included in cash (note 4) and accounts payable and accrued liabilities related to the MTA are as follows:

	2009	2008
Opening MTA trust assets and liabilities	**$ 6,911**	$ 6,163
Current year (earned) unearned MTA contributions	**(3,466)**	748
Ending MTA trust assets and liabilities	**$ 3,445**	$ 6,911

12 / NET HORSE RACING BETTING FEES

Pursuant to section 16 of the *Gaming Control Act* (B.C.) (the Act), BCLC is responsible for the collection and distribution of horse racing fees in the province of British Columbia. The rates of fee collection and the responsibility for their distribution are set forth in the Act. The amount shown as net horse racing betting fees in these financial statements is the portion of those fees collected by BCLC and then remitted to Government, and approximates the cost of regulating the industry as determined by the Gaming Policy and Enforcement (GPE) branch.

	2009	2008
Revenue collected from the horse racing industry	**$ 6,572**	$ 6,656
Less: revenue returned to the horse racing industry	**(4,694)**	(4,778)
Net horse racing betting fees	**$ 1,878**	$ 1,878

13 / INTEGRATED ILLEGAL GAMING ENFORCEMENT TEAM EXPENSES

In February 2003, based on direction from Government, the Integrated Illegal Gaming Enforcement Team (IIGET) was established. The expenditures required to fund IIGET are provided by BCLC pursuant to a Sponsoring Agreement with the Province. This Sponsoring Agreement will no longer be in effect for BCLC after March 31, 2009.

IIGET is a specialized division of the Royal Canadian Mounted Police that works cooperatively with GPE to provide a comprehensive and integrated approach to the investigation and enforcement of the *Criminal Code* of Canada as it relates to illegal gaming activities in British Columbia.

14 / PAYMENTS TO GOVERNMENT OF CANADA

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

15 / INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized as a direct expense. The Corporation's share of the ILC's interest income less operating expenses is included in other expense.

16 / COMMITMENTS

The Corporation is committed to payments under operating leases for premises and vehicles.

Minimum annual rental payments for the next five years are approximately as follows:

2010	$	3,364
2011		2,839
2012		784
2013		343
2014		133

17 / CONTINGENCIES

The Corporation has been named a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and, accordingly, no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

18 / RELATED PARTY TRANSACTIONS

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Years ended March 31, 2009 and 2008
(in thousands of dollars)

19 / SECTOR ACTIVITY INFORMATION

Year ended March 31, 2009	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	$ 954,208	$ 1,341,240	$ 254,726	$ –	$ 2,550,174
Direct expenses:					
Prizes	521,851	–	77,894	–	599,745
Commissions	59,732	473,588	69,278	–	602,598
Ticket printing and bingo paper	15,680	–	1,454	–	17,134
	597,263	473,588	148,626	–	1,219,477
Revenue less direct expenses	356,945	867,652	106,100		1,330,697
Operating expenses:					
Administrative expenses	73,646	51,560	12,939	–	138,145
Amortization	17,167	37,267	9,704	–	64,138
Other expense	810	3,185	903	–	4,898
Marketing Trust Account:					
Marketing Trust Account income	–	(15,642)	–	–	(15,642)
Marketing Trust Account expenditures	–	15,642	–	–	15,642
	91,623	92,012	24,546	–	207,181
Income from operations	265,322	775,640	82,554	–	1,123,516
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses	(224)	(671)	(86)	–	(981)
Goods and Services Tax expense	(10,605)	(16,852)	(6,270)	–	(33,727)
	(10,829)	(17,523)	(6,356)	1,878	(32,830)
Net income	$ 254,493	$ 758,117	$ 76,198	$ 1,878	$ 1,090,686

19 / SECTOR ACTIVITY INFORMATION (CONTINUED)

Year ended March 31, 2008	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	$ 976,910	$ 1,322,123	$ 260,154	$ –	$ 2,559,187
Direct expenses:					
Prizes	542,790	–	104,269	–	647,059
Commissions	63,765	450,426	65,122	–	579,313
Ticket printing and bingo paper	15,245	–	1,796	–	17,041
	621,800	450,426	171,187	–	1,243,413
Revenue less direct expenses	355,110	871,697	88,967	–	1,315,774
Operating expenses:					
Administrative expenses	64,213	43,444	11,160	–	118,817
Amortization	15,199	40,945	8,764	–	64,908
Other expense	2,118	1,384	446	–	3,948
Marketing Trust Account:					
Marketing Trust Account income	–	(13,703)	–	–	(13,703)
Marketing Trust Account expenditures	–	13,703	–	–	13,703
	81,530	85,773	20,370	–	187,673
Income from operations	273,580	785,924	68,597	–	1,128,101
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses	(248)	(757)	(89)	–	(1,094)
Goods and Services Tax expense	(11,310)	(23,402)	(5,280)	–	(39,992)
	(11,558)	(24,159)	(5,369)	1,878	(39,208)
Net income	$ 262,022	$ 761,765	$ 63,228	$ 1,878	$ 1,088,893

20 / COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

21 / GOODS AND SERVICES TAX

As a prescribed Goods and Services Tax (GST) registrant, BCLC makes GST remittances to the Government of Canada pursuant to the *Games of Chance Regulations* of the *Excise Tax Act* (the Regulations). The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations. The net result is the payment of an additional five per cent GST on most gaming expenditures. The net tax attributable to non-gaming activities is calculated similar to any other GST registrant.

22 / FINANCIAL RISK MANAGEMENT

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, currency risk, interest rate risk, liquidity risk and market risk.

This note presents information on how the Corporation manages those financial risks.

GENERAL

The Board of Directors (the Board) is responsible for the oversight of management including its policies related to financial and risk management issues. The Board has delegated responsibility to the Audit Committee to consider on an ongoing basis the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

The Audit Committee oversees the review of the Corporation's information systems, risk management function and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

Internal Audit Services (IAS) helps BCLC accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.

BCLC has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems and to adopt risk treatment plans when appropriate. An Enterprise Risk Management Advisory Committee (ERMAC), with representation from risk management, IAS and the executive and senior management from all divisions, has been established to ensure risk management is implemented across the Corporation, to consider and recommend risk management strategies, plans, processes and policies to the Corporation, and to provide advice to the Executive Committee (CEO and Vice Presidents) on risk management at BCLC. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive and Audit committees.

BCLC has also established a new division focused on corporate security and compliance, and appointed a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control and compliance.

22 / FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations with the Corporation. Credit risk arises principally from the Corporation's trade receivables and investment securities.

Trade receivables

The major third parties transacting with the Corporation, which include lottery retailers, casino service providers, community gaming service providers and bingo service providers, require registration with GPE before doing business with BCLC. The Corporation is not materially exposed to any one individual lottery retailer or service provider except as noted below.

The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments are completed for all new retailers (with the exception of registered charities) and may be completed for retailers who have experienced insufficient fund occurrences or where there is a concern a retailer might be experiencing financial difficulties. Any changes to standard credit terms must also be approved through BCLC's Director of Sales and Manager of Lottery Finance.

Retailer security is obtained from retailers who are considered high financial risks or from retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits or personal guarantees.

Casino cash floats owned by the Corporation and provided by the Corporation to casino service providers are secured by Irrevocable Standby Letters of Credit. These letters of credit also cover an estimated one week's net win less commissions from each casino service provider. While the Corporation is materially exposed to two different casino service providers, the letters of credit partially mitigate the material risk of default for trade receivables and cash floats owned by the Corporation.

Cash floats owned by the Corporation and provided by the Corporation to community gaming service providers are secured by Irrevocable Standby Letters of Credit or by funds held in trust by the Corporation. These letters of credit also cover an estimated one week's net win less commissions from each community gaming service provider. Bingo cash floats provided by the Corporation to bingo service providers (commercial bingo halls) are unsecured.

The Corporation's eGaming sales are through credit card, debit card, or online bill payment purchases where customers pay in advance of transactions.

The Corporation's two most significant suppliers, both casino service providers, account for $55,813 of the accounts receivable carrying amount at March 31, 2009 (2008: $49,300).

The maximum exposure to credit risk for trade accounts receivable, cash floats owned by the Corporation and other accounts receivable at the reporting date by type of debtor represents the carrying amounts, as detailed in note 6, less any Irrevocable Standby Letters of Credit, security deposits or funds held in trust. These amounts are listed as follows:

22 / FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Trade receivables (continued)

	2009	2008
Lottery retailers	**$ 12,806**	$ 12,449
Casino service providers	**6,961**	2,801
Community gaming service providers	**73**	2,527
Other	**3,272**	940
	$ 23,112	$ 18,717

All accounts receivable are within credit terms.

Bad debts in the amount of $77 were recognized during the year (2008: $49).

Investments

The Corporation limits its exposure to investment credit risk by investing only in short-term debt securities with high credit ratings (as noted below) and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meets its obligations.

The Corporation has a formal policy and guidelines in place for short-term investments that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

Specifically, the Corporation may invest in the following short-term investments:

- Fixed income securities issued, insured, or guaranteed by the Government of Canada, a provincial or municipal government, or the Government of the United States;
- Short-term financial and corporate commercial paper rated R-1 by the Dominion Bond Rating Service (DBRS) or an equivalent rating agency;
- Short-term paper issued by savings institutions;
- Fixed income securities from corporate issuers with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency; and
- Canadian dollar denominated fixed income securities issued, insured or guaranteed by a non-Canadian sovereign government or a supranational entity (e.g., the World Bank), with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency.

An asset mix has been established that outlines various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

22 / FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Supplier Concentration

The Corporation has significant business arrangements with two casino service providers which account for the majority of its casino business. The Corporation also has arrangements with other casino service providers, community gaming service providers and a large number of lottery retailers.

The Corporation has a number of strategically important relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a significant number of other business relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gaming industry.

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To assist in meeting cash flow requirements, the Corporation maintains the following line of credit:

$35 million overdraft facility that is unsecured. Interest is payable at prime plus 0.5 per cent. A standby fee of 0.25 per cent is payable on the unused balance of the overdraft facility.

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an ongoing basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent surplus cash balances resulting from temporary operating funds, unclaimed prize money, and money held in advance of the transfer to the Government of British Columbia. As a result of fluctuating cash flow requirements, the Corporation aims to maintain a high degree of liquidity and to minimize market risk. Consequently, maturities on investments reflect the need for a high degree of liquidity.

The carrying values of financial liabilities approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand. At the reporting date, these values are as follows:

	Carrying Amount	
	2009	2008
Prizes payable	**$ 41,719**	$ 43,837
Accounts payable and accrued liabilities	**51,906**	46,319
Cheques issued in excess of funds on hand	**3,494**	2,912
Payable to Interprovincial Lottery Corporation	**–**	1,685
Due to Government of British Columbia	**201,736**	192,880
	$ 298,855	$ 287,633

22 / FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

The contractual maturities of financial liabilities are as follows:

March 31, 2009	Carrying Amount	Contractual Cash Flows	3 Months Or Less	3–12 Months
Prizes payable	$ 41,719	$ (41,719)	$ (27,279)	$ (14,440)
Accounts payable and accrued liabilities	51,906	(51,906)	(51,906)	–
Cheques issued in excess of funds on hand	3,494	(3,494)	(3,494)	–
Payable to Interprovincial Lottery Corporation	–	–	–	–
Due to Government of British Columbia	201,736	(201,736)	(201,736)	–
	$ 298,855	$ (298,855)	$ (284,415)	$ (14,440)

The contractual maturities of financial liabilities are as follows:

March 31, 2008	Carrying Amount	Contractual Cash Flows	3 Months Or Less	3–12 Months
Prizes payable	$ 43,837	$ (43,837)	$ (27,264)	$ (16,573)
Accounts payable and accrued liabilities	46,319	(46,319)	(46,319)	–
Cheques issued in excess of funds on hand	2,912	(2,912)	(2,912)	–
Payable to Interprovincial Lottery Corporation	1,685	(1,685)	(1,685)	–
Due to Government of British Columbia	192,880	(192,880)	(192,880)	–
	$ 287,633	$ (287,633)	$ (271,060)	$ (16,573)

Prizes payable are recorded based on the actual prize liability experienced for each online game and theoretical prize liabilities for instant ticket games. The present value of discounted future contractual and estimated contractual cash flows is presented above.

MARKET RISK

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of a financial instrument. Market risk is comprised of currency risk, interest rate risk and other market price risk.

Currency risk

The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily U.S. Dollars) and by holding bank accounts and investments in U.S. Dollars (USD).

The Corporation limits its exposure by holding minimal USD investments and only maintaining required funds in USD bank accounts. Gains and losses due to foreign exchange rate fluctuations are also minimized by settling USD obligations as quickly as possible.

22 / FINANCIAL RISK MANAGEMENT (CONTINUED)

MARKET RISK (CONTINUED)

Currency risk (continued)

The Corporation does not engage in the speculative trading of foreign currency.

The Corporation's exposure to currency risk is as follows, based on notional amounts:

	March 31, 2009		March 31, 2008	
	CAD	**USD***	CAD	USD*
Short-term investments	**$ 58,370**	**$ 150**	$ 91,167	$ 158
Cash held (including funds held in trust)	**1,740**	**595**	7,573	174
Accounts payable and accrued liabilities	**(50,825)**	**(1,081)**	(45,627)	(692)
Net exposure	**$ 9,285**	**$ (336)**	$ 53,113	$ (360)

* Note: All U.S. balances (USD) are shown in Canadian dollar equivalents.

Sensitivity analysis:

A one per cent increase in the Canadian Dollar (CAD) against the USD will decrease net income (with a foreign exchange loss) for any positive net exposure (or U.S. funds held). A one per cent increase in the CAD against the USD will increase net income (with a foreign exchange gain) for any negative net exposure (U.S. funds owing). As at March 31, 2009, net income would have increased by $3 CAD (2008: $4 CAD). A one per cent decrease in the CAD would have had the equal, but opposite effect. This analysis assumes that all other variables, including interest rates, remain constant.

Interest rate risk

The Corporation is exposed to interest rate risk through the Corporation's line of credit which is subject to interest charged at its bank's prime interest rate plus 0.50 per cent (2008: prime rate less ⅜ per cent for amounts less than $2 million and prime rate for amounts greater than $2 million).

The Corporation mitigates this risk by minimizing the use of the overdraft facility.

The Corporation did not have any fixed interest rate borrowings at March 31, 2009 or at March 31, 2008.

The Corporation's interest-bearing assets are typically invested for a short period due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

22 / FINANCIAL RISK MANAGEMENT (CONTINUED)

MARKET RISK (CONTINUED)

Interest rate risk (continued)

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

	2009	2008
Short-term investments		
(fixed rate instruments)	**$ 58,520**	$ 91,325

Sensitivity analysis:

The Corporation has designated its fixed-rate short-term investments as "held for trading". Therefore, changes in their fair values (due to changes in interest rates) are reported through net income. A one per cent change in interest rates at the reporting date would have increased (decreased) net income by the amounts shown below. This analysis assumes that all other variables, including foreign currency rates, remain constant.

	Net Income		Net Income	
	March 31, 2009		March 31, 2008	
	1%	**1%**	1%	1%
	Increase	**Decrease**	Increase	Decrease
Short-term investments	**$ (585)**	**$ 585**	$ (913)	$ 913

Other market price risk

The Corporation offers the Sports Action brand of lottery products in the marketplace. The Corporation manages risks associated with these products by setting odds for each event within a short time frame before the actual event, by establishing sales liability thresholds by sport, by providing credit management controls, by posting conditions and prize structure statements on www.bclc.com, and by limiting the aggregate amount of prizes that may be won on any given day for all Sports Action products. The Sports Action group also has the authority to suppress sales of any game at any time when liability risk is a concern.

22 / FINANCIAL RISK MANAGEMENT (CONTINUED)

CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities are equal to their fair values as shown on the balance sheet date:

	Carrying Amount	
	2009	2008
FINANCIAL ASSETS		
Held for trading	**$ 100,433**	$ 132,711
Loans and receivables	**47,042**	43,053
FINANCIAL LIABILITIES		
Other financial liabilities	**$ 295,361**	$ 284,721

Basis for determining fair values

Investments in debt securities:
The fair value of these financial assets designated as “held for trading” is determined by reference to their quoted bid price at the reporting date.

Cash and cash floats:
The fair value of these financial assets designated as “held for trading” is based on face value of the cash or the value of the Irrevocable Standby Letters of Credit held as security on the cash floats.

Trade and other receivables:
These financial assets are designated as loans and receivables. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable on demand.

Non-derivative financial liabilities:
These financial liabilities are designated as other financial liabilities. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items or because they are payable on demand.

23 / CAPITAL MANAGEMENT

The Corporation does not retain any equity—which is what the Corporation considers to be its capital. After deducting contractual amounts due to the Government of Canada, net income is returned to the Province of British Columbia.

The Corporation's policy is to maintain a structure which allows the Corporation to have sufficient liquidity to meet both operational demands and payments to the Province.

Invested funds represent surplus cash balances resulting from temporary operating funds, unclaimed prize money and money held in advance of transfer to the Government of British Columbia. Because of fluctuating cash flow requirements, the Corporation wishes to maintain a high degree of liquidity and to minimize market risk. As such, the short-term maturities on investments reflect the need for a high degree of liquidity.

The Corporation has a formal policy and guidelines in place for short-term investments that provides direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints and performance standards.

Due to the Corporation's low risk tolerance, short-term horizon, and liquidity objectives, an asset mix has been established that outlines various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

The Board of Directors is responsible for the oversight of management including its policies related to financial and risk management issues.

There were no changes in the Corporation's approach to capital management during the year.

The only externally imposed capital requirements that the Corporation or its subsidiary is exposed to and with which it must comply is the *Gaming Control Act* (B.C.).

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CONSUMER SERVICES
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consumerservices@bclc.com

BCLC's Service Plan
is available at
www.bclc.com

GameSense
(Responsible Gambling)
www.gamesense.ca

www.bclc.com

playing it right

BRITISH COLUMBIA
The Best Place on Earth

APPENDIX W

Appendix X – 2009/10:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2009-2010,* (Kamloops: British Columbia Lottery Corporation, 2010).

driving our future

bclc
playing it right

APPENDIX X

Barrière
Louis Creek
McLure
Copper Creek
Savona
Tranquille
Kamloops
Tunkwa Park
Logan Lake
Heffley Creek
MT TOD 2149
Adams Lake
Pinantan Lake
Knutsford
South
Thompson
Lac Le Jeune
KAMLOOPS
Chase
Squilax
Sorrento
Blind Bay
Pritchard
Monte Creek
SALMON ARM
Tappen
Monte Lake
Silver Creek
Canoe
Falkland
Westwold
Salmon
Quilchena
Douglas
Douglas Lake
OKANAGAN
LAKE
Okanagan Centre
Oyama
Winfield
Lake Country
KELOWNA

Making headway in a rough economy takes unyielding resolve and a steady course. BCLC has worked diligently these 12 months to reinforce our core infrastructure and engineer innovative systems and products to drive future success.

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Honourable Rich Coleman
Minister of Housing and Social Development
and Minister responsible for BCLC

statement of accountability

On behalf of BCLC, our Board of Directors, senior leadership team and employees, it is my privilege to submit the Annual Service Plan Report for the fiscal year ended March 31, 2010.

BCLC's 2009/10 Annual Service Plan Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of this report, including what is contained in the report and how it has been reported.

The information presented has been prepared in accordance with the B.C. Reporting Principles and reflects the actual performance of BCLC for the 12 months ended March 31, 2010, in relation to the Service Plan Update 2009/10–2011/12. The measures presented are consistent with BCLC's mission and goals, and focus on aspects critical to the organization's performance.

All significant decisions, events and identified risks, as of March 31, 2010, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any significant changes in mandate direction, goals, strategies, measures or targets made since the Service Plan Update was released in September 2009, and any significant limitations in the reliability of data, are identified in the report.

The Board is responsible for ensuring that management has developed and implemented appropriate internal controls to ensure that performance information is measured and reported accurately and in a timely fashion.

Respectfully submitted,

John McLernon
Chair, Board of Directors

on course

MICHAEL GRAYDON
PRESIDENT & CEO

JOHN MCLERNON
CHAIR, BOARD OF DIRECTORS

As we celebrate 25 years of providing outstanding gambling entertainment, we are reflecting on the significant contribution we have made to support provincial and local priorities since 1985, generating over $12.4 billion in net income to benefit the people and communities of B.C. Today, we have a renewed focus on driving new opportunities to enhance player experiences and secure sustainable net income for the continued benefit of British Columbians.

BCLC made key decisions in 2009/10 that will set the course for our future.

As consumer patterns and preferences shift with the convergence of technology, the prominence of social media and interactive forms of entertainment, we are enhancing our core brands while investing in innovative new products to meet evolving player interests. Perhaps the most exciting example of this is when we announced BCLC would be the first regulated gambling company in North America to offer peer-to-peer poker and other casino games on PlayNow.com, our secure online gambling site. We also launched LOTTO MAX, the first new national lottery game in 15 years, and opened new community gaming centres in Abbotsford and Squamish.

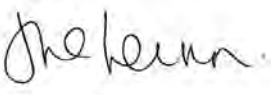
We continue to balance these strategic investments with prudent cost management during economically challenging times. For the fourth consecutive year, we delivered over $1 billion in net income to our shareholder, the Government of B.C. While this year's net income of $1.08 billion was $50.9 million less than target, it is just $11.6 million short of the record net income we delivered in 2008/09. Total net win of $1.94 billion was $90.6 million short of target and $10.8 million less than last year. We were again successful at achieving savings in capital spending, which at $92.5 million was $35 million less than budget and $4.9 million less than last year.

Looking ahead, renewed infrastructure and new technologies are key to sustained revenue growth. Our five-year plan is to build new levels of connectivity into our systems, to deliver seamless customer service across all of our business channels and establish a platform for sustainable revenue generation.

Equally integral to our future is a firm, ongoing commitment to corporate social responsibility (CSR). In the midst of a tough economy, we formalized our commitment to act in an economically, environmentally and socially responsible manner with BCLC's CSR Charter: Playing it Right. The charter was developed with direct input from all BCLC employees, a testament to our high levels of employee engagement and status as one of Canada's best employers. Responsible gambling and our GameSense program are also central pillars of our CSR strategy. This year, BCLC attained the highest level of responsible gambling certification from the World Lottery Association and was recognized as a "leader in North America."

Finally, in February and March we joined all British Columbians in welcoming the world as an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games. We're proud to say that BCLC gave over 1,000 British Columbians the chance to experience the 2010 Winter Games first-hand through lottery prizes and community contests, and brought the spirit of 2010 to communities throughout B.C. with our BCLC 2010 Winter Games Dome.

As we move forward with our goals and priorities, driven by the passion, dedication and innovation of our employees, we are confident that BCLC is on course for continued success. With an enhanced focus on our customer and a fortified commitment to CSR, we are taking steps to ensure BCLC continues to deliver strong results to the Province of B.C. in the years ahead. In short, our actions today are driving our future.



John McLernon
Chair, Board of Directors

Michael Graydon
President & CEO

geared to benefit B.C.

Our mission and values reflect the vital connection we share with the people and province of British Columbia. We believe that superior and sustained performance is tied to superior and sustained social responsibility. It's about more than being a good corporate citizen. It's a part of who we are, because we live here too.

For more, please visit www.bclc.com/cm/aboutbclc

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 MANDATE

Following amendments to the *Criminal Code of Canada* in 1969 and enabling legislation, BCLC was incorporated in October 1984 and operates under the *Gaming Control Act* (2002) of British Columbia. On behalf of the Government of B.C., BCLC is mandated to conduct, manage and operate:

- lottery gaming, including the marketing of nationwide and regional lottery games with other Canadian provinces
- casino gaming
- commercial bingo gaming
- eGaming

REGULATION AND AUTHORITY

The gaming industry in B.C. is operated and regulated under the authority and direction of the Minister of Housing and Social Development. The Gaming Policy and Enforcement Branch (GPEB) of the Ministry develops and oversees policy, legislation and standards, licenses charitable events and horse racing, registers gaming workers and service providers, certifies gaming supplies and equipment, investigates allegations of wrongdoing that may affect the integrity of gaming, conducts audits of the gaming industry to ensure compliance and directs all of Government's responsible gambling initiatives.

GPEB also distributes Government gaming proceeds, such as community gaming grants, to local and charitable organizations and conducts audits of charitable gaming to ensure compliance.

BCLC ACROSS B.C.

Most BCLC products are sold by private sector service providers who provide day-to-day operations under contract to BCLC. This includes over 4,000 lottery retailers, 17 casinos, 15 community gaming centres and 13 commercial bingo halls. Online play of select games is offered on PlayNow.com in a secure, regulated environment.

Our corporate offices include Kamloops, our Head Office, mainly responsible for finance, administration and information technology, and Richmond, which oversees sales and marketing. Our operations are further supported by staff in field locations throughout B.C.

B.C. Lottotech International Inc. is our wholly owned subsidiary that purchases capital assets for lease to BCLC. All acquisitions are budgeted, reviewed and approved by our Board of Directors and consolidated in BCLC financial statements.

PARTNERING IN BUSINESS

BCLC business partnerships play a key role in providing service to customers across the province. In turn, significant income is generated for these family stores, shops, pubs, corporate accounts and gaming facility service providers. In 2009/10, BCLC paid $569.9 million in commissions to our private sector service providers.

BENEFITING BRITISH COLUMBIANS

Once prizes are awarded, service provider commissions are paid and BCLC operating costs are covered, the remaining net income is delivered to the Government of B.C. to support health care, education, social, charitable and municipal programs that benefit British Columbians every day. A small portion of BCLC net income is also remitted to the Government of Canada. For more information, see the Annual Benefits to B.C. chart on page 07 or visit www.bclc.com/cm/wherethemoneygoes/home.htm.

This year, more than 5,000 community and charitable organizations in B.C. benefited from community gaming grants administered by GPEB in the areas of public safety, youth and disabled sports, people in need, fairs, festivals, museums and community services such as preschools. For more information, please visit www.eia.gov.bc.ca/gaming/grants.

WORKING FOR B.C.

In addition to our direct workforce, BCLC provides livelihoods for citizens across B.C. About 26,000 people are directly or indirectly employed in gaming operations, related government agencies and charities, as well as support services.*

* Data source: Economic Impact of the Canadian Gaming Industry: Key Findings Report–HLT Advisory Inc. (April 2008).

2009/10 milestones

FINANCIAL DASHBOARD

In 2009/10, BCLC achieved $1,079.1 million in net income, $50.9 million less than target and slightly under 2008/09 levels by $11.6 million. We delivered $1,070.4 million to our shareholder, the Government of British Columbia, to support public programs, and $8.7 million was remitted to the Government of Canada. See details in Management Discussion and Analysis.

PERFORMANCE

In 2009/10, BCLC had four corporate goals with 13 performance measures as detailed in our 2009/10–2011/12 Service Plan Update (September 2009). We met our player satisfaction and public support for gaming targets, and exceeded our targets for player awareness of responsible gambling activities, greenhouse gas emissions and employee engagement. Our net income and net win targets were not achieved, though we surpassed our target for operating cost ratio. We were just short of reaching our player participation and public trust and confidence in BCLC games targets. For more information, please see Report on Performance.

PIVOTAL PLAY

In 2009/10, we introduced new games and refreshed our current products to deliver new levels of entertainment to our players. The fall 2009 launch of LOTTO MAX marked the first new national lottery game in over 15 years and quickly set a record for the largest total top-prize money in Canadian history. We made history again in August when we announced that BCLC would be the first regulated gambling company in North America to offer online casino-style games like poker, Blackjack and Roulette on PlayNow.com, our secure gambling website.

Proposition betting was added to our Sports Action lineup, giving players the chance to bet on a range of sports moments within a game. We also revitalized Keno, one of our core lottery products, introducing four-minute Keno and adding Pattern Play in response to customer demand.

FORWARD-LOOKING FACILITIES

Chances community gaming centres opened in Squamish and Abbotsford, each with 125 slot machines, electronic bingo stations and full-service eateries. 2009/10 highlights for our other gaming facilities include a dedicated room for poker players at River Rock Casino Resort in Richmond, upgrades to Great Canadian Casinos View Royal and cutting-edge, fully electronic table games with virtual dealers at Lake City Casino Vernon.

LEADING RESPONSIBLY

We formalized our commitment to social, economic and environmental responsibility in BCLC's Corporate Social Responsibility (CSR) Charter: Playing it Right. We also achieved the highest level of responsible gambling certification, Level 4, from the World Lottery Association, who deemed BCLC a "leader in North America."

GameSense, our responsible gambling program, was central to this achievement. In 2009/10, we continued to build our GameSense profile in all gaming facilities across the province, and aired GameSense public service announcements on television, the first-ever responsible gambling TV ads in B.C.

STEERING SUSTAINABLY

This year, we reduced our reportable carbon emissions and recruited a dedicated environmental sustainability specialist to further integrate "green" strategies into our programs, products and partnerships. We also spearheaded an environmental sustainability working group with membership from gaming organizations across Canada, to explore and share sustainability ideas, best practices and benchmarks.

CONNECTING CUSTOMERS

We invested in several major infrastructure projects to streamline our operations and build new levels of customer understanding into our products and services. Behind the scenes, we're connecting systems and linking information across our gaming channels to:

- provide more consistent, seamless service to customers regardless of where and how they choose to play
- gain greater insight into player preferences and trends so we can quickly adapt to evolving customer interest and continue to deliver innovative new products and services

annual benefits to B.C. Every year, BCLC net income supports a variety of government initiatives. Here is a summary of how Government distributed BCLC's 2009/10 net income of $1,079.1 million.

Government dedicated the largest portion of net income, which totalled $648.8 million, to consolidated revenue.

Government dedicated $147.3 million to the Health Special Account for the administration, operation and delivery of health care, research, education and promotion.

More than 5,000 charitable and community organizations received $112.5 million in gaming grants administered by the Gaming Policy and Enforcement Branch (GPEB). For more information, please visit www.hsd.gov.bc.ca/gaming/grants/index.htm.

GPEB allocated $47.6 million to support Government priorities not traditionally funded by gaming grants, such as CommunityLink and the B.C. Arts Council. Responsibility for funding these programs has been returned to their respective ministries for 2010/11.

Host local governments with a casino or community gaming centre receive a share of net income from that facility to support programs in their community. $81.9 million was distributed to 28 host communities.

GPEB received $14.6 million for regulatory oversight of BCLC, gaming service providers and workers, B.C.'s horse racing industry, lottery retailers and licensed charitable gaming events.

The Government of Canada received $8.7 million under a long-standing agreement with the provinces on the withdrawal of the Federal Government from the lottery field.

The horse racing industry received $6.9 million, which was divided among standardbred and thoroughbred sectors.

Development Assistance Compensation of $5.6 million helped B.C. casino, racecourse casino and community gaming centre service providers upgrade or renovate facilities to enhance amenities and player experiences.

Government directed $5.2 million to responsible gambling research, treatment and prevention initiatives, including the Problem Gambling Program managed by GPEB.

The BCLC casino and community gaming revenue tables show all revenue generated by B.C. gaming facilities on behalf of BCLC for 2009/10 as compared to 2008/09. Slot machine and table game revenue is recorded as "net win," which is revenue after prizes are paid. Bingo revenue is recorded as "sales," which is revenue before prizes are paid.

Each year, local governments that host casinos or community gaming centres receive a share of net income generated by those facilities. The host local government share tables show provincial payments made to host local governments in 2009/10 as compared to 2008/09.

BCLC casino revenue

Casino	Service Provider	No. of Slot Machines	Slot Machine Revenue 2009/10	No. of Tables	Table Game Revenue 2009/10	Total Casino Revenue 2009/10	Total Casino Revenue 2008/09
(in thousands of dollars)							
Billy Barker Casino, Quesnel	585 Holdings Ltd.	138	$ 9,102	5	$ 325	$ 9,427	$ 10,170
Boulevard Casino, Coquitlam	Great Canadian Casinos Inc.	1003*	118,053	68	43,194	161,247	173,996
Cascades Casino, Langley	Gateway Casinos and Entertainment Inc.	811	99,979	28	19,055	119,034	115,196
Casino of the Rockies, Cranbrook	SEM Resort Limited Partnership	226	14,121	11	1,025	15,146	16,025
Edgewater Casino, Vancouver	Edgewater Casinos ULC	520	60,355	76	57,477	117,832	120,451
Fraser Downs Racetrack and Casino, Surrey	Orangeville Raceway Ltd.	461	45,469	11	5,581	51,050	54,741
Grand Villa Casino, Burnaby	Gateway Casinos and Entertainment Inc.	1002*	125,018	49	61,724	186,742	172,798
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	406	40,838	8	3,322	44,160	47,614
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	602*	70,744	14	8,328	79,072	80,292
Hastings Racecourse Casino, Vancouver	Hastings Entertainment Inc.	596	22,709	-	-	22,709	18,006
Lake City Casino Kamloops	Gateway Casinos and Entertainment Inc.	301	30,894	8	2,645	33,539	35,316
Lake City Casino Kelowna	Gateway Casinos and Entertainment Inc.	367	34,333	11	4,014	38,347	45,733
Lake City Casino Penticton	Gateway Casinos and Entertainment Inc.	250	26,330	12	2,225	28,555	29,423
Lake City Casino Vernon	Gateway Casinos and Entertainment Inc.	406*	35,135	-	260	35,395	29,477
River Rock Casino Resort, Richmond	Great Canadian Casinos Inc.	985	108,659	113	116,795	225,454	233,014
Starlight Casino, New Westminster	Gateway Casinos and Entertainment Inc.	864	73,909	54	38,707	112,616	116,365
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	500	38,951	10	2,348	41,300	42,623
Total		9,438	$ 954,599	478	$ 367,025	$1,321,625	$1,341,240

* No. of Slot Machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

Lake City Casino Vernon moved to a new location and discontinued the use of table games effective June 10, 2009. Table Game Revenue reflects revenue from April 1, 2009 to June 10, 2009.

BCLC community gaming revenue

Community Gaming Centre or Commercial Bingo Hall	Service Provider	No. of Slot Machines	Slot Machine Revenue 2009/10	No. of Bingo Seats	Bingo Revenue 2009/10	Total Community Gaming Revenue 2009/10	Total Community Gaming Revenue 2008/09
(in thousands of dollars)							
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	-	$ -	193	$ 4,793	$ 4,793	$ 5,242
Boardwalk Gaming Centre, Burnaby	427967 BC Ltd. (DBA Bingo Country)	-	-	526	4,931	4,931	5,139
Chances Abbotsford	Playtime Peardonville Ventures Ltd.	125*	10,762	258	1,388	12,150	1,411
Chances Boardwalk Mission	Boardwalk Gaming Mission Inc.	100*	9,792	238	1,438	11,230	11,662
Chances Boardwalk Squamish	Boardwalk Gaming Squamish Inc.	125*	830	156	93	923	-
Chances Campbell River	Playtime Community Gaming Centres Inc.	125*	10,336	232	1,837	12,173	12,761
Chances Courtenay	Playtime Community Gaming Centres Inc.	100*	11,971	223	2,039	14,010	13,712
Chances Cowichan, Duncan	Duncan Dabber Bingo Society	100*	13,039	295	2,820	15,859	15,824
Chances Dawson Creek	Great Canadian Entertainment Centres Ltd.	142*	11,667	228	871	12,538	13,060
Chances Fort St. John	243045 Alberta Ltd.	142*	12,896	110	693	13,589	15,231
Chances Good Time Prince George	Good Time Bingo Hall Inc.	-	698	-	1,793	2,491	14,390
Chances Kamloops	Enterprise Entertainment Ltd.	72	6,366	586	4,774	11,140	12,457
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	150	22,994	518	8,058	31,052	25,846
Chances Prince Rupert	0733244 BC Ltd.	100*	7,055	120	1,582	8,637	10,080
Chances RimRock, Port Alberni	Alberni Valley Gaming Association	75*	7,008	180	1,689	8,697	9,462
Chances Signal Point, Williams Lake	Lucky's Ventures Ltd.	100*	8,905	349	2,979	11,884	13,460
Chances Terrace	Lucky Dollar Bingo Management Ltd.	75*	7,656	184	2,146	9,802	5,491
Chilliwack Bingo	Chilliwack Bingo Association	-	-	500	11,133	11,133	11,305
Fairweather Bingo Hall, Vernon	Terrim Properties Ltd.	-	-	300	4,221	4,221	4,298
Haney Bingo Plex, Maple Ridge	Great Canadian Entertainment Centres Ltd.	-	-	350	6,529	6,529	6,989
Harbour City Bingo Hall, Nanaimo	Harbour City Bingo Society	-	-	656	5,483	5,483	5,870
Playtime Gaming, Langley	Playtime Community Gaming Centres Inc.	50	1,984	352	5,918	7,902	7,450
Newton Bingo Country, Surrey	427967 BC LTD. (DBA Bingo Country)	-	-	653	9,276	9,276	10,383
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	-	-	450	2,571	2,571	3,213
Planet Bingo, Vancouver	Community Gaming Management Association	-	-	654	10,115	10,115	11,416
Playtime Bingo Nanaimo	Playtime Community Gaming Centres Inc.	-	-	476	2,551	2,551	2,863
Playtime Bingo Victoria	Playtime Community Gaming Centres Inc.	-	-	531	3,291	3,291	3,595
Rocky Mountain Bingo, Cranbrook	Terrim Properties Ltd.	-	-	220	1,394	1,394	1,459
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	-	-	628	6,851	6,851	-
Total Community Gaming Centres & Commercial Bingo Halls		1,581	$143,959	10,166	$ 113,257	$ 257,216	$ 254,069
Independent Bingo Hall Ka-Chingo Sales						352	411
Paper Bingo Distribution Revenue						243	246
Total						$ 257,811	$ 254,726

* No. of Slot Machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

Abbotsford Bingo closed on September 13, 2008 and reopened as Chances Abbotsford on June 18, 2009.

Chances Boardwalk Squamish opened in February 2010.

Chances Good Time Prince George closed June 6, 2009. Effective June 18, 2009, the site's bingo operations moved to Treasure Cove Casino. Treasure Cove Casino slot machine revenue is reported on the BCLC casino revenue table.

Lucky Dollar Bingo Palace closed January, 2009 and reopened as Chances Terrace.

host local government share of casino revenue

Local Government	Casino	Total 2009/10	Total 2008/09
(in thousands of dollars)			
Burnaby	Grand Villa Casino	$ 10,274	$ 9,894
Coquitlam	Boulevard Casino	8,811	9,677
Langley	Cascades Casino	6,728	6,745
Kamloops	Lake City Casino	2,007	2,148
Kelowna	Lake City Casino	2,262	2,755
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies	1,426	1,681
Nanaimo	Great Canadian Casinos Nanaimo	2,639	2,899
New Westminster	Starlight Casino	6,058	6,346
Penticton	Lake City Casino	1,635	1,717
Prince George	Treasure Cove Casino	2,404	2,510
Quesnel	Billy Barker Casino	576	633
Richmond	River Rock Casino Resort	11,659	12,100
Surrey	Fraser Downs Racetrack and Casino	2,955	3,209
Vancouver	Edgewater Casino	6,266	6,464
	Hastings Racecourse Casino	1,356	1,077
Vancouver Total		7,622	7,541
Vernon	Lake City Casino	2,079	1,800
View Royal	Great Canadian Casinos View Royal	4,596	4,798
Total		$ 73,731	$ 76,453

host local government share of community gaming centre revenue

Local Government	Community Gaming Centre	Total 2009/10	Total 2008/09
(in thousands of dollars)			
Abbotsford	Chances Abbotsford	$ 566	$ -
Campbell River	Chances Campbell River	551	637
Courtenay	Chances Courtenay	623	658
Dawson Creek	Chances Dawson Creek	614	700
Cowichan Indian Band	Chances Cowichan	706	753
Fort St. John	Chances Fort St. John	683	823
Kamloops	Chances Kamloops	347	386
Kelowna	Chances Kelowna	1,249	1,028
Langley	Playtime Gaming Langley	101	24
Mission	Chances Boardwalk Mission	519	583
Port Alberni	Chances RimRock	365	425
Prince George	Chances Goodtime Prince George	42	204
Prince Rupert	Chances Prince Rupert	356	521
Squamish Nation	Chances Boardwalk Squamish	49	-
Terrace	Chances Terrace	406	93
Williams Lake	Chances Signal Point	436	572
Total		$ 7,613	$ 7,407

Chances Good Time Prince George closed June 6, 2009.
Chances Boardwalk Squamish opened in February 2010.
Chances Abbotsford opened in June 2009.

sustainability in motion

playing it right captures the essence of BCLC's commitment to social responsibility. It echoes our resolve to deliver outstanding gambling experiences while always considering the impact of our business on and for the people and communities of B.C. In the past 12 months, we have taken key steps to further embed social responsibility into the heart of our business.

Corporate Social Responsibility Charter

Our CSR Charter: Playing it Right is the product of direct and meaningful input from all our employees. It is a formal accord that captures the opportunity everyone at BCLC has to be a positive catalyst economically, socially and environmentally, as well as BCLC's accountability to be a transparent creator of benefits in the areas our business touches.

SOCIAL

Doing right by British Columbians: Everything we do is made possible by the trust that British Columbians have in us, so we want to give back by fostering responsible play, community growth and a great workplace.

ENVIRONMENTAL

Doing right by where we live: We will find innovative ways to reduce our environmental impact where and how we work.

ECONOMIC

Uplifting B.C.'s communities: We're dedicated to generating sustainable income for the people of B.C. and making positive economic contributions in the communities where we operate.

You can find BCLC's CSR Charter online at bclc.com

RESPONSIBLE PLAY

In addition to the $5.4 million of BCLC's net income that Government directed towards responsible gambling research, treatment and prevention initiatives, BCLC spent more than $3 million this year on responsible and problem gambling programs, including GameSense advertising.

BCLC's Level 4 accreditation in responsible gambling from the World Lottery Association earned our company accolades as a "leader in North America" that "should be considered for development of a case study as a best practice in the world." BCLC is one of just 13 jurisdictions to achieve this status.

GameSense public service announcements debuted in 2009/10 and became the first responsible gambling messages ever televised in B.C. GameSense helps customers make informed decisions when using our products or services, offering helpful information and dispelling common myths in an approachable, accessible manner. Today, responsible play information through GameSense spans all BCLC public touch points including:

- Interactive GameSense Information Centres in every casino and community gaming centre in the province. Trained GameSense Advisors staff information centres in casinos and interact with players, answering questions and giving information about how to keep gambling safe and fun.
- Prominent responsible play information available on electronic media, posters, brochures and decals in gaming facilities and lottery retailers provincewide.

PlayNow.com features industry-leading security and responsible gambling controls to provide a safe, fun environment for customers who choose to play online, including:

- Strict age and residency controls and identity verification using a leading Canadian credit bureau.
- Visible session logs that show a player's time and amount spent.
- Purchase history so players can track their spending for up to 52 weeks.
- Responsible play messaging on PlayNow.com and a dedicated GameSense web page on bclc.com.
- Username and password-protected accounts, secure payment methods and strict privacy measures.

Appropriate Response Training (ART) is an education program in B.C. designed to increase responsible gambling awareness and equip employees in the gaming industry with tools and knowledge to assist players. Mandatory ART training is provided to all new front-line gaming staff, management, security and lottery retailers by BCLC and GPEB prevention specialists. This year, we launched a new integrated learning platform to effectively deliver real-time online ART training to staff across B.C. Today, nearly 12,000 gaming partners are ART-certified.

The Voluntary Self-Exclusion (VSE) program helps players in their choice to abstain from gambling in B.C. gaming facilities or on PlayNow.com for a set timeframe determined by the individual. When someone enters the VSE program, they are encouraged to access free problem gambling counselling provided by Government, and may not reduce the length of their exclusion term or rescind the VSE agreement. This year, BCLC expanded the use of vehicle license plate recognition technology to identify and help impede self-excluded individuals from entering a gaming facility. The technology is now being successfully used at six B.C. casinos.

ENVIRONMENTAL INROADS

As a Crown corporation, BCLC must meet the carbon neutrality requirements set by Government. We're also interested in going beyond Government requirements to find creative ways of reducing our emissions and building sustainability into our business. In 2009/10, we focused on developing our sustainability strategy for the future while not losing sight of the actions we can take today.

- We hired a dedicated environmental sustainability specialist to provide vision and direction to our carbon neutrality and sustainability activities.
- We spearheaded a sustainability committee with membership from gaming organizations across Canada to collaborate on sustainability ideas, best practices and benchmarks.
- We began to formalize how we manage our environmental impacts through corporate policy and employee recognition schemes, and our employee-led green committee continued to drive workplace sustainability at the grassroots level.
- With fleet fuel as the second highest source of emissions at BCLC, we continued our program to convert our corporate vehicle fleet to hybrid technology. Over 40 per cent of BCLC's fleet now consists of hybrid vehicles.
- Our environmental efforts resulted in a reduction of 48 tonnes in our reportable carbon emissions, from 1,667 tonnes in 2008 to 1,619 tonnes in 2009.
- As part of ongoing efforts to "green" the places we work, we are committed to pursuing Leadership in Energy and Environmental Design (LEED) certification for our corporate offices in Kamloops and Metro Vancouver.
- For complete details about BCLC's sustainability efforts, please see our 2009 Carbon Neutral Action Report, available at www.livesmartbc.ca.

FUELLING OUR ECONOMY

BCLC provides income opportunities to about 4,000 lottery retailers, including family stores, retail shops, corporate accounts and age-restricted hospitality locations like pubs and bars. Each earns industry-standard sales commissions with potential to increase income through added incentive programs. We also contract with private sector service providers who operate casinos and community gaming centres for a percentage of the net win they generate.

In 2009/10, BCLC paid $569.9 million in commissions and service fees to private sector service providers.

THE SPIRIT OF 2010

We are proud to have welcomed the world to B.C. as an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games. BCLC gave over 1,000 British Columbians once-in-a-lifetime opportunities to experience the 2010 Winter Games with coveted event ticket prizes awarded through SportsFunder products and contests. We also donated more than 130 event tickets to charity, including four tickets to Children's Wish Canada and over 100 tickets to KidSport™ Canada for children who may not have otherwise had the opportunity to experience this unforgettable event.

We believe the 2010 Winter Games belonged not just to Vancouver, but to all British Columbians. That's why we used the BCLC 2010 Winter Games Dome to help share the spirit of the Games with communities throughout the province. The massive, 5,000 sq. ft. four-dome tent visited 14 B.C. communities on its summer 2009 tour of fairs and festivals, giving visitors the opportunity to experience through sight, scent and touch what it's like to compete as a member of Canada's Olympic team. More than 140,000 people visited the Games Dome and over 60 event tickets were given away, including one pair of gold medal speed skating tickets at each of the communities the Games Dome visited on its provincewide tour.

For complete details on our Vancouver 2010 Winter Games sponsorship, please visit www.bclc.com/cm/aboutbclc/2010sponsorship.htm.

COMMUNITY ENGAGEMENT

BCLC hosts community engagement forums with elected officials, municipal staff, police, health authorities, chambers of commerce and charities to discuss the social and economic impacts of gaming on a community and gain important feedback to support our operations. In 2009/10, we hosted community engagement forums in eight B.C. communities. Since 2006, BCLC has hosted 38 forums in 28 different communities. Meeting summaries are available online at www.bclc.com/cm/wherethemoneygoes/communityengagement.htm

on pace with players

Insight into what our players want today and expect in the future is helping us enhance the entertainment value and integrity of our products and customer service.

In 2009/10, we worked to gain greater insight into customer perspectives, purchasing patterns and trends, and made key investments in our products and infrastructure. Today more than ever, customers are driving our success as we look to keep pace with evolving player interests and innovatively provide outstanding gambling experiences.

REDEFINING PLAY

This year, we announced our plans to add casino-style games to PlayNow.com in response to growing customer demand for more diversity and dynamic online play. Soon, players in B.C. will be able to play popular games like peer-to-peer poker, Blackjack and Roulette on our secure, regulated gambling website. With millions of dollars being spent in British Columbia on offshore Internet gambling sites every year, we are excited to give our customers the opportunity to keep that money in the province, for the benefit of all British Columbians.

In Vernon, we piloted a new lottery retail environment that uses digital technology and advanced self-service features to provide a more convenient and simple customer experience. The digital signage provided players with faster, more accurate information about jackpots while the ability to check tickets and make new selections in one place reduced time spent in line. Over the next year, we plan to pursue this and other innovative market solutions to provide a holistic customer experience in our lottery environments.

Lake City Casino Vernon was the first gaming facility in B.C. to offer fully electronic table games with touch screens, digital inlays and virtual dealers to explain games in easy terms. Virtual Baccarat and electronic table game systems were introduced with great success at River Rock, Starlight and Boulevard casinos, and will be expanded in the coming years.

MAXIMIZING FUN

LOTTO MAX had a strong national debut last fall, giving players across the country the opportunity to share in record-setting jackpots. The $25 million LOTTO MAX jackpot won in March was the largest win ever in B.C., capping off “Millionaire March,” a month that saw 4,100 lottery prize winners take home a record total of nearly $53 million in prizes.

We made strides this year to enhance our suite of lottery products sold in age-restricted hospitality locations like pubs and bars. Sports Action Props, a 2009/10 addition to our Sports Action line-up, gives customers even more reasons to enjoy the big game with good company, as players can now bet on a variety of events within a sports game—from powerplay goals to touchdowns—in addition to game outcomes. Props is available at hospitality locations and other lottery retailers, and will be added to lottery self-service terminals in late 2010. Four-minute Keno gives players the chance to enjoy more games, while Pattern Play has added a fresh twist for long-time fans and new customers alike.

Tournaments and championships were a big hit with players again this year, from world-class events like the 2009 B.C. Poker Championships to provincial, regional and local tournaments in Blackjack, Mahjong, slot machines and more.

ENTERTAINING ANEW

Chances Squamish opened in 2009/10 bringing new excitement and player experiences to the Sea to Sky corridor, while Abbotsford saw its own Chances facility open in June 2009. Both facilities feature 125 slot machines, electronic bingo stations and full food and beverage services.

BCLC invested over $3 million this year to enhance our product offerings at River Rock Casino in Richmond. Western Canada's largest casino now features a dedicated room for poker players, more space for table games and an additional 150 slot machines—including more space for the popular Race to Win games. Great Canadian Casinos View Royal was also upgraded with 120 more slot machines.

SECURING PLAYERS AND PARTNERS

We introduced bar code technology on new Scratch & Win products to allow players to instantly and securely validate Scratch & Win tickets using the Check-a-Ticket (CAT) terminals located at all BCLC lottery retailers. Customers can look for the "use the Check-a-Ticket" symbol on tickets featuring the CAT bar code. Please visit www.bclc.com/cm/aboutbclc/playerfirst for more.

Protecting the private information of our customers is paramount. In 2009/10, we worked to strengthen privacy processes throughout our organization, including building privacy impact assessments into the process for all new corporate projects, so our customers and partners can continue to feel confident their personal and private information is secure.

We continued to work with our casino and community gaming service providers to add to the top-quality security of B.C. gaming facilities. In 2009/10, we:

- Piloted the use of embedded computer chip technology in casino chips to reduce the potential for counterfeiting and other criminal activity.
- Increased online security training options for security staff in casinos and community gaming centres across the province.
- Collaborated with the RCMP and police departments throughout the lower mainland to help prevent loan-sharking and money laundering activities in B.C. casinos.
- Worked to improve our systems and processes for reporting suspected criminal activity to GPEB.

DRIVING CUSTOMER UNDERSTANDING

This year, we completed marketplace research to give us deeper insight into the game preferences, purchasing patterns and trends of our consumer base. Through this research, we're seeing a more complete view of our customers and how they use our products and services, which is guiding our efforts to meet their current and future needs.

leading by example

GOVERNANCE FRAMEWORK

As an agent of the Crown regulated by GPEB (Ministry of Housing and Social Development), BCLC is in compliance with Government disclosure requirements for public accountability and transparency detailed in *Best Practices Guidelines–B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations,* including Section 3 of the Board Resourcing and Development Office stipulations.

BCLC also has a formal governance framework outlining our:

- corporate mandate and mission
- principles and guidelines for our Board of Directors, Chair, Standing Committees and President & Chief Executive Officer (CEO)
- processes for strategic and succession planning
- procedures for Board performance evaluations

For more information on corporate governance at BCLC, please visit www.bclc.com/cm/aboutbclc/corporategovernance.htm

SHAREHOLDER'S LETTER OF EXPECTATIONS

Key to our governance framework is the Shareholder's Letter of Expectations (SLE), which clearly outlines our mutual commitment to deliver on performance expectations for the benefit of B.C. The SLE is reviewed annually with Government, updated as required and forms the basis for our three-year Service Plan and Annual Service Plan Report.

BOARD OF DIRECTORS

As per the *Gaming Control Act* (B.C.), and appointed by order of the Lieutenant-Governor in Council, BCLC's Board of Directors comprises nine members independent of management, chosen on the basis of expertise and experience. While BCLC's senior management attends all Board meetings, autonomy is maintained by convening an in-camera session at the end of every meeting.

Fundamentally, the Board provides stewardship and ethical leadership of BCLC with a view to BCLC's long-term success in the best interests of the shareholder, the Government of B.C., as well as ensuring our governance framework reflects strong business practices aligned with Crown principles.

Overall Board duties include:

- overseeing the conduct of BCLC management, which is responsible for day-to-day operations
- participating with management in the development of BCLC's mission, vision, values, business and service plans, priorities, capital and operational budgets, and approving the same
- providing advice on major policies relating to human resources, compensation, stakeholder communications and risk management
- reviewing risk factors and implementing resolution strategies
- evaluating annual financial results and measuring performance against objectives

COMMITTEE STRUCTURE

The Board creates specific committees to fulfil responsibilities, formulate recommendations and provide advice. An appointed committee Chair reports to the Board with findings and recommendations. The Board Chair and BCLC President & CEO are ex-officio members of all committees.

CHAIR

As the presiding Director responsible for the effective leadership and performance of the Board, the Chair is the liaison between the Board and the Minister of Housing and Social Development.

DIRECTORS

Upon appointment, and each subsequent year, Directors must agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines, including performing in honest, good faith in the best interests of BCLC and exercising due skill, care and diligence that is reasonably prudent.

BOARD MEMBERS

CHAIR
John McLernon, Vancouver

VICE-CHAIR
Arthur Willms, Vancouver

DIRECTORS
Trudi Brown, Victoria; David Gillespie, Kamloops; Cindy Grauer, Vancouver; Walter Gray, Kelowna; Moray Keith, Delta; D. Neil McDonnell, North Vancouver; Michael Riley, Surrey

AUDIT COMMITTEE

- liaise with BCLC internal and external auditors to review financial operations
- advise the Board regarding approved financial statements and quarterly reports
- review financial information provided to Government and the public
- oversee information systems, audit compliance, risk management and internal controls to ensure effective, accurate, appropriate and timely management

CHAIR
Michael Riley

MEMBERS
Arthur Willms, David Gillespie, Moray Keith

GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

- focus on governance to improve BCLC's overall performance
- oversee and enhance BCLC's scope of corporate social responsibility
- evaluate and make recommendations on Board effectiveness
- develop criteria and succession planning for future Board composition

CHAIR
David Gillespie

MEMBERS
Trudi Brown, Walter Gray, Moray Keith

HUMAN RESOURCES AND COMPENSATION COMMITTEE

- evaluate current strategies, practices and succession plans and recommend future considerations
- assess performance and compensation of the President & CEO
- review employee compensation and benefits, management succession plans, human resource allocation and staff training programs to enhance performance-driven culture

CHAIR
D. Neil McDonnell

MEMBERS
Cindy Grauer,
John McLernon

BCLC SENIOR MANAGEMENT AND EXECUTIVES

PRESIDENT & CEO
Michael Graydon

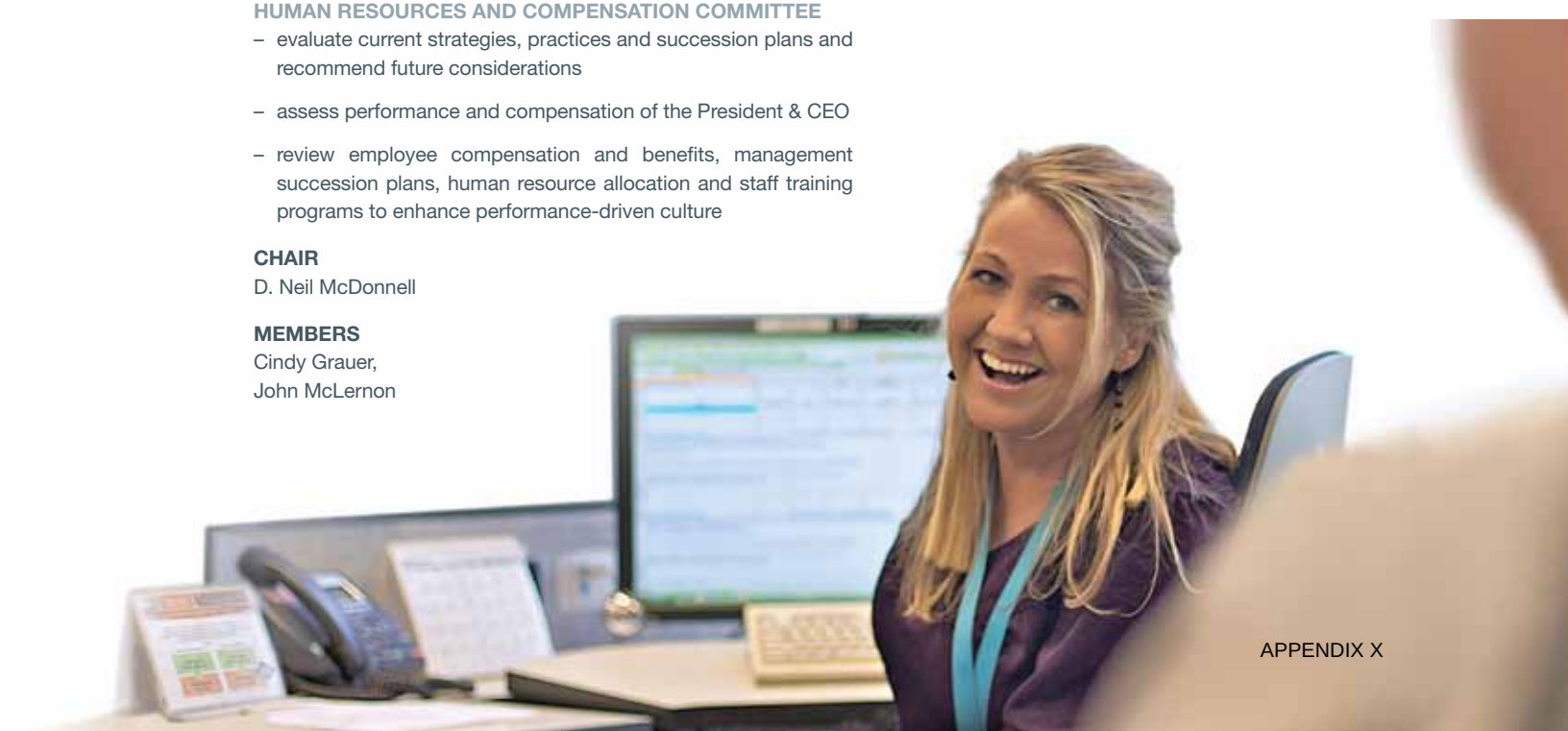
VICE-PRESIDENTS

Debbie Toole	– Human Resources
Kevin Gass	– Corporate Affairs
Lynette Hughes	– Business Transformation
Jim Lightbody	– Lottery Gaming
Scott Norman	– Information Technology and Chief Information Officer
Darryl Schiewe	– Casino & Community Gaming
Terry Towns	– Corporate Security & Compliance
Marsha Walden	– Customer Strategy & Corporate Marketing
Tom Williamson	– Finance & Corporate Services

B.C. LOTTOTECH INTERNATIONAL INC.

B.C. Lottotech International Inc. (Lottotech) is a wholly owned subsidiary of BCLC. The management and oversight of Lottotech is consolidated within BCLC operations (Kamloops/Richmond) and the Board reviews and approves capital purchases through the annual business planning and budget process.

Lottotech's Board is comprised of all appointed Board members in 2009/10 as listed. The Officers of Lottotech are BCLC's President & CEO and all Vice-Presidents in 2009/10 as listed.



shareholder's letter of expectations

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.

GOVERNMENT DIRECTION	BCLC ALIGNMENT
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 2009/10 BCLC achieved $1.08 billion in net income, $50.9 million below our budget of $1.13 billion. The result is a 1.1 per cent decrease from our previous year's net income result. While the economy is improving, the recovery of consumer spending on entertainment is expected to lag. BCLC is continuing to focus on games and services that increase the entertainment value of BCLC gaming while diligently managing the costs of operating our business.
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 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 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 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 achieved Level 4 certification from the World Lottery Association, which recognizes that our business operations incorporate 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 ALIGNMENT
Implement the recommendations made by the provincial Ombudsman in May 2007 related to the Corporation;	BCLC has one Ombudsman's recommendation remaining to complete in 2010/11 to further enhance the fairness, integrity, transparency, security and player focus of our lottery system.
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 two 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 increased costs, workload and 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 and 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, as well as 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 healthy living and environmentally sustainable behaviour, has been recognized as a contributing factor in our selection as a top employer in Canada and in British Columbia. We will continue to review and improve program content and our delivery of these programs to our employees. 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.

report on performance

APPENDIX X

BCLC's 2009/10 performance

Along with other Crown corporations, BCLC produces public Service Plans that detail our business plan and Annual Service Plan Reports that detail our progress in achieving those plans. These plans include financial information, consistent with the *Budget Transparency and Accountability Act* and the *Financial Information Act* requirements.

Within the overall framework of Government gaming policy and BCLC's mandate, BCLC's Board and senior management have established four goals to guide the organization in the achievement of our mission statement. To manage and direct performance against each of these goals, BCLC annually establishes 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.

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, as well as 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 or how we're delivering them. If BCLC is continually exceeding a target, we may need to adjust the measure, the way we survey or how we calculate results in order to improve insight into our level of success.

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, as well as the public availability of their results.

These organizations are the Ontario Lottery and Gaming Corporation (OLG), Loto-Quebec (LQ), the Swedish gaming company Svenska Spel (Svenska) and the Canadian (Cdn) and United States (US) gaming totals. Svenska is widely regarded as the most innovative international lottery and Internet gaming jurisdiction. The Canadian and United States gaming totals provide insight into BCLC's financial performance against national and United States norms. Data for benchmarking our performance results against other gaming organizations is obtained from publicly available reporting. An assessment of the performance results published by other gaming organizations in September 2009 did not find additional benchmarking opportunities.

Data used to set BCLC's performance targets is obtained from internal and external sources. BCLC net win and net income results for previous years are obtained from our audited financial statements. 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.

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 to performance measures in 2010/11.

alignment of 2009/10 goals, strategies and performance measures

PERSPECTIVE	GOALS →	STRATEGIES →	PERFORMANCE MEASURES
PUBLIC/ PLANET	1. Build public trust and support for BCLC gaming	1. Demonstrate a high level of corporate citizenship and social responsibility in all of our activities	– Public support for gaming (%) – Public trust and confidence in BCLC games (%) – Player awareness of responsible gambling activities (%) – Level of greenhouse gas (GHG) emissions (CO_2e)
PLAYER	2. Provide facilities and games to develop the business	2. Transform to a player-centric company 3. Create an integrated multichannel player community	– Player participation (%) – Player satisfaction (%) – Net win ($ millions) – Net win per capita ($)
FINANCIAL/ OPERATIONS	3. Invest in infrastructure to support current business operations and future growth	4. Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency	– Net Income ($ millions) – Operating cost ratio (% net win) – Electronic gaming devices per capita
PEOPLE	4. Have a workforce passionately driving the success of our business	5. Make BCLC a great place to work	– Employee engagement (%) – Employee vacancy rate (%)

PUBLIC/PLANET

Goal 01: build public trust and support for BCLC gaming

PUBLIC SUPPORT FOR GAMING (%)

CALCULATION

In a continuous tracking study conducted by an external research supplier, adult British Columbians 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 results of the top three box responses.

RATIONALE

This metric measures the percentage of adult British Columbians who support legalized gaming, which is central to BCLC's management and growth of our business. Public issues experienced in other gaming jurisdictions can negatively impact public opinion in B.C.

MANAGEMENT COMMENTS

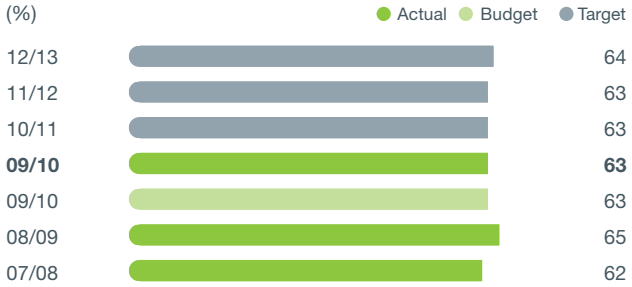
The public places importance on BCLC's overall effect on B.C. communities. Providing the public with more information about how Government uses BCLC net income to fund programs for the benefit of British Columbians is important for public support of gaming.

BCLC continues to manage our gaming market, seeking ways to make playing more convenient and secure. Recent developments include the planned introduction of casino-style games on our eGaming web site PlayNow.com and continuing the market assessment and redevelopment of gaming facilities.

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 awareness of, and access to, government provided problem gambling services.

TARGET MET

PUBLIC SUPPORT FOR GAMING



Benchmarking availability and reliability

As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

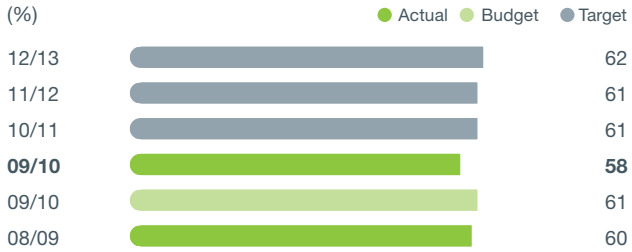
BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source

Research and Incite Consultants

TARGET NOT ACHIEVED

PUBLIC TRUST AND CONFIDENCE IN BCLC GAMES



Benchmarking availability and reliability
As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source
Research and Incite Consultants

PUBLIC TRUST AND CONFIDENCE IN BCLC GAMES (%)

CALCULATION

In a continuous tracking study conducted by an external research supplier, adult British Columbians are asked to use a 7-point scale whereby "1" is "strongly disagree" and "7" is "strongly agree" to rate the statement, "I have trust and confidence in the games offered by BCLC." Results are based on the top three box responses.

RATIONALE

This performance metric measures the percentage of adult British Columbians who have confidence in the integrity of BCLC's games. BCLC uses this metric to gauge our success in achieving a high level of gaming integrity and security, so that our players continue to play our games with confidence.

MANAGEMENT COMMENTS

Improving BCLC's results for this metric is dependent upon publicly communicating our commitment to strengthening the security and integrity of our gaming systems, facilities and products. Providing the public with more information about how Government uses BCLC net income to fund programs for the benefit of British Columbians is also important for public trust.

BCLC is strategically focused on transforming our infrastructure and technology to integrate our gaming channels and create a foundation to support future business in ways that maintain security and integrity for our players. We also continue to strengthen responsible gambling awareness, systems and programs that enhance player security and the integrity of gaming.

PLAYER AWARENESS OF RESPONSIBLE GAMBLING ACTIVITIES (%)

CALCULATION

In a continuous tracking study conducted by an external research supplier, players of BCLC games are asked questions about their awareness of specific responsible gambling initiatives. The calculation represents the percentage of players who are aware of at least one of these initiatives.

In 2010/11, we are updating the questions used to calculate net awareness for this measure by reducing the number of initiatives we include. This will result in a lower percentage achievement, but will provide greater insight into the level of success of our responsible gambling initiatives.

RATIONALE

A key component of BCLC's provision of commercial gaming 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.

MANAGEMENT COMMENTS

Creating a healthy gaming industry is a priority for BCLC. Our recent achievement of the highest level of responsible gambling certification from the World Lottery Association recognizes BCLC's adoption and implementation of international best practices for responsible gambling and the ongoing review of responsible play and problem gambling research.

Our GameSense program is designed to increase player and public awareness of how to make informed gambling choices. GameSense offers responsible play information through staffed GameSense Information Centres at all B.C. casinos, self-service information centres at all community gaming centres, printed materials and public service announcements on TV. The program is aimed at dispelling myths and misinformation about gambling and promoting healthy and informed choices.

BCLC is also continuing to improve the curriculum of our responsible play education programs for BCLC employees, service providers and retailers, and the availability and accessibility of our Voluntary Self-Exclusion program.

TARGET EXCEEDED

PLAYER AWARENESS OF RESPONSIBLE GAMBLING ACTIVITIES

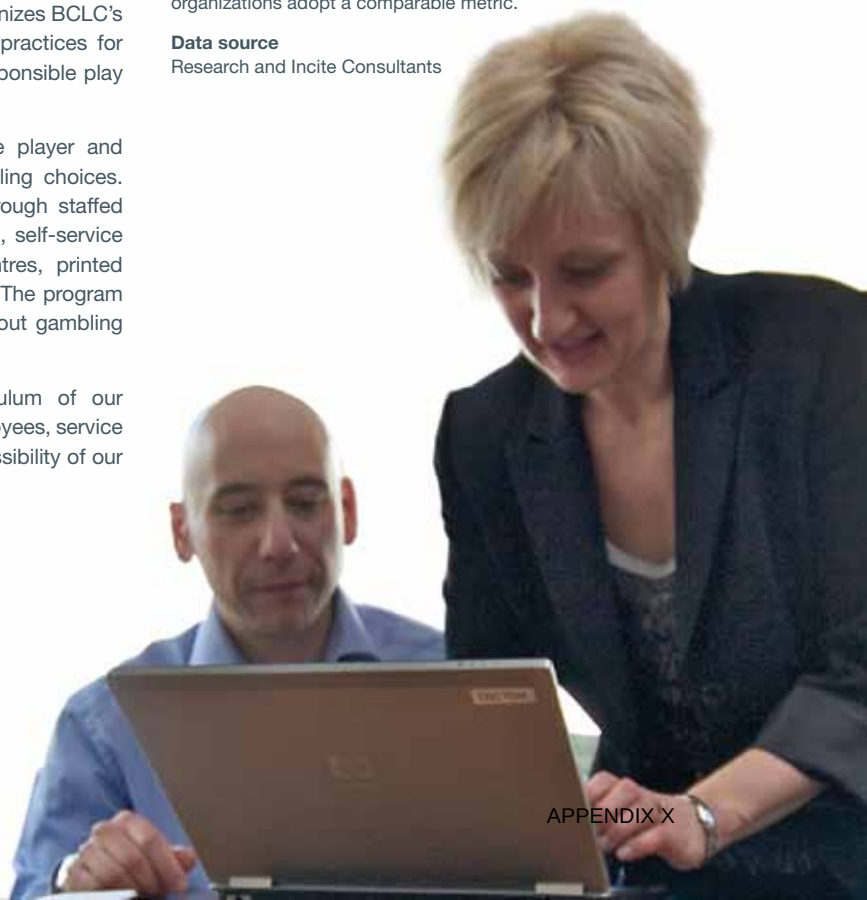
PLAYER AWARENESS OF RESPONSIBLE GAMBLING ACTIVITIES (historical)

Benchmarking availability and reliability
BCLC plans to change the way this measure is calculated, so new targets have been set.

As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

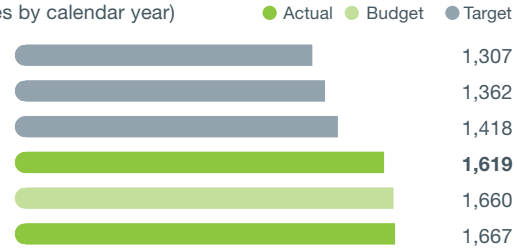
Data source
Research and Incite Consultants



TARGET EXCEEDED

LEVEL OF GREENHOUSE GAS EMISSIONS

(CO_2e tonnes by calendar year)



Benchmarking availability and reliability
This metric will be used by Government to ensure BCLC is meeting the provincial reduction requirements, and for benchmarking against other Crown agencies.

Data source
External suppliers, BCLC internal reporting

LEVEL OF GREENHOUSE GAS EMISSIONS (CO_2e)

CALCULATION

BCLC uses standard calculations provided by Government to record and report our emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO_2e) for the calendar year. Data is obtained from suppliers of electricity, natural gas, fleet fuel and paper suppliers, and from internal financial and procurement reporting.

RATIONALE

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 greenhouse gas (GHG) emissions. BCLC's reportable GHG emissions result from buildings, fleet vehicles and certain office paper supplies.

BCLC views sustainability as a key component of corporate social responsibility and is advancing environmentally sustainable behaviors in our organizational culture as an integral component of business modernization.

MANAGEMENT COMMENTS

BCLC is formalizing our sustainability management approach to seek further GHG reduction opportunities and was instrumental in bringing together a working group of Canadian gaming organizations to share sustainability ideas and best practices. Led by an environmental sustainability specialist and supported by an employee committee, all levels of the organization are actively being encouraged to develop sustainability ideas and solutions.

BCLC plans to reduce our reportable emissions by 40 per cent by 2020, exceeding the provincial requirement of 33 per cent. This will require an approximate four per cent reduction annually to reach 940 CO_2e tonnes in 2020.

In 2009/10, some of the initiatives to reduce our carbon footprint included replacing aging corporate fleet vehicles with hybrid alternatives, enhancing procurement practices to include sustainable criteria, exploring alternative power sources for building upgrades, recycling end of life equipment and upgrading video conferencing equipment.

We plan to continue the conversion our fleet to hybrid vehicles and the solar energy pilot project at our Kamloops office. Our relocation to a new Vancouver office in 2010 will include the application of LEED standards.

PLAYER

Goal 02: provide facilities and games to develop the business

PLAYER PARTICIPATION (% PAST YEAR)

CALCULATION

In a continuous tracking study conducted by an external research supplier, adult British Columbians are asked when, if ever, they last participated in each of the games offered by BCLC. Past year participation rates are calculated within each gaming channel and for the enterprise.

In 2010/11, we plan to transition to a measure of the percentage of adult British Columbians who play a BCLC game or visit a BCLC gaming facility at least monthly.

RATIONALE

This metric measures the percentage of adult British Columbians who have participated in BCLC gaming in the past year, which has successfully monitored shifts in the size of BCLC's player base. Due to large jackpots and casino promotions, our survey results show a high percentage of British Columbia's population has played within the past year, which does not provide the desired insight into which of our programs are successful.

Considering the percentage of the population opposed to gambling, we do not anticipate achieving a score higher than 85 per cent.

MANAGEMENT COMMENTS

BCLC's lower than expected result is attributed to an overall decline in participation in the second half of the 2009/10 year, with participation at casinos remaining lower than expected during the Vancouver 2010 Olympic Winter Games.

Increasing player participation depends on our ability to provide exciting and relevant entertainment experiences for players, where and when it is convenient for them to play. BCLC's player-focused strategies are expected to positively impact player participation in 2010/11.

TARGET NOT ACHIEVED

PLAYER PARTICIPATION (historical)

(% past year)

Benchmarking availability and reliability
As this survey has a methodology specific to BCLC, this metric was analyzed on a time-series basis.

Data source
Research and Incite Consultants

PLAYER PARTICIPATION (% AT LEAST MONTHLY)

CALCULATION

In 2010/11, BCLC will continue to use a continuous tracking study conducted by an external research supplier.

We are shifting to a measure of the percentage of adult British Columbians who play a BCLC game or visit a BCLC gaming facility at least monthly, measured using a survey which asks how frequently they participated in each of the games offered. The results will be comprised of the percentage of players who played "at least weekly" and those who played "at least monthly."

RATIONALE

Starting in 2010/11, this metric will measure the percentage of adult British Columbians who participated at least monthly in BCLC games.

This change is being made so that we can more clearly determine if program changes are successfully resulting in an increase in player participation, particularly amongst infrequent players.

MANAGEMENT COMMENTS

As this metric will not be implemented until 2010/11, BCLC will publicly report our achievements in our Annual Service Plan Report for that year.

In 2009/10, BCLC's result was 46 per cent, which will be used for comparison purposes only.

PLAYER PARTICIPATION

(% at least monthly)

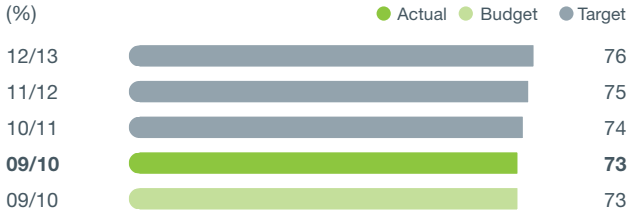
Benchmarking availability and reliability
As this survey will continue to have a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source
Research and Incite Consultants

TARGET MET

PLAYER SATISFACTION



PLAYER SATISFACTION (historical)

Benchmarking availability and reliability
As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source
Ipsos Reid

PLAYER SATISFACTION (%)

CALCULATION

This metric is an overall composite average of the player/visitor satisfaction metrics in the lottery retail and hospitality networks, eGaming, casino, community gaming and commercial bingo gaming facilities, weighted with the gaming channel's contribution to net win.

In 2009/10, BCLC significantly changed how player satisfaction is measured so we could apply consistent measurement across 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 are based on the top five box scores from a standard 10-point scale.

BCLC's results from previous years are not comparable to our new targets and future results.

RATIONALE

This performance metric measures player satisfaction for the games, services and facilities offered in all of BCLC's gaming channels. It is directly linked to BCLC's ability to continue to generate net income.

MANAGEMENT COMMENTS

Player satisfaction remained relatively constant in all gaming channels, with a slight increase at casino facilities and very 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 gaming channels, we will better understand where programs for improvements to player-facing activities can improve the level of satisfaction and grow our business.

NET WIN ($ MILLIONS)

CALCULATION

Net win is the amount of revenue after prizes have been paid to players.

Net win is calculated for lottery and bingo games by deducting prizes from total revenue. Casino game prizes are paid during game play.

RATIONALE

Net win is used to compare revenue across gaming channels.

MANAGEMENT COMMENTS

BCLC optimizes our financial performance within the gaming and social policy framework established by Government.

In 2009/10, consumers continued to react to the downturn in the economy with reduced spending on discretionary and entertainment activities. BCLC's net win was $90.6 million, or 4.5 per cent below our target and a 0.6 per cent decrease from our 2008/09 results.

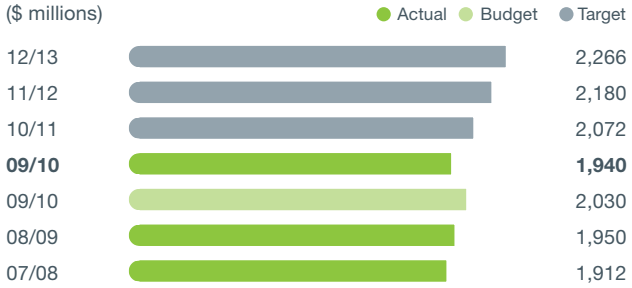
This has slowed our trend of year-over-year growth as our players have decreased their frequency and amount spent on gaming; recovery is expected to continue to lag that of the overall economy.

The growth of privately owned casino gaming facilities in neighbouring jurisdictions and an increasing presence of privately owned gambling sites on the Internet continue to compete with BCLC's business. As these other companies seek to grow their businesses, they are including British Columbians in marketing activities aimed at expanding their player base and revenue.

BCLC's plans for providing entertaining games, player-focused services, marketing promotions and contests are ways we will attract and retain players to maximize net win, so that the resulting net income from gaming by British Columbians continues to provide benefits within our province.

TARGET NOT ACHIEVED

NET WIN
($ millions)



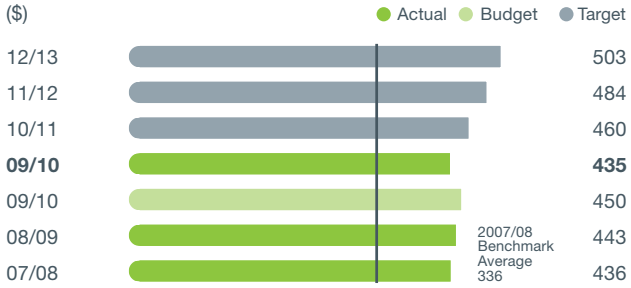
Benchmarking availability and reliability
BCLC net win is not benchmarked with other jurisdictions due to differences in the types of gaming offered, differing gaming models and population levels. BCLC's net win is analyzed on a time-series basis.

Data source
BCLC audited financial statements

TARGET NOT ACHIEVED

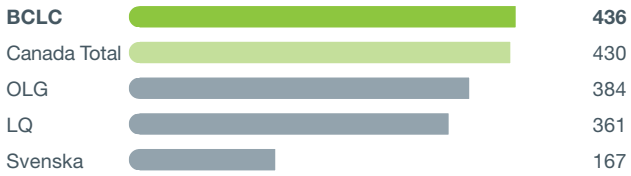
NET WIN PER CAPITA

($)



2007/08 NET WIN PER CAPITA BENCHMARKS

($)



Data source

BC Stats, BCLC, LQ and Svenska annual reports, OLG audited financial statements, BCLC audited financial statements

NET WIN PER CAPITA ($ PER 1,000 POPULATION)

CALCULATION

Net win is the calculation of our revenue after prizes are paid, and is available publicly in BCLC's audited financial statements. The net win is divided by the total population based on publicly reported population figures.

Video Lottery Terminal (VLT) revenue is included in benchmarking results from Loto-Quebec, the Canada Total and Svenska comparators to give a complete picture of total spending on gambling. The Province of British Columbia does not permit VLTs.

RATIONALE

This measure indicates the extent to which BCLC is able to balance offering gaming entertainment with responsible play to grow income. Net win per capita is widely used in the gaming industry, making consistent benchmarking possible. BCLC benchmarks amongst organizations with similar gaming offerings.

Although this was a new measure in 2009/10, BCLC has provided historical information for comparison purposes.

MANAGEMENT COMMENTS

To entertain our players, BCLC strives to design innovative games and player services, and high quality gaming 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.

Our results in 2009/10 did not meet our target as a result of lower net win than forecast.

BCLC's plans for providing entertaining games, player-focused services, marketing promotions and contests are ways we will attract and retain players to maximize net win in all of our gaming channels.

FINANCIAL/OPERATIONS

Goal 03: invest in infrastructure to support current business operations and future growth

NET INCOME ($ MILLIONS)

CALCULATION

Net income is the calculation of total revenue after prizes and operating expenses have been deducted.

Net income is determined in accordance with Generally Accepted Accounting Principles and subject to audit verification.

RATIONALE

Net income is the total amount of income generated from BCLC gaming after all expenses have been deducted. Net income is distributed to the Province of British Columbia and is used to fund public health care, education and 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.

MANAGEMENT COMMENTS

BCLC optimizes our financial performance within the gaming and social policy framework established by Government.

In 2009/10, BCLC net income exceeded $1 billion for the fourth consecutive year. Our net income result was $50.9 million or 4.5 per cent below our target, and a 1.1 per cent decrease from 2008/09. Our results compare favorably with the overall B.C. economy, which experienced an estimated decline in GDP of 2.7 per cent[1].

Despite an increased focus on revenue-generating programs, reduced consumer discretionary and entertainment spending continued to be evident in BCLC's operations, as well as those of our retailers and service providers over the past year. BCLC successfully implemented cost management programs to reduce our expenses below our budget and mitigate the negative impact on gaming income.

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.

1 B.C. Ministry of Finance estimates, February 2010

TARGET NOT ACHIEVED

NET INCOME

($ millions)

Benchmarking availability and reliability

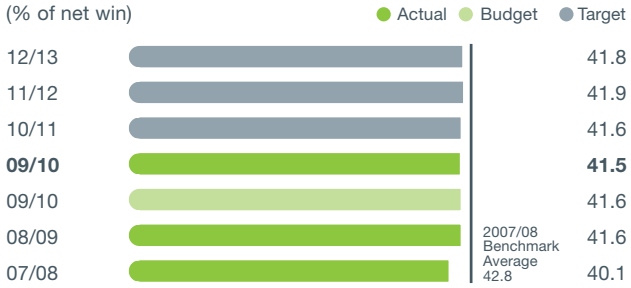
BCLC net income is not benchmarked with other jurisdictions due to differences in the types of gaming offered, differing gaming models and population levels. BCLC's net win is analyzed on a time-series basis.

Data source

BCLC audited financial statements

TARGET EXCEEDED

OPERATING COST RATIO
(% of net win)



2007/08 OPERATING COST BENCHMARKS
(% of net win)

Benchmarking availability and reliability
BCLC operating cost results are benchmarked with other gaming jurisdictions that have similar gaming offerings.

Data source
BCLC, OLG, LQ and Svenska annual reports, Lafleur's Lottery Almanac

OPERATING COST RATIO (% OF NET WIN)

CALCULATION
This metric is the result of Consolidated Operating Costs divided by Consolidated Net Win, calculated from information available publicly in BCLC's audited financial statements and expressed as a percentage.

Operating costs include BCLC service provider commissions, which serve to more closely normalize the different operating models of other jurisdictions (i.e. instead of operating our bricks and mortar facilities directly, BCLC pays commissions to service providers).

RATIONALE
This performance indicator measures the ratio of consolidated operating costs as a percentage of net win. BCLC uses this measure to assess our success in balancing the generation of revenue with the cost of operating the business, providing insight into our effectiveness.

MANAGEMENT COMMENTS
BCLC's operating cost ratio for 2009/10 was 0.1 per cent below our target. This is the result of our shift in focus to revenue-generating initiatives and the successful implementation of cost management programs to reduce our expenses below our budget in order to mitigate the negative impact on gaming income.

While BCLC has been focused on growing the business, we have also invested more heavily in infrastructure, technology, compliance and people in order to modernize our business infrastructure, systems and processes.

These investments in modernizing our business elevated our costs, but BCLC's operating expenses were still lower than our 2009/10 target and remain below the 2007/08 benchmark average of comparator gaming jurisdictions. We anticipate that benchmarking with other jurisdictions in September 2010 will provide us with a more current perspective of BCLC's operating costs relative to our comparators.

ELECTRONIC GAMING DEVICES PER CAPITA

CALCULATION

This metric is the result of the number of slot machine and Video Lottery Terminal (VLT) electronic gaming devices, divided by the total population, multiplied by 1000 and expressed as a ratio.

In 2008/09, BCLC began using "total population" for this measure. This change was made in order to benchmark with jurisdictions where the age of participation in gambling differs from B.C.

BCLC does not set annual targets for this metric.

RATIONALE

This metric provides a measure of the accessibility of BCLC gaming to British Columbians and compares it over time. 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.

We compare the accessibility of electronic gaming devices in B.C. across various jurisdictions. Differences in government policy regulate the types of gaming devices that are available in each Canadian province.

MANAGEMENT COMMENTS

Gaming policy varies across the Canadian provinces. In British Columbia, government gaming policy excludes VLTs, providing for a responsible gambling model that limits participation in this category of gaming to slot machines located in casino and community gaming facilities, where accessibility is limited to adults. OLG also does not have VLTs.

This socially responsible 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 and domestic and international tourism market opportunities.

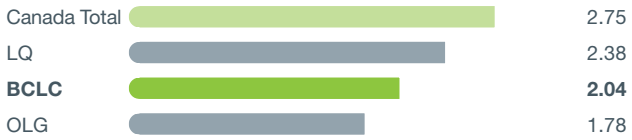
In 2007/08, BCLC ranked third amongst comparators. The number of devices in B.C. has grown as BCLC has worked with our service providers to transform commercial bingo halls into community gaming centres in selected market locations.

DEVICES PER CAPITA

(per 1,000 population)

2007/08 DEVICES PER CAPITA BENCHMARKS

(per 1,000 population)



Data source

BC Stats, specific data prepared by BCLC

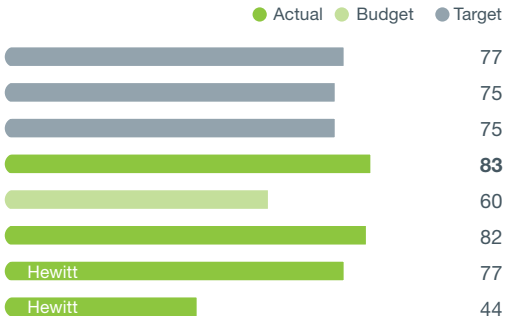
PEOPLE

Goal 04: have a workforce passionately driving the success of our business

TARGET EXCEEDED

EMPLOYEE ENGAGEMENT

(%)



* Performance targets for this measure were set before our 2009/10 result was available and will be reviewed during the next business planning process.

Benchmarking availability and reliability
BCLC's engagement survey is a reflection of a broad range of attributes that are important to BCLC: player-centricity, delivering an outstanding gambling experience, social responsibility and making BCLC a great place to work.

The survey results cannot be directly benchmarked and are best analyzed on a time-series basis.

Data source
Hewitt Associates (results pre-2008/09) and Ipsos Reid

EMPLOYEE ENGAGEMENT (%)

CALCULATION

In 2008/09, BCLC transitioned to a new model of measuring employee engagement that better reflects our unique culture, values and business objectives. Ipsos Reid was selected as the new vendor and developed a customized engagement survey that included questions which allowed us to compare our results with previous years.

The results of our 2008/09 survey were better than expected, reaching 82 per cent. Our objective for 2009/10 was to maintain engagement at existing levels.

RATIONALE

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.

MANAGEMENT COMMENTS

The goal of BCLC's leadership team during this challenging economic period was to maintain engagement at existing levels.

The survey conducted in January 2010 provided an engagement result of 83 per cent, exceeding our result for the previous year by one per cent.

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 VACANCY RATE (%)

CALCULATION

This metric provides the average percentage of vacant positions in the process of being filled (replacement or additional positions actively being recruited internally and externally) as a proportion of BCLC's total headcount. The year-end result is calculated by averaging the month-end rates.

The samplings done in order to set targets for this measure approximated BCLC's vacancy at 6.3 per cent for 2007/08 and 4.6 per cent for 2008/09.

RATIONALE

This measure was new in 2009/10. It is intended to measure BCLC's employee morale and turnover, competitiveness and the effectiveness of recruitment processes.

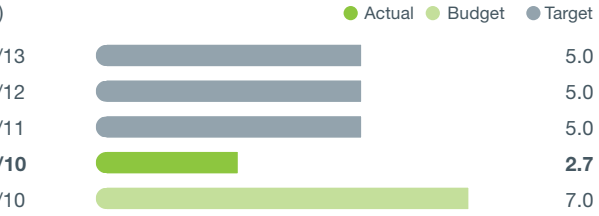
MANAGEMENT COMMENTS

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 timeframe that it is being measured.

BCLC's result of 2.7 per cent was well below our target, which was set during a period when we anticipated workforce growth. In response to a number of external and internal factors, BCLC's focus changed to resource management. As a result, the number of vacancies and our recruitment levels were very low.

TARGET EXCEEDED

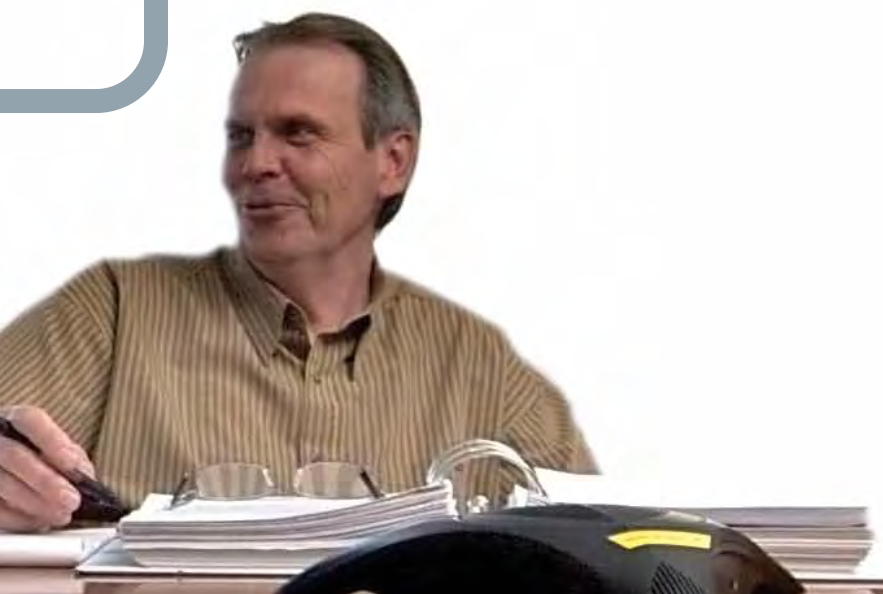
EMPLOYEE VACANCY RATE



Benchmarking availability and reliability
This measure is not calculated by other gaming comparators. This measure may be implemented by other commercial Crowns to facilitate benchmarks across B.C. Crown entities in future years.

BCLC will report this measure on a time-series basis.

Data source
BCLC internal reporting



risk and capacity

BCLC has implemented an organization-wide risk management program with a strong focus on integrity and safety aligned with corporate goals and performance measures.

Our approach is underpinned by international best practices, in particular through adopting the principles laid out in the international Risk Management Standard.

Risk across the organization is assessed quarterly at a divisional and enterprise level, complemented by formal risk assessments for all significant initiatives and focused risk assessments of select processes. Consideration of risk is a key part of BCLC's strategic and business planning processes, and an integral part of the management process.

BCLC's Enterprise Risk Management Advisory Committee, which consists of senior representatives from all divisions, meets regularly to consider risk issues. The committee submits a quarterly report, including an updated enterprise risk register and progress against our annual risk plan, to BCLC senior management and the Audit Committee of the Board of Directors.

In 2010/11, we are focusing on developing complementary risk management approaches across key areas of the organization, including our internal audit and project management teams, with a strong focus on controls assurance and contingency planning. As our risk approach matures, new areas of risk will be identified while other areas may no longer be prioritized. The top three areas identified for a risk management focus over the past year were:

PLAYER EXPECTATIONS

ISSUE	ACTIVITIES IN 2009/10
Our ability to generate income and meet or exceed shareholder expectations is threatened if BCLC does not provide trustworthy, accessible, innovative and enjoyable gambling experiences for our players.	Two key goals and strategies support this area: **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 **GOAL 2: PROVIDE FACILITIES AND GAMES TO DEVELOP THE BUSINESS** Transform to a player-centric company Corporate social responsibility (CSR) is an essential part of the way BCLC does business. Key activities include implementing our responsible gambling strategy through an active program of education and communication. Trained advisors staff GameSense Information Centres in all B.C. casinos, providing players with information about game odds, tips for keeping it fun and problem gambling resources such as voluntary self-exclusion and the Province's free problem gambling counselling program. Self-service GameSense Information Centres are also in place in all community gaming centres and responsible gambling information is available at lottery retailers and on bclc.com. All front-line gaming staff, supervisors and managers must complete Appropriate Response Training (ART), which equips staff with knowledge to assist players in distress. BCLC is one of only 13 organizations worldwide to achieve the highest level of responsible gambling certification from the World Lottery Association. Focus on the customer experience is provided through the research and expertise of our Customer Strategy & Corporate Marketing division, which also works to champion player interests and perspectives internally to employees across the organization. Dedicated new product development teams in our lottery, casino and eGaming business units launched a variety of new games in 2009/10, including LOTTO MAX, Sports Action Props, Lightning Poker and virtual Baccarat, as well as new slot machine platforms and themes. A number of facilities were upgraded, and two new facilities, Chances Squamish and Chances Abbotsford, were opened.

SYSTEMS, DATA AND GAMING INTEGRITY

ISSUE	ACTIVITIES IN 2009/10
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. It is essential to BCLC's success that our players are certain BCLC's gaming and prize payout systems are trustworthy. Should players feel the integrity of their experience is undermined, or cease to enjoy the games that BCLC offers, our revenues, strategic and operational objectives would be at risk.	One key goal and strategy support this area: **GOAL 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. Integrity continues to be one of BCLC's core values, central to all activities across the organization. BCLC's Corporate Security & Compliance division conducted a range of audits, inspections and investigations, while our internal audit team provided independent, objective audits of internal risk management, control and governance processes. Assurances, processes, systems and controls were strengthened in a number of areas. We also put into action our business modernization strategy, with a focus on increasing business effectiveness and operational efficiency while embedding high levels of integrity and internal controls. BCLC operations are supported by a complex portfolio of technology infrastructure and systems. An enterprise architecture approach has been adopted with a planned program of replacing legacy systems with leading flexible, scalable applications to maintain and improve system integrity, integration and resiliency. Specific projects in 2009/10 focused on corporate records management, privacy and information classification. Our business continuity program considered issues of resiliency and disaster recovery, and managed H1N1 pandemic issues.

SERVICE PROVIDERS

ISSUE	ACTIVITIES IN 2009/10
BCLC is reliant on a number of key private sector service providers, especially for the operation of our casinos and community gaming centres. Due to the difficult economic environment, some of our service providers have had to delay or limit planned upgrades to gaming facilities, with a negative impact on revenue growth estimates, which in combination with reduced levels of play, has affected revenue and in some cases the service provider's financial viability.	BCLC has monitored the financial performance and stability of our private sector service providers throughout the year. Contingency and risk reduction plans have been developed to manage potential service provider disruptions and other scenarios. BCLC receives regular financial reports from all its key service providers and a new financial liaison role has been created. All casinos and community gaming centres operate under BCLC casino and community gaming standards, policies and procedures, which are regularly updated and audited for compliance. BCLC works with a variety of private sector businesses that provide specialist services to the Corporation, such as gaming technology. Over the course of 2009/10, procurement and contract management processes were strengthened in response to new regulations under the Trade Investment and Labour Mobility Agreement (TILMA). We are also collaborating with other Canadian jurisdictions to upgrade systems and provide new gaming services.

CAPACITY

In the latter part of this fiscal year as part of BCLC's cost containment measures, an emphasis was placed on meeting organizational objectives with limited increases in staff. This conservative approach to increasing resources was done strategically to ensure that business goals and objectives were not adversely impacted. BCLC managed its business and people resources through strategies such as internal resource reallocation and attrition, and achieved a resource level below the budget that had been allocated. Moving forward into 2010/11, BCLC will continue to focus on managing resource growth and is formally implementing strategic workforce planning to proactively address the organization's future capacity needs.

financial report

management discussion and analysis

The Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for the fiscal year ended March 31, 2010 and should be read in conjunction with the Corporation's audited financial statements.

financial overview

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	**2009/10 Actual**	2009/10 Budget	2009/10 Variance	2009/10 Variance from prior Year	2010/11 Target	2011/12 Target	2012/13 Target
REVENUE											
Lottery	$ 967.4	$ 997.4	$ 976.9	$ 954.2	**$ 937.9**	$ 969.0	$ (31.1)	$ (16.3)	$1,023.0	$1,089.0	$1,164.0
Casino	1,085.3	1,208.9	1,322.1	1,341.3	**1,321.6**	1,399.0	(77.4)	(19.7)	1,396.0	1,454.0	1,490.0
Community Gaming	208.0	218.9	260.2	254.7	**257.8**	258.0	(0.2)	3.1	281.0	288.0	295.0
	2,260.7	2,425.2	2,559.2	2,550.2	**2,517.3**	2,626.0	(108.7)	(32.9)	2,700.0	2,831.0	2,949.0
Prizes	641.5	650.8	647.1	599.7	**577.6**	595.7	18.1	22.1	627.6	650.8	682.8
Net Win	1,619.2	1,774.4	1,912.1	1,950.5	**1,939.7**	2,030.3	(90.6)	(10.8)	2,072.4	2,180.2	2,266.2
EXPENDITURES											
Lottery	163.9	170.4	170.2	176.0	**165.9**	178.0	12.1	10.1	193.6	205.4	213.6
Casino	463.7	510.3	560.3	583.2	**590.3**	614.6	24.3	(7.1)	647.6	691.6	722.9
Community Gaming	68.9	74.9	92.7	100.6	**104.4**	107.7	3.3	(3.8)	116.2	121.2	124.7
	696.5	755.6	823.2	859.8	**860.6**	900.3	39.7	(0.8)	957.4	1,018.2	1,061.2
NET INCOME											
Lottery	273.2	283.5	263.9	256.4	**266.7**	258.2	8.5	10.3	265.6	285.8	317.9
Casino	621.6	698.6	761.8	758.1	**731.3**	784.4	(53.1)	(26.8)	748.3	762.5	767.1
Community Gaming	27.9	36.7	63.2	76.2	**81.1**	87.4	(6.3)	4.9	101.1	113.7	120.0
	$ 922.7	$1,018.8	$1,088.9	$1,090.7	**$1,079.1**	$1,130.0	$ (50.9)	$ (11.6)	$1,115.0	$1,162.0	$1,205.0
Profit Margin	40.8%	42.0%	42.6%	42.8%	**42.9%**	43.0%	(0.1)%	0.1%	41.3%	41.0%	40.9%
Debt	$ 0.0	$ 0.0	$ 0.0	$ 0.0	**$ 60.0**	$ 82.9	$ 22.9	$ (60.0)	$ 127.8	$ 151.0	$ 163.0
Capital Expenditures	$ 82.9	$ 43.9	$ 60.5	$ 97.4	**$ 92.5**	$ 127.5	$ 35.0	$ 4.9	$ 106.7	$ 120.0	$ 120.0

In 2009/10, BCLC's net income broke the $1 billion mark for the fourth consecutive year. At $1.079 billion, this year's net income was just $11.6 million below the record set in 2008/09, but $50.9 million less than budget.

This year, competition for consumers' discretionary entertainment dollars was intensified by a slower-than-expected economic recovery and direct competition from the numerous Vancouver 2010 Olympic and Paralympic Winter Games events. However, in spite of these factors, BCLC's net income slipped only 1.1 per cent from the prior year. This performance compares favourably with that of the overall B.C. economy, which experienced an estimated decline in real GDP of 2.7 per cent[1].

In September, 2009, BCLC submitted a Service Plan Update for 2009/10–2011/12. As part of this process, the Corporation undertook a strategic cost reduction initiative aimed at trimming total expenditures by $30 million. BCLC exceeded those targets, delivering savings of $39.7 million in operating costs and $35.0 million in capital costs.

During 2009/10, BCLC was proud to have been an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games. We are also proud to have introduced a number of new and innovative products, including LOTTO MAX and sports proposition betting, and made key enhancements to existing games. We also opened two new community gaming centres in Abbotsford and Squamish and upgraded several existing facilities.

1 B.C. Ministry of Finance estimates, February 2010

PERFORMANCE MEASUREMENT

BCLC's performance measurement framework is updated annually as part of our business planning process. This framework guides decision-making at all levels of the organization and has been used to assess our 2009/10 operational performance against the targets and budgets established in the Service Plan (www.bclc.com/documents/ServicePlan_1011-1213.pdf). BCLC also compares its performance to other gaming organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Canadian Accounting Standards Board (AcSB) announced that for fiscal years commencing on or after January 1, 2011, all publicly accountable enterprises are required to report their financial results using IFRS as issued by the International Accounting Standards Board (IASB).

Currently, the Corporation meets the definition of a Government Business Enterprise (GBE). The Public Sector Accounting Standards Board (PSAB) states that GBEs should adhere to the accounting principles applicable for publicly accountable enterprises.

The Corporation has commenced a project to identify and evaluate the implications and impacts of IFRS. BCLC will continue to accumulate and assess IFRS information in order to be prepared to comply with the directions of PSAB.

ECONOMIC OUTLOOK

Current economic indicators suggest that the B.C. economy is beginning to stabilize and that modest growth can be expected over the next fiscal year.

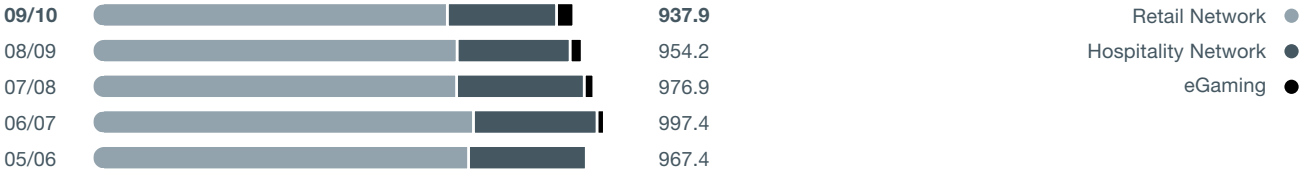
BCLC's strategy will be to continue to invest in new revenue generation opportunities, strategically manage costs and upgrade critical infrastructure in order to optimize corporate performance throughout the recovery.

A more detailed discussion of initiatives and opportunities can be found in our three year Service Plan and on bclc.com.

lottery operations

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Budget	2009/10 Variance	Variance from Prior Year
REVENUE								
Retail Network	$ 733.0	$ 742.5	$ 709.7	$ 710.7	**$ 691.7**	$ 705.0	$ (13.3)	$ (19.0)
Hospitality Network	229.2	240.6	248.5	220.0	**212.6**	230.0	(17.4)	(7.4)
eGaming	5.2	14.3	18.7	23.5	**33.6**	34.0	(0.4)	10.1
	967.4	997.4	976.9	954.2	**937.9**	969.0	(31.1)	(16.3)
Prizes	530.3	543.5	542.8	521.8	**505.3**	532.8	27.5	16.5
Net Win	437.1	453.9	434.1	432.4	**432.6**	436.2	(3.6)	0.2
Direct Expenses	83.5	85.4	79.0	75.5	**71.3**	73.5	2.2	4.2
Operating Expenses	80.4	85.0	91.2	100.5	**94.6**	104.5	9.9	5.9
Net Income	$ 273.2	$ 283.5	$ 263.9	$ 256.4	**$ 266.7**	$ 258.2	$ 8.5	$ 10.3
Lottery Retailers	4,397	4,321	4,033	4,046	**4,044**	4,002	42.0	(2.0)
Lottery Terminals	4,081	4,074	3,969	3,995	**4,002**	3,950	52.0	7.0

LOTTERY REVENUE
($ millions)



Lottery net income of $266.7 million exceeded plan by $8.5 million and the previous year by $10.3 million. While revenue declined by 1.7 per cent, net income actually increased by four per cent on the strength of higher margin products and successful cost saving initiatives.

This year, BCLC introduced a number of new revenue-generating initiatives aimed at widening its player base, including the new nationwide LOTTO MAX game, Sports Action Props and four-minute Keno with Pattern Play. In addition, the Lottery Business Unit piloted a new merchandising approach in the retail environment in Vernon. Nevertheless, a maturing market for certain lottery products and a tight economy did have an impact on performance.

BCLC's PlayNow.com eGaming business continues to demonstrate strong growth. This year, eGaming generated net income of $5.0 million, under budget by $1.3 million but outperforming the previous year by $1.3 million. The number of registered players grew from 116,000 in 2008/09 to 134,000 this year, attracted by the convenience of the channel and new product offerings.

casino operations

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Budget	2009/10 Variance	Variance from Prior Year
REVENUE								
Slot Machines	$ 762.3	$ 869.9	$ 973.9	$ 961.4	**$ 954.6**	$ 1,025.5	$ (70.9)	$ (6.8)
Table Games	306.6	318.2	325.8	356.4	**343.9**	350.0	(6.1)	(12.5)
Poker	16.4	20.8	22.4	23.5	**23.1**	23.5	(0.4)	(0.4)
	1,085.3	1,208.9	1,322.1	1,341.3	**1,321.6**	1,399.0	(77.4)	(19.7)
Prizes	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0
Net Win	1,085.3	1,208.9	1,322.1	1,341.3	**1,321.6**	1,399.0	(77.4)	(19.7)
Direct Expenses	369.9	408.9	450.4	473.6	**461.5**	482.8	21.3	12.1
Operating Expenses	93.8	101.4	109.9	109.6	**128.8**	131.8	3.0	(19.2)
Net Income	$ 621.6	$ 698.6	$ 761.8	$ 758.1	**$ 731.3**	$ 784.4	$ (53.1)	$ (26.8)
Casinos	18	16	17	17	**17**	17	0	0
Slot Machines	7,149	6,951	7,837	8,818	**9,438**	9,946	(508)	620
Tables	454	464	481	485	**478**	509	(31)	(7)

CASINO REVENUE
($ millions)

Casino revenues of $1.322 billion were $77.4 million less than plan and $19.7 million lower than last year. The casino business was particularly hard-hit by traffic restrictions during the Vancouver 2010 Olympic Winter Games that resulted in the closure of Hastings Park Racetrack Casino for 30 days and reduced access to Edgewater Casino.

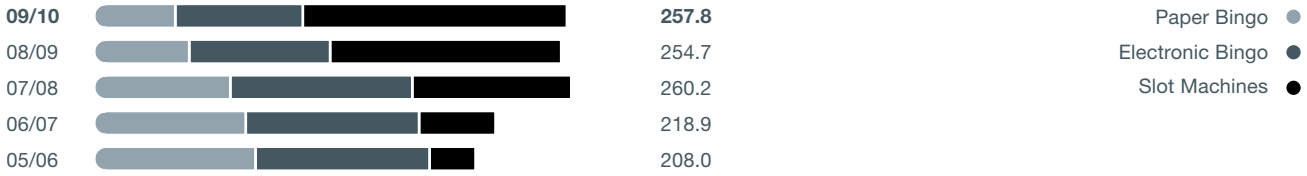
Players did not show the propensity for slot machine play that was anticipated in the 2009/10 plan. Consequently, slot machine revenue fell short of budget by $70.9 million, or almost seven per cent.

General economic conditions continued to be a major influence on spending not only for customers, but also for our casino service providers who delayed a number of facility improvements planned for this year.

community gaming operations

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	**2009/10 Actual**	2009/10 Budget	2009/10 Variance	Variance from Prior Year
REVENUE								
Paper Bingo	$ 88.0	$ 82.7	$ 74.3	$ 51.9	**$ 44.3**	$ 42.0	$ 2.3	$ (7.6)
Electronic Bingo	94.9	94.5	99.2	76.8	**69.5**	66.0	3.5	(7.3)
Slot Machines	25.1	41.7	86.7	126.0	**144.0**	150.0	(6.0)	18.0
	208.0	218.9	260.2	254.7	**257.8**	258.0	(0.2)	3.1
Prizes	111.2	107.3	104.3	77.9	**72.3**	62.9	(9.4)	5.6
Net Win	96.8	111.6	155.9	176.8	**185.5**	195.1	(9.6)	8.7
Direct Expenses	50.9	53.8	66.9	70.7	**74.0**	74.3	0.3	(3.3)
Operating Expenses	18.0	21.1	25.8	29.9	**30.4**	33.4	3.0	(0.5)
Net Income	$ 27.9	$ 36.7	$ 63.2	$ 76.2	**$ 81.1**	$ 87.4	$ (6.3)	$ 4.9
Commercial Halls	24	20	15	13	**13**	10	3	0
Independent Operators	15	15	15	14	**7**	14	(7)	(7)
Community Gaming Centres	5	6	12	14	**15**	18	(3)	1
Slot Machines	355	497	1,105	1,378	**1,581**	1,778	(197)	203

COMMUNITY GAMING REVENUE
($ millions)



Community gaming performance continued to be strong this year. Revenues of $257.8 million were virtually on budget and were $3.1 million greater than 2008/09. The opening of two new community gaming centres (CGCs) was a significant factor in this performance, as was the fact that fewer CGCs were impacted by Vancouver 2010 Olympic Winter Games traffic restrictions.

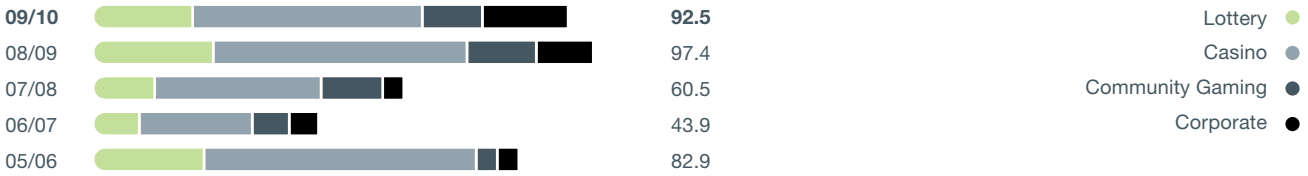
Despite the solid performance by CGCs overall, traditional bingo games continue to decline in popularity as players demonstrate a preference for casino-style games. While CGC slot machine revenue was $6 million less than plan this year, it still exceeded 2008/09 results by $18 million.

capital spending

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	**2009/10 Actual**	2009/10 Budget	2009/10 Variance
Lottery	$ 21.6	$ 9.0	$ 12.0	$ 23.4	**$ 19.4**	$ 22.9	$ 3.5
Casino	53.0	22.0	32.4	49.4	**44.7**	60.1	15.4
Community Gaming	4.1	7.2	12.0	13.5	**11.7**	18.9	7.2
Corporate	4.2	5.7	4.1	11.1	**16.7**	25.6	8.9
Capital Expenditures	$ 82.9	$ 43.9	$ 60.5	$ 97.4	**$ 92.5**	$127.5	$ 35.0

From year to year, capital spending varies significantly in response to revenue and gaming facility initiatives. In 2009/10, capital spending of $92.5 million was $35.0 million under budget and $4.9 million less than last year. The positive budget variance this year was due in part to delays in completing eGaming and infrastructure programs, and in part to strategic cost management activities.

CAPITAL SPENDING
($ millions)



B.C. LOTTOTECH INTERNATIONAL INC.

The consolidated statements of the British Columbia Lottery Corporation include B.C. Lottotech International Inc. (Lottotech), a wholly owned subsidiary of the Corporation. 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 purchases through the annual business planning and budget process.

	2009/10	2008/09
REVENUE ($ thousands)		
Lease revenue	**$ 65,971**	$ 60,929
EXPENSES		
Amortization	**66,119**	61,367
Other expenses (income)	**(625)**	408
	65,494	61,775
Net income (loss)	**$ 477**	$ (846)

Management's responsibility for financial reporting

The financial statements of British Columbia Lottery Corporation (BCLC) have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of BCLC as at March 31, 2010, and the results of its operations and cash flow for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the financial statements of BCLC.

Tom Williamson
Chief Financial Officer and Vice-President
Finance & Corporate Services

Auditor's report

To the Directors and Minister Responsible of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2010 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Kamloops, Canada
April 19, 2010

CONSOLIDATED BALANCE SHEET

March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

	2010	2009
ASSETS		
Current assets:		
Cash (note 4)	**$ 33,538**	$ 46,288
Funds held in trust (note 5)	**–**	3,445
Short-term investments (note 6)	**29,628**	58,520
Accounts receivable (note 7)	**25,859**	47,042
Receivable from Interprovincial Lottery Corporation	**4,247**	–
Prepaid expenses	**3,708**	7,184
Inventories	**9,379**	6,267
	106,359	168,746
Accrued pension plan asset (note 8)	**32,404**	21,739
Property, plant and equipment (note 9)	**147,390**	143,169
Intangible assets (note 10)	**16,183**	4,815
	$ 302,336	$ 338,469
LIABILITIES		
Current liabilities:		
Cheques issued in excess of funds on hand	**$ 5,635**	$ 7,820
Prizes payable	**25,483**	41,719
Accounts payable and accrued liabilities	**44,095**	51,906
Short-term financing (note 11)	**59,996**	–
Due to Government of British Columbia	**128,715**	201,736
	263,924	303,181
Accrued post retirement benefit obligation (note 8)	**38,412**	35,288
	$ 302,336	$ 338,469

Commitments and contingencies (notes 18 and 19)

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Chair, Board of Directors

Michael Riley
Chair, Board Audit Committee

CONSOLIDATED STATEMENT OF INCOME
Year ended March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

	2010	2009
Revenue (note 12):		
Lottery	**$ 937,920**	$ 954,208
Casino	**1,321,625**	1,341,240
Community gaming	**257,811**	254,726
	2,517,356	2,550,174
Prizes	**577,611**	599,745
Net win	**1,939,745**	1,950,429
Direct expenses:		
Commissions	**569,854**	577,818
Ticket printing and bingo paper	**15,453**	17,134
Equipment supplies, leases, and licenses	**21,426**	24,780
	606,733	619,732
Net win less direct expenses	**1,333,012**	1,330,697
Operating expenses:		
Administrative expenses	**149,259**	138,145
Amortization	**68,869**	64,138
Other expenses	**32**	4,898
Marketing Trust Account (note 13):		
Marketing Trust Account income	**–**	(15,642)
Marketing Trust Account expenditures	**–**	15,642
	218,160	207,181
Income from operations	**1,114,852**	1,123,516
Non-operating income (expenses):		
Net horse racing betting fees (note 14)	**1,878**	1,878
Integrated Illegal Gaming Enforcement Team expenses (note 15)	**–**	(981)
Goods and Services Tax expense (note 22)	**(37,650)**	(33,727)
	(35,772)	(32,830)
Net income, being comprehensive income	**$ 1,079,080**	$1,090,686
Allocation of net income:		
Government of British Columbia	**$ 1,070,404**	$1,081,989
Government of Canada (note 16)	**8,676**	8,697
	$ 1,079,080	$1,090,686

Sector activity information (note 21)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF AMOUNTS DUE TO GOVERNMENT OF BRITISH COLUMBIA

Year ended March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

	2010	2009
Balance, beginning of year	**$ 201,736**	$ 192,880
Net income	**1,079,080**	1,090,686
	1,280,816	1,283,566
Payments to Government of British Columbia	**1,143,425**	1,073,133
Payments to Government of Canada (note 16)	**8,676**	8,697
	1,152,101	1,081,830
Due to Government of British Columbia	**$ 128,715**	$ 201,736

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

	2010	2009
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Net income	**$ 1,079,080**	$1,090,686
Adjustments for:		
Amortization of property, plant and equipment	**66,026**	62,935
Amortization of intangible assets	**2,843**	1,203
Loss (gain) on disposal of property, plant and equipment	**(398)**	(513)
	1,147,551	1,154,311
Changes in non-cash operating items:		
Accounts receivable	**21,183**	(3,989)
Receivable from Interprovincial Lottery Corporation	**(4,247)**	(1,685)
Prepaid expenses	**3,476**	(1,463)
Inventories	**(3,112)**	(2,064)
Accrued pension plan asset	**(10,665)**	(5,990)
Prizes payable	**(16,236)**	(2,118)
Accounts payable and accrued liabilities	**(7,811)**	5,587
Accrued post retirement benefit obligation	**3,124**	3,521
	1,133,263	1,146,110
FINANCING:		
Short-term financing	**59,996**	–
Payments to Government of British Columbia	**(1,143,425)**	(1,073,133)
Payments to Government of Canada (note 16)	**(8,676)**	(8,697)
	(1,092,105)	(1,081,830)
INVESTMENTS:		
Additions to property, plant and equipment	**(71,139)**	(91,404)
Additions to intangible assets	**(14,211)**	(6,018)
Proceeds on disposal of property, plant and equipment	**1,290**	864
	(84,060)	(96,558)
Decrease in cash and cash equivalents	**(42,902)**	(32,278)
Cash and cash equivalents, beginning of year	**100,433**	132,711
Cash and cash equivalents, end of year	**$ 57,531**	$ 100,433
Cash and cash equivalents are comprised of:		
Cash (note 4)	**$ 33,538**	$ 46,288
Funds held in trust (note 5)	**–**	3,445
Short-term investments (note 6)	**29,628**	58,520
Cheques issued in excess of funds on hand	**(5,635)**	(7,820)
Cash and cash equivalents, end of year	**$ 57,531**	$ 100,433

See accompanying notes to consolidated financial statements.

1. Nature of the Corporation:

The British Columbia Lottery Corporation ("BCLC" or "Corporation") is a Crown corporation. BCLC was incorporated under the *Company Act* of British Columbia on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. Significant accounting policies:

(A) BASIS OF PRESENTATION:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation, as well as the Marketing Trust Account, a variable interest entity for which the Corporation is deemed the primary beneficiary (see note 13).

(B) CASH:

Cash includes cash balances on deposit and gaming bankrolls.

(C) SHORT TERM INVESTMENTS:

Short-term investments include investments in overnight deposits with financial institutions having an original maturity date of 90 days or less. Short-term investments are highly liquid and form an integral part of the Corporation's cash management. As such, they are a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(D) FINANCIAL INSTRUMENTS:

The Corporation has designated or classified its financial assets and liabilities as follows:

Cash, funds held in trust, short-term investments, and cheques issued in excess of funds on hand have been designated as held for trading and are measured at their fair values, with changes in fair value recognized in the consolidated statement of income.

Accounts receivable and receivable from Interprovincial Lottery Corporation have been classified as loans and receivables and are measured at amortized cost; and

Accounts payable and accrued liabilities, short-term financing, prizes payable, and amounts due to the Government of British Columbia have been classified as other financial liabilities and are measured at amortized cost.

(E) INVENTORIES:

Inventories are recorded at the lower of cost (determined on a first-in, first-out basis) and net realizable value. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is not estimated to be recoverable.

2. Significant accounting policies (continued):

(F) PROPERTY, PLANT AND EQUIPMENT:

The Corporation's policy on capital purchases is that any major purchase which has a useful life that extends one year beyond the current year will be capitalized.

The Corporation's property, plant and equipment is recorded at its cost less accumulated amortization. Amortization is taken over the estimated useful lives of the assets on a straight-line basis starting when the assets are available for use. Amortization is taken at the following annual rates:

Asset	Rate
Corporate facilities and equipment	5 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
Casino gaming systems and equipment	3 to 5 years
Community gaming systems and equipment	3 to 5 years

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(G) INTANGIBLE ASSETS:

Costs incurred in developing or acquiring computer software products or systems that will benefit future periods through revenue generation and/or cost reduction are capitalized as intangible assets.

The cost of internally developed intangible assets comprises developmental costs that are directly attributable to creation, production, and preparation of the asset to be capable of operating in the manner intended by management. These costs are capitalized if they meet all of the following criteria:

– The technical feasibility of completing the software for use has been demonstrated,

– The Corporation has demonstrated its intention to use the software,

– The Corporation has demonstrated its ability to use the software,

– The usefulness of the software in generating probable future economic benefit has been demonstrated,

– There are adequate technical, financial and other resources to complete the development of the software, and

– The expenditure attributable to the software can be measured reliably during its development.

Capitalized software is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to five years). An intangible asset that is subject to amortization is tested for impairment only when events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss for an intangible asset is not reversed upon subsequent increase of the fair value of such assets.

2. Significant accounting policies (continued):

(H) EMPLOYEE FUTURE BENEFITS:

The Corporation has defined benefit pension plans (the registered plan and supplementary plan) covering substantially all of its employees. The benefits are based on length of service and the average of the 60 consecutive months of highest pensionable earnings. The cost of the registered plan is funded by employee and employer contributions. The supplementary plan is not funded.

The Corporation also sponsors post-retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligations based on estimates provided by independent actuaries.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method and management's best estimate of expected plan investment performance, salary escalation, membership data and expected health care costs.
- The expected return on plan assets is based on the fair value of plan assets.
- Past service costs from plan amendments or initiations are amortized on a straight-line basis over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market-related value of plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plans. The EARSL for the registered plan and the supplementary plan are 13 years and eight years respectively.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*. A funding excess may be applied immediately to reduce required employer current service contributions; however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Furthermore, the use of a funding excess must be amortized over a minimum of five years.
- There were no changes in plan provisions, actuarial cost methods or the asset valuation method since the last disclosure as of March 31, 2009.

(I) REVENUE RECOGNITION:

LOTTERY:

The recognition of lottery sales and the corresponding direct expenses for online games is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue, and the associated direct costs are recorded as prepaid expenses.

The recognition of lottery sales and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

CASINO:

Revenue from casino slot machines and table games is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

2. Significant accounting policies (continued):

(I) REVENUE RECOGNITION (CONTINUED):

COMMUNITY GAMING:

Revenue from the operation of paper, electronic, and linked bingo and the associated selling costs and prize expenses are included in the consolidated statement of income in the same period the games are played. Revenue from community gaming slot machines is recorded in the consolidated statement of income, net of prizes paid, in the same period the games are played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

(J) PRIZE EXPENSES:

Lottery prize expenses are recorded based on the actual prize liability experienced for each online game, and theoretical prize liabilities for instant ticket games.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the nature of games of chance. Over the life of a game, the actual prize expense will equal the theoretical expense.

Expired prizes are recorded as reductions in prize expense in the year of expiry.

(K) COMMISSIONS:

Commissions paid to retailers are based on revenue earned. BCLC recognizes these commissions as revenue is earned.

Commissions paid to service providers are based on net win earned. BCLC recognizes these commissions as net win is earned.

BCLC employs a commission structure that enables casino, community gaming and bingo service providers to earn additional compensation (facility development commission (FDC) and accelerated facility development commission (AFDC)), up to contractually determined limits, based on net win generated for properties where facility enhancements have been undertaken by the service providers.

The FDC and AFDC are recognized as a commission expense to BCLC as net win is earned.

(L) INCOME TAXES:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(M) ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include employee future benefits, and prize liabilities and expenses. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in income in the year they become known.

(N) SECTOR ACTIVITY REPORTING:

The Corporation's reportable sectors are strategic business units that represent distinct distribution channels that offer similar and unique products and services. These sectors are lottery, casino, community gaming and horse racing. The sector activity is illustrated in note 21. The accounting policies of the sectors do not differ from the accounting polices of the Corporation.

3. Changes in accounting policy:

(A) ACCOUNTING PRONOUNCEMENTS ADOPTED DURING THE YEAR:

Effective April 1, 2009, the Corporation adopted the following CICA Handbook sections, which became effective for the Corporation on that date:

(i) In 2009, the CICA amended Section 3862 Financial Instruments – Disclosures to improve fair value and liquidity risk disclosures. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchical levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3: Inputs used in a valuation technique that are not based on observable market data in determining fair values of the instruments.

(ii) The new CICA Handbook Section 3064 Goodwill and Intangible Assets replaced Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new standard provides further guidance on the recognition and treatment of internally developed intangibles and establishes further criteria for intangible costs that do not qualify for capitalization. The Corporation's intangible assets are comprised of software costs which were previously recorded as property, plant and equipment prior to the adoption of Section 3064. The adoption of this standard, which has been applied retroactively, resulted in a reclassification of software costs as "Intangible assets" in the consolidated balance sheet. Reclassification of prior year amounts resulted in an increase in intangible assets and a corresponding decrease in property, plant and equipment of $4,815.

(B) ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE:

(i) International Financial Reporting Standards (IFRS):

The Canadian Accounting Standards Board (AcSB) announced that for fiscal years commencing on or after January 1, 2011, all publicly accountable enterprises are required to report their financial results using IFRS as issued by the International Accounting Standards Board (IASB).

Currently, the Corporation meets the definition of a Government Business Enterprise (GBE). The Public Sector Accounting Standards Board (PSAB) states that GBEs should adhere to the accounting principles applicable for publicly accountable enterprises.

The Corporation has commenced a project to identify and evaluate the implications and impacts of IFRS. BCLC will continue to accumulate and assess IFRS information in order to be prepared to comply with the directions of PSAB.

4. Cash:

		2010		2009
Casino and community gaming cash floats	**$**	**24,104**	$	41,962
Funds held for security deposits		**7,958**		3,095
Funds held for eGaming wallets		**1,476**		1,231
	$	**33,538**	$	46,288

Casino and community gaming cash floats are owned by the Corporation and provided by the Corporation to its service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gaming locations and are not available for other purposes. These amounts are secured by Irrevocable Standby Letters of Credit.

Funds held for security deposits include security deposit amounts provided by lottery retailers to BCLC. These funds are deposited into a separate bank account and returned to retailers, including any interest earned, in accordance with the retailer agreements. Also included in this balance is a standing security deposit of $4,750 (2009: $ nil) to secure amounts for casino net win balances owing to BCLC that are not covered by Irrevocable Standby Letters of Credit. All security deposit amounts are internally restricted by BCLC exclusively for funding the security deposit liability.

A corresponding security deposit liability in the amount of $7,958 (2009: $3,095) is included in accounts payable and accrued liabilities.

Funds held for eGaming wallets represent funds provided to BCLC by eGaming players through player wallets on PlayNow. These amounts are deposited into a separate bank account and are internally restricted by BCLC exclusively for funding the eGaming wallet liability.

A corresponding eGaming wallet liability in the amount of $1,476 (2009: $1,231) is included in accounts payable and accrued liabilities.

5. Funds held in trust:

Prior to being returned to casino service providers during the 2010 fiscal year, funds held in trust was money held in the Marketing Trust Account, in accordance with the Casino Operational Services Agreement (COSA) between BCLC and the participating service providers.

A corresponding trust liability in the amount of $ nil (2009: $3,445) was included in accounts payable and accrued liabilities (see note 13).

6. Short-term investments:

	2010	2009
BC INVESTMENT MANAGEMENT CORPORATION:		
Canadian Money Market Fund (overnight deposit)	**$ 29,507**	$ 58,370
US Dollar Money Market Fund (overnight deposit)	**121**	150
	$ 29,628	$ 58,520

7. Accounts receivable:

	2010	2009
Trade accounts receivable:		
Lottery retailers	**$ 18,552**	$ 16,608
Casino service providers	**3,726**	25,761
Community gaming and bingo service providers	**1,582**	1,401
	23,860	43,770
Other	**1,999**	3,272
Total accounts receivable	**$ 25,859**	$ 47,042

8. Employee future benefits:

The Corporation has a defined benefit pension plan and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2010	2009	**2010**	2009
Accrued benefit obligation:				
Balance at beginning of year	**$ 58,197**	$ 75,855	**$ 29,828**	$ 35,520
Current service cost	**1,645**	3,536	**1,439**	1,823
Interest cost	**5,006**	4,809	**2,691**	2,354
Plan amendments	**–**	193	**–**	–
Employee contributions	**2,213**	1,977	**–**	–
Benefits paid	**(2,657)**	(3,426)	**(600)**	(567)
Actuarial loss (gain)	**29,162**	(24,747)	**(131)**	(9,302)
Balance at end of year	**93,566**	58,197	**33,227**	29,828
Plan assets:				
Fair value at beginning of year	**76,344**	83,019	**–**	–
Actual return (loss) on plan assets	**17,760**	(13,864)	**–**	–
Employer contributions	**11,807**	8,638	**600**	567
Employee contributions	**2,213**	1,977	**–**	–
Benefits paid	**(2,657)**	(3,426)	**(600)**	(567)
Balance at end of year	**105,467**	76,344	**–**	–
Funded status—excess (deficiency)	**11,901**	18,147	**(33,227)**	(29,828)
Unamortized (negative) past service cost	**580**	721	**(4,076)**	(4,483)
Unamortized net actuarial loss (gain)	**19,923**	2,871	**(1,109)**	(977)
Accrued employee future benefit plan asset (obligation)	**$ 32,404**	$ 21,739	**$(38,412)**	$ (35,288)

8. Employee future benefits (continued):

Plan assets by asset category:

	2010	2009
Equity securities	**61%**	58%
Debt securities	**39%**	42%
	100%	100%

An actuarial valuation is required at minimum every three years to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made as of December 31, 2007 by Mercer, a firm of consulting actuaries. The next required valuation will be at a date not later than December 31, 2010, with results available in early 2011. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations for accounting purposes are as follows:

	Pension Plans		Post Retirement Benefit Plans	
	March 31, 2010	March 31, 2009	**March 31, 2010**	March 31, 2009
AT BEGINNING OF FISCAL PERIOD:				
Discount rate	**8.60%**	6.25%	**8.70%**	6.35%
Expected rate of return on plan assets	**7.00%**	7.00%	**–**	–
Rate of compensation increase	**4.75%**	5.00%	**–**	–
Health care cost trend rate:				
2009/2010	**–**	–	**6.44%**	6.24%
Ultimate	**–**	–	**4.35%**	4.50%
Year ultimate reached	**–**	–	**2029**	2012
AT END OF FISCAL PERIOD:				
Discount rate	**6.25%**	8.60%	**6.35%**	8.70%
Rate of compensation increase*	**4.27%**	4.75%	**–**	–
Health care cost trend rate:				
2009/2010	**–**	–	**6.84%**	6.44%
Ultimate	**–**	–	**4.50%**	4.35%
Year ultimate reached	**–**	–	**2029**	2029

* A long-term estimate of a 3.00% rate of compensation increase has also been factored into the actuarial assumptions adopted.

8. Employee future benefits (continued):

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2010	2009	**2010**	2009
Current service cost, net of employees' contributions (including provision for plan expenses)	**$ 1,645**	$ 3,536	**$ 1,439**	$ 1,823
Interest cost	**5,006**	4,809	**2,691**	2,354
Plan amendment	**–**	193	**–**	–
Actual loss (return) on plan assets	**(17,760)**	13,864	**–**	–
Actuarial loss (gain) on accrued benefit obligation	**29,162**	(24,747)	**(131)**	(9,302)
Costs arising in the year	**18,053**	(2,345)	**3,999**	(5,125)
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	**12,136**	(19,883)	**–**	–
Actuarial loss (gain)	**(29,187)**	24,776	**131**	9,620
Plan amendment	**141**	(76)	**–**	–
(Negative) past service cost	**–**	–	**(407)**	(407)
Net benefit cost recognized	**$ 1,143**	$ 2,472	**$ 3,723**	$ 4,088

9. Property, plant and equipment:

	Cost	Accumulated Amortization	**2010 Net**	2009 Net
Land	$ 700	$ –	**$ 700**	$ 700
Corporate facilities and equipment	35,708	28,869	**6,839**	5,127
Corporate information systems	33,716	23,447	**10,269**	8,546
Lottery gaming systems and equipment	127,050	91,056	**35,994**	40,390
Casino gaming systems and equipment	213,825	139,156	**74,669**	67,659
Community gaming systems and equipment	67,519	48,600	**18,919**	20,747
	$ 478,518	$ 331,128	**$ 147,390**	$ 143,169

10. Intangible assets:

	Cost	Accumulated Amortization	**2010 Net**	2009 Net
Software	$ 20,229	$ 4,046	**$ 16,183**	$ 4,815

11. Short-term financing:

	2010	2009
Province of British Columbia, loan, payable in a single instalment of $60,000 including interest of $8 at 0.17%, unsecured, due April 16, 2010	**$ 59,996**	$ –

12. Revenue:

	2010	2009
LOTTERY:		
Lotto 6/49	**$ 210,848**	$ 240,487
Keno	**209,075**	210,239
Scratch & Win	**148,684**	158,325
LOTTO MAX	**73,330**	–
Extra	**50,188**	53,965
Sports Action	**49,843**	52,911
Pacific Hold'em Poker	**47,521**	39,926
BC/49	**47,108**	51,878
Pull Tab	**46,510**	54,918
Lotto Super 7	**34,094**	68,550
SportsFunder	**11,520**	15,255
eBingo	**4,057**	779
Special Event	**2,879**	–
Interactives	**1,491**	1,338
Knockout 21	**772**	–
Millionaire Life	**–**	5,637
	937,920	954,208
CASINO—revenue net of prizes paid:		
Slot machines	**954,600**	961,408
Table games	**343,885**	356,370
Poker	**23,140**	23,462
	1,321,625	1,341,240
COMMUNITY GAMING:		
Slot machines—revenue net of prizes paid	**143,959**	125,997
Electronic Bingo	**62,662**	66,335
Paper Bingo	**44,371**	51,924
Linked Bingo	**6,819**	7,675
Handheld Bingo	**–**	2,795
	257,811	254,726
Total revenue	**$ 2,517,356**	$2,550,174

13. Marketing Trust Account:

The Marketing Trust Account (MTA) was established in 2004 between BCLC and casino service providers who were provided with more than 300 slot machines. Under the terms of the COSA, casino service providers were required to contribute to this account for the purpose of funding casino marketing and responsible gambling programs.

BCLC and the casino service providers mutually agreed to the termination of contributions to the MTA as of December 27, 2008. The remaining MTA balance as at March 31, 2009 was returned to the casino service providers during the current fiscal year.

The Corporation included the activities of the MTA in its consolidated financial statements pursuant to Accounting Guideline 15—Consolidation of Variable Interest Entities, as it was deemed to be the primary beneficiary of the MTA.

Amounts related to the MTA are as follows:

		2010		2009
MTA contributions and interest	**$**	**–**	$	12,176
MTA earned contributions		**–**		3,466
MTA income		**–**		15,642
MTA expenditures		**–**		(15,642)
Net MTA income	**$**	**–**	$	–

Amounts included in funds held in trust (note 5) and accounts payable and accrued liabilities related to the MTA are as follows:

		2010		2009
Opening MTA trust assets and liabilities	**$**	**3,445**	$	6,911
Current year earned MTA contributions		**(3,445)**		(3,466)
Ending MTA trust assets and liabilities	**$**	**–**	$	3,445

14. Net horse racing betting fees:

Pursuant to section 16 of the *Gaming Control Act* (B.C.) (the Act), BCLC is responsible for the collection and distribution of horse racing fees in the province of British Columbia. The rates of fee collection and the responsibility for their distribution are set forth in the Act. The amount shown as net horse racing betting fees in these financial statements is the portion of those fees collected by BCLC and then remitted to Government, and approximates the cost of regulating the industry as determined by the Gaming Policy Enforcement Branch (GPEB).

		2010		2009
Revenue collected from the horse racing industry	**$**	**5,754**	$	6,572
Less: revenue returned to the horse racing industry		**(3,876)**		(4,694)
Net horse racing betting fees	**$**	**1,878**	$	1,878

15. Integrated Illegal Gaming Enforcement Team expenses:

In February 2003, based on direction from the provincial government, the Integrated Illegal Gaming Enforcement Team (IIGET), a specialized division of the Royal Canadian Mounted Police, was established. The expenditures required to fund the IIGET were provided by BCLC pursuant to a Sponsoring Agreement with the Province. This Sponsoring Agreement ended March 31, 2009.

16. Payments to the Government of Canada:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

17. Interprovincial Lottery Corporation expenses and interest revenue:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized as a direct expense in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses.

18. Commitments:

The Corporation is committed to payments under operating leases for premises and vehicles.

Minimum annual rental payments for the next five years and thereafter are approximately as follows:

2011	$ 3,709
2012	4,730
2013	4,521
2014	4,212
2015	3,856
Thereafter	41,821

19. Contingencies:

The Corporation has been named as a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and accordingly no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

20. Related party transactions:

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

21. Sector activity information:

Year ended March 31, 2010:

	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	$ 937,920	$ 1,321,625	$ 257,811	$ –	$ 2,517,356
Prizes	505,329	–	72,282	–	577,611
Net win	432,591	1,321,625	185,529	–	1,939,745
Direct expenses:					
Commissions	54,992	446,263	68,599	–	569,854
Ticket printing and bingo paper	14,199	–	1,254	–	15,453
Equipment supplies, leases and licenses	2,049	15,204	4,173	–	21,426
	71,240	461,467	74,026	–	606,733
Net win less direct expenses	361,351	860,158	111,503	–	1,333,012
Operating expenses:					
Administrative expenses	70,517	65,201	13,541	–	149,259
Amortization	19,013	38,427	11,429	–	68,869
Other expenses	(3,535)	2,637	930		32
	85,995	106,265	25,900	–	218,160
Income from operations	275,356	753,893	85,603	–	1,114,852
Non-operating income (expenses):					
Net horse racing betting fees	–	–	–	1,878	1,878
Goods and Services Tax expense	(10,488)	(22,612)	(4,550)	–	(37,650)
	(10,488)	(22,612)	(4,550)	1,878	(35,772)
Net income	$ 264,868	$ 731,281	$ 81,053	$ 1,878	$ 1,079,080

21. Sector activity information (continued):

Year ended March 31, 2009:

	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	$ 954,208	$ 1,341,240	$ 254,726	$ –	$ 2,550,174
Prizes	521,851	–	77,894	–	599,745
Net win	432,357	1,341,240	176,832	–	1,950,429
Direct expenses:					
Commissions	57,548	455,828	64,442	–	577,818
Ticket printing and bingo paper	15,680	–	1,454	–	17,134
Equipment supplies, leases and licenses	2,184	17,760	4,836		24,780
	75,412	473,588	70,732	–	619,732
Net win less direct expenses	356,945	867,652	106,100	–	1,330,697
Operating expenses:					
Administrative expenses	73,646	51,560	12,939	–	138,145
Amortization	17,167	37,267	9,704	–	64,138
Other expenses	810	3,185	903	–	4,898
Marketing Trust Account:					
Marketing Trust Account income	–	(15,642)	–	–	(15,642)
Marketing Trust Account expenditures	–	15,642	–	–	15,642
	91,623	92,012	23,546	–	207,181
Income from operations	265,322	775,640	82,554	–	1,123,516
Non-operating income (expenses):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses	(224)	(671)	(86)	–	(981)
Goods and Services Tax expense	(10,605)	(16,852)	(6,270)	–	(33,727)
	(10,829)	(17,523)	(6,356)	1,878	(32,830)
Net income	$ 254,493	$ 758,117	$ 76,198	$ 1,878	$ 1,090,686

22. Goods and Services Tax:

As a prescribed Goods and Services Tax (GST) registrant, BCLC makes GST remittances to the Government of Canada pursuant to the *Games of Chance Regulations* of the *Excise Tax Act* (the Regulations). The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations resulting in the direct payment of additional GST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to any other GST registrant.

23. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, currency risk, interest rate risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

GENERAL

The Board of Directors (the Board) is responsible for the oversight of management including its policies related to financial and risk management issues. The Board has delegated responsibility to the Audit Committee to consider on an ongoing basis the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

The Audit Committee oversees the review of the Corporation's information systems, risk management function and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

BCLC has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems, and to adopt risk treatment plans when appropriate. An Enterprise Risk Management Advisory Committee (ERMAC), with representation from Risk Management, Audit Services, and senior management from all divisions, has been established to ensure risk management is implemented across the Corporation, to consider and recommend risk management strategies, plans, processes and policies to the Corporation, and to provide advice to the Executive Committee (CEO and Vice Presidents) on risk management at BCLC. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive and Audit Committees.

BCLC also has a division focused on corporate security and compliance, and has a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control and compliance.

23. Financial risk management (continued):

CREDIT RISK

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables and investment securities.

TRADE RECEIVABLES AND CASH FLOATS

The major third parties transacting with the Corporation, which include lottery retailers, casino service providers, community gaming service providers and bingo service providers, require registration with GPEB before doing business with BCLC. The Corporation is not materially exposed to any one individual lottery retailer or service provider except as noted below.

The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments are completed for all new retailers (with the exception of registered charities) and may be completed for retailers who have experienced insufficient fund occurrences or where there is a concern a retailer might be experiencing financial difficulties.

Retailer security is obtained from retailers who are considered high financial risk or from retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits or personal guarantees.

Casino and community gaming cash floats owned by the Corporation and provided by the Corporation to casino and community gaming service providers are secured by Irrevocable Standby Letters of Credit. These letters of credit also cover an estimated amount for the net win less commissions that would be outstanding from each service provider at any point in time. In the case where a letter of credit is not provided, BCLC holds a security deposit from the service provider covering the estimated amount owing to BCLC at any point in time. While the Corporation is materially exposed to two different casino service providers, the letters of credit and security deposits held partially mitigate the material risk of default for trade receivables and cash floats owned by the Corporation. Bingo cash floats provided by the Corporation to bingo service providers (commercial bingo halls) are unsecured.

The Corporation's eGaming sales are through credit card, debit card, or online bill payment purchases where customers pay in advance of transactions.

The Corporation's two largest service providers, account for $1,282 of the accounts receivable carrying amount at March 31, 2010 (2009: $22,263).

The maximum exposure to credit risk for trade accounts receivable at the reporting date by type of debtor represents the carrying amounts, as detailed in note 7, less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

		2010		2009
Lottery retailers	**$**	**14,681**	$	12,806
Casino service providers		**–**		6,961
Community gaming service providers		**–**		73
Other		**6,246**		3,272
	$	**20,927**	$	23,112

All accounts receivable are within credit terms.

Bad debts in the amount of $26 were recognized during the year (2009: $77).

23. Financial risk management (continued):

CREDIT RISK (CONTINUED)

INVESTMENTS

The Corporation limits its exposure to investment credit risk by investing only in short term debt securities with high credit ratings (as noted below) and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Corporation has a formal policy and guidelines in place for short-term investments that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

Specifically, the Corporation may invest in the following short-term investments:

- Fixed income securities issued, insured, or guaranteed by the Government of Canada, a provincial or municipal government, or the Government of the United States;
- Short-term financial and corporate commercial paper rated R-1 by the Dominion Bond Rating Service (DBRS) or an equivalent rating agency;
- Short-term paper issued by savings institutions;
- Fixed income securities from corporate issuers with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency; and
- Canadian dollar denominated fixed income securities issued, insured or guaranteed by a non-Canadian sovereign government or a supranational entity (e.g., the World Bank), with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency.

An asset mix has been established that outlines various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

SUPPLIER CONCENTRATION

The Corporation has significant business arrangements with two casino service providers which account for the majority of its casino business. The Corporation also has arrangements with other casino service providers, community gaming service providers, and a large number of lottery retailers.

The Corporation has a number of strategic relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a significant number of other business relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gaming industry.

23. Financial risk management (continued):

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Province under its Fiscal Agency Loan (FAL) program. Under this arrangement BCLC may borrow up to $150 million. In making a loan to the Corporation, the Province uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at commercial rates; however, the interest rate of any loan will be determined at the sole discretion of the Province. The short-term financing is unsecured and there are no pre-established repayment terms.

The Corporation also has a $10 million overdraft facility that is unsecured. Interest is payable at prime plus 0.5%. A standby fee of 0.25% is payable on the unused balance of the overdraft facility.

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money, and money from normal operations held in advance of its transfer to the Government of British Columbia. As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity.

The carrying values of financial liabilities approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand. At the reporting date, these values are as follows:

	Carrying amount	
	2010	2009
Cheques issued in excess of funds on hand	**$ 5,635**	$ 7,820
Prizes payable	**25,483**	41,719
Accounts payable and accrued liabilities	**44,095**	51,906
Short-term financing	**59,996**	–
Due to Government of British Columbia	**128,715**	201,736
	$ 263,924	$ 303,181

The contractual maturities of financial liabilities are as follows:

March 31, 2010:

	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Cheques issued in excess of funds on hand	$ 5,635	$ (5,635)	$ (5,635)	$ –
Prizes payable	25,483	(25,483)	(19,112)	(6,371)
Accounts payable and accrued liabilities	44,095	(44,095)	(44,095)	–
Short-term financing	59,996	(59,996)	(59,996)	–
Due to Government of British Columbia	128,715	(128,715)	(128,715)	–
	$ 263,924	$ (263,924)	$ (257,553)	$ (6,371)

23. Financial risk management (continued)

LIQUIDITY RISK (CONTINUED)

The contractual maturities of financial liabilities were as follows:

March 31, 2009:

	Carrying amount	Contractual cash flows	3 months or less	3-12 months
Cheques issued in excess of funds on hand	$ 7,820	$ (7,820)	$ (7,820)	$ –
Prizes payable	41,719	(41,719)	(27,279)	(14,440)
Accounts payable and accrued liabilities	51,906	(51,906)	(51,906)	–
Due to Government of British Columbia	201,736	(201,736)	(201,736)	–
	$ 303,181	$ (303,181)	$ (288,741)	$ (14,440)

Prizes payable are recorded based on the actual prize liability experienced for each online game and theoretical prize liabilities for instant ticket games. The present value of discounted future contractual and estimated contractual cash flows is presented above.

MARKET RISK

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of a financial instrument. Market risk is comprised of currency risk, interest rate risk and other market price risk.

CURRENCY RISK

The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily U.S. dollars (USD)) and by holding bank accounts and investments in USD.

The Corporation limits its exposure by holding minimal USD investments and only maintaining required funds in USD bank accounts. Gains and losses due to foreign exchange rate fluctuations are also minimized by settling USD obligations as quickly as possible.

The Corporation's exposure to currency risk, based on notional amounts, is as follows:

	March 31, 2010		March 31, 2009	
	CAD	**USD***	CAD	USD*
Short-term investments	**$ 29,507**	**$ 121**	$58,370	$ 150
Cash held (including funds held in trust)	**31,076**	**545**	43,702	595
Accounts payable and accrued liabilities	**(43,655)**	**(440)**	(50,825)	(1,081)
Net exposure	**$ 16,928**	**$ 226**	$51,247	$ (336)

* Note: All USD balances are shown in Canadian dollar (CAD) equivalents.

Sensitivity analysis:

A one per cent increase in the CAD against the USD will decrease net income (with a foreign exchange loss) for any positive net exposure (for USD held). A one per cent increase in the CAD against the USD will increase net income (with a foreign exchange gain) for any negative net exposure (for USD owed). As at March 31, 2010, net income would have decreased by $2 CAD (2009: increased by $3 CAD). A one per cent decrease in the CAD would have had the equal, but opposite effect. This analysis assumes that all other variables, including interest rates, remain constant.

23. Financial risk management (continued):

MARKET RISK (CONTINUED)

INTEREST RATE RISK

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Province. Each time a loan is requested from the Province under this agreement, the terms are set by the Province. These terms are determined based on market conditions available at the time.

The Corporation mitigates this risk by borrowing from the Province for the minimum time necessary.

The Corporation is also exposed to interest rate risk through the Corporation's line of credit which is subject to interest charged at its bank's prime interest rate plus 0.5% (2009: prime rate plus 0.5%) .

The Corporation mitigates this risk by minimizing the use of the overdraft facility.

The Corporation's interest-bearing assets are typically invested for a short period due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

	2010	2009
Short-term investments (fixed rate instruments)	**$ 29,628**	$ 58,520
Short-term financing (fixed rate instruments)	**(59,996)**	–

Sensitivity analysis:

The Corporation has designated its fixed-rate short-term investments as "held for trading". Therefore, changes in their fair values (due to changes in interest rates) are reported through net income. A one per cent change in interest rates at the reporting date would have increased (decreased) net income by the amounts shown below. This analysis assumes that all other variables, including foreign currency rates, remain constant.

	Net Income		Net Income	
	March 31, 2010		March 31, 2009	
	1% increase	**1% decrease**	1% increase	1% decrease
Short-term investments	**$ (296)**	**$ 296**	$ (585)	$ 585

The Corporation accounts for its short-term financing at amortized cost and therefore a change in the interest rate at the reporting date would not affect net income.

23. Financial risk management (continued):

MARKET RISK (CONTINUED)

OTHER MARKET PRICE RISK

The Corporation offers the Sports Action brand of lottery products in the marketplace. The Corporation manages risks associated with these products by setting odds for each event within a short time frame before the actual event, by establishing sales liability thresholds by sport, by providing credit management controls, by posting conditions and prize structure statements on www.bclc.com, and by limiting the aggregate amount of prizes that may be won on any given day for all Sports Action products. The Sports Action group also has the authority to suppress sales of any game at any time when liability risk is a concern.

CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities are equal to their fair values as shown at the reporting date:

	Carrying amount	
	2010	2009
FINANCIAL ASSETS		
Held for trading	**$ 57,531**	$ 100,433
Loans and receivables	**30,106**	47,042
FINANCIAL LIABILITIES		
Other financial liabilities	**258,289**	295,361

BASIS FOR DETERMINING FAIR VALUE

Investments in debt securities:

The fair value of these financial assets designated as “held for trading” is determined by reference to their quoted bid price at the reporting date.

Cash and cash floats:

The fair value of these financial assets designated as “held for trading” is based on face value of the cash.

Trade and other receivables:

These financial assets are designated as loans and receivables. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items, or because they are receivable on demand.

Non-derivative financial liabilities:

These financial liabilities are designated as other financial liabilities. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand.

23. Financial risk management (continued):

CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED):

FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value on a recurring basis in the consolidated balance sheet as at March 31, 2010, classified using the fair value hierarchy described in note 3(a)(i):

	Level 1
FINANCIAL ASSETS	
Cash	$ 33,538
Short-term investments	29,628
FINANCIAL LIABILITIES	
Cheques issued in excess of funds on hand	5,635

24. Capital management:

The Corporation does not retain any earnings. Net income, after deducting contractual amounts due to the Government of Canada, is returned to the Province of British Columbia.

The Corporation's policy is to maintain a structure which allows the Corporation to have sufficient liquidity to meet both operational demands and payments to the Province.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money, and money from ongoing operations held in advance of its transfer to the provincial government. As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity.

The Corporation has a formal policy and guidelines in place for short-term investments that provides direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

Due to the Corporation's low risk tolerance, short-term horizon, and liquidity objectives, an asset mix has been established that outlines various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

The Board of Directors is responsible for the oversight of management including its policies related to financial and risk management issues.

There were no changes in the Corporation's approach to capital management during the year.

25. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

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BCLC's Service Plan is available at bclc.com

Use your GameSense
www.gamesense.ca

bclc
playing it right

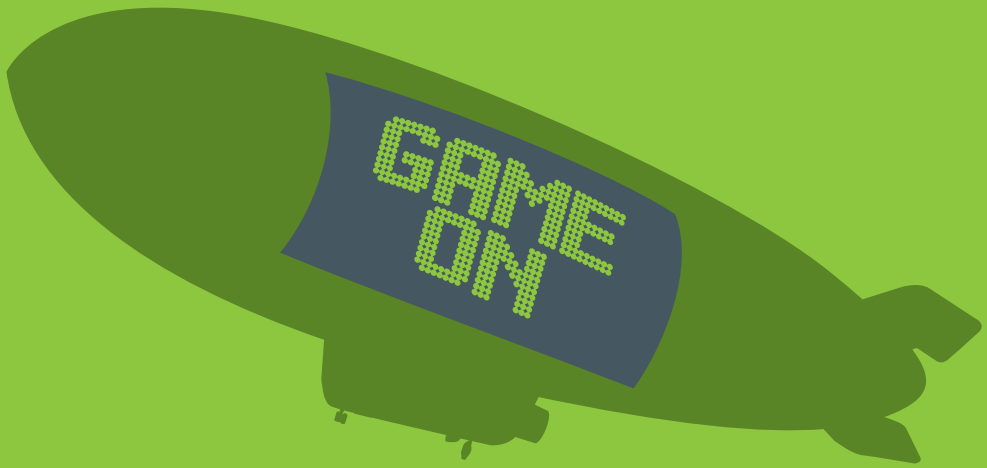
BRITISH COLUMBIA
The Best Place on Earth

APPENDIX X

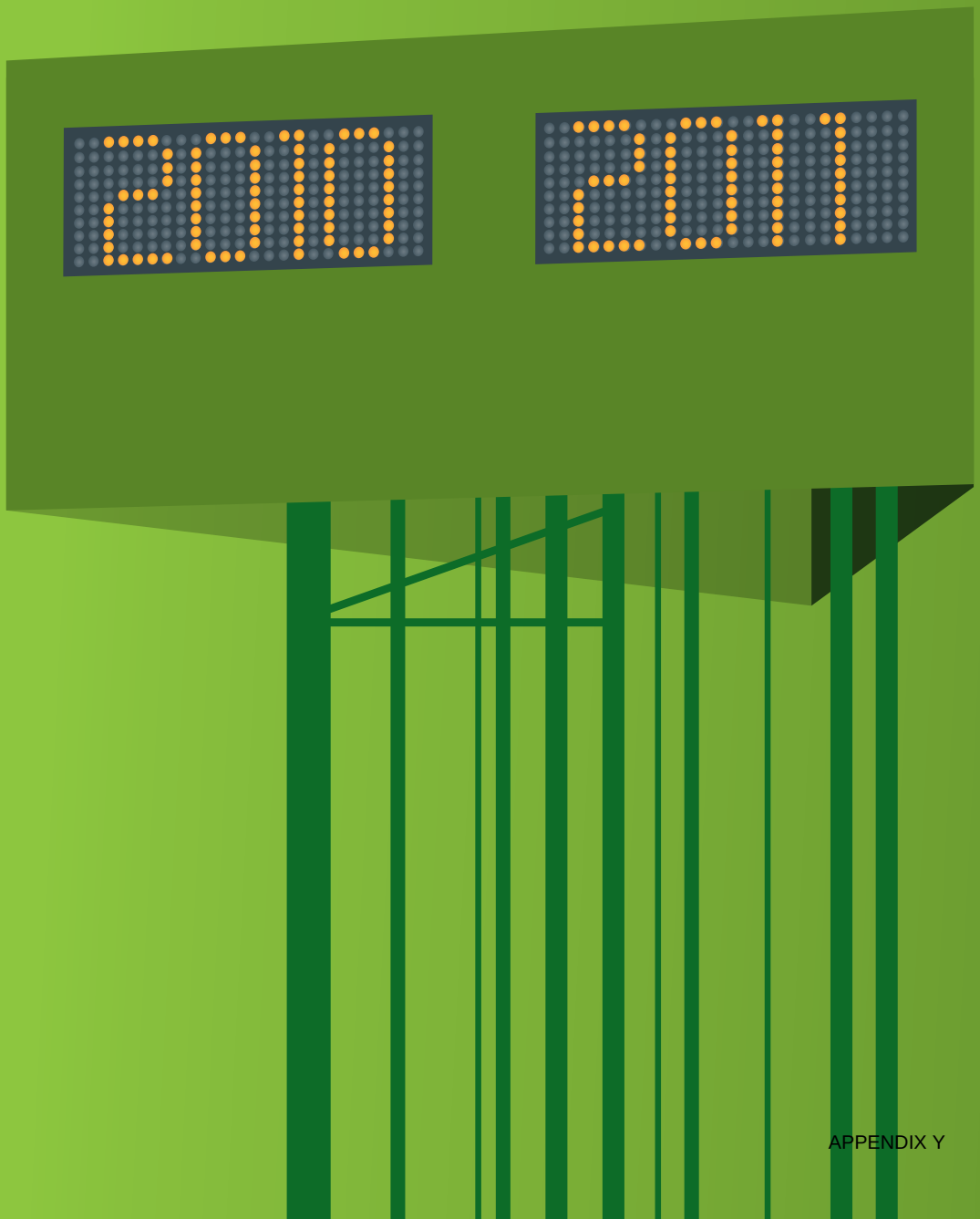
Appendix Y – 2010/11:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2010-2011,* (Kamloops: British Columbia Lottery Corporation, 2011).

2010 ▸ 2011



In the past 12 months, BCLC successfully converted strategic plans into tangible results. We delivered a record number of jackpots, a new and competitive PlayNow.com, greater value at our facilities, industry-leading social responsibility programs, and ultimately, more benefits to British Columbians.



APPENDIX Y

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Honourable Shirley Bond
Minister of Public Safety and Solicitor General

statement of accountability

On behalf of BCLC, our Board of Directors, management and employees, I am pleased to submit this Annual Service Plan Report for the fiscal year ended March 31, 2011.

Under the Board's direction, this report was prepared as per the *Budget Transparency and Accountability Act* and B.C. Reporting Principles, and reflects BCLC's performance against our 2010/11–2012/13 Service Plan.

The Board is accountable for all content and timely reporting methods, as well as ensuring management controls to accurately measure this information are consistent with the mission, vision and goals critical to our organizational success and government priorities.

Significant decisions and changes to BCLC's strategies, measures, targets or data reliability are identified herein. All applicable assumptions, events and identified risks have been considered and estimates and interpretive information represent the best judgment of management.

Respectfully submitted,

John McLernon
Chair, Board of Directors

strategy in action

Our focus on innovation and customer insight has positioned BCLC at the vanguard of Canada's regulated gambling industry while yielding strong financial performance. It also resulted in achievements that rank first in our industry, including demonstrated leadership in responsible gambling programs.

We know that sustained success hinges on our ability to deliver outstanding entertainment in a highly accountable manner. Our tag line "Playing it Right" conveys this commitment to corporate social responsibility as well as our goal to offer fun, innovative gambling experiences for players while considering the impacts of our business on the people and communities of B.C.

This year, we garnered industry attention for our GameSense program by winning the Best Overall Responsible Gaming Program Award from World Lottery Association, which has 140 member-jurisdictions. Nationally, our GameSense team continued to actively engage with other Canadian jurisdictions in sharing best practices in responsible gambling and in exploring new ways to reduce the potential harmful effects of excessive gambling and encourage healthy player choices. At the ground level, our GameSense Advisors connected with thousands of players to explain and encourage responsible choices. Our efforts have created positive results. For the third year, we exceeded targets for player awareness of responsible gambling programs.

"Playing it Right" also embodies BCLC's consideration for our environmental impact, and we are dedicated to creating ways to exceed government requirements to build sustainability into our business. Employees at all levels of our organization are encouraged to develop plans to reduce and offset greenhouse gas emissions to achieve carbon neutrality throughout our business. We actively promote and practice environmentally sustainable behaviours as an integral part of our working culture and relationships with our partners. Targets for greenhouse gas reductions were exceeded for the second consecutive year.

The relocation of our Metro Vancouver office was another important step in further reducing BCLC's environmental footprint, enabling us to reduce paper usage through centralized printing, embark on a new waste management regime and offer employees more commuting options. These initiatives will help us achieve LEED status in this new location.

We are also proud of a new public campaign to inform and quantify for British Columbians how gambling proceeds directly benefit provincial, community and charitable programs throughout B.C. This year, targets for public trust and confidence and gaming support were not achieved. However, we will maintain these outreach efforts to reinforce public confidence in the socially and economically responsible role we play each day.

This year, BCLC achieved growth in all lines of business —facilities, lottery and eGaming. BCLC achieved a record net income of $1.1 billion, $25.5 million over last year but $10.4 million less than budget. Total net win of $2.0 billion was $86.7 million above 2009/10 results. Capital spending of $81.3 million was $11.2 million less than the previous year.

Key to this success is our ability to provide innovative gambling entertainment with the broadest possible appeal. In addition to refreshing our traditional lottery and games of chance, we excelled at creating exciting new player experiences. LOTTO MAX hit a home run with tremendous popularity across Canada and a record number of jackpots. In B.C., LOTTO MAX helped contribute to an unprecedented $1.0 billion in lottery revenues.

BCLC also advanced to the forefront of online gambling with the introduction of a legal, regulated alternative to unregulated websites. The launch of casino games on PlayNow.com was a first for North America, and peer-to-peer poker with Loto-Québec broke new ground with two regulated jurisdictions partnering to offer competitive play. Results show that players eagerly embrace these innovations: PlayNow.com registration is up almost 25 per cent and revenue rose 28 per cent over last year. Recently, a number of websites were forced to shut down in the U.S. for operating illegally. News of these actions is expected to further enhance player interest in PlayNow.com.

Performance throughout our facilities increased over last year, with casinos generating about 66 per cent of total net win. Service providers refurbished several venues and BCLC refreshed a significant number of games on casino and community gaming centre floors, which contributed to higher slot machine revenue. Increased popularity of table games also played a role in successful performance. As we look ahead, growth is levelling off at our facilities due to a number of factors, including maturing products, aging player demographics, economic conditions and the nearing completion of our facilities redevelopment strategy. BCLC will continue to invest in strategic cost management and revenue sustainability by enhancing growth in our existing lines of business.

We will also continue to invest in technology that underpins our business. Along with replacing legacy systems, we have forged a new partnership with Ontario Lottery and Gaming Corporation for a new state-of-the-art gaming management system which will provide economies of scale and modernize the technology linking BCLC casinos and community gaming centres. This new system will bolster analytics, player response, customer relationships and responsible gambling programs.

In summary, our strategic decisions and investments over the past 12 months have delivered on our goals. This success was made possible through the effort and commitment of the people who work at BCLC, and those who work on the front-line in facilities and at retail throughout the province. Together, we are committed to delivering strong results to sustain the benefits to B.C. for years to come.

JOHN MCLERNON
CHAIR, BOARD OF DIRECTORS

MICHAEL GRAYDON
PRESIDENT & CEO

playing for British Columbians

BCLC creates fun and exciting gambling entertainment to benefit players and our province. Our goal is to be positive game-changers by contributing to B.C.'s economy, communities, environment and standards of responsible gambling.

our mandate

As a Crown corporation under the *Gaming Control Act* (B.C.), our mission 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

our 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

regulated play

British Columbia's gambling industry is regulated by the Minister of Public Safety and Solicitor General. The Ministry's Gaming Policy and Enforcement Branch (GPEB) directs policies, legislation, standards, responsible gaming strategies, licensed charitable events and horse racing, registers gambling service providers, certifies supplies and equipment, and conducts audits and compliance investigations.

BCLC in the field

Most BCLC products are sold day-to-day by private-sector service providers, including approximately 4,000 lottery retailers, 17 casinos, 16 community gaming centres and 11 commercial bingo halls. Secure, regulated online play is offered on PlayNow.com.

BCLC headquarters in Kamloops oversee finance, administration and information technology, while our Vancouver corporate office manages sales, marketing and distribution. Field staff throughout the province also support our operations.

B.C. Lottotech International Inc. is a wholly owned subsidiary that purchases capital assets for lease to BCLC. All acquisitions are part of a budget, which is reviewed and approved by our Board of Directors and consolidated in BCLC financial statements.

teaming up to benefit B.C.

Jobs & contracts: In addition to about 850 corporate staff, BCLC provides livelihoods for over 26,000 direct and indirect workers in gambling operations, government agencies, charities and support services.*

Provincial programs & services: BCLC benefits citizens and communities every day. After operating costs, prizes and commissions are paid, BCLC remits the remaining 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.

Gaming grants: Each year, community and charitable organizations receive gaming grants awarded by the Province for public safety, youth and disabled sports, people in need, fairs, festivals, museums and programs like preschools. For more information, visit www.pssg.gov.bc.ca/gaming/grants/community-gaming.

* Economic Impact of the Canadian Gaming Industry: Key Findings Report—HLT Advisory Inc. (January 2008).

In the past 12 months, we've gone the distance to convert strategic plans into prudent action for the benefit of all.

financial strides

- BCLC achieved record net income of $1,104.6 million, $10.4 million less than budgeted, but $25.5 million (2.4%) over last year.
- We delivered $1,095.7 million to our shareholder, the Government of British Columbia, to support a range of public programs, and $8.9 million to the Government of Canada.

performing to plan

In our 2010/11–2012/13 Service Plan, BCLC set four corporate goals with 10 performance measures. The results:

- Targets for responsible gambling awareness and greenhouse gas reductions were exceeded. Those for public trust and confidence and gaming support were not achieved.
- Player Satisfaction metrics were amended to apply to all gambling channels including PlayNow.com; Player Participation measures changed from yearly to monthly frequency of play to better gauge success.
- Net income and net win results were just under target, and BCLC improved its operating cost ratio.

we're #1!

- In 2010, BCLC became first in North America to launch regulated online casino gambling.
- Last year, BCLC received top level accreditation from the World Lottery Association (WLA) for effective responsible gambling initiatives. WLA also awarded BCLC the 2010 Best Overall Responsible Gaming Program Award honouring one gaming corporation in the world for demonstrating overall excellence in key responsible gambling practices and programming.
- GameSense public service announcements received Best Public Awareness Campaign by the U.S.-based National Council on Problem Gambling.
- BCLC also received the top award and world recognition for our brand transformation at the 2011 REBRAND 100 Global Awards. GameSense received distinction at this prestigious event as well.

rooting for our players and partners: 2010/11 highlights

player gains

- LOTTO MAX went the distance, exceeded expectations, and was the driving force behind BCLC's record $1 billion in lottery revenue.
- To add to our lottery success, BCLC debuted new prizing, products, packaging and promotions such as the $10 mixed Lotto Pack, Keno Doubler and the $100 Million Dollar Fortune Scratch & Win game.
- eCasino and ePoker were added to the legal and regulated PlayNow.com.
- Self-Service Terminals now offer all lottery games.
- We opened a community gaming centre in Maple Ridge and added 75 slot machines at Chances Kelowna where we are testing server-based gaming technology.

responsible action

- Last spring, BCLC implemented our Privacy Charter together with comprehensive privacy policies and we incorporated mandatory privacy training for all staff.
- To increase employee awareness about social responsibility, BCLC launched an annual GameSense week for staff, which included an informative course offered through our online learning portal. We also enhanced Appropriate Response Training on the portal, giving casino and community gaming service provider staff easier access to training.
- BCLC began offering BetStopper, a website-blocking software, to B.C. parents to help prevent minors from accessing gambling websites. BetStopper is available for free at PlayNow.com and bclc.com.
- In fall 2010, our Benefits to B.C. public campaign launched to better inform the public about how gambling proceeds benefit provincial, municipal and charitable programs.

green zone

- In September 2010, BCLC's Environmental Policy was formalized, documenting our commitment to measurable environmental action to reduce greenhouse gas emissions, consumption of natural gas, petroleum, paper, waste and more, at work and at home.
- Our December move into a LEED-pending building in Vancouver augments our environmental initiatives. Energy-efficiency installations are also ongoing in our Kamloops head office.
- BCLC now recycles 90 per cent of retired slot machines to vendors, manufacturers or other jurisdictions.
- We continued to reduce our carbon emissions.
- We made additional upgrades to our vehicle fleet, which is now made up of 72 per cent hybrid or fuel efficient vehicles.

the home advantage for B.C.

Over 26 years, BCLC has generated more than $13.5 billion in net income to fund provincial, municipal and charitable programs in B.C.

In fiscal 2010/11, the Province directed BCLC's net income of $1,104.6 million to:

- Gaming Policy and Enforcement Branch (GPEB) received $13.1 million for regulatory oversight of BCLC, gaming service providers, related workers, B.C.'s horse racing industry, lottery retailers and licensed charitable gaming events.
- Through a long standing agreement between the provinces and the federal government, the Government of Canada was allocated $8.9 million.
- $10.0 million was committed to the horse racing industry to be divided among standardbred and thoroughbred sectors.
- Through Development Assistance Compensation of $10.9 million, many B.C. casinos, racecourse casinos and community gaming centres upgraded facilities to enhance amenities and player experiences.
- $5.3 million strengthened the Provincial responsible gambling strategy including research, prevention initiatives and GPEB's Problem Gambling Program.

$82.3 Million

Host Local Governments (HLGs) with a community gaming centre or casino share in that facility's net income to fund local programs. $82.3 million was disbursed among 29 HLGs.

$135.0 Million

Close to 6,000 charitable and community organizations benefited from $135.0 million in gaming grants distributed by GPEB.

$147.3 Million

The Health Special Account which administers, operates and delivers health care, research, education and promotion received $147.3 million.

$691.8 Million

Government allotted the largest portion—$691.8 million to consolidated revenue.

BCLC casino and community gaming revenue charts show all revenue generated by B.C. gambling facilities on behalf of BCLC for 2010/11 as compared to 2009/10. Slot machine and table game revenue is recorded as “net win”, which is revenue after prizes are paid. Bingo revenue is recorded as “sales”, which is revenue before prizes are paid.

BCLC casino revenue

Casino	Service Provider	No. of Slot Machines	Slot Machine Revenue 2010/11	No. of Tables	Table Game Revenue 2010/11	Total Casino Revenue 2010/11	Total Casino Revenue 2009/10
(in thousands of dollars)							
Billy Barker Casino, Quesnel	585 Holdings Ltd.	138	$ 8,938	6	$ 309	$ 9,247	$ 9,427
Boulevard Casino, Coquitlam	Great Canadian Casinos Inc.	1,003*	110,660	64	41,366	152,026	161,247
Cascades Casino, Langley	Gateway Casinos and Entertainment Limited	815	95,031	27	17,997	113,028	119,034
Casino of the Rockies, Cranbrook	SEM Resort Limited Partnership	227*	13,759	11	938	14,697	15,146
Edgewater Casino, Vancouver	Edgewater Casinos ULC	521*	61,506	55	50,449	111,955	117,832
Fraser Downs Racetrack and Casino, Surrey	Orangeville Raceway Ltd.	469	45,263	10	5,519	50,782	51,050
Grand Villa Casino, Burnaby	Gateway Casinos and Entertainment Limited	1,001*	122,564	50	60,677	183,241	186,742
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	407*	40,911	6	2,934	43,845	44,160
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	602*	69,875	14	8,631	78,506	79,072
Hastings Racecourse Casino, Vancouver	Hastings Entertainment Inc.	596	21,966	–	–	21,966	22,709
Lake City Casino Kamloops	Gateway Casinos and Entertainment Limited	301	30,218	8	2,529	32,747	33,539
Lake City Casino Kelowna	Gateway Casinos and Entertainment Limited	349	34,135	11	4,073	38,208	38,347
Lake City Casino Penticton	Gateway Casinos and Entertainment Limited	293*	27,831	9	1,715	29,546	28,555
Lake City Casino Vernon**	Gateway Casinos and Entertainment Limited	406*	36,443	–	–	36,443	35,395
River Rock Casino Resort, Richmond	Great Canadian Casinos Inc.	990*	121,543	108	138,096	259,639	225,454
Starlight Casino, New Westminster	Gateway Casinos and Entertainment Limited	857*	76,464	49	42,191	118,655	112,616
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	501*	42,610	8	2,131	44,741	41,300
Total		9,476	$ 959,717	436	$ 379,555	$1,339,272	$1,321,625

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

** Lake City Casino Vernon moved to a new location on June 10, 2009 and discontinued the use of table games.

BCLC community gaming revenue

Community Gaming Centre or Commercial Bingo Hall	Service Provider	No. of Slot Machines	Slot Machine Revenue 2010/11	No. of Bingo Seats	Bingo Revenue 2010/11	Total Community Gaming Revenue 2010/11	Total Community Gaming Revenue 2009/10
(in thousands of dollars)							
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	–	$ –	186	$ 4,581	$ 4,581	$ 4,793
Boardwalk Gaming Centre, Burnaby**	427967 BC Ltd. (DBA Bingo Country)	–	–	–	4,795	4,795	4,931
Chances Abbotsford	Playtime Peardonville Ventures Ltd.	125*	14,145	258	984	15,129	12,150
Chances Boardwalk Mission	427967 BC Ltd.	125*	10,085	115	1,041	11,125	11,230
Chances Boardwalk Squamish***	Boardwalk Gaming Squamish Inc.	100*	4,315	168	453	4,768	923
Chances Campbell River	Playtime Community Gaming Centres Inc.	125*	11,532	230	1,649	13,181	12,173
Chances Courtenay	Playtime Community Gaming Centres Inc.	100*	12,395	225	1,957	14,352	14,010
Chances Cowichan, Duncan	Duncan Dabber Bingo Society	135*	13,359	229	2,554	15,913	15,859
Chances Dawson Creek	Great Canadian Entertainment Centres Ltd.	150*	13,059	222	753	13,812	12,538
Chances Fort St. John	243045 Alberta Ltd.	150*	14,401	180	710	15,111	13,589
Chances Good Time, Prince George****	Good Time Bingo Hall Inc.	–	–	–	–	–	2,491
Chances Kamloops	Enterprise Entertainment Ltd.	90	7,724	445	4,349	12,073	11,140
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	225	25,957	494	7,813	33,770	31,052
Chances Maple Ridge*****	Great Canadian Entertainment Centres Ltd.	100	5,726	450	5,465	11,191	6,529
Chances Prince Rupert	0733244 BC Ltd.	100*	6,770	136	1,592	8,362	8,637
Chances RimRock, Port Alberni	Alberni Valley Gaming Association	100*	7,563	99	1,596	9,159	8,697
Chances Signal Point, Williams Lake	Lucky's Ventures Ltd.	100*	9,548	320	2,583	12,131	11,884
Chances Terrace	Lucky Dollar Bingo Management Ltd.	75*	8,115	144	1,822	9,937	9,802
Chilliwack Bingo	Chilliwack Bingo Association	–	–	484	12,204	12,204	11,133
Fairweather Bingo Hall, Vernon	Terrim Properties Ltd.	–	–	350	4,080	4,080	4,221
Harbour City Bingo Hall, Nanaimo	Harbour City Bingo Society	–	–	420	4,995	4,995	5,483
Newton Bingo Country, Surrey	427967 BC LTD. (DBA Bingo Country)	–	–	624	8,966	8,966	9,276
Planet Bingo, Vancouver	Community Gaming Management Association	–	–	426	9,592	9,592	10,115
Playtime Gaming Langley	Playtime Community Gaming Centres Inc.	50	2,191	312	5,536	7,727	7,902
Playtime Gaming Nanaimo	Playtime Community Gaming Centres Inc.	–	–	464	2,895	2,895	2,551
Playtime Gaming Penticton	Playtime Community Gaming Centres Inc.	–	–	338	2,553	2,553	2,571
Playtime Gaming Victoria	Playtime Community Gaming Centres Inc.	–	–	485	3,560	3,560	3,291
Rocky Mountain Bingo, Cranbrook	Terrim Properties Ltd.	–	–	190	1,610	1,610	1,394
Treasure Cove Casino, Prince George****	Treasure Cove Casino Inc.	–	–	633	8,935	8,935	6,851
Total Community Gaming Centres & Commercial Bingo Halls		1,850	$166,885	8,627	$ 109,614	$ 276,507	$ 257,216
Independent Bingo Hall Ka-Chingo Sales						313	352
Paper Bingo Distribution Revenue						216	243
Total						$ 277,036	$ 257,811

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

** Boardwalk Gaming Centre, Burnaby closed March 20, 2011.

*** Chances Boardwalk Squamish opened in February 2010.

**** Chances Good Time Prince George closed June 6, 2009. Effective June 18, 2009, the site's bingo operations moved to Treasure Cove Casino. Treasure Cove Casino slot machine revenue is reported on the BCLC Casino Revenue chart.

***** Chances Maple Ridge opened October 15, 2010 and operated as Haney Bingo Plex to October 14, 2010.

Each year, local governments that host casinos or community gaming centres receive a share of net income generated by those facilities. The host local government share charts show provincial payments made to host local governments in 2010/11 as compared to 2009/10.

host local government share of casino revenue

Local Government	Casino	Total 2010/11	Total 2009/10
(in thousands of dollars)			
Burnaby	Grand Villa Casino	$ 9,932	$ 10,274
Coquitlam	Boulevard Casino	8,060	8,811
Langley	Cascades Casino	6,252	6,728
Kamloops	Lake City Casino	1,923	2,007
Kelowna	Lake City Casino	2,216	2,262
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies	1,391	1,426
Nanaimo	Great Canadian Casinos Nanaimo	2,570	2,639
New Westminster	Starlight Casino	6,237	6,058
Penticton	Lake City Casino	1,712	1,635
Prince George	Treasure Cove Casino	2,556	2,404
Quesnel	Billy Barker Casino	553	576
Richmond	River Rock Casino Resort	13,004	11,659
Surrey	Fraser Downs Racetrack and Casino	2,874	2,955
Vancouver	Edgewater Casino	5,881	6,266
	Hastings Racecourse Casino	1,289	1,356
Vancouver Total		7,170	7,622
Vernon	Lake City Casino	2,087	2,079
View Royal	Great Canadian Casinos View Royal	4,447	4,596
Total		$ 72,984	$ 73,731

host local government share of community gaming centre revenue

Local Government	Community Gaming Centre	Total 2010/11	Total 2009/10
(in thousands of dollars)			
Abbotsford*	Chances Abbotsford	$ 807	$ 566
Campbell River	Chances Campbell River	642	551
Courtenay	Chances Courtenay	676	623
Cowichan Indian Band	Chances Cowichan	764	706
Dawson Creek	Chances Dawson Creek	720	614
Fort St. John	Chances Fort St. John	787	683
Kamloops	Chances Kamloops	441	347
Kelowna	Chances Kelowna	1,469	1,249
Langley	Playtime Gaming Langley	130	101
Maple Ridge**	Chances Maple Ridge	319	–
Mission	Chances Boardwalk Mission	562	519
Port Alberni	Chances RimRock	425	365
Prince George***	Chances Good Time Prince George	–	42
Prince Rupert	Chances Prince Rupert	362	356
Squamish Nation****	Chances Boardwalk Squamish	241	49
Terrace	Chances Terrace	457	406
Williams Lake	Chances Signal Point	534	436
Total		$ 9,336	$ 7,613

* Chances Abbotsford opened in June 2009.

** Chances Maple Ridge opened October 15, 2010.

*** Chances Good Time Prince George closed June 6, 2009.

**** Chances Boardwalk Squamish opened in February 2010.

playing responsibly and sustainably

The core of our commitment to be positive game-changers is our Corporate Social Responsibility Charter: Playing it Right. Created with input from BCLC employees, it guides our everyday actions to be catalysts of social, environmental and economic benefits for all British Columbians.

Learn more at www.bclc.com/cm/aboutbclc/csr/home.htm

GameSense leads the field

On top of the $5.3 million of BCLC's net income that the Province directed to responsible gambling research, treatment and prevention, BCLC invested almost $2.0 million last year on responsible gambling programs, including GameSense.

To support social responsibility and to broaden employee awareness of responsible gambling choices, BCLC launched an annual GameSense Week in January 2011. Employees completed an online course to increase working knowledge of responsible and problem gambling resources, and engaged in activities at both our Kamloops and Vancouver offices.

Our GameSense Information Centres across the province provide customers with helpful information in an approachable, accessible manner:

- Trained GameSense Advisors in casinos answer questions and provide interactive information on how to keep gambling fun and safe.
- Responsible play messages are also prominent on electronic media, posters, brochures and decals in BCLC gambling venues, lottery retail outlets and online.

Player interactions at GameSense Information Centres increased to 30,000 this year from 19,000 the previous year.

GameSense is globally recognized at the forefront of our field. BCLC is playing a leadership role with national collaboration on responsible gambling initiatives through the Interprovincial Lottery Corporation.

responsibility tools

Through comprehensive GameSense resources and programs, BCLC assists individuals and works with service providers to make responsible gambling tools available to players and staff.

Appropriate Response Training (ART) is an education program for B.C. gambling facility employees designed to increase responsible gambling awareness and equip employees with tools and knowledge to respond to players. Mandatory ART training is made available to all new front-line workers, management and security personnel. This year we continued to integrate ART onto BCLC's online learning portal to effectively deliver real-time training across the province. Today, nearly 13,500 service provider staff are ART certified.

The Voluntary Self-Exclusion (VSE) program is a resource for individuals who choose to discontinue gambling in B.C. gambling facilities and on PlayNow.com for a self-determined time frame that cannot be reduced or rescinded. Participants are encouraged to access free problem gambling counselling and resources funded by the Province. As of March 31, 2011, there were 7,291 people enrolled in the VSE program.

To help identify and prevent self-excluded people from entering gambling facilities, BCLC has implemented vehicle licence plate recognition technology. This technology currently operates in 10 casinos and two community gaming centres. Additional installations are planned in the coming year, where feasible. Last year, service provider staff identified and removed self-excluded people from gambling facilities 8,007 times. Licence plate recognition supported 1,883 of those interceptions. BCLC continues to test facial recognition technology as a further means to identify self-excluded people at gambling facilities.

playing by the rules

BCLC has developed comprehensive anti-money-laundering policies and practices and reports transactions to the Financial Transaction and Analysis Centre of Canada (FINTRAC) as required by legislation, and to other authorities, including law enforcement, as appropriate. Last year, BCLC filed over 61,000 transaction reports in accordance with federal law. BCLC's application of new reporting criteria set out by FINTRAC, combined with updated BCLC policies and ongoing staff training enhanced reporting compliance. About 99 per cent of frontline gambling facility staff have completed courses in anti-money laundering compliance.

BCLC's routine compliance measures include:

- Policy preventing the exchange of small denomination bills for larger ones
- Chip redemption policy
- Cheques issuance policy
- Monthly audits of cheques issuance process
- Comprehensive risk assessments supported by appropriate tracking
- Quality assurance process adhering to industry best practice

BCLC supports these measures with enhanced IT resources to manage electronic reporting of transactions and to increase tracking and reporting mechanisms for authorities.

Gambling is an entertainment choice for adults, and entry into gambling facilities in B.C. is restricted to people 19 years of age and older. Last year, casino staff turned away 4,953 people who were under 19 years of age or who could not provide proof of age when asked.

eGaming: a serious responsibility

Prior to launching eGaming, BCLC consulted global experts in responsible gambling so that we continued to provide a safe, fun player environment. Additional gambling activity controls, tools and educational resources were embedded in PlayNow.com and proactive measures will continue to be integrated as they evolve to support our industry-leading security:

- Strict age and residency controls with independent identity verification
- Player pre-set deposit limit with 24 hour delay for increase requests
- Session logs that show time and amount spent
- Purchase history so players can track play and spending for 52 weeks
- Responsible play and problem gambling help information on all pages
- Username and password-protected accounts, secure payment methods and strict privacy controls

PlayNow.com and bclc.com both link to a dedicated gamesense.ca web page updated with a section featuring parental controls and educational tools, including free BetStopper website-blocking software to help parents prevent minors from accessing online gambling websites.

keeping score

social

- CSR Charter: Playing it Right introduced
- More Appropriate Response Training integrated online
- Recognized as one of Canada's Top 100 Employers
- BetStopper content-blocking software offered free to B.C. parents
- GameSense for Parents added to gamesense.ca

environmental

- Relocated to a LEED-pending corporate office in Vancouver
- Met our corporate CO_2 emission target
- Developed "A Shade Deeper" employee recognition program for environmental sustainability
- Launched our corporate Environment Policy defining our commitment to greener operations

economic

- Over $1 billion net income directed to government programs
- 26,000 direct and indirect jobs in the gambling industry
- Employees raised almost $50,000 for local United Way

cheering on communities

BCLC is a big fan of our province and people, demonstrated, in part, by our support of many regional and local sporting and special events. We are proud to be the Presenting Sponsor of the 2011 Western Canada Summer Games, which will bring thousands of athletes, coaches and spectators to Kamloops in August.

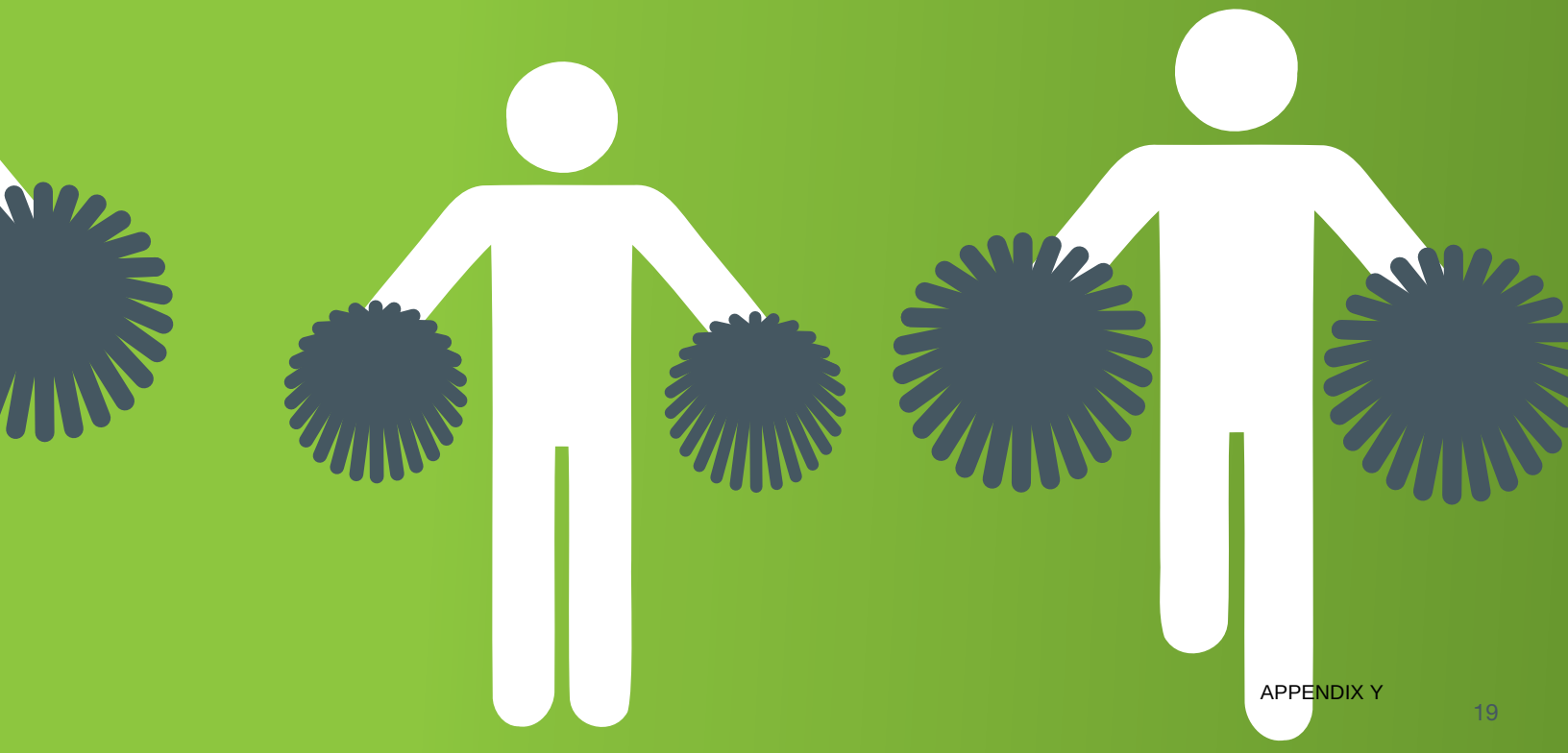
This year, BCLC visited nine communities around the province raising awareness about how gambling proceeds benefit provincial, municipal and charitable programs. This speaking tour was part of BCLC's annual community engagement program, which connects with elected officials, municipal staff, police, health authorities, chambers of commerce and charities to discuss the social and economic impacts of gambling on a community and to gain important feedback to support our operations. Since 2007, BCLC has hosted 47 sessions in 30 different communities.

Host local governments benefit from casinos or community gaming centres. Twenty-nine host local governments received $82.3 million in provincial payments—their share of net income from casino games.

greening our field

BCLC has gone to great lengths this past year to put environmentally sustainable practices into measurable action. Here is a recap:

- BCLC's Environment Policy officially launched in September. We also gathered more metrics to help us gauge reductions in greenhouse gas emissions, use of natural gas, petroleum, paper, waste and more.
- In December, we moved into our LEED-pending, energy-efficient offices in Vancouver with automated lighting, water-saving fixtures, a green roof and many other eco-friendly features. The location, near major routes, promotes staff transit use.
- Office compost collection in Vancouver diverted 1.5 metric tonnes from the landfill in its first three months.
- Public Transit and Ride Share programs were launched in both Kamloops and Vancouver.
- Our greenhouse gas emissions decreased for the second year in a row and self-imposed targets to continue cuts are on track.
- Natural gas use has dropped annually for three years and consumption of office paper is down to 2007 levels even with more employees.
- 72 per cent of BCLC vehicles are now fuel efficient or hybrid as a result of our conscientious procurement practice.
- Water use baseline has been set for the Kamloops office, which will help us in measuring efforts to reduce usage.
- Video conferencing data estimates indicate that in two years 270 tonnes of greenhouse gas emissions were avoided through less travel and more video conferencing.
- Staff rolled up their sleeves to conduct a waste audit to identify opportunities to recycle and divert waste.
- Our Green Committee's 10:10 monthly challenge engaged staff in contests to decrease waste and usage by 10 per cent at work and home in 2010.
- During Bike to Work Week staff cycled a total of 800 kilometres—equivalent to a return trip between Kamloops and Vancouver.
- BCLC now recycles retired slot machines and lottery terminals to vendors and plans are in the works for lottery ticket recycling at the retail level.



most valuable: players

Day-to-day BCLC is on the ground managing a $2.7 billion enterprise, maintaining 11,500 slot machines, managing hundreds of table games, operating a suite of eGames and maximizing lottery fun. On the sidelines, we're busy anticipating and gearing up to deliver what our players want tomorrow and expect in years to come.

scoring big

BCLC continues to score points with players and service providers by creating new games, refreshing classics and diversifying how, when and what types of entertainment are on the roster.

- Almost 49 million lottery prizes were paid in B.C. totalling $581 million
- 48 major lottery jackpots were won in B.C. worth a total of almost $103 million
- The largest prize ever won in B.C., a $50 million LOTTO MAX jackpot, was awarded this year
- BC Gold Card membership increased to 539,775 players compared to 455,000 last year
- eCasino revenue exceeded expectations by $7.2 million
- PlayNow.com registered players increased to 166,000

clicking with new audiences

BCLC opened new channels of player action on PlayNow.com this year with the addition of eCasino and ePoker. Players now have the opportunity to choose local over offshore internet entertainment to keep vital proceeds here in our province for the benefit of all British Columbians.

With a range of ePoker and eCasino games, including Texas Hold'Em, 5 Card Stud, Blackjack, Roulette and Baccarat, as well as tournaments and slots, BCLC players have more choice and convenience today, to sustain their enjoyment and PlayNow.com's future success.

serving up player favourites

LOTTO MAX proved extremely popular, resulting in record-setting jackpots and unprecedented lottery revenues. Lotto 6/49 and BC/49 are still crowd favourites. Also contributing to strong performance was the robust play of revitalized Scratch & Win, Pacific Hold'Em and Keno games.

Sports Action continues to do well in retail and hospitality venues where players enjoy big-game action with friends and peers, betting on final outcomes as well as propositions within the game, from touchdowns to power play goals. To build on this success, last fall, Sports Action launched on all Self-Service Terminals, which now conveniently offer all lottery games.

drawing a crowd

In our casinos and community gaming centres across the province, BCLC refreshed or replaced 20 per cent of games to keep pace with player preferences.

A community gaming centre opened in Maple Ridge last fall and Edgewater Casino in downtown Vancouver updated the poker and high-limit amenities for customers. Chances Kelowna added 75 slot machines and is the location for our pilot test of server-based gaming technology, which will speed our delivery of player favourites and overall fun.

Trials of virtual Baccarat and electronic Roulette at Lake City Casino in Vernon last year were well received by players, leading to additions in River Rock, Starlight and Boulevard casinos. Provincial and regional Blackjack and slot tournaments, as well as major promotions like Carnival of Cash added to the excitement.

leading with integrity

As a Crown agent, BCLC fully complies with the Province's disclosure requirements for public accountability and transparency detailed in Best Practices Guidelines—*BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations*. This includes Section 3 of the Board Resourcing and Development Office's stipulations detailed at www.bclc.com/cm/aboutbclc/corporategovernance.htm

Our formal governance framework encompasses BCLC's:

- corporate mandate, vision and mission
- principles and guidelines for our Board of Directors, Chairman, Standing Committees, President and Chief Executive Officer
- processes for strategic and succession planning
- procedures for Board performance evaluations
- Shareholder's Letter of Expectations outlining our commitment to deliver on performance expectations for the benefit of B.C.

board of directors

As per the *Gaming Control Act* (B.C.) and appointed by the Lieutenant-Governor in Council, the BCLC Board of Directors comprises nine members independent of management, chosen on the basis of expertise and experience. While BCLC's senior management attend all Board meetings, autonomy is maintained by convening an in camera session at the end of every meeting.

Fundamentally, the Board provides stewardship and ethical leadership with a view to long-term success in the best interests of the shareholder—the Government of B.C.—and assurance that our governance framework aligns BCLC business practices with Crown principles.

Overall Board duties are:

- overseeing the conduct of BCLC management, which is responsible for day-to-day operations
- working with management to develop and approve BCLC's vision, mission, values, business and service plans, priorities and capital and operational budgets
- advising on major policies regarding human resources, compensation, stakeholder communications and risk management
- reviewing risk factors and implementing resolution strategies
- evaluating annual financial results and measuring performance against objectives

board members

Chairman: John McLernon, Vancouver
As the presiding Director responsible for leadership and performance, the Chair is appointed by the Lieutenant-Governor in Council and liaises between the Board and the Minister of Public Safety and Solicitor General.

Vice Chair: Arthur Willms, Vancouver

Directors:
Trudi Brown, Victoria
David Gillespie, Kamloops
Cindy Grauer, Vancouver
Walter Gray, Kelowna
Moray Keith, Delta
D. Neil McDonnell, North Vancouver
Michael Riley, Surrey

On appointment, and each year forward, Directors agree to act in accordance with Code of Conduct and Conflict of Interest Guidelines, performing in honest, good faith in the best interests of BCLC and with prudent skill, care and diligence.

board committees

The Board creates specific committees to fulfil responsibilities and provide recommendations. Committee Chairs report to the Board with findings and suggestions. The Chairman of the Board of Directors as well as BCLC's President & CEO are ex-officio members of all committees.

Audit Committee	**Purpose:** Liaise with BCLC internal and external auditors to review financial operations; advise the Board of approved financial statements and quarterly reports; review financial information submitted to Government and the public; and oversee information systems, risk management and internal controls to ensure effective, accurate, appropriate and timely management **Chair:** Michael Riley **Members:** Arthur Willms; David Gillespie; Moray Keith	
Governance and Corporate Social Responsibility Committee	**Purpose:** Ensure governance focus to improve BCLC's overall performance; oversee and enhance BCLC's scope of corporate social responsibility; evaluate and make recommendations on Board effectiveness; and develop criteria and succession planning for future Board composition **Chair:** David Gillespie **Members:** Trudi Brown; Walter Gray; Moray Keith	
Human Resources and Compensation Committee	**Purpose:** Evaluate strategies, practices, succession plans and recommend future considerations; assess performance and compensation of the President & CEO; review employee compensation and benefits, management succession plans, human resource allocation and staff training programs to enhance performance-driven culture **Chair:** D. Neil McDonnell **Members:** Cindy Grauer; John McLernon	
BCLC Senior Management and Executives	**President & CEO:**	Michael Graydon
	Vice-Presidents:	Peter Charlton, Human Resources Kevin Gass, Corporate Affairs Lynette Hughes, Transformation & Technology Jim Lightbody, Lottery Gaming Darryl Schiewe, Casino & Community Gaming Terry Towns, Corporate Security & Compliance Marsha Walden, Customer Strategy & Corporate Marketing Tom Williamson, Finance & Corporate Services
B.C. Lottotech International Inc.	A wholly owned subsidiary of BCLC, Lottotech's management and oversight is consolidated within BCLC operations. Board members listed above review and approve capital purchases through annual business planning and budgeting. The Officers of Lottotech are BCLC's President & CEO as well as the above Vice-Presidents.	

performing to expectations

BCLC optimizes our financial performance within the gaming and social policy framework established by the Province, 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, in 2010/11, BCLC achieved $1.105 billion in net income, $10.4 million less than budgeted but $25.5 million (2.4%) above the previous year. BCLC benefited from a rebounding economy that provided consumers with additional discretionary income. This improvement, coupled with game enhancements, record lottery jackpots and the addition of new games to PlayNow.com contributed to growth in BCLC's net income.
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 focusing on the player through innovative new games, services and marketing, continued improvements to casino and community gaming facilities and customer relations management. In 2010/11, we implemented casino-style games on PlayNow.com and opened a community gaming centre in Maple Ridge. LOTTO MAX continues to provide the exciting jackpots that our lottery players demand. 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. We continued to modernize our back office systems, focusing on Player Services and the Customer Support Centre, and began planning for the replacement of the gaming management system used in casinos and community gaming centres.
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 products and services in a manner that encourages responsible gambling and healthy choices. We continue to focus our efforts on enhancing responsible gambling programs, and communicating about the availability of and access to programs, including voluntary self-exclusion. BCLC's GameSense program offers approachable and accessible materials to help players make informed decisions. Information is available at GameSense Information Centres in all casino and community gaming locations and is also available online at gamesense.ca, bclc.com and PlayNow.com. We support the Province 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 2010/11 the World Lottery Association recognized BCLC's programs as the best in the world.
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;	Our final status report was publicly issued in June 2009. BCLC has continued to update the B.C. Ombudsperson on our progress. BCLC has implemented 22 of the 23 recommendations.
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 implemented all of the audit recommendations.
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;	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 business and financial activities within the legislative, regulatory and policy framework established by the Province. BCLC and 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	BCLC continues to develop and implement plans to reduce and offset the carbon emissions that result from our 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 gambling 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.

posting our results

BCLC's 2010/11 performance

Along with other Crown corporations, BCLC produces public Service Plans that detail our business plan and Annual Service Plan Reports that detail our progress in achieving those plans. These plans include financial information, consistent with the *Budget Transparency and Accountability Act* and the *Financial Information Act* requirements.

Within the overall framework of the Province's gaming policy and BCLC's mandate, BCLC's Board and senior management have established four goals to guide the organization in the achievement of our mission statement. To manage and direct performance against each of these goals, BCLC annually establishes specific strategies with associated performance measures and targets. 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. These goals, strategies and performance measures form the framework that guides planning and decision-making at all levels of the organization.

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, as well as 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 will need to adjust the programs we are implementing or how we are delivering them.

If BCLC is continually exceeding a target, we may need to adjust the measure, the way we survey or how we calculate results in order to improve insight into our level of success.

We also benchmark our performance results against the results of other gambling 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, as well as the public availability of their results.

These organizations are the Ontario Lottery and Gaming Corporation (OLG), Loto-Québec (LQ), the Swedish gaming company Svenska Spel (Svenska) and the Canadian and United States gaming totals. Svenska is widely regarded as the most innovative international lottery and Internet gambling jurisdiction. The Canadian and United States gaming totals provide insight into BCLC's financial performance against national and United States norms. Data for benchmarking our performance results against other gambling organizations is obtained from publicly available reporting. An assessment of the performance results published by other gambling organizations in September 2010 did not find additional benchmarking opportunities.

Data used to set BCLC's performance targets is obtained from internal and external sources. BCLC net win and net income results for previous years are obtained from our audited financial statements. Net win and net income forecasts and targets and other financial measures are obtained from internal management reports. BCLC contracts with an external professional agency to conduct a continuous tracking study to assess our level of success. The study is conducted online throughout the year with a sample of 3,000 B.C. adults and includes questions pertinent to our performance measures. BCLC refers to BC Stats for population information.

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.

alignment of 2010/11 goals, strategies and performance measures

Perspective	Goals →	Strategies →	Performance Measures
PUBLIC/ PLANET	1. Build public trust and support for BCLC gaming	1. Demonstrate a high level of corporate citizenship and social responsibility in all of our activities	• Public support for gaming (%) • Public trust and confidence in BCLC games (%) • Player awareness of responsible gambling activities (%) • Level of greenhouse gas (GHG) emissions (CO_2e)
PLAYER	2. Create a player-centric company	2. Develop facilities and design innovative games to grow the business 3. Create an integrated multi-channel player community	• Player satisfaction (%) • Player participation (%) • Net win ($ millions) • Net win per capita ($)
FINANCIAL/ OPERATIONS	3. Invest in infrastructure and technology innovation to support current business operations and future growth	4. Design processes and implement technology that improves operational effectiveness and prepares for the future	• Net Income ($ millions) • Operating cost ratio (% net win) • Electronic gaming devices per capita
PEOPLE	4. Have a workforce passionately driving the success of our business	5. Make BCLC a great place to work	• Employee engagement (%) • Employee vacancy rate (%)

Public/Planet

Goal 01: build public trust and support for BCLC gaming

public support for gaming (%)

target not achieved

calculation

In a continuous tracking study conducted by an external research supplier, adult British Columbians 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 gambling in British Columbia”. Support for gaming is based on the results of the top three box responses.

rationale

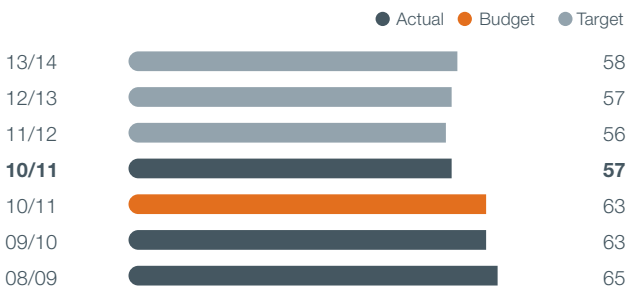
This metric measures the percentage of adult British Columbians who support legalized gambling, which is central to BCLC’s management of gambling. Public opinion is influenced by the tone and type of media coverage of gambling issues and policy decisions in B.C. and other jurisdictions.

management comments

Providing the public with information about how BCLC conducts and manages gambling in B.C. and how government uses BCLC’s net income to fund programs for British Columbians is important for public support for gambling. To this end, BCLC airs public service commercials about how proceeds from gambling benefit provincial programs and services such as health care, education and community initiatives.

Events related to PlayNow.com, voluntary self-exclusion, federal regulatory reporting requirements and continuing reports on government gaming grants have had a negative effect on this metric.

BCLC is committed to managing and operating gambling in a socially responsible and publicly accountable manner. We take a balanced approach to managing the market including investments in 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, provincially funded services.



As this survey has a methodology specific to BCLC, this metric is best analyzed on a time series basis.

Data source
Research and Incite Consultants

target not achieved

public trust and confidence in BCLC games (%)

As this survey has a methodology specific to BCLC, this metric is best analyzed on a time series basis.

Data source
Research and Incite Consultants

public trust and confidence in BCLC games (%)

calculation

In a continuous tracking study conducted by an external research supplier, adult British Columbians are asked to use a 7-point scale whereby "1" is "strongly disagree" and "7" is "strongly agree" to rate the statement, "I have trust and confidence in the games offered by BCLC." Results are based on the top three box responses.

rationale

This performance metric was intended to measure the percentage of adult British Columbians who have confidence in the integrity of BCLC's games. However, the results for this metric overlap with the results BCLC already receives for Public Support for Gaming. Therefore, we plan to eliminate this measure.

management comments

Events related to PlayNow.com, voluntary self-exclusion, federal regulatory reporting requirements and continuing reports on government gaming grants have had a negative effect on BCLC's results for this metric.

We will continue to strengthen responsible gambling awareness, systems and programs that enhance player security and the integrity of gambling. Results will continue to be measured under the public support for gaming metric.

player awareness of responsible gambling activities (%)

calculation

In a continuous tracking study conducted by an external research supplier, BCLC players are asked about their awareness of specific responsible gambling initiatives. The calculation represents the percentage of players who are aware of at least one of these initiatives.

In 2010/11, we reduced the number of initiatives used to calculate net awareness for this measure. This will result in a lower percentage achievement, but will provide greater insight into the level of success of our responsible gambling initiatives. As a comparison, the result using this new calculation in 2009/10 would have been 70 per cent.

rationale

A key component of BCLC's mandate is our commitment to the delivery and enhancement of responsible gambling programs. This measure tracks the level of success of responsible gambling player education programs.

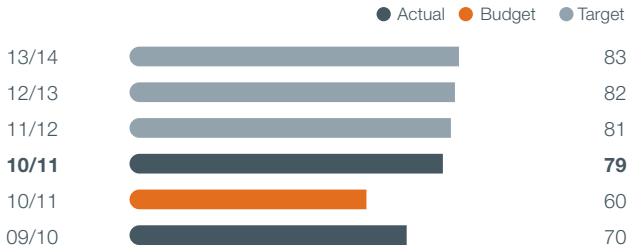
management comments

BCLC is committed to managing and operating gambling in a socially responsible and publicly accountable manner. Our achievement of the highest level of responsible gambling certification from the World Lottery Association recognizes BCLC's adoption and implementation of international best practices for responsible gambling and the ongoing review of problem gambling research.

GameSense is aimed at dispelling myths and misinformation about gambling and promoting healthy and informed choices. GameSense offers responsible play information through staffed information centres at all B.C. casinos, self-service information at all community gaming centres, printed materials and public service announcements on television. BCLC is also continuing to improve the curriculum and the availability of responsible play education programs for BCLC employees, service providers and retailers.

target exceeded

player awareness of responsible gambling activities
(%)



player awareness of responsible gambling activities (historical)
(%)

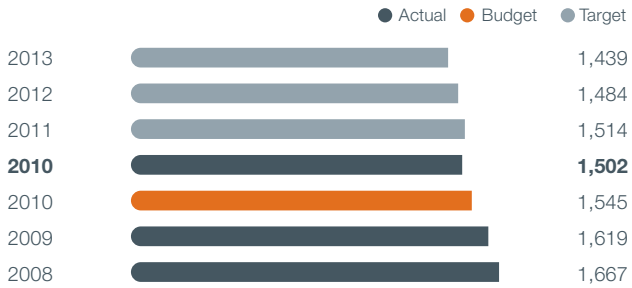
As this survey has a methodology specific to BCLC, this metric is best analyzed on a time series basis.

BCLC will monitor and update if/when other gambling organizations adopt a comparable metric.

Data source
Research and Incite Consultants

target exceeded*

level of greenhouse gas emissions
(CO_2e tonnes by calendar year)



* Following a March 2010 change to the government conversion factors for emissions, the 2010 target has been recalculated using the new methodology (2010 target was 1,418.)

This metric may be used by the Province to ensure BCLC is meeting the provincial reduction requirements.

Data source
External suppliers, BCLC internal reporting

level of greenhouse gas emissions (CO_2e)

calculation
BCLC uses standard calculations provided by the Province to convert and report our greenhouse gas (GHG) emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO_2e) for the calendar year. Data is obtained from suppliers of electricity, natural gas, fleet fuel, paper suppliers and from internal financial and procurement reporting.

rationale
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.

BCLC views sustainability as a key component of corporate social responsibility and is advancing environmentally sustainable behaviors in our organizational culture as an integral component of business modernization.

management comments
BCLC is formalizing our sustainability management approach to seek further GHG reduction opportunities. Led by an environmental sustainability specialist, all levels of the organization are being encouraged to develop sustainability solutions. BCLC plans to reduce our reportable emissions by 33 per cent by 2020, consistent with the provincial target. This requires a reduction from the 2007 baseline of 1,610 CO_2e tonnes to 1,079 CO_2e tonnes in 2020.

Initiatives to reduce our carbon footprint, include the move to a LEED-pending Vancouver office, upgrades to our Kamloops office HVAC system, replacing corporate fleet vehicles with hybrid alternatives, enhancing procurement practices to include sustainable criteria, and reducing paper consumption. These activities helped reduce emissions by just over 100 tonnes, compared to our 2009 performance.

We plan to continue to enhance our measurement and reporting of progress on meeting carbon neutrality requirements.

Player

Goal 02: provide facilities and games to develop the business

player participation (% at least monthly)

calculation

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 participated in each of the games offered in the previous month. The results are comprised of the percentage of B.C. adults who played at least monthly.

Using this new calculation method in 2009/10, BCLC's result was 46 per cent, which will be used for comparison purposes only.

rationale

Starting in 2010/11, this metric measures the percentage of adult British Columbians who participated at least monthly in BCLC games.

This change was made (from "played in the past year") so that we can more clearly determine if program changes are resulting in changes in player participation, particularly among infrequent players.

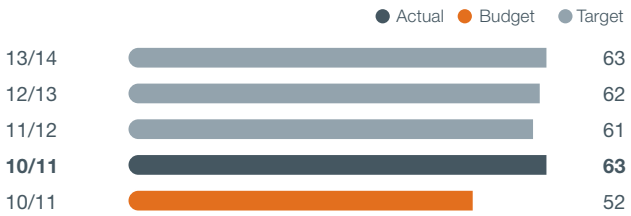
management comments

Player participation depends on our ability to provide exciting and relevant entertainment experiences for players, where and when it is convenient for them to play.

Over the past year an unprecedented number of jackpot rolls occurred on LOTTO MAX, which resulted in lottery participation rising significantly. Participation on PlayNow.com grew following the launch of casino-style games; visitation to casino and community gaming facilities also rose.

target exceeded

player participation
(% at least monthly)



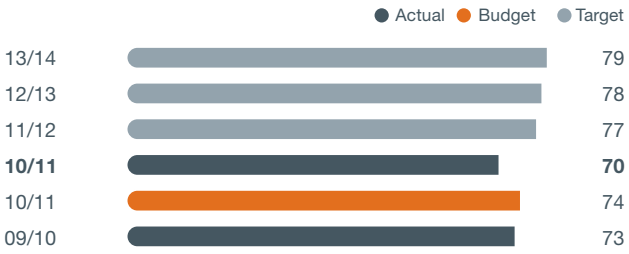
As this survey will continue to have a methodology specific to BCLC, this metric is best analyzed on a time series basis. BCLC will monitor and update if/when other gambling organizations adopt a comparable metric.

Data source
Research and Incite Consultants

player participation (historical)
(% past year)

target not achieved

player satisfaction
(%)



As this survey has a methodology specific to BCLC this metric is best analyzed on a time series basis. BCLC will monitor and update if/when other gambling organizations adopt a comparable metric.

Data source
Research and Incite Consultants (2010/11) and Ipsos Reid (2009/10)

player satisfaction (%)

calculation
Player and visitor satisfaction is an average of player and visitor satisfaction metrics for lottery, PlayNow.com, casino, community gaming and bingo gambling, weighted according to the channel's contribution to BCLC's net win. An external research supplier asks BCLC players from each gambling channel to rate their overall satisfaction with the BCLC gambling they participate in; our results are based on the top five box scores from a standard 10-point scale.

In 2011/12 BCLC plans to modify this metric calculation so that enterprise satisfaction is a composite average of the satisfaction levels in each gambling channel (without net win weighting), providing a better indication of the gambling we offer.

rationale
This performance metric measures player satisfaction for the products, 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 revenue. The metric also gauges the overall success BCLC has in attracting and retaining players to BCLC products and visitors to our gambling facilities and building loyalty.

management comments
The drop in player satisfaction levels is directly related to participation by players in multiple gambling channels and the associated net win weighting. In 2011/12 BCLC is modifying the methodology to remove this factor.

Satisfaction ratings are also impacted by events related to PlayNow.com.

We are continuing to increase 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 improvements to player-facing activities can improve the level of satisfaction and grow our business.

net win ($ millions)

calculation

Net win is the amount of revenue after prizes have been paid to players.

Net win is calculated for lottery and bingo games by deducting prizes from total revenue. Casino game prizes are paid during game play.

rationale

Net win is used to compare sales across gambling channels.

management comments

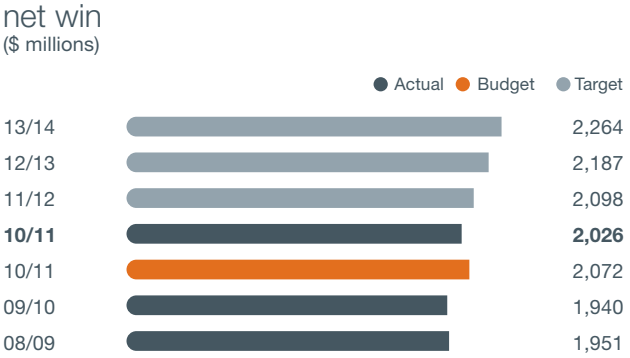
BCLC optimizes our financial performance within the gambling and social policy framework established by the Province.

General economic conditions have negatively impacted our service providers, resulting in delays to facility improvements. However, BCLC benefited from a rebounding economy that provided consumers with additional discretionary income.

BCLC's net win in 2010/11 was $46 million or 2.2 per cent below our target, but a 4.5 per cent increase over our previous year's results.

Net win growth is expected to come from focus on our six core products: slot machines, baccarat, blackjack, Lotto 6/49, LOTTO MAX and Keno. We will introduce new lottery distribution channels, continue to enhance existing casino facilities and develop community gaming centres, along with improved marketing, slot machine yield management and the introduction of server-based gaming. Growth in PlayNow.com net win will continue to come from casino-style games.

target not achieved

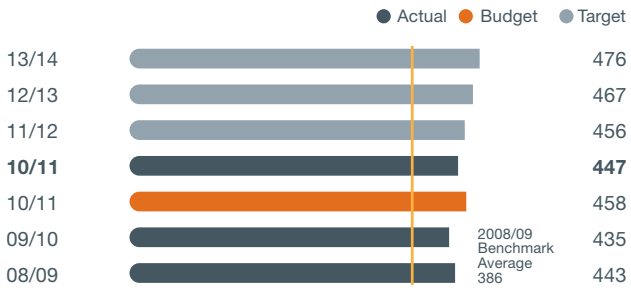


BCLC net win is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels. BCLC's net win is analyzed on a time series basis.

Data source
BCLC audited financial statements

target not achieved

net win per capita
($ per 1,000 population)



2008/09 net win per capita benchmarks
($ per 1,000 population)

BCLC benchmarks amongst organizations with similar gambling offerings. Although not a metric until 2009/10, BCLC has provided historical information for comparison purposes.

Data source
BC Stats, BCLC, and Loto-Québec annual reports, Ontario Lottery and Gaming audited financial statements, BCLC audited financial statements

net win per capita ($per 1,000 population)

calculation
Net win is the calculation of our revenue after prizes are paid. Net win is divided by the total population based on publicly reported population figures to obtain per capita metrics.

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 Province of British Columbia does not permit VLTs.

rationale
This measure indicates the extent to which BCLC is able to balance offering gambling entertainment with responsible play to grow income. Net win per capita is widely used in the gambling industry, making consistent benchmarking possible.

management comments
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.

Our results in 2010/11 were slightly behind budget.

BCLC's 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.

Financial/Operations

Goal 03: invest in infrastructure to support current business operations and future growth

net income ($ millions)

target not achieved

calculation

Net income is the calculation of total sales after prizes and all other expenses have been deducted.

Net income is determined in accordance with Generally Accepted Accounting Principles and subject to audit verification.

rationale

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.

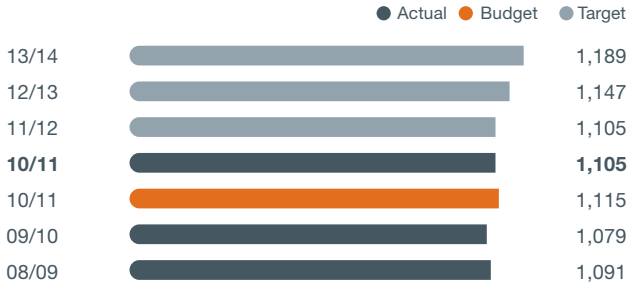
management comments

BCLC optimizes our financial performance within the gambling and social policy framework established by the Province. In 2010/11, BCLC net income again exceeded $1.0 billion. At more than 99 per cent of budget, this year's net income exceeded the previous record set in 2008/09 by $13.9 million, and last year's net income by more than $25.5 million.

BCLC benefited from a rebounding economy that provided consumers with additional discretionary income. This improvement, coupled with game enhancements, record lottery jackpots and the addition of new games to PlayNow.com contributed to growth in BCLC's net income.

BCLC will continue to focus on revenue-generating initiatives, strategically balancing our costs to operate the business and modernizing our business infrastructure in order to sustain current operations and support the future growth of net income.

net income
($ millions)

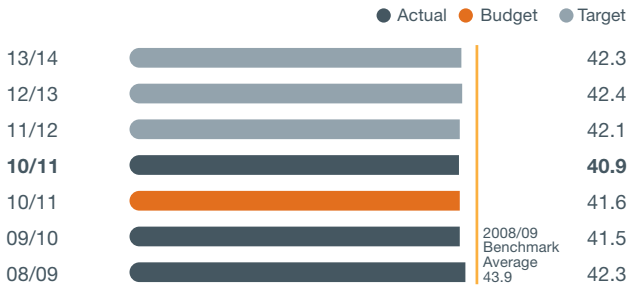


BCLC net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels. BCLC's net win is analyzed on a time series basis.

Data source
BCLC audited financial statements

target exceeded

operating cost ratio
(% of net win)



2008/09 operating cost benchmarks
(% of net win)

BCLC operating cost results are benchmarked with other jurisdictions who have similar gambling offerings.

Data source

BCLC, Ontario Lottery and Gaming, Loto-Québec and Svenska Spel annual reports, Lafleur's World Lottery Almanac

operating cost ratio (% of net win)

calculation

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.

Operating costs include BCLC service provider commissions, which serves to more closely normalize the different operating models of other jurisdictions (i.e. instead of operating our facilities directly, BCLC pays commissions to service providers).

rationale

This performance indicator measures the ratio of consolidated operating costs as a percentage 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 operational effectiveness.

management comments

BCLC's operating cost ratio for 2010/11 was 0.7 per cent better than target. This is the result of our focus on revenue-generating initiatives and continued cost management to reduce expenses below our budget.

While BCLC has been focused on growing the business, we have also invested more heavily in infrastructure, technology, compliance and people in order to modernize our business infrastructure, systems and processes.

These investments in modernizing our business continue to elevate costs, but are being offset by decreases in other areas of our business. BCLC's operating expenses continue to be lower than targets for the last two years and remain below the 2008/09 benchmark average of comparator gambling organizations.

electronic gaming devices per capita

calculation

This metric is the result of the number of slot machine and electronic gaming devices, divided by the total population, multiplied by 1000 and expressed as a ratio.

BCLC uses “total population” for this measure to benchmark with other jurisdictions, where the age of participation in gambling differs from B.C.

BCLC does not set annual targets for this metric.

rationale

This metric provides a measure of the accessibility of BCLC gambling to British Columbians and compares it over time. In B.C., electronic gaming devices are limited to slot machines located in casino and community gaming centre facilities, where access is limited to adults.

We compare the accessibility of electronic gaming devices in B.C. across various jurisdictions. Government policy regulates the types of gaming devices that are available in each Canadian province.

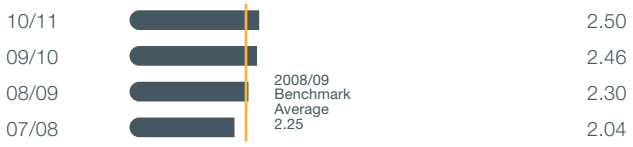
management comments

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 benchmark average to decline.

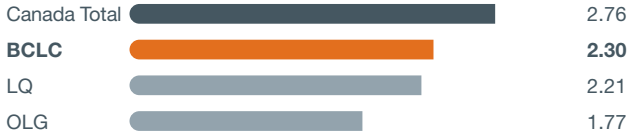
B.C.’s socially responsible gambling model provides comparable revenue to other jurisdictions. The number of devices in B.C. has grown as BCLC has worked with our service providers to transform commercial bingo halls into community gaming centres in selected market locations.

BCLC is continuing with the strategies to develop casinos and community gaming centres to meet market demand, with a focus on entertainment.

devices per capita
(per 1,000 population)



2008/09 devices per capita benchmarks
(per 1,000 population)



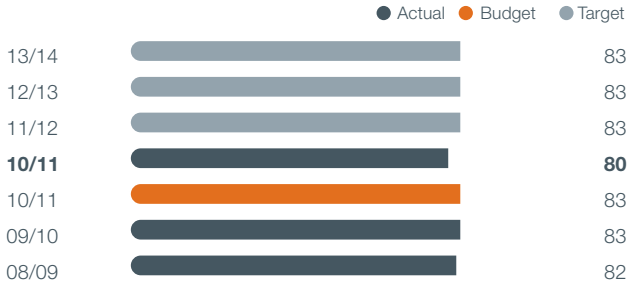
Data source
BC Stats, specific data prepared by BCLC

People

Goal 04: have a workforce passionately driving the success of our business

target not achieved

employee engagement
(%)



BCLC's engagement 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.

The survey results can not be directly benchmarked and are best analyzed on a time series basis.

Data source
Ipsos Reid

employee engagement (%)

calculation

BCLC measures the level of employee engagement using an employee survey that reflects our unique culture, values and business objectives.

The survey is conducted on an annual basis through an external research agency. Fluctuations in engagement scores are expected during times of organizational change and transformation.

rationale

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.

management comments

The survey conducted in January 2011 provided an engagement result of 80 per cent, a drop of 3.0 per cent from the previous year.

BCLC continues to focus on transforming to a player-focused company, requiring the modernization of business systems and processes. We also relocated our lower mainland office in 2010.

BCLC's focus is on programs to develop our leadership teams, communicate our corporate goals and strategies, develop workforce management and support employee recognition. We will continue to support these programs and develop further improvements in the areas of employee recognition, training and development, career advancement and workforce productivity.

employee vacancy rate (%)

target exceeded

calculation

This metric provides the average percentage of vacant positions in the process of being filled (replacement or additional positions actively being recruited internally and externally) as a proportion of BCLC's total headcount. The year-end result is calculated by averaging the month-end rates.

The samplings done in order to set targets for this measure approximated BCLC's vacancy at 6.3 per cent for 2007/08 and 4.6 per cent for 2008/09.

rationale

This measure was new in 2009/10. It is intended to measure BCLC's employee morale and turnover, competitiveness and the effectiveness of recruitment processes.

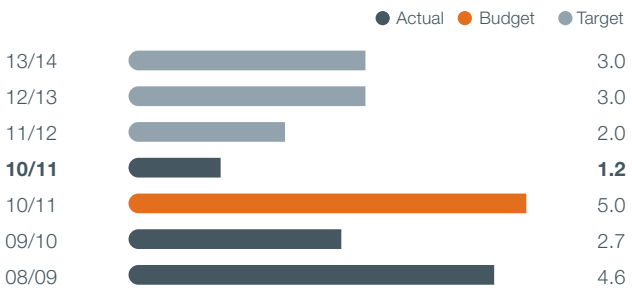
The vacancy rate provides a high level metric that is subject to considerable variation based on factors such as organizational growth, internal personnel movement, employee demographics and external market conditions. As such, it must be interpreted within the context of the time frame that it is being measured.

management comments

BCLC's result for 2010/11 of 1.2 per cent was better than our target, which was set during a period where we anticipated some workforce growth and continued difficulty in sourcing skilled talent.

In response to a number of external and internal economic factors, in 2010/11 there was limited organizational growth and the external skills shortage temporarily subsided.

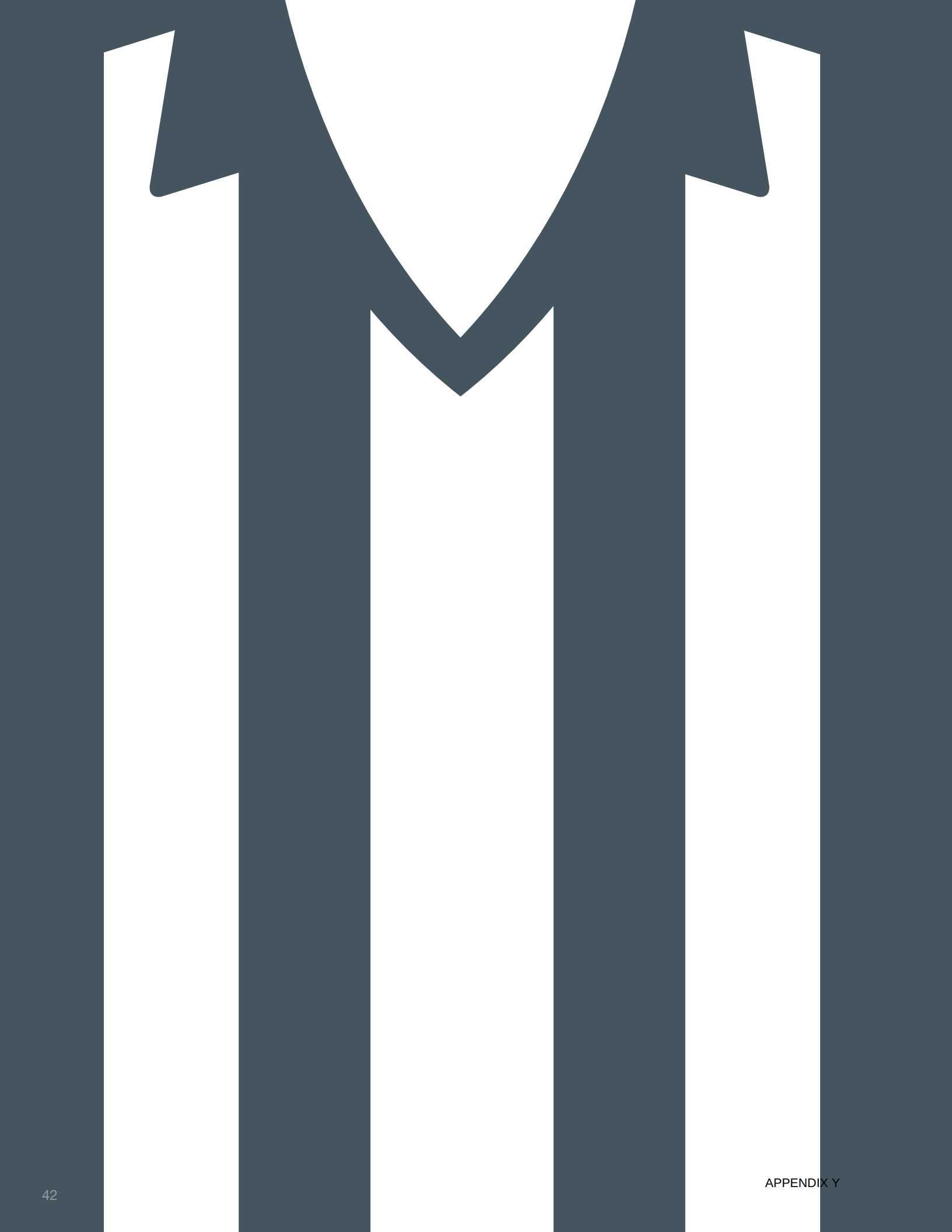
Vacancies were mainly the result of employee turnover, which remains relatively low. Given these factors, our recruitment activity for 2010/11 was lower than originally forecast.



This measure is not calculated by other industry comparators. This measure may be implemented by other commercial crowns to facilitate benchmarks across B.C. crown entities in future years.

BCLC will report this measure on a time series basis.

Data source
BCLC internal reporting



risk and capacity

BCLC has a formal enterprise risk management framework, with consistent risk identification and evaluation and formalized action plans for all significant risks. BCLC conducts detailed risk assessments for all significant corporate projects and develops project risk treatment plans. Progress is reported to steering groups on a regular basis.

BCLC has an established Enterprise Risk Management Advisory Committee to support the risk management program with senior representatives from all divisions. Quarterly risk reports, including an updated enterprise risk register and progress against our annual risk plan are presented to BCLC senior management and the Audit Committee of the Board of Directors.

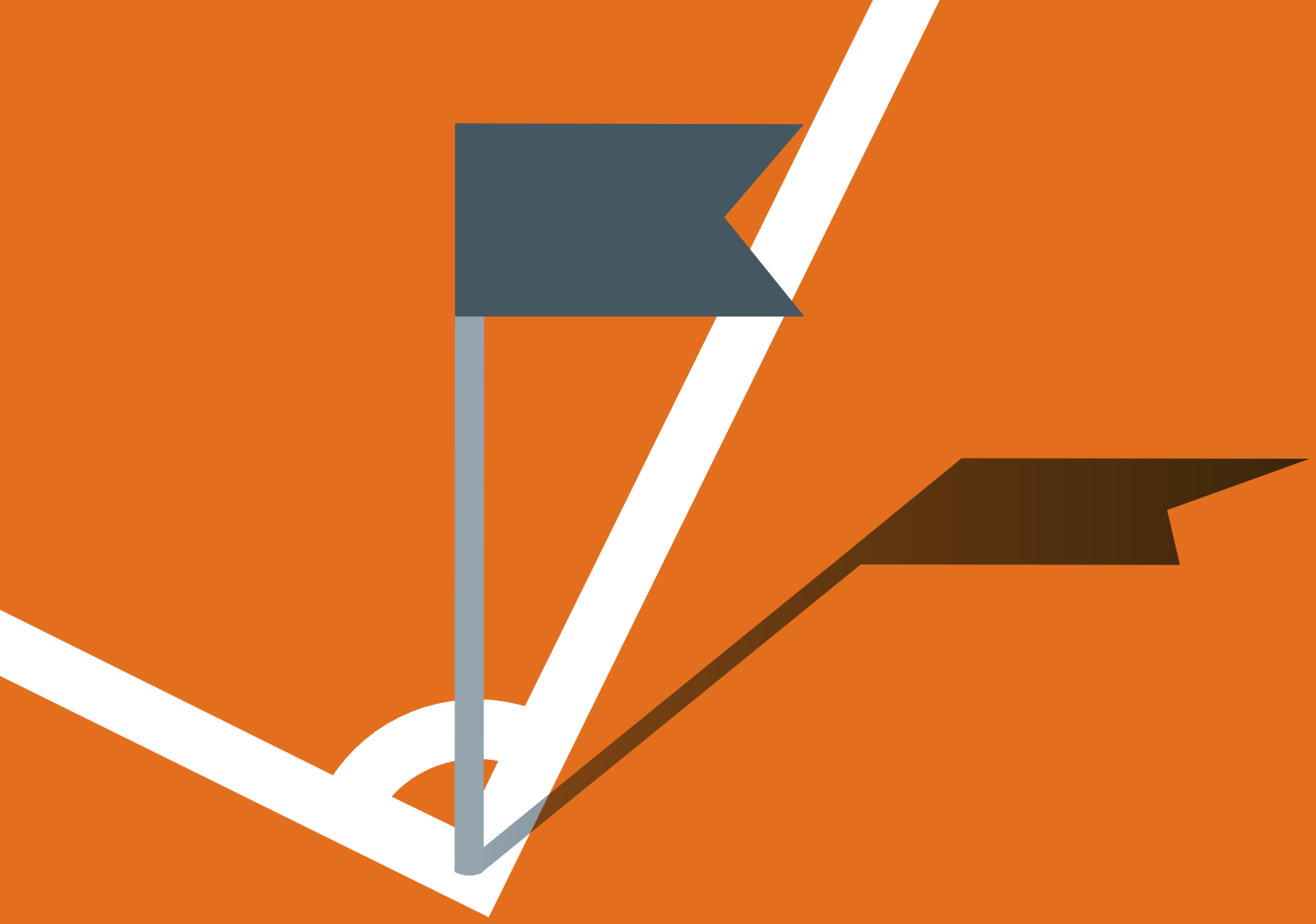
Issues	Risks	Key Responses
Evolving consumer preferences		
BCLC products, services and product delivery methods may not appeal to existing or new players.	If our products become less appealing or our services or delivery methods do not keep pace with player preferences, product sales, gambling facilities visits and play on PlayNow.com will decrease, impacting our revenue and net income generated for the Province.	BCLC has an ongoing focus on business innovation and product development and this year we updated and enhanced our approach. BCLC revitalized Keno and Scratch & Win games and also added Sports Action as an option at Self-Service Terminals. This, together with the success of LOTTO MAX contributed to record lottery revenues. The launch of eCasino and ePoker games on PlayNow.com helped raise player interest and the number of registered players. BCLC uses a variety of methods to listen to players. A director of player experience was appointed this year and BCLC is developing a road map for becoming player centric.
Systems and technology		
BCLC's operations are highly dependent upon technology and require well designed and managed processes.	We have a complex portfolio of systems that support our business which need to be updated or replaced in step with the growth and evolution of our business.	BCLC continues to upgrade systems and technologies improving functionality and reducing dependence on legacy systems, preparing us for future opportunities. This includes the selection of a preferred vendor for a new gaming management system for casino and community gaming centre operations. BCLC's backup data centre was transferred to a new state-of-the art facility in Kamloops.

Issues	Risks	Key Responses
Service provider management		
BCLC relies on private sector service providers in many areas of our business, in particular for the operation of our gambling facilities.	Service providers may be impacted by challenging economic conditions or may not carry out BCLC's plans as defined in contracts or other agreements. A decline in customer service, delays in facility improvements or service provider business failure may negatively impact BCLC's operations and net income.	BCLC has monitored the financial performance of our service providers throughout the year and receives regular financial reports from all its key service providers. Contingency and risk reduction plans have been developed and are reviewed as necessary. BCLC regularly updates its casino and community gaming standards, policies and procedures and also audits service providers for compliance. As BCLC has developed new products and services we have engaged with a number of third party specialists. We continue to develop and refine the procurement process in line with regulation and best practice.
Security and integrity		
Security and integrity are essential for the successful operation of our business.	Any concerns in this area could have an impact on our players, compliance with regulation and public trust.	BCLC regularly conducts internal audits, inspections, investigations and reviews and has also invested in mystery shopper exercises and a number of external reviews. We have taken steps to strengthen compliance with federal anti-money laundering legislation, including enhanced training, reporting system improvements, and the appointment of a director of compliance. We have implemented mandatory privacy training for all staff.

Issues	Risks	Key Responses
Public trust and support		
Public trust is central to BCLC's management of gambling.	Public concern about BCLC or topics related to gambling may affect our mandate to conduct and manage gambling.	This year, we launched the Benefits to B.C. public information campaign to raise awareness of how gambling proceeds benefit provincial, community and charitable programs. Events related to voluntary self-exclusion, responsible gambling, FINTRAC reporting requirements, PlayNow.com and potential facility relocations have had an impact. We have enhanced our license plate recognition program used to support our voluntary self-exclusion program and continue to test facial recognition. We are committed to continuous improvements to GameSense, which has been recognized by the World Lottery Association. We have and continue to enhance our FINTRAC reporting systems, processes and training. BCLC's Privacy Breach Policy successfully guided our response to the PlayNow.com privacy breach. The website was reviewed and tested before re-launch in August 2010. BCLC has implemented most of the Privacy Commissioner's recommendations with a commitment to complete all. BCLC is committed to managing the gambling marketplace and ensuring communities are appropriately consulted in keeping with the requirements of the *Gaming Control Act* (B.C.)

Capacity

BCLC continues to invest in its existing workforce through an extensive, multi-level leadership development process. An online learning management system also provides a valuable link to on demand training that strengthens our ability to develop our workforce. This year, BCLC's approach has been to sustain staff resourcing at or near current levels. To ensure our capacity is utilized effectively, BCLC is engaged in workforce resource planning and management.



management discussion and analysis

The Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for the fiscal year ended March 31, 2011 and should be read in conjunction with the Corporation's audited financial statements.

financial overview

	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	**2010/11 Actual**	2010/11 Budget	2010/11 Variance	2010/11 Variance from Prior Year	2011/12 Target	2012/13 Target	2013/14 Target
Revenue											
Lottery	$ 997.4	$ 976.9	$ 954.2	$ 937.9	**$1,062.4**	$1, 023.0	$ 39.4	$124.5	$1,045.0	$1,095.0	$1,135.0
Casino	1,208.9	1,322.1	1,341.3	1,321.6	**1,339.3**	1,396.0	(56.7)	17.7	1,390.0	1,420.0	1,465.0
Community gaming	218.9	260.2	254.7	257.8	**277.0**	281.0	(4.0)	19.2	291.0	297.0	302.0
	2,425.2	2,559.2	2,550.2	2,517.3	**2,678.7**	2,700.0	(21.3)	161.4	2,726.0	2,812.0	2,902.0
Prizes	650.8	647.1	599.7	577.6	**652.3**	627.6	(24.7)	74.7	627.6	625.0	638.2
Net Win	1,774.4	1,912.1	1,950.5	1,939.7	**2,026.4**	2,072.4	(46.0)	86.7	2,098.4	2,187.0	2,263.8
Expenditures											
Lottery	157.7	158.9	165.4	155.4	**170.9**	170.4	(0.5)	15.5	184.0	190.7	191.6
Casino	493.5	536.9	566.4	567.7	**567.1**	600.4	33.3	(0.6)	605.3	636.2	664.5
Community gaming	70.0	87.4	94.3	99.9	**103.5**	105.2	1.7	3.6	108.7	113.9	115.9
	721.2	783.2	826.1	823.0	**841.5**	876.0	34.5	18.5	898.0	940.8	972.0
Net income before tax	1,053.2	1,128.9	1,124.4	1,116.7	**1,184.9**	1,196.4	(11.5)	68.2	1,200.4	1,246.2	1,291.8
GST/HST	34.4	40.0	33.7	37.6	**80.3**	81.4	1.1	(42.7)	95.4	99.2	102.8
Net income											
Lottery	283.5	263.9	256.4	266.7	**289.0**	265.7	23.3	22.3	277.3	303.4	326.2
Casino	698.6	761.8	758.1	731.3	**724.4**	748.2	(23.8)	(6.9)	728.8	726.6	740.4
Community gaming	36.7	63.2	76.2	81.1	**91.2**	101.1	(9.9)	10.1	98.9	117.0	122.4
	$1,018.8	$1,088.9	$1,090.7	$1,079.1	**$1,104.6**	$1,115.0	$ (10.4)	$ 25.5	$1,105.0	$1,147.0	$1,189.0
Profit margin	42.0%	42.6%	42.8%	42.9%	**41.2%**	41.3%	(0.1)%	(1.7)%	40.5%	40.8%	41.0%
Debt	$ 0.0	$ 0.0	$ 0.0	$ 60.0	**$ 85.0**	$ 0.0	$ 85.0	$ 25.0	$ 87.2	$ 99.3	$ 116.3
Capital expenditures	$ 43.9	$ 60.5	$ 97.4	$ 92.5	**$ 81.3**	$ 141.5	$ (60.2)	$ 11.2	$ 109.3	$ 130.0	$ 125.0

In 2010/11, BCLC achieved a record $1.105 billion net income on record revenue of $2.679 billion. At more than 99 per cent of budget, this year's net income exceeded the previous record set in fiscal 2008/09 by $13.9 million, and last year's net income by more than $25.5 million.

This year, BCLC benefited from a rebounding economy that provided consumers with additional discretionary income. This improvement, coupled with game enhancements, record lottery jackpots, and the expansion of our PlayNow.com platform contributed to growth in BCLC's net income before taxes of 6.1 per cent—almost double the estimated growth in the provincial real GDP.

Each year, BCLC prepares a three-year service plan against which its results are measured. As part of this annual process, the Corporation re-committed to the strategic cost management program that began last year. Careful spending management this year resulted in total operating costs that were $18.3 million under budget. Capital spending was $60.2 million less than planned, in part because of delays in a number of infrastructure projects.

performance measurement

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess our 2010/11 operational performance against the targets and budgets established in the Service Plan (www.bclc.com/documents/ServicePlan_1011-1213.pdf). BCLC also compares its performance to other gaming organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

international financial reporting standards

The *Budget Transparency and Accountability Act* specifies that the Government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior government are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt International Financial Reporting Standards (IFRS).

BCLC is adopting IFRS effective April 1, 2011. The Corporation will implement the required accounting policy changes under IFRS and the Corporation's financial statements for the year ended March 31, 2012, with comparative financial results for 2011, will be prepared in accordance with IFRS.

The Corporation has completed a project to identify and evaluate the implications and impacts of IFRS. BCLC will continue to accumulate and assess IFRS information in order to be prepared to comply with the directions of Treasury Board for the Corporation's year ended March 31, 2012.

economic outlook

Current economic indicators suggest that B.C.'s economy will continue to experience modest growth throughout 2011 and 2012.

BCLC's strategy will be to continue to invest in new revenue generation opportunities, strategically manage costs, and upgrade critical infrastructure in order to optimize corporate performance as the economy improves.

A more detailed discussion of initiatives and opportunities can be found in our three year Service Plan and on our website (www.bclc.com).

lottery operations

	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	**2010/11 Actual**	2010/11 Budget	2010/11 Variance	Variance From Prior Year
Revenue								
Retail network	$ 742.5	$ 709.7	$ 710.7	$ 691.7	**$ 807.5**	$ 742.8	$ 64.7	$ 15.8
Hospitality network	240.6	248.5	220.0	212.6	**211.9**	227.2	(15.3)	(0.7)
eGaming	14.3	18.7	23.5	33.6	**43.0**	53.0	(10.0)	9.4
	997.4	976.9	954.2	937.9	**1,062.4**	1,023.0	39.4	124.5
Prizes	543.5	542.8	521.8	505.3	**581.5**	563.8	(17.6)	16.6
Net win	453.9	434.1	432.4	432.6	**480.9**	459.2	21.8	141.1
Direct expenses	85.4	79.0	75.5	71.3	**77.2**	74.7	(2.6)	(5.9)
Operating expenses	72.3	79.9	89.9	84.1	**93.7**	95.8	2.1	(9.6)
Net income before taxes	296.2	275.2	267.0	277.2	**310.0**	288.7	21.3	32.8
GST/HST	12.7	11.3	10.6	10.5	**21.0**	23.0	2.0	(10.5)
Net income	$ 283.5	$ 263.9	$ 256.4	$ 266.7	**$ 289.0**	$ 265.7	$ 23.3	$ 22.3
Lottery retailers	4,321	4,033	4,046	4,044	**3,994**	4,095	(101.0)	(50.0)
Lottery terminals	4,074	3,969	3,995	4,002	**3,962**	4,050	(88.0)	(40.0)

lottery revenue
($ millions)

Lottery net income of $289.0 million exceeded budget by $23.3 million and the previous year by $22.3 million. Revenue was up sharply, and for the first time surpassed the $1 billion mark, reaching a record $1.062 billion.

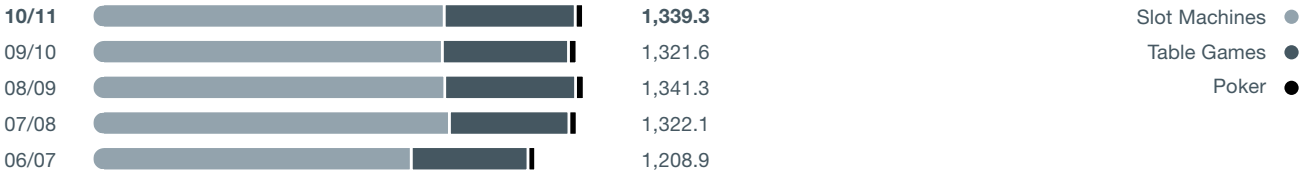
Profitability was up across a number of product areas, led by the performance of LOTTO MAX. Surpassing statistical projections by more than three-fold, the $50 million jackpot maximum was reached 16 times in 2010/11. This resulted in sales of $248.6 million that out-paced budget by more than 67 per cent. Sales of instant tickets also out-performed expectations, reflecting the success of the brand rejuvenation and pricing strategies implemented this year.

This year, BCLC continued to invest in the PlayNow.com eGaming business, introducing both casino-style games and poker onto the popular platform. Despite the technical difficulties associated with the initial launch, eCasino games have been very well received, with net win of $14.5 million almost doubling the $7.3 million forecast. Overall, eGaming contributed $8.6 million to BCLC's net income against a plan of $10.7 million—a 72 per cent increase over 2009/10. Player registrations in 2010/11 grew to 166,000 from 134,000 last year.

casino operations

	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	**2010/11 Actual**	2010/11 Budget	2010/11 Variance	Variance from Prior Year
Revenue								
Slot machines	$ 869.9	$ 973.9	$ 961.4	$ 954.6	**$ 959.7**	$1,031.9	$ (72.2)	$ 5.1
Table games	318.2	325.8	356.4	343.9	**357.1**	341.5	15.6	13.2
Poker	20.8	22.4	23.5	23.1	**22.5**	22.6	(0.1)	(0.6)
	1,208.9	1,322.1	1,341.3	1,321.6	**1,339.3**	1,396.0	(56.7)	17.7
Prizes	0.0	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0
Net win	1,208.9	1,322.1	1,341.3	1,321.6	**1,339.3**	1,396.0	(56.7)	17.7
Direct expenses	408.9	450.4	473.6	461.5	**463.9**	482.0	18.1	(2.4)
Operating expenses	84.6	86.5	92.7	106.2	**103.2**	118.4	15.2	3.0
Net income before taxes	715.4	785.2	775.0	753.9	**772.2**	795.6	(23.4)	18.0
GST/HST	16.8	23.4	16.9	22.6	**47.8**	47.4	(0.4)	(25.0)
Net income	$ 698.6	$ 761.8	$ 758.1	$ 731.3	**$ 724.4**	$ 748.2	$ (23.8)	$ (6.9)
Casinos	16	17	17	17	**17**	17	0	0
Slot machines	6,951	7,837	8,818	9,438	**9,476**	9,542	(66)	38
Tables	464	481	485	478	**461**	498	(67)	(47)

casino revenue
($ millions)



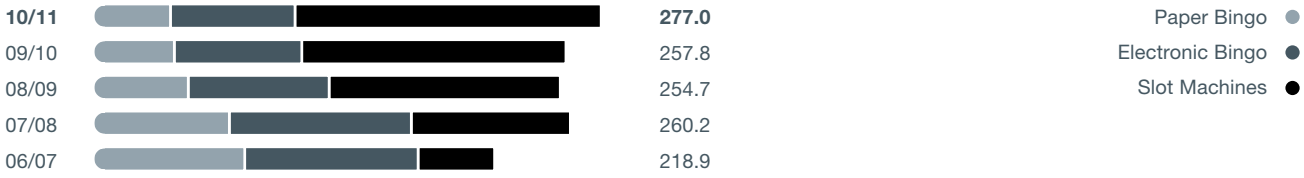
Casino revenue of $1.339 billion showed a $17.7 million increase over last year, but was $56.7 million less than plan. In 2010/11, players continued to eschew slot machines in favour of table games. This year table game revenue exceeded budget by $15.6 million and the prior year by $13.2 million, while slot machine revenue, although up $5.1 million from last year, fell $72.2 million short of plan.

Major construction and infrastructure developments in the Lower Mainland continue to affect a number of casinos. The Canada Line SkyTrain station adjacent to the River Rock Casino has had a markedly positive impact on revenue; however, the Port Mann/Highway 1 construction project has had a deleterious effect on the Boulevard Casino.

community gaming operations

	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	**2010/11 Actual**	2010/11 Budget	2010/11 Variance	Variance from Prior Year
Revenue								
Paper bingo	$ 82.7	$ 74.3	$ 51.9	$ 44.3	**$ 42.2**	$ 37.4	$ 4.8	$ (2.1)
Electronic bingo	94.5	99.2	76.8	69.5	**67.9**	63.4	4.5	(1.6)
Slot machines	41.7	86.7	126.0	144.0	**166.9**	180.2	(13.3)	22.9
	218.9	260.2	254.7	257.8	**277.0**	281.0	(4.0)	19.2
Prizes	107.3	104.3	77.9	72.3	**70.8**	63.8	(7.0)	1.5
Net win	111.6	155.9	176.8	185.5	**206.2**	217.2	(11.0)	20.7
Direct expenses	53.8	66.9	70.7	74.0	**78.8**	79.3	0.5	(4.8)
Operating expenses	16.2	20.5	23.6	25.9	**24.6**	25.9	1.3	1.3
Net income before taxes	41.6	68.5	82.5	85.6	**102.8**	112.0	(9.2)	17.2
GST/HST	4.9	5.3	6.3	4.5	**11.6**	10.9	(0.7)	(7.1)
Net income	$ 36.7	$ 63.2	$ 76.2	$ 81.1	**$ 91.2**	$ 101.1	$ (9.9)	$ 10.1
Commercial halls	20	15	13	13	**11**	10	1	(2)
Independent operators	15	15	14	7	**6**	–	6	(1)
Community Gaming Centres	6	12	14	15	**16**	17	(1)	1
Slot machines	497	1,105	1,378	1,581	**1,850**	1,867	(17)	269

community gaming revenue
($ millions)



Community gaming revenue was up $19.2 million from the prior year, falling only $4.0 million short of budget as a result of a number of facility opening delays.

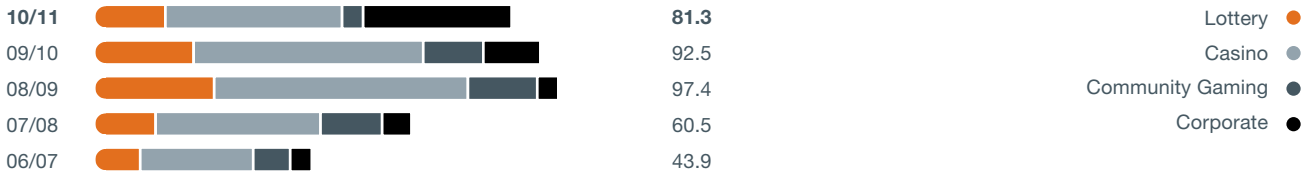
Despite the solid performance by community gaming centres (CGCs) overall, traditional bingo games continue to experience year-over-year declines as players demonstrate a continuing preference for casino-style games. This year, CGC slot machines out-performed 2009/10 by $22.9 million, but fell short of an aggressive $180.2 million budget by $13.3 million.

capital spending

	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	**2010/11 Actual**	2010/11 Budget	2010/11 Variance
Lottery	$ 9.0	$ 12.0	$ 23.4	$ 19.4	**$ 13.9**	$ 29.2	$ 15.3
Casino	22.0	32.4	49.4	44.7	**34.4**	57.3	22.9
Community gaming	7.2	12.0	13.5	11.7	**4.1**	12.2	8.1
Corporate	5.7	4.1	11.1	16.7	**28.9**	42.8	13.9
Capital expenditures	$ 43.9	$ 60.5	$ 97.4	$ 92.5	**$ 81.3**	$ 141.5	$ 60.2

From year to year, capital spending varies significantly in response to revenue and gambling facility initiatives. In 2010/11, capital spending of $81.3 million was $11.2 million less than last year. The positive budget variance reflects the rescheduling of several major infrastructure projects, positive foreign exchange rates and cost savings achieved through competitive bid processes and contract negotiations. The actual spending of $81.3 million does not include commitments of $10.0 million.

capital spending
($ millions)



B.C. Lottotech International Inc.

The consolidated statements of the British Columbia Lottery Corporation include B.C. Lottotech International, a wholly owned subsidiary of the Corporation. The primary purpose of B.C. 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 B.C. Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

	2010/11	2009/10
Revenue ($ thousands)		
Lease revenue	**$ 62,702**	$ 65,971
Expenses		
Amortization	**62,546**	66,119
Other expenses (income)	**1,300**	(625)
	63,846	65,494
Net income (loss)	**$ (1,144)**	$ 477

management's responsibility for financial reporting

The financial statements of BCLC have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of BCLC as at March 31, 2011, and the results of its operations and cash flow for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the financial statements of BCLC.

Tom Williamson
CFO and Vice-President, Finance & Corporate Services

Michael Graydon
President & CEO

independent auditors' report

To the Directors of and Minister Responsible for British Columbia Lottery Corporation:

We have audited the accompanying consolidated financial statements of the British Columbia Lottery Corporation ("the Entity"), which are comprised of the balance sheet as at March 31, 2011 and the statements of income and comprehensive income, amounts due to Government of British Columbia, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

KPMG LLP

Chartered Accountants
Vancouver, Canada
June 1, 2011

	2011	2010
ASSETS		
Current assets:		
Cash (note 4)	$ 48,539	$ 33,538
Short-term investments (note 5)	28,970	29,628
Accounts receivable (note 6)	24,206	25,859
Receivable from Interprovincial Lottery Corporation	–	4,247
Prepaid expenses	3,962	3,708
Inventories (note 7)	9,541	9,379
	115,218	106,359
Accrued pension plan asset (note 8)	34,302	32,404
Property and equipment (note 9)	144,815	142,198
Intangible assets (note 10)	31,091	21,375
	$ 325,426	$ 302,336
LIABILITIES		
Current liabilities:		
Cheques issued in excess of funds on hand	$ –	$ 5,635
Prizes payable	27,198	25,483
Accounts payable and accrued liabilities	53,276	44,095
Payable to Interprovincial Lottery Corporation	3,142	–
Short-term financing (note 11)	85,049	59,996
Due to Government of British Columbia	115,757	128,715
	284,422	263,924
Accrued post retirement benefit obligation (note 8)	41,004	38,412
	$ 325,426	$ 302,336

Commitments and contingencies (notes 16 and 17)

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Chair, Board of Directors

Michael Riley
Chair, Board Audit Committee

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
Year ended March 31, 2011, with comparative figures for 2010
(In thousands of dollars)

	2011	2010
Revenue (note 12):		
Lottery	**$ 1,062,379**	$ 937,920
Casino	**1,339,272**	1,321,625
Community Gaming	**277,036**	257,811
	2,678,687	2,517,356
Prizes	**652,296**	577,611
Net win	**2,026,391**	1,939,745
Direct expenses:		
Commissions	**589,728**	569,854
Ticket printing and bingo paper	**13,347**	15,453
Equipment supplies, leases, and licenses	**16,790**	21,426
	619,865	606,733
Net win less direct expenses	**1,406,526**	1,333,012
Operating expenses:		
Administrative expenses	**151,038**	149,259
Amortization	**66,270**	68,869
Other expenses	**5,520**	32
	222,828	218,160
Income from operations	**1,183,698**	1,114,852
Non-operating income (expenses):		
Net horse racing betting fees (note 13)	**1,252**	1,878
Harmonized Sales Tax expense (note 20)	**(80,310)**	(37,650)
	(79,058)	(35,772)
Net income, being comprehensive income	**$ 1,104,640**	$ 1,079,080
Allocation of net income:		
Government of British Columbia	**$ 1,095,742**	$ 1,070,404
Government of Canada (note 14)	**8,898**	8,676
	$ 1,104,640	$ 1,079,080

Sector activity information (note 19)

See accompanying notes to consolidated financial statements.

	2011	2010
Balance, beginning of year	**$ 128,715**	$ 201,736
Net income	**1,104,640**	1,079,080
	1,233,355	1,280,816
Payments to Government of British Columbia	**1,108,700**	1,143,425
Payments to Government of Canada (note 14)	**8,898**	8,676
	1,117,598	1,152,101
Due to Government of British Columbia	**$ 115,757**	$ 128,715

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2011, with comparative figures for 2010
(In thousands of dollars)

	2011	2010
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Net income	**$ 1,104,640**	$ 1,079,080
Adjustments for:		
Amortization of property and equipment	**57,116**	63,283
Amortization of intangible assets	**9,154**	5,586
Loss (gain) on disposal of property and equipment	**2,478**	(398)
	1,173,388	1,147,551
Changes in non-cash operating items:		
Accounts receivable	**1,653**	21,183
Receivable from Interprovincial Lottery Corporation	**4,247**	(4,247)
Prepaid expenses	**(254)**	3,476
Inventories	**(162)**	(3,112)
Accrued pension plan asset	**(1,898)**	(10,665)
Prizes payable	**1,715**	(16,236)
Accounts payable and accrued liabilities	**9,181**	(7,811)
Payable to Interprovincial Lottery Corporation	**3,142**	–
Accrued post retirement benefit obligation	**2,592**	3,124
	1,193,604	1,133,263
FINANCING:		
Increase in short-term financing	**25,053**	59,996
Payments to Government of British Columbia	**(1,108,700)**	(1,143,425)
Payments to Government of Canada (note 14)	**(8,898)**	(8,676)
	(1,092,545)	(1,092,105)
INVESTMENTS:		
Additions to property and equipment	**(62,875)**	(71,139)
Additions to intangible assets	**(18,878)**	(14,211)
Proceeds on disposal of property and equipment	**672**	1,290
	(81,081)	(84,060)
Increase (decrease) in cash and cash equivalents	**19,978**	(42,902)
Cash and cash equivalents, beginning of year	**57,531**	100,433
Cash and cash equivalents, end of year	**$ 77,509**	$ 57,531
Cash and cash equivalents are comprised of:		
Cash (note 4)	**$ 48,539**	$ 33,538
Short-term investments (note 5)	**28,970**	29,628
Cheques issued in excess of funds on hand	**–**	(5,635)
Cash and cash equivalents, end of year	**$ 77,509**	$ 57,531

See accompanying notes to consolidated financial statements.

1. Nature of the Corporation:

The British Columbia Lottery Corporation (BCLC or the Corporation) is a Crown corporation. BCLC was incorporated under the *Company Act* of British Columbia on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino, bingo and eGaming. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. Significant accounting policies:

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Cash:

Cash includes cash balances on deposit and gaming bankrolls.

(c) Short-term investments:

Short-term investments include investments in overnight deposits with financial institutions having an original maturity date of 90 days or less. Short-term investments are highly liquid and form an integral part of the Corporation's cash management. As such, they are a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(d) Financial instruments:

The Corporation has designated or classified its financial assets and liabilities as follows:

Cash, short-term investments, and cheques issued in excess of funds on hand have been designated as held for trading and are measured at their fair values, with changes in fair value recognized in the consolidated statement of income.

Accounts receivable and receivable from Interprovincial Lottery Corporation have been classified as loans and receivables and are measured at amortized cost; and

Prizes payable, accounts payable and accrued liabilities, payable to Interprovincial Lottery Corporation, short-term financing, and amounts due to the Government of British Columbia have been classified as other financial liabilities and are measured at amortized cost.

(e) Inventories:

Inventories are recorded at the lower of cost (determined on a first-in, first-out basis) and net realizable value. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is not estimated to be recoverable.

2. Significant accounting policies (continued):

(f) Property and equipment:

The Corporation's policy on capital purchases is that any significant purchase which has a useful life that extends one year beyond the current year will be capitalized.

The Corporation's property and equipment is recorded at its cost less accumulated amortization. Amortization is taken over the estimated useful lives of the assets on a straight-line basis starting when the assets are available for use. Amortization is taken at the following annual rates:

Asset	Rate
Corporate facilities and equipment	5 to 15 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
Casino gaming systems and equipment	3 to 5 years
Community gaming systems and equipment	3 to 5 years

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(g) Intangible assets:

Costs incurred in developing or acquiring computer software products or systems that will benefit future periods through revenue generation and/or cost reduction are capitalized as intangible assets.

The cost of internally developed intangible assets is comprised of developmental costs that are directly attributable to creation, production, and preparation of the asset to be capable of operating in the manner intended by management. These costs are capitalized if they meet all of the following criteria:

- The technical feasibility of completing the software for use has been demonstrated,
- The Corporation has demonstrated its intention to use the software,
- The Corporation has demonstrated its ability to use the software,
- The usefulness of the software in generating probable future economic benefit has been demonstrated,
- There are adequate technical, financial and other resources to complete the development of the software, and
- The expenditure attributable to the software can be measured reliably during its development.

2. Significant accounting policies (continued):

(g) Intangible assets (continued):

Capitalized software is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to five years). An intangible asset that is subject to amortization is tested for impairment only when events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss for an intangible asset is not reversed upon subsequent increase of the fair value of such assets.

(h) Employee future benefits:

The Corporation has defined benefit pension plans (the registered plan and supplementary plan) covering substantially all of its employees. The benefits are based on length of service and the average of the 60 consecutive months of highest pensionable earnings. The cost of the registered plan is funded by employee and employer contributions. The supplementary plan is not funded.

The Corporation also sponsors post-retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligations based on estimates provided by independent actuaries.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method and management's best estimate of expected plan investment performance, salary escalation, membership data and expected health care costs.
- The expected return on plan assets is calculated based on the fair value of plan assets.
- Past service costs from plan amendments or initiations are amortized on a straight-line basis over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10 per cent of the greater of the accrued benefit obligation and the market-related value of plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plans. The EARSL for the registered plan and the supplementary plan are 13 years and seven years respectively.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*.
- If the plan has a solvency deficiency determined on or after January 1, 1998, equal payments must be made at least quarterly in an amount that is sufficient to amortize the solvency deficiency. These payments must be made over a period not exceeding five years from the review date that established the solvency deficiency. This is required per the *Pension Benefits Standards Act* under Section 35(3c) of the Pension Benefits Standards Regulations.
- There were no changes in plan provisions, actuarial cost methods or the asset valuation method since the last disclosure as of March 31, 2010.

2. Significant accounting policies (continued):

(i) Revenue recognition:

Lottery:

The recognition of sales and the corresponding direct expenses for electronically generated lottery tickets sold through retail terminals and online through PlayNow.com is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue, and the associated direct costs are recorded as prepaid expenses.

The recognition of lottery sales and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

Revenue from eCasino and ePoker is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Revenue from other lottery products (including eGaming) is recorded in the consolidated statement of income in the same period the games are played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

Casino:

Revenue from casino slot machines and table games is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

Community Gaming:

Revenue from the operation of paper, electronic, and linked bingo and the associated selling costs and prize expenses are included in the consolidated statement of income in the same period the games are played. Revenue from community gaming slot machines is recorded in the consolidated statement of income, net of prizes paid, in the same period the games are played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

(j) Prize expenses:

Lottery prize expenses are recorded based on the actual prize liability experienced for each game, with the exception of instant ticket games which are recorded at theoretical prize liabilities for each game.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the nature of games of chance. Over the life of a game, the actual prize expense will equal the theoretical expense.

Expired prizes are recorded as reductions in prize expense in the year of expiry.

2. Significant accounting policies (continued):

(k) Commissions:

Commissions paid to lottery retailers are based on revenue earned. BCLC recognizes these commissions as revenue is earned.

Commissions paid to casino, community gaming and bingo service providers are based on net win earned. BCLC recognizes these commissions as net win is earned.

BCLC employs a commission structure that enables casino, community gaming and bingo service providers to earn additional commission (facility development commission (FDC) and accelerated facility development commission (AFDC)), up to contractually determined limits, based on net win generated for properties where facility enhancements have been undertaken by the service providers.

The FDC and AFDC are recognized as a commission expense to BCLC as net win is earned.

(l) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(m) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Significant areas subject to such estimates and assumptions include employee future benefits and estimated useful lives and recoverability of property and equipment. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in income in the year they become known.

(n) Sector activity reporting:

The Corporation's reportable sectors are strategic business units that represent distinct distribution channels that offer similar products and services. These sectors are lottery, casino, community gaming, and horse racing. The sector activity is illustrated in note 19. The accounting policies of the sectors do not differ from the accounting policies of the Corporation.

3. Changes in accounting policy:

(a) Future accounting changes:

(i) International Financial Reporting Standards (IFRS):

The *Budget Transparency and Accountability Act* specifies that the Government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior government are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

BCLC is adopting IFRS effective April 1, 2011. The Corporation will implement the required accounting policy changes under IFRS and the Corporation's financial statements for the year ended March 31, 2012, with comparative financial results for 2011, will be prepared in accordance with IFRS.

The Corporation has completed a project to identify and evaluate the implications and impacts of IFRS. BCLC will continue to accumulate and assess IFRS information in order to be prepared to comply with the directions of Treasury Board for the Corporation's year ended March 31, 2012.

4. Cash:

		2011		2010
Casino and community gaming cash floats	**$**	**41,120**	$	24,104
Funds held for security deposits		**3,353**		7,958
Funds held for eGaming wallets		**2,262**		1,476
Unrestricted operating cash		**1,804**		–
	$	**48,539**	$	33,538

Casino and community gaming cash floats are owned by the Corporation and provided by the Corporation to its service providers for gaming bankrolls (as specified under the operating service agreements). These floats are maintained at the gambling locations and are not available for other purposes. These amounts are secured by Irrevocable Standby Letters of Credit.

Funds held for security deposits include security deposit amounts provided by lottery retailers to BCLC. These funds are deposited into a separate bank account and returned to retailers, including any interest earned, in accordance with the retailer agreements. The balance at March 31, 2010 also included a standing security deposit of $4,750 to secure amounts for casino net win balances owing to BCLC that were not covered by Irrevocable Standby Letters of Credit. All security deposit amounts are internally restricted by BCLC exclusively for funding the security deposit liability.

A corresponding security deposit liability in the amount of $3,353 (2010: $7,958) is included in accounts payable and accrued liabilities.

4. Cash (continued):

Funds held for eGaming wallets represent funds provided to BCLC by eGaming players through player wallets on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by BCLC exclusively for funding the eGaming wallet liability.

A corresponding eGaming wallet liability in the amount of $2,262 (2010: $1,476) is included in accounts payable and accrued liabilities.

5. Short-term investments:

		2011		2010
BC Investment Management Corporation:				
Canadian Money Market Fund (overnight deposit)	**$**	**28,854**	$	29,507
US Dollar Money Market Fund (overnight deposit)		**116**		121
	$	**28,970**	$	29,628

6. Accounts receivable:

		2011		2010
Trade accounts receivable:				
Lottery retailers	**$**	**16,819**	$	18,552
Casino service providers		**4,310**		3,726
Community gaming and bingo service providers		**2,062**		1,582
		23,191		23,860
Other		**1,015**		1,999
Total accounts receivable	**$**	**24,206**	$	25,859

7. Inventories:

The major components of inventories are as follows:

		2011		2010
Slot machine spare parts	**$**	**5,848**	$	5,269
Instant tickets		**1,888**		2,366
Bingo paper and online supplies		**1,123**		1,058
Other merchandise and prizes		**682**		686
	$	**9,541**	$	9,379

For the year ended March 31, 2011, inventories recognized as an expense amounted to $17,653 (2010: $24,600).

For the year ended March 31, 2011, the write-down of inventories to net realizable value amounted to $722 (2010: $1,335) and was recorded in ticket printing expense.

8. Employee future benefits:

The Corporation has a defined benefit pension plan and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2011	2010	**2011**	2010
Accrued benefit obligation:				
Balance at beginning of year	**$ 93,566**	$ 58,197	**$ 33,227**	$ 29,828
Current service cost	**4,931**	1,645	**1,421**	1,439
Interest cost	**5,995**	5,006	**2,180**	2,691
Employee contributions	**2,452**	2,213	**–**	–
Benefits paid	**(2,794)**	(2,657)	**(602)**	(600)
Actuarial loss (gain)	**17,282**	29,162	**2,455**	(131)
Balance at end of year	**121,432**	93,566	**38,681**	33,227
Plan assets:				
Fair value at beginning of year	**105,467**	76,344	**–**	–
Actual return on plan assets	**11,780**	17,760	**–**	–
Employer contributions	**6,093**	11,807	**602**	600
Employee contributions	**2,452**	2,213	**–**	–
Benefits paid	**(2,794)**	(2,657)	**(602)**	(600)
Balance at end of year	**122,998**	105,467	**–**	–
Funded status – excess (deficiency)	**1,566**	11,901	**(38,681)**	(33,227)
Unamortized (negative) past service cost	**439**	580	**(3,669)**	(4,076)
Unamortized net actuarial loss (gain)	**32,297**	19,923	**1,346**	(1,109)
Accrued employee future benefit plan asset (obligation)	**$ 34,302**	$ 32,404	**$ (41,004)**	$ (38,412)

8. Employee future benefits (continued):

Plan assets by asset category:

	2011	2010
Equity securities	**61%**	61%
Debt securities	**39%**	39%
	100%	100%

An actuarial valuation is required at minimum every three years to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made at December 31, 2007 by Mercer, a firm of consulting actuaries. The next required actuarial valuation will be made as of December 31, 2010 with results expected to be available in mid 2011. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations for accounting purposes are as follows:

	Pension Plans		Post Retirement Benefit Plans	
	March 31, 2011	March 31, 2010	**March 31, 2011**	March 31, 2010
AT BEGINNING OF FISCAL PERIOD:				
Discount rate	**6.25%**	8.60%	**6.35%**	8.70%
Expected rate of return on plan assets	**7.00%**	7.00%	**–**	–
Rate of compensation increase	**3.00%**	4.75%	**–**	–
Health care cost trend rate:				
2010/2011	**–**	–	**6.84%**	6.44%
Ultimate	**–**	–	**4.50%**	4.35%
Year ultimate reached	**–**	–	**2029**	2029
AT END OF FISCAL PERIOD:				
Discount rate	**5.91%**	6.25%	**5.98%**	6.35%
Rate of compensation increase*	**2.80%**	4.27%	**–**	–
Health care cost trend rate:				
2010/2011	**–**	–	**6.64%**	6.84%
Ultimate	**–**	–	**4.50%**	4.50%
Year ultimate reached	**–**	–	**2029**	2029

* A long-term estimate of a 3.50% rate of compensation increase has also been factored into the actuarial assumptions adopted.

8. Employee future benefits (continued):

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2011	2010	**2011**	2010
Current service cost, net of employees' contributions (including provision for plan expenses)	**$ 4,931**	$ 1,645	**$ 1,421**	$ 1,439
Interest cost	**5,995**	5,006	**2,180**	2,691
Actual return on plan assets	**(11,780)**	(17,760)	**–**	–
Actuarial loss (gain) on accrued benefit obligation	**17,282**	29,162	**2,455**	(131)
Costs arising in the year	**16,428**	18,053	**6,056**	3,999
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	**4,194**	12,136	**–**	–
Actuarial loss (gain)	**(16,568)**	(29,187)	**(2,455)**	131
Plan amendment	**141**	141	**–**	–
(Negative) past service cost	**–**	–	**(407)**	(407)
Net benefit cost recognized	**$ 4,195**	$ 1,143	**$ 3,194**	$ 3,723

9. Property and equipment:

	Cost	Accumulated Amortization	**2011 Net**	2010 Net
Land	$ 700	$ –	**$ 700**	$ 700
Corporate facilities and equipment	49,471	31,377	**18,094**	6,839
Corporate information systems	26,650	16,836	**9,814**	6,900
Lottery gaming systems and equipment	114,120	89,722	**24,398**	34,492
Casino gaming systems and equipment	228,387	151,409	**76,978**	74,420
Community gaming systems and equipment	69,601	54,770	**14,831**	18,847
	$ 488,929	$344,114	**$ 144,815**	$ 142,198

10. Intangible assets:

	Cost	Accumulated Amortization	**2011 Net**	2010 Net
Software	$ 67,123	$ 36,032	**$ 31,091**	$ 21,375

11. Short-term financing:

	2011	2010
Province of British Columbia, loan, payable in a single instalment including interest of $63 at 0.87%, unsecured, due April 18, 2011	**$ 45,081**	$ –
Province of British Columbia, loan, payable in a single instalment including interest of $16 at 0.87%, unsecured, due April 27, 2011	**19,987**	–
Province of British Columbia, loan, payable in a single instalment including interest of $22 at 0.90%, unsecured, due May 09, 2011	**19,981**	–
Province of British Columbia, loan, repaid during the year	–	59,996
	$ 85,049	$ 59,996

12. Revenue:

	2011	2010
LOTTERY:		
LOTTO MAX	**$ 248,608**	$ 73,330
Keno	**229,741**	209,075
Scratch & Win	**165,652**	148,684
Lotto 6/49	**155,929**	210,848
Extra	**54,160**	50,188
Sports Action	**48,847**	49,843
BC/49	**42,041**	47,108
Pacific Hold'Em Poker	**41,879**	47,521
Pull Tab	**36,210**	46,510
eGaming	**17,944**	4,057
Special Event	**10,528**	2,879
SportsFunder	**6,168**	11,520
Millionaire Life	**4,051**	–
Interactives	**508**	1,491
Knockout 21	**113**	772
Lotto Super 7	**–**	34,094
	1,062,379	937,920
CASINO–revenue net of prizes paid:		
Slot machines	**959,717**	954,600
Table games	**357,087**	343,885
Poker	**22,468**	23,140
	1,339,272	1,321,625
COMMUNITY GAMING:		
Slot machines–revenue net of prizes paid	**166,885**	143,959
Electronic bingo	**61,935**	62,662
Paper bingo	**42,254**	44,371
Linked bingo	**5,953**	6,819
Handheld bingo	**9**	–
	277,036	257,811
Total revenue	**$ 2,678,687**	$ 2,517,356

13. Net horse racing betting fees:

Pursuant to section 16 of the *Gaming Control Act* (B.C.) (the Act), BCLC was responsible for the collection and distribution of horse racing fees in the province of British Columbia. The rates of fee collection and the responsibility for their distribution were set forth in the Act. Effective December 2010, the responsibility for collection and distribution of horse racing fees in the province of British Columbia has been moved from BCLC to the Gaming Policy Enforcement Branch (GPEB).

The amount shown as net horse racing betting fees in these financial statements is the portion of those fees collected by BCLC and then remitted to Government, and approximates the cost of regulating the industry as determined by GPEB.

		2011		2010
Revenue collected from the horse racing industry	**$**	**3,849**	$	5,754
Less: revenue returned to the horse racing industry		**(2,597)**		(3,876)
Net horse racing betting fees	**$**	**1,252**	$	1,878

14. Payments to the Government of Canada:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

15. Interprovincial Lottery Corporation expenses and interest revenue:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized as a direct expense in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses.

16. Commitments:

The Corporation is committed to payments under operating leases for premises and vehicles.

Minimum annual rental payments for the next five years and thereafter are approximately as follows:

2012	$ 6,079
2013	5,608
2014	5,264
2015	4,898
2016	4,205
Thereafter	40,962

17. Contingencies:

The Corporation has been named as a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and accordingly no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

18. Related party transactions:

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

19. Sector activity information:

Year ended March 31, 2011	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	$ 1,062,379	$ 1,339,272	$ 277,036	–	$ 2,678,687
Prizes	581,484	–	70,812	–	652,296
Net win	480,895	1,339,272	206,224	–	2,026,391
Direct expenses:					
Commissions	61,731	452,213	75,784	–	589,728
Ticket printing and bingo paper	12,192	–	1,155	–	13,347
Equipment supplies, leases and licenses	3,271	11,639	1,880	–	16,790
	77,194	463,852	78,819	–	619,865
Net win less direct expenses	403,701	875,420	127,405	–	1,406,526
Operating expenses:					
Administrative expenses	74,100	62,109	14,829	–	151,038
Amortization	18,298	38,764	9,208	–	66,270
Other expenses	2,505	2,427	588	–	5,520
	94,903	103,300	24,625	–	222,828
Income from operations	308,798	772,120	102,780	–	1,183,698
Non-operating income (expenses):					
Net horse racing betting fees	–	–	–	1,252	1,252
Harmonized Sales Tax expense	(20,993)	(47,766)	(11,551)	–	(80,310)
	(20,993)	(47,766)	(11,551)	1,252	(79,058)
Net income	$ 287,805	$ 724,354	$ 91,229	$ 1,252	$ 1,104,640

19. Sector activity information (continued):

Year ended March 31, 2010	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	$ 937,920	$ 1,321,625	$ 257,811	$ –	$ 2,517,356
Prizes	505,329	–	72,282	–	577,611
Net win	432,591	1,321,625	185,529	–	1,939,745
Direct expenses:					
Commissions	54,992	446,263	68,599	–	569,854
Ticket printing and bingo paper	14,199	–	1,254	–	15,453
Equipment supplies, leases and licenses	2,049	15,204	4,173	–	21,426
	71,240	461,467	74,026	–	606,733
Net win less direct expenses	361,351	860,158	111,503	–	1,333,012
Operating expenses:					
Administrative expenses	70,517	65,201	13,541	–	149,259
Amortization	19,013	38,427	11,429	–	68,869
Other expenses	(3,535)	2,637	930	–	32
	85,995	106,265	25,900	–	218,160
Income from operations	275,356	753,893	85,603	–	1,114,852
Non-operating income (expenses):					
Net horse racing betting fees	–	–	–	1,878	1,878
Goods and Services Tax expense	(10,488)	(22,612)	(4,550)	–	(37,650)
	(10,488)	(22,612)	(4,550)	1,878	(35,772)
Net income	$ 264,868	$ 731,281	$ 81,053	$ 1,878	$ 1,079,080

20. Harmonized Sales Tax (HST):

As a prescribed HST registrant, BCLC makes HST remittances to the Government of Canada pursuant to the *Games of Chance Regulations* of the *Excise Tax Act* (the Regulations). The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations resulting in the direct payment of additional HST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to any other HST registrant.

Prior to July 2010, BCLC was a prescribed Goods and Services Tax (GST) registrant making remittances to the Government of Canada pursuant to the *Games of Chance Regulations* of the *Excise Tax Act* (the Regulations).

21. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, currency risk, interest rate risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

General

The Board of Directors (the Board) is responsible for the oversight of management including its policies related to financial and risk management issues. The Board has assigned responsibility to the Audit Committee to consider and report back on an ongoing basis the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

The Audit Committee also oversees and reports back to the Board on the review of the Corporation's information systems, risk management function and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

BCLC has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems, and to adopt risk treatment plans when appropriate. An Enterprise Risk Management Advisory Committee (ERMAC), with representation from Risk Management, Audit Services, and senior management from all divisions, ensures that risk management is implemented across the Corporation, considers and recommends risk management strategies, plans, processes and policies to the Corporation, and provides advice to the Executive Committee (CEO and Vice-Presidents) on risk management at BCLC. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive and Audit Committees.

BCLC also has a division focused on corporate security and compliance, and has a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control and compliance.

Credit risk

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables and investment securities.

Trade receivables

The major third parties transacting with the Corporation, which include lottery retailers, casino service providers, community gaming service providers and bingo service providers, require registration with GPEB before doing business with BCLC. The Corporation is not materially exposed to any one individual lottery retailer or service provider except as noted below.

21. Financial risk management (continued):

Credit risk (continued)

Trade receivables (continued)

The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments are completed for all new retailers (with the exception of registered charities) and may be completed for retailers who have experienced insufficient fund occurrences or where there is a concern a retailer might be experiencing financial difficulties.

Retailer security is obtained from retailers who are considered high financial risk or from retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits or personal guarantees.

Casino and community gaming cash floats owned by the Corporation and provided by the Corporation to casino and community gaming service providers are secured by Irrevocable Standby Letters of Credit. These letters of credit also cover an estimated amount for the net win less commissions that would be outstanding from each service provider at any point in time. While the Corporation is materially exposed to two different casino service providers, the letters of credit held mitigate the material risk of default for trade receivables and cash floats owned by the Corporation. Bingo cash floats provided by the Corporation to bingo service providers (commercial bingo halls) are unsecured.

The Corporation's eGaming sales are through credit card, debit card, or online bill payment purchases where customers pay in advance of transactions.

The Corporation's two largest service providers account for $3,549 of the accounts receivable carrying amount at March 31, 2011 (2010: $1,282).

The maximum exposure to credit risk for trade accounts receivable at the reporting date by type of debtor represents the carrying amounts, as detailed in note 6, less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

		2011		2010
Lottery retailers	**$**	**13,059**	$	14,652
Casino service providers		**–**		–
Community gaming service providers		**–**		–
Other		**1,015**		6,246
	$	**14,074**	$	20,898

All accounts receivable are within credit terms.

21. Financial risk management (continued):

Credit risk (continued)

Investments

The Corporation limits its exposure to investment credit risk by investing only in short-term debt securities with high credit ratings (as noted below) and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meets its obligations.

The Corporation has a formal policy and guidelines in place for short-term investments that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

Specifically, the Corporation may invest in the following short-term investments:

- Fixed income securities issued, insured, or guaranteed by the Government of Canada, a provincial or municipal government, or the Government of the United States;
- Short-term financial and corporate commercial paper rated R-1 by the Dominion Bond Rating Service (DBRS) or an equivalent rating agency;
- Short-term paper issued by savings institutions;
- Fixed income securities from corporate issuers with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency; and
- Canadian dollar denominated fixed income securities issued, insured or guaranteed by a non-Canadian sovereign government or a supranational entity (e.g., the World Bank), with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency.

An asset mix has been established that outlines various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

Supplier concentration

The Corporation has significant business arrangements with two casino service providers which account for the majority of its casino business. The Corporation also has arrangements with other casino service providers, community gaming service providers, and a large number of lottery retailers.

The Corporation has a number of strategic relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a number of other business relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gambling industry.

21. Financial risk management (continued):

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Province under its Fiscal Agency Loan (FAL) program. Under this arrangement BCLC may borrow up to $150 million. In making a loan to the Corporation, the Province uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at commercial rates; however, the interest rate of any loan will be determined at the sole discretion of the Province. The short-term financing is unsecured and there are no pre-established repayment terms.

The Corporation also has a $10 million overdraft facility that is unsecured. Interest is payable at the bank's commercial prime lending rate (2010: prime rate plus 0.5%).

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money, and money from normal operations held in advance of its transfer to the Government of British Columbia. As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity.

The carrying values of financial liabilities approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand. At the reporting date, these values are as follows:

	Carrying amount	
	2011	2010
Cheques issued in excess of funds on hand	**$ –**	$ 5,635
Prizes payable	**27,198**	25,483
Accounts payable and accrued liabilities	**53,276**	44,095
Payable to Interprovincial Lottery Corporation	**3,142**	–
Short-term financing	**85,049**	59,996
Due to Government of British Columbia	**115,757**	128,715
	$ 284,422	$ 263,924

The contractual maturities of financial liabilities are as follows:

March 31, 2011:	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Prizes payable	$ 27,198	$ (27,198)	$ (23,118)	$ (4,080)
Accounts payable and accrued liabilities	53,276	(53,276)	(53,276)	–
Payable to Interprovincial Lottery Corporation	3,142	(3,142)	(3,142)	–
Short-term financing	85,049	(85,049)	(85,049)	–
Due to Government of British Columbia	115,757	(115,757)	(115,757)	–
	$ 284,422	$ (284,422)	$ (280,342)	$ (4,080)

21. Financial risk management (continued):

Liquidity risk (continued)

The contractual maturities of financial liabilities were as follows:

March 31, 2010:	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Cheques issued in excess of funds on hand	$ 5,635	$ (5,635)	$ (5,635)	$ –
Prizes payable	25,483	(25,483)	(19,112)	(6,371)
Accounts payable and accrued liabilities	44,095	(44,095)	(44,095)	–
Short-term financing	59,996	(59,996)	(59,996)	–
Due to Government of British Columbia	128,715	(128,715)	(128,715)	–
	$ 263,924	$ (263,924)	$ (257,553)	$ (6,371)

Prizes payable are recorded based on the actual prize liability experienced for each online game and theoretical prize liabilities for instant ticket games. The present value of discounted future contractual and estimated contractual cash flows is presented above.

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of a financial instrument. Market risk is comprised of currency risk, interest rate risk and other market price risk.

Currency risk

The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily U.S. dollars (USD)) and by holding bank accounts and investments in USD.

The Corporation limits its exposure by holding minimal USD investments and only maintaining required funds in USD bank accounts. Gains and losses due to foreign exchange rate fluctuations are also minimized by settling USD obligations as quickly as possible.

The Corporation's exposure to currency risk, based on notional amounts, is as follows:

	March 31, 2011		March 31, 2010	
	CAD	**USD***	CAD	USD*
Short-term investments	**$ 28,854**	**$ 116**	$ 29,507	$ 121
Cash held (including funds held in trust)	**53,151**	**376**	31,076	545
Accounts payable and accrued liabilities	**(52,191)**	**(1,085)**	(43,655)	(440)
Net exposure	**$ 29,814**	**$ (593)**	$ 16,928	$ 226

* Note: All USD balances are shown in Canadian dollar (CAD) equivalents.

21. Financial risk management (continued):

Market risk (continued)

Currency risk (continued)

Sensitivity analysis:

A one per cent increase in the CAD against the USD will decrease net income (with a foreign exchange loss) for any positive net exposure (for USD held). A one per cent increase in the CAD against the USD will increase net income (with a foreign exchange gain) for any negative net exposure (for USD owed). As at March 31, 2011, net income would have increased by $6 CAD (2010: decreased by $2 CAD). A one per cent decrease in the CAD would have had the equal, but opposite effect. This analysis assumes that all other variables, including interest rates, remain constant.

Interest rate risk

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Province. Each time a loan is requested from the Province under this agreement, the terms are set by the Province. These terms are determined based on market conditions available at the time.

The Corporation mitigates this risk by borrowing from the Province for the minimum time necessary.

The Corporation is also exposed to interest rate risk through the Corporation's line of credit which is subject to interest charged at the bank's commercial prime lending rate (2010: prime rate plus 0.5%).

The Corporation mitigates this risk by minimizing the use of the overdraft facility.

The Corporation's interest-bearing assets are typically invested for a short period due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

		2011		2010
Short-term investments (fixed rate instruments)	$	28,970	$	29,628
Short-term financing (fixed rate instruments)		(85,049)		(59,996)

21. Financial risk management (continued):

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis:

The Corporation has designated its fixed-rate short-term investments as "held for trading". Therefore, changes in their fair values (due to changes in interest rates) are reported through net income. A one per cent change in interest rates at the reporting date would have increased (decreased) net income by the amounts shown below. This analysis assumes that all other variables, including foreign currency rates, remain constant.

	Net income March 31, 2011		Net income March 31, 2010	
	1% increase	**1% decrease**	1% increase	1% decrease
Short-term investments	**$ (289)**	**$ 289**	$ (296)	$ 296

The Corporation accounts for its short-term financing at amortized cost and therefore a change in the interest rate at the reporting date would not affect net income.

Other market price risk

The Corporation offers the Sports Action brand of lottery products in the marketplace. The Corporation manages risks associated with these products by setting odds for each event within a short time frame before the actual event, by establishing sales liability thresholds by sport, by providing credit management controls, by posting conditions and prize structure statements on www.bclc.com, and by limiting the aggregate amount of prizes that may be won on any given day for all Sports Action products. The Sports Action group also has the authority to suppress sales of any game at any time when liability risk is a concern.

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are equal to their fair values as shown at the reporting date:

	Carrying amount **2011**	2010
FINANCIAL ASSETS		
Held for trading	**$ 77,509**	$ 57,531
Loans and receivables	**24,206**	30,106
FINANCIAL LIABILITIES		
Other financial liabilities	**284,422**	258,289

21. Financial risk management (continued):

Categories of financial instruments (continued)

Basis for determining fair value

Investments in debt securities:

The fair value of these financial assets designated as “held for trading” is determined by reference to their quoted bid price at the reporting date.

Cash and cash floats:

The fair value of these financial assets designated as “held for trading” is based on face value of the cash.

Trade and other receivables:

These financial assets are designated as loans and receivables. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items, or because they are receivable on demand.

Non-derivative financial liabilities:

These financial liabilities are designated as other financial liabilities. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand.

Fair value hierarchy

The following table summarizes the financial instruments measured at fair value on a recurring basis in the consolidated balance sheet as at March 31, 2011, classified using the following fair value hierarchy:

(i) Level 1 – Inputs are unadjusted quoted prices of identical instruments in active markets.

(ii) Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly.

(iii) Level 3 – Inputs used in a valuation technique that are not based on observable market data in determining fair values of the instruments.

Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

	Level 1
FINANCIAL ASSETS	
Cash	$ 48,539
Short-term investments	28,970

22. Capital management:

The Corporation does not retain any earnings. BCLC's monthly net income, after deducting contractual amounts due to the Government of Canada, is paid to the Province of British Columbia four weeks after each fiscal month-end.

The Corporation's policy is to maintain a structure which allows the Corporation to have sufficient liquidity to meet both operational demands and payments to the Province.

Through a Fiscal Agency Loan agreement with the provincial government, BCLC has access to a $150 million short-term operating loan which is used to fund ongoing operations and capital purchases.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money, and money from ongoing operations held in advance of its transfer to the provincial government. As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity.

The Corporation has a formal policy and guidelines in place for short-term investments that provides direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

Due to the Corporation's low risk tolerance, short-term horizon, and liquidity objectives, a policy has been established that outlines an asset mix and various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

The Board of Directors is responsible for the oversight of management including its policies related to financial and risk management issues.

There were no changes in the Corporation's approach to capital management during the year.

23. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

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BCLC's Service Plan is available at bclc.com

Use your GameSense
www.gamesense.ca

bclc
playing it right

APPENDIX Y

BRITISH COLUMBIA
The Best Place on Earth

Appendix Z – 2011/12:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2011-2012,* (Kamloops: British Columbia Lottery Corporation, 2012).

2011/2012 BCLC ANNUAL
SERVICE PLAN REPORT

our story

bclc
playing it right

APPENDIX Z

BCLC is proud to be part of almost every sphere of life in B.C. From fun, entertainment and great prizes, to rewarding jobs and community funding, the benefits of our business come full circle.

APPENDIX Z

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APPENDIX Z

Honourable Rich Coleman
Minister of Energy and Mines and Minister responsible for BCLC

Statement of Accountability

On behalf of the Board of Directors and our employees, I'm pleased to present BCLC's 2011/12 Annual Service Plan Report to the Honourable Rich Coleman, Minister of Energy and Mines and Minister responsible for BCLC.

The report was prepared under the Board's direction as per the *Budget Transparency and Accountability Act* and in accordance with B.C. Reporting Principles. It reflects BCLC's performance against the goals laid out in our 2011/12–2013/14 Service Plan.

The Board is responsible for all content and reporting methods, as well as for the internal controls that ensure information is consistent with the mandate and goals of the organization, is measured and reported accurately and in a timely manner, and aligns with Government's priorities.

Significant decisions and changes to BCLC's strategies, measures, targets or data reliability are identified in the report. All significant assumptions, events and identified risks have been considered in the preparation of the report. Estimates and interpreted information represent the best judgement of management.

Respectfully,

John McLernon
Chair, Board of Directors

message from the Chair and President & CEO

With a rebounding economy, a clear focus on cost management and innovative product and technological development, 2011/12 was a year of measured growth for BCLC. We made strategic changes in the way we work and the way we run our business to improve our effectiveness and ultimately, to deliver more entertainment value for our customers.

Overall, BCLC achieved a record net income of $1,107.4 million, exceeding our target for the year by $2.4 million and exceeding last year's net income by $1.7 million. We had a particularly strong fourth quarter at B.C. casinos and community gaming centres, bolstered by Chinese New Year. Casino and community gaming revenues fell short of target by $41 million, but exceeded last year's net income by $12.1 million. Lottery reached its target with net income of $254.2 million and eGaming saw net income of $24.8 million, a growth of almost twofold over last year, despite slow growth in ePoker, which was behind budget.

We exceeded most of our performance targets for building public trust and support for BCLC gambling, with the exception of our target for greenhouse gas emissions. In the first half of the year, we relocated our Lower Mainland office from Richmond to Vancouver and were responsible for utilities at both sites, so we expect utilities-related to emissions to drop next year—our first full year in a LEED-pending facility.

Net win per capita grew over last year as we continued to benefit from a rebounding economy, but was also slightly short of target. And while we did not meet our target of 83 per cent for employee engagement, it remains high with 81 per cent of staff feeling engaged in their work and our business, contributing to many of the accomplishments we achieved this year. Our success reflects the fact that gambling continues to be a popular entertainment choice for many British Columbians. Casinos are ranked as the fifth most popular form of entertainment among adults —ahead of live concerts, sporting events and shopping— and more than 80 per cent of adult British Columbians played at least one of our games in the past year.

To stay relevant, we've had to think differently about how we interact with our customers to keep up with their ever-changing preferences and evolving technology. The launch of "xchange", an online customer panel, allows us to solicit customer feedback faster and more easily than ever, and embeds players' viewpoints into everything we do, from game and product development to responsible gambling initiatives.

Enterprise-wide collaboration also played an important role in our success this year as we worked to leverage the assets of our business to drive activity across channels and impact our bottom line. PlayNow.com embarked on an exciting partnership with Canucks goaltender and avid poker player Roberto Luongo. The Roberto Luongo Charity Classic Poker Tournament leveraged land-based casinos to differentiate the eGaming space through a star-studded event that appealed to hockey and poker fans alike and helped close the gap between our facilities and online poker play. These initiatives are bringing to life our efforts to listen and respond to customers, and to deliver fun, exciting entertainment options.

This year, BCLC broke new ground in key areas, which show great promise for the future. We're excited about our partnership with Manitoba Lotteries to provide legal, regulated online gambling services to Manitobans through the PlayNow.com platform. This venture speaks to the strength and depth of our eGaming and Information Technology teams, as well as to our responsible gambling program. Manitoba will be the first jurisdiction to adopt GameSense for its online customers. This partnership also marks the beginning of a new line of business that shows incredible potential, and we will look to partner with other jurisdictions in Canada and beyond to leverage economies-of-scale and provide a world class entertainment option that is safe and secure.

With an eye toward the future, this year we began an objective, comprehensive assessment of our business and operating models with a view of enhancing our performance and creating additional value for our shareholder, the Province of British Columbia. Once complete, the review will serve as the roadmap for BCLC's future success, ensuring financial stability.

And, while we saw good performance across all our lines of business, we would not have met our budget targets without a commitment to cost management. With our increasing reliance on technology, it costs more today to earn a dollar of revenue than ever before, requiring a disciplined approach to managing costs. This year, we reduced our advertising and marketing budget by more than 10 per cent, enhanced our procurement process to

save approximately $10 million annually, and revisited our staffing models, resulting in a renewed focus on our core business. These measures, combined with the comprehensive assessment of our business and our continued efforts to develop new games and delivery mechanisms based on customer feedback will help us address the challenge of maintaining long term profitability.

Ensuring our business is sustainable also means we must continue to strike a balance between a healthy bottom line and encouraging our players to make responsible gambling choices. To keep responsible gambling top of mind, we must continually find new and innovative ways to engage our players. To this end, we piloted Responsible Gambling Awareness Week in Vernon, working closely with community partners to bring facts and information to citizens and engage in dialogue about what it means to enjoy our products responsibly. This initiative will take place in Vernon again next year with the intent to expand to other communities in B.C. in the future.

We also launched GameSense for Parents, an award-winning campaign informing families about the risks associated with underage gambling, as well as a blog to talk about responsible gambling with audiences not as easily reached through traditional channels.

After five years of research completed by the B.C. Centre for Social Responsibility, we were able to share the results of Canada's first independent study of the Voluntary Self-Exclusion (VSE) program from the perspective of its participants. The study found VSE enrollees rated the program highly as one of the key resources that helped them gain control of and manage their gambling responsibly, and has provided valuable insight that will guide the program in the future.

As part of our continuous improvement approach to security and compliance, we further strengthened the safeguards to protect against money laundering. An independent review of our anti-money laundering practices found we have a robust system in place, and we are making good progress to implement the report's recommendations. This includes introducing new options for customers to reduce the reliance on cash in casinos. We also enhanced our measures to detect minors through increased ID checks, age verification training for staff, and the use of scanners to authenticate ID.

These initiatives are examples of our firm commitment to social responsibility and to building public understanding and trust.

We're very encouraged by the successes of the past year and once again it is a credit to the people who make up BCLC. Our story includes thousands of people who make BCLC part of their lives each day—our dedicated staff, our retailers, our casino and community gaming centre service providers and their staff and players. Each one of these people makes us who we are, and together we contribute to B.C.'s economy, communities and everyday quality of life.

JOHN MCLERNON
Chair, Board of Directors

MICHAEL GRAYDON
President & CEO

“Who knew you could make lifelong friends selling Set for Life Scratch & Wins?”

During 15 years serving 1,600 daily customers aged 19 to 90, Rose has helped make dreams come true for winners of $533,000, $125,000 and $30,000. “But even if it’s $20, they’re really excited. I love that.” Rose can explain every game in detail from her BCLC training and keeps the fun responsible with verve endearing to longtime patrons. “Former clientele from Lougheed Mall still visit me here. One lady buys the $5 bingo, gets a coffee and enjoys her game for 20 minutes. It’s good entertainment value. And even though you can buy online, people like to come see me in person. It’s a social exchange as well as a chance at the dream.”

ROSE HIGUCHI **Lottery Retailer, Brentwood Mall**

who we are

our purpose

We are a Crown corporation governed by B.C.'s *Gaming Control Act*. Our mission is to conduct and manage gambling in a socially responsible way for the benefit of British Columbians through:

- National and provincial lotteries
- Casino gambling
- Commercial bingo
- Online gambling

our promise

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 the impact on and for the people and communities of British Columbia

RESPECT—We value and respect our players, service providers and each other

regulated and regional

Currently, the Minister of Energy and Mines is the Minister responsible for BCLC and the Gaming Policy and Enforcement Branch (GPEB). GPEB is responsible for the overall integrity of gaming and horse racing. GPEB also certifies gambling service providers, suppliers of equipment, and conducts audits and compliance checks.

BCLC headquarters in Kamloops oversee finance, administration and information technology. Our Vancouver office manages sales, marketing and distribution, while field staff across the province support operations.

rewarding jobs

Most BCLC products are sold by private-sector service contractors through more than 4,000 lottery outlets, 17 casinos, 17 community gaming centres and 10 bingo centres. Secure, regulated online gambling is offered on PlayNow.com. We employ about 850 corporate staff with more than 37,000 direct and indirect workers employed in B.C. in gambling operations, government agencies, charities and support services.*

real benefits

BCLC works for citizens and communities every day. After paying operating costs, prizes and partner commissions, we remit a portion of net income to the Government of Canada and the remainder to the Government of B.C. for health care, education, charitable and municipal programs. More than 5,000 community and charitable organizations receive annual community gaming grants awarded by the Province for arts and culture, sport, public safety, environment and human and social services.

See www.pssg.gov.bc.ca/gaming/grants/community-gaming

reaching out

We've built a solid social media following around B.C. with a range of interactive community pages on Facebook, LinkedIn, Twitter, YouTube and Flickr. Our responsible gambling blog at blogs.bclc.com is also a popular forum for conversations, information and resources.

* 2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report—HLT Advisory Inc. (October 2011).

all-around impact

Over 27 years, BCLC has generated more than $14.6 billion in net income to fund provincial, municipal and charitable programs in B.C.

BCLC generated net income of **$1,107.4 million** in fiscal 2011/12, which was distributed by the Province as follows:

- **$5.6 million** bolstered B.C.'s responsible gambling initiatives, research, prevention and Gaming Policy and Enforcement Branch's (GPEB) Problem Gambling Program
- **$6.1 million** was divided among standard and thoroughbred sectors of the horse racing industry
- The Government of Canada was allocated **$9.2 million** through a long standing agreement between the provinces and the federal government
- New Westminster, Penticton and Cranbrook received local economic funding through Development Assistance Compensation of **$11.6 million** to encourage economic development within those communities
- GPEB received **$13.2 million** for regulatory oversight of BCLC, gaming service providers, related workers, B.C.'s horse racing industry, lottery retailers and licensed, charitable gaming events
- **$83.1 million** was shared among 30 Host Local Governments, which receive a portion of net income from their community gaming centre or casino to fund local programs
- GPEB distributed **$135.0 million** in gaming grants to more than 5,000 charitable and community organizations
- **$147.3 million** benefited the Province's Health Special Account to administer medical care, research, education and health promotions
- The Province of British Columbia allotted the largest portion—**$696.3 million**—to consolidated revenue.

“Gaming grants support this league year after year.”

With 400 kids aged four to 18 striving to qualify for the Little League World Series, Whalley has done so more times than any other league in Canada. Whalley teams make good use of the funding received through community gaming grants. Coach Mark Deshane says: “Some of these kids are escaping less than ideal situations outside the park, but here they put it behind them. We have 16-year olds playing ball at 10 pm instead of finding trouble on the street. This league gives them structure and they learn about individual contribution to collective achievement. Our pillars are courage, loyalty and character, developed early, for life. Everyone does their best and becomes better for it. We’re not just shaping baseball players, we’re forming strong future citizens.”

MARK DESHANE **President and Coach, Whalley Little League Baseball Association**

“We’re not a conventional supplier. We’re a true partner that brings unique expertise to help maximize the benefits.”

Manitoba Lotteries is launching online gambling and selected BCLC as its partner of choice based on operational expertise, the success of BCLC’s model, and vendor relationships. Cameron says, “The alliance creates new revenue streams for both organizations, with BCLC offering business-to-business services, web portal management and site development, while Manitoba directs daily operations, taps new player bases and maintains oversight. We have the technical architecture, products and vendors in place for a turnkey approach that will help them smooth the transition, optimize efficiencies and speed up time to market. Together we can leverage economies of scale and provide all players with a larger community of fun, such as the Canadian Poker Network we operate in conjunction with Loto-Québec. This initiative will also strengthen and secure regulated online gambling across our country and help Manitobans keep proceeds at home.”

CAMERON ADAMS **BCLC Director of Business Development**

sphere of influence

More fun, more industry firsts and a big story: BCLC worked the past 12 months to broaden business channels and become a leading supplier of eGaming expertise.

financial

- BCLC achieved $1,107.4 million in net income, surpassing our record performance of last year
- PlayNow.com generated $66 million in revenue and posted 53 per cent growth driven by eCasino and eLottery

firsts

- We entered into a partnership with Manitoba Lotteries to supply regulated, eGaming infrastructure, products and services—embarking on unprecedented revenue opportunities
- Responsible Gambling Awareness Week piloted in January in Vernon as a pioneering collaboration between BCLC and a host community to inform and engage the public through expert forums, myth busting and interactive fun
- BCLC released two independent reviews of the Voluntary Self-Exclusion (VSE) program, including Canada's first assessment of its effectiveness—participants highly rated our VSE program as a key problem gambling resource
- We received Board approval to replace the legacy casino gaming management system that supports more than 12,000 slot machines and $1.1 billion in net income

fun

- Adults now rank casinos as the fifth most popular entertainment option (restaurants #1, movies #2, bars #3 and live theatre #4) and more than 80 per cent play BCLC games at least once a year
- Vancouver Canucks goaltender and avid poker player Roberto Luongo became our ePoker spokesperson and tournament VIP, giving customers chances to win a seat at his table and tickets to hockey games
- Upgrades to River Rock Casino Resort made it a top revenue generator—net win from slots and tables is up 19 per cent
- The introduction of several national games with large prize pools contributed to significant gains in the Instant Win category
- Chances Castlegar opened July 2011 with slots, electronic blackjack and bingo, a restaurant, lounge and GameSense Information Centre
- Almost 400 new games debuted and 1,100 slot machines were replaced across the province; Fraser Downs Racetrack and Casino and Lake City Casino Kelowna opened poker rooms

responsive

- Responding to what players want, we upgraded BC Gold to BcGold Encore with exclusive membership tiers, promotions and rewards for both slot and table play. At BcGoldEncore.com, members now have instant views of account status
- BCLC launched xchange, an online community panel with surveys, discussions and feedback to infuse customer viewpoints into everything we do, from games to marketing to responsible gambling. Recruitment began last June and the panel now has more than 4,000 participants sharing input and ideas

responsible

- PlayNow.com received coveted TRUSTe certification, verifying the integrity and security of customer transactions
- We partnered with the Responsible Gambling Council (RGC) to implement the RG Check program across facilities. Nine facilities are being certified, validating the high responsible gambling practices and standards in place
- We invested $1.9 million in responsible gambling and launched GameSense for Parents, an award-winning campaign alerting the public to the occurrence and risks of underage gambling
- More in touch than ever, BCLC has created a blog on responsible gambling at blogs.bclc.com, drawing hits from public and industry audiences not reached by traditional messaging
- Social responsibility assessments conducted prior to developing new products, services or marketing have been expanded to ensure they are developed in a responsible way

bringing fun to life

Online. Self-serve. Social media. Rewards. Today customers choose how, when and what they want to play, and BCLC entertains all the options.

- Registered PlayNow.com players now number almost 200,000
- 80 per cent of our hospitality network sales are through Self-Service Terminals
- BCLC hosts 19 Facebook, Twitter, YouTube, LinkedIn and Flickr pages, and a responsible gambling blog at blogs.bclc.com
- Casinos rank as the fifth most popular entertainment option among B.C. adults and more than 80 per cent play BCLC games at least once a year*

exciting

Forty-nine million lottery prizes were won last year worth $581 million, including two $50 million LOTTO MAX jackpots plus MAXMILLION™ prizes. Several Lotto 6/49 bonus draws, Keno Doubler, Pacific Hold'Em Poker and the June launch of Poker Lotto contributed to steady growth. New national games with large prize pools contributed to significant gains in the Instant Win category.

entertaining

PlayNow.com net income rose significantly, driven by eGaming's double-digit growth. Casino products, national lotteries and Sports Action drove strong revenues. Our online base rose by 28,000 players spurred by increased focus in search engine marketing (SEM) initiatives, new media partnerships as well as a multitude of poker tournaments geared towards attracting new players. Cross promotions leveraged land and online casino channels by qualifying online players to win seats at various land-based events, including the Roberto Luongo Charity Classic Poker Tournament at River Rock Casino Resort.

refreshing

Nearly 400 new games were added and 1,100 slots replaced across B.C. Slot play is up almost 15 per cent at community gaming centres and table play increased at all facilities, fuelled by Baccarat popularity. New poker rooms debuted at Fraser Downs Racetrack and Casino and Lake City Casino Kelowna, and Chances Castlegar opened with slots, electronic blackjack and bingo, a restaurant, bar and GameSense Information Centre.

River Rock Casino Resort is a major revenue generator with modern upgrades for players and top entertainment and events like the B.C. Poker Championship. The Price Is Right Live!™ at both River Rock Casino Resort and Boulevard Casino drew large crowds to 'Come on Down,' play favourites and bid on Showcase prizes.

engaging

Our newest player feedback forum is 4,000 members strong and rising. Xchange engages customers in fresh, fun online dialogue on topics from new games to responsible gambling. Email footers and retail tearaways invited participation and soon eager panelists were infusing customer insight into our everyday business in every way. An economical alternative to ad hoc research and focus groups, xchange is shaping future BCLC products, services and delivery channels.

rewarding

Membership is up more than 12 per cent with the launch of BcGold Encore and rewards casino players want. Three member tiers feature exclusive benefits, dining and hotel discounts, promotions and points for slot and table play. At BcGoldEncore.com members can access account status anytime, anywhere, including through GameSense Information Centres.

* Marketing Insights Monitor, Research and Incite Consultants 2011/12

"I like going out with the girls. Sometimes we meet up and get ready together, do our hair and makeup and dress up for a night out."

"We get out and do adventurous things and the casino is so colourful and bright and welcoming with all the people and sounds and lights. It's exciting. Even when others win I get pumped up—I wish it was me but I'm happy for them. That type of friendly atmosphere with complete strangers you don't experience anywhere else. One night I won $1,400. The machine went crazy flashing and dinging and everyone was looking at me—it feels great to be that person!"

KAYLEIGH GRAHAM Casino Player

making fair play foremost

We enhanced responsible gambling resources and maintained the high level of integrity of our operations—ensuring carefree enjoyment for our players.

GameSense

At GameSense Information Centres (GSICs) in every BCLC gaming facility, patrons are engaged by fun challenges and enlightening videos. Such interactive information resonated with 40,000 people last year and keeps BCLC at the forefront of responsible gambling programs, nationally and globally.

$5.6 million funded responsible gambling initiatives, research and GPEB's Problem Gambling Program. BCLC initiatives included:

- GameSense for Parents, a campaign about the risks of underage gambling and a platinum winner for excellence in Corporate Social Responsibility at the 2011 MarCom Awards
- Expanded GameSense programming and promotional activities in all facilities to increase educational opportunities with players
- GameSense television, web and movie theatre advertising to educate the public about responsible play

appropriate response training

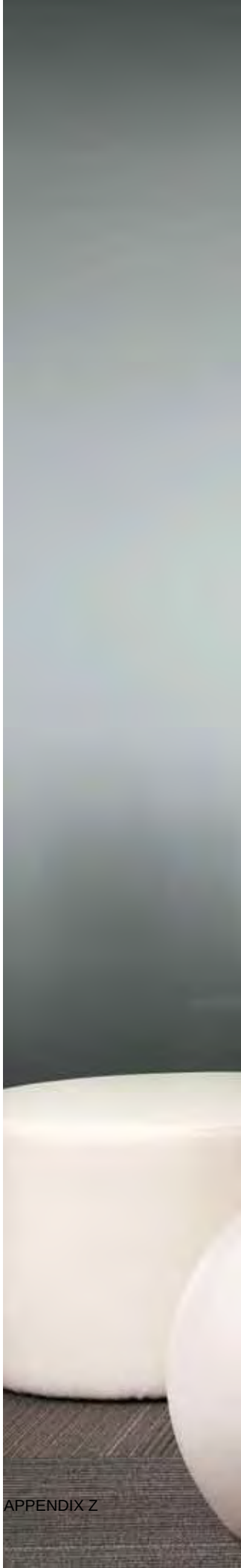
Appropriate Response Training (ART) is an educational tool that equips BCLC staff and service providers' employees to assist players and take a proactive stance on responsible gambling. ART is mandatory for new front-line workers, management and security personnel, and last year we launched refresher courses for ongoing knowledge. Currently, about 14,000 staff are ART certified.

RG Check

BCLC worked with the Responsible Gambling Council (RGC), an independent agency advancing problem gambling prevention and best practices across Canada, to introduce rigorous RG Check certification. Forty criteria, including corporate policies, venue and game features and employee training have been tested and refined. Since October 2011, nine BCLC facilities are being accredited, with plans for all within three years.

community dialogue

BCLC sponsored the province's first Responsible Gambling Awareness Week held in Vernon in January. BCLC and the Province's Gaming Policy and Enforcement Branch helped train volunteer groups from North Okanagan and Vernon, who organized interactive events, speaker panels, myth-busting challenges and more. The event is slated again next year and serves as a model for other communities to partner with BCLC and create a public dialogue on what it means to gamble responsibly.



“I don’t know where I’d be without Craig. Those services the casinos offer to help are totally crucial.”

Simple words from a recovering problem gambler speak volumes about the resources BCLC GameSense Advisors like Craig provide. “We’re here to educate the public about healthy choices and offer help if need be,” he says. “People walk by and I’ll ask them if they know any responsible gambling tips. It leads to personal conversation and information sharing. If someone seems distressed, I’ll suggest a coffee in the refreshment area so we can talk privately. I let them know if they want a break from gambling I can help, and I explain the free counseling available and assure them we can arrange the resources they need.”

CRAIG MORPHET GameSense Advisor

checks and balances

anti-money laundering program

With stringent anti-money laundering practices, BCLC reports to the Financial Transactions Reports and Analysis Centre of Canada (FINTRAC) as legislated, as well as to law enforcement. More than 63,000 large cash transactions were reported last year. Following an independent review to improve our processes, we added steps to reduce cash reliance in casinos including:

- Player accounts
- Stronger cash-in/cash-out policies
- Refreshed anti-money laundering training for all frontline gambling staff
- No exchanging small denomination bills for larger ones
- Chip redemption policy
- Cheques issuance policy and monthly audits of cheques issuance process
- A cheque hold deposit program
- Thorough risk assessments supported by appropriate tracking

minors

Entry into BCLC facilities is restricted to 19 years and up. Last year, minors or patrons without valid ID were turned away from gambling facilities 19,816 times. Underage detection has been further bolstered through:

- Special age-verification training for staff
- Increased staffing at peak periods
- Use of handheld scanners to authenticate ID
- Random ID checks on casino floors
- Carding of anyone who appears under 25

voluntary self-exclusion

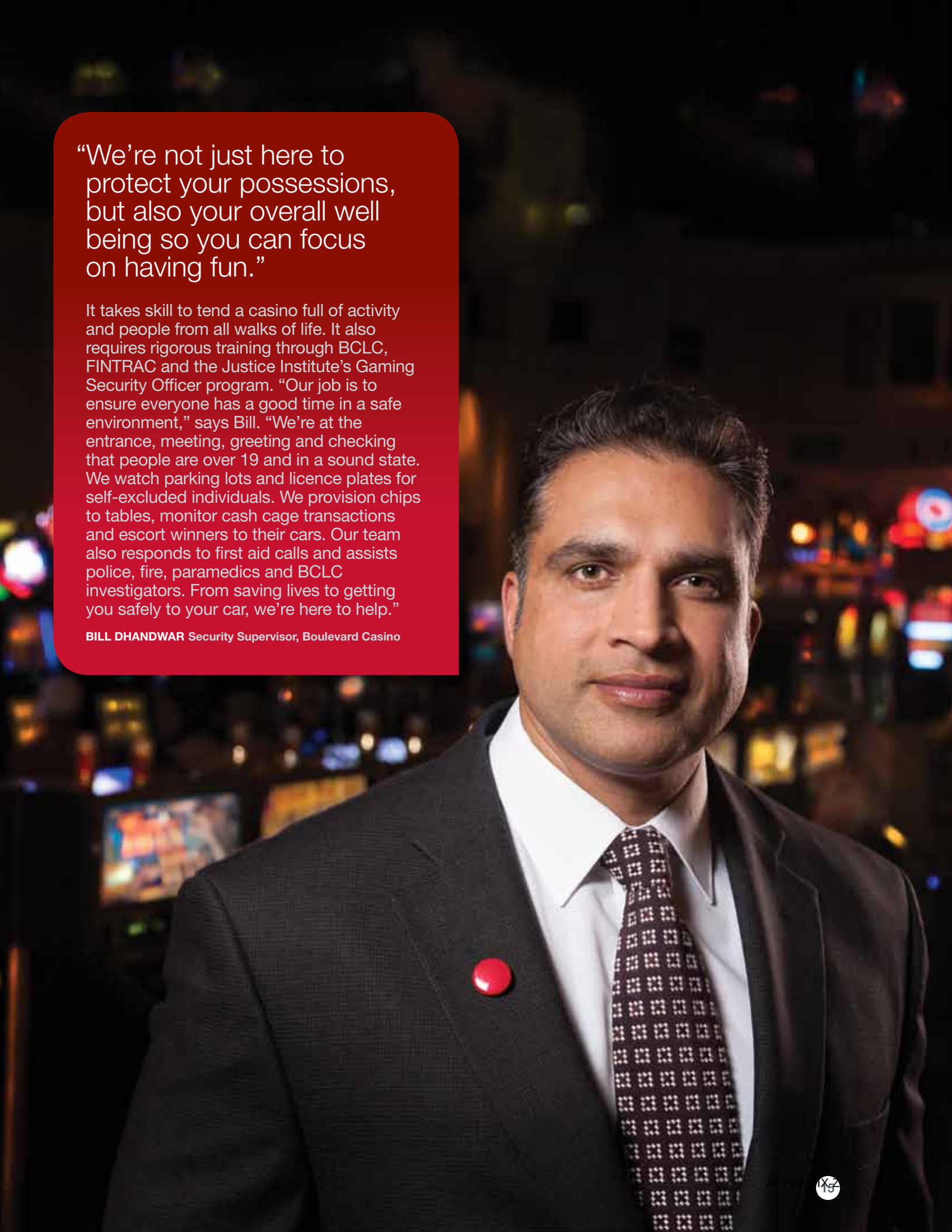
Voluntary Self-Exclusion (VSE) is a highly-rated option for ceasing gambling in B.C. facilities and on PlayNow.com for a self-set period of time. Participants are referred to free problem gambling counseling and resources funded by the Province. Breaches are detected through BCLC on-site security measures including licence plate recognition technology (LPR).

Results of recent studies* prove VSE both helpful and effective:

- Participants cite VSE as an important resource for problem gambling
- More than 80 per cent said they were satisfied with the program
- 77 per cent reported the VSE program played an important role in their decision to stop gambling
- 90 per cent said they would recommend the program to others

To enhance success, BCLC has in place more GameSense Advisors, VSE training for security staff, jackpot ineligibility for enrollees, expanded LPR, facial recognition trials and simplified enrolment and re-enrolment. Last year, self-excluded individuals were turned away 7,641 times. As of March 2012, VSE enrollees numbered 7,966.

* Details at: www.bclc.com/app/AboutBCLC/newsReleases.asp



“We’re not just here to protect your possessions, but also your overall well being so you can focus on having fun.”

It takes skill to tend a casino full of activity and people from all walks of life. It also requires rigorous training through BCLC, FINTRAC and the Justice Institute’s Gaming Security Officer program. “Our job is to ensure everyone has a good time in a safe environment,” says Bill. “We’re at the entrance, meeting, greeting and checking that people are over 19 and in a sound state. We watch parking lots and licence plates for self-excluded individuals. We provision chips to tables, monitor cash cage transactions and escort winners to their cars. Our team also responds to first aid calls and assists police, fire, paramedics and BCLC investigators. From saving lives to getting you safely to your car, we’re here to help.”

BILL DHANDWAR **Security Supervisor, Boulevard Casino**

“Privacy is everyone’s job. It’s in the DNA of our organization and at the forefront of our mindset.”

Far beyond simply legal compliance, BCLC’s Privacy Charter is built on the best interests of customers. “This is not just ticking off check boxes,” says David. “Ours is an ongoing process, the responsibility of everyone to learn the continuum of protecting private information across all business channels, from project start to finish. We’re breaking ground here. We were the first B.C. member of the International Association of Privacy Professionals. At last summer’s Canadian Privacy Summit, organizations requested our employee privacy training program to adapt for their staff. The Office of the Information and Privacy Commissioner in Victoria has asked us to consult with them as they go about establishing provincial guidelines for privacy impact assessments. BCLC is not only leading the gambling industry, we’re setting privacy standards for all companies.”

DAVID HUGHES **BCLC Director of Privacy & Senior Legal Counsel**

protecting players and the planet

online gambling

For a safe, fun online experience, BCLC continues to embed advanced privacy, security and responsible gambling controls. This year, we achieved TRUSTe certification, verifying our integrity and security for customer transactions. We also bolstered our GameSense presence across the site and improved tools to ensure players know how to keep it fun.

privacy impact assessments

Privacy impact assessments (PIAs) underpin our Privacy Charter and policies. Each employee is trained to protect private information and conduct reviews throughout projects to ensure security and accountability at every step. PIAs are performed across business lines, with built-in catch points from procurement to management to IT for internal and external due diligence.

greening

BCLC continues to reduce our operational impact on the planet.

- In addition to measuring greenhouse gases, use of natural gas, petroleum, water, paper and waste, we're comparing our performance against ISO 26000 requirements
- Energy-efficient upgrades at our Kamloops data centre won a Project Excellence award from the B.C. Electrical Association
- Video-conferencing between Kamloops and Vancouver reduced travel and averted about 150 tonnes of greenhouse gas emissions
- We cut vehicle fuel consumption by 35,000 litres last year and continue to replace end-of-lease fleets with hybrids
- We have long focused on recycling and disposing of products and equipment responsibly; now, to align with new provincial regulations, a formal Product Stewardship plan is in the works
- BCLC is also developing a Sustainable Procurement Policy that will factor in supplier social responsibility principles as well as pricing and other criteria
- During our annual Bike to Work Week, staff collectively cycled the equivalent of five legs of the Tour de France. In a second challenge, employees biked the equivalent distance from Vancouver to Truro, Nova Scotia

bringing benefits to B.C.

BCLC is proud to be a part of almost every community in B.C., whether it's through a lottery outlet at the local corner store or as a partner with one of the 30 communities across B.C. that host our casinos and community gaming centres. Gambling provides fun and entertainment for residents and visitors alike and reliable and exciting work experiences for staff. Communities directly benefit each year by receiving a portion of the revenue these facilities generate, which is used by local governments to help fund programs and initiatives at their discretion.

In 2011/12, BCLC provided $83.1 million to communities that host gambling facilities.

BCLC also supported a number of community organizations and initiatives, including:

- 2011 Western Canada Summer Games
- 2011 Grey Cup Festival
- Special Olympics B.C.
- City of Kamloops' Music in the Park
- Western Canada Theatre
- Kamloops Symphony.

In addition, all British Columbians benefit from the provincial and community services funded across the province by the $1.1 billion in net income BCLC generates.

"We couldn't have built the new downtown Convention Centre and Queensborough Community Centre without casino revenues."

The first city to host a BCLC gaming facility and reap the benefits, New Westminster's riverboat casino opened in 1999. "We knew a floating casino would be unique and bring tourism," says the Mayor. "And it suited our Gold Rush heritage as a paddlewheel city. It fit our community." The boat has since been replaced by the land-based Starlight Casino, a bigger facility creating more jobs and filling the economic gaps left by mill closures. "Over the years, gaming proceeds of $66–68 million have helped fund major civic projects, which is very opportune because this city is growing rapidly. It shows what can be done when you keep money in your hometown and province."

WAYNE WRIGHT Mayor, City of New Westminster

Each year, local governments that host casinos or community gaming centres receive a share of net income generated by those facilities. The host local government share charts show provincial payments made to host local governments in 2011/12 as compared to 2010/11.

host local government share of casino revenue

Local Government	Casino	Total 2011/12	Total 2010/11
(in thousands of dollars)			
Burnaby	Grand Villa Casino	$ 9,366	$ 9,932
Coquitlam	Boulevard Casino	7,502	8,060
Langley	Cascades Casino	5,875	6,252
Kamloops	Lake City Casino	1,922	1,923
Kelowna	Lake City Casino	2,036	2,216
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies	1,365	1,391
Nanaimo	Casino Nanaimo	2,350	2,570
New Westminster	Starlight Casino	5,780	6,237
Penticton	Lake City Casino	1,683	1,712
Prince George	Treasure Cove Casino	2,627	2,556
Quesnel	Billy Barker Casino	520	553
Richmond	River Rock Casino Resort	14,804	13,004
Surrey	Fraser Downs Racetrack and Casino	2,878	2,874
Vancouver	Edgewater Casino	5,822	5,881
	Hastings Racecourse Casino	1,270	1,289
Vancouver Total		7,092	7,170
Vernon	Lake City Casino	1,948	2,087
View Royal	Great Canadian Casino View Royal	4,197	4,447
Total		$ 71,945	$ 72,984

host local government share of community gaming centre revenue

Local Government	Community Gaming Centre	Total 2011/12	Total 2010/11
(in thousands of dollars)			
Abbotsford	Chances Abbotsford	$ 905	$ 807
Campbell River	Chances Campbell River	687	642
Castlegar[1]	Chances Castlegar	283	–
Courtenay	Chances Courtenay	802	676
Cowichan Indian Band	Chances Cowichan	784	764
Dawson Creek	Chances Dawson Creek	840	720
Fort St. John	Chances Fort St. John	969	787
Kamloops	Chances Kamloops	542	441
Kelowna	Chances Kelowna	1,585	1,469
Langley	Playtime Gaming Langley	132	130
Maple Ridge[2]	Chances Maple Ridge	787	319
Mission	Chances Mission	646	562
Port Alberni	Chances RimRock	450	425
Prince Rupert	Chances Prince Rupert	404	362
Squamish Nation	Chances Squamish	231	241
Terrace	Chances Terrace	561	457
Williams Lake	Chances Signal Point	580	534
Total		$ 11,188	$ 9,336

1 Chances Castlegar opened July 26, 2011.

2 Chances Maple Ridge opened October 15, 2010.

BCLC casino and community gaming revenue charts show all revenue generated by B.C. gambling facilities on behalf of BCLC for 2011/12 as compared to 2010/11. Slot machine and table game revenue is recorded as “net win”, which is revenue after prizes are paid. Bingo revenue is recorded as “sales”, which is revenue before prizes are paid.

BCLC casino revenue

Casino	Service Provider	No. of Slot Machines	Slot Machine Revenue 2011/12	No. of Tables	Table Game Revenue 2011/12	Total Casino Revenue 2011/12	Total Casino Revenue 2010/11
(in thousands of dollars)							
Billy Barker Casino, Quesnel[1]	585 Holdings Ltd.	138*	$ 8,669	3	$ 40	$ 8,709	$ 9,247
Boulevard Casino, Coquitlam	Great Canadian Casinos Inc.	1,001*	104,603	64	39,461	144,064	152,026
Cascades Casino, Langley	Gateway Casinos and Entertainment Limited	815	90,174	27	18,465	108,639	113,028
Casino Nanaimo	Great Canadian Casinos Inc.	407*	40,318	6	2,717	43,035	43,845
Casino of the Rockies, Cranbrook	SEM Resort Limited Partnership	228*	13,686	11	867	14,553	14,697
Edgewater Casino, Vancouver	Edgewater Casino ULC	550*	59,943	57	53,629	113,572	111,955
Fraser Downs Racetrack and Casino, Surrey	Orangeville Raceway Ltd.	469	46,110	22	5,719	51,829	50,782
Grand Villa Casino, Burnaby	Gateway Casinos and Entertainment Limited	1,001*	118,101	48	59,239	177,340	183,241
Great Canadian Casino View Royal	Great Canadian Casinos Inc.	602*	67,606	13	7,670	75,276	78,506
Hastings Racecourse Casino, Vancouver	Hastings Entertainment Inc.	596	21,987	–	–	21,987	21,966
Lake City Casino Kamloops	Gateway Casinos and Entertainment Limited	301*	30,855	6	2,208	33,063	32,747
Lake City Casino Kelowna	Gateway Casinos and Entertainment Limited	518*	33,257	15	3,979	37,236	38,208
Lake City Casino Penticton	Gateway Casinos and Entertainment Limited	293*	27,579	9	1,676	29,255	29,546
Lake City Casino Vernon	Gateway Casinos and Entertainment Limited	405*	34,187	–	–	34,187	36,443
River Rock Casino Resort, Richmond	Great Canadian Casinos Inc.	1,006	130,968	112	170,050	301,018	259,639
Starlight Casino, New Westminster	Gateway Casinos and Entertainment Limited	857*	75,230	57	35,427	110,657	118,655
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	540*	44,414	9	1,915	46,329	44,741
Total		9,727	$ 947,687	459	$ 403,062	$1,350,749	$1,339,272

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Table games (excluding poker) were removed at Billy Barker Casino on May 23, 2011.

BCLC community gaming revenue

Community Gaming Centre or Commercial Bingo Hall	Service Provider	No. of Slot Machines	Slot Machine Revenue 2011/12	No. of Bingo Seats	Bingo Revenue 2011/12	Total Community Gaming Revenue 2011/12	Total Community Gaming Revenue 2010/11
(in thousands of dollars)							
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	–	$ –	189	$ 4,034	$ 4,034	$ 4,581
Boardwalk Gaming Centre, Burnaby[1]	427967 BC Ltd. (DBA Bingo Country)	–	–	–	–	–	4,795
Chances Abbotsford	Playtime Peardonville Ventures Ltd.	125*	15,417	258	839	16,256	15,129
Chances Campbell River	Playtime Community Gaming Centres Inc.	125*	11,985	232	1,458	13,443	13,181
Chances Castlegar[2]	Terrim Properties Ltd.	100*	4,825	175	59	4,884	–
Chances Courtenay	Playtime Community Gaming Centres Inc.	150*	13,939	62	1,215	15,154	14,352
Chances Cowichan, Duncan	Duncan Dabber Bingo Society	150*	13,485	356	2,140	15,625	15,913
Chances Dawson Creek	Great Canadian Entertainment Centres Ltd.	150*	14,593	222	515	15,108	13,812
Chances Fort St. John	243045 Alberta Ltd.	178*	16,829	180	585	17,414	15,111
Chances Kamloops	Enterprise Entertainment Ltd.	125	9,301	445	4,289	13,590	12,073
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	250	27,323	494	7,573	34,896	33,770
Chances Maple Ridge[3]	Great Canadian Entertainment Centres Ltd.	100	13,462	450	3,696	17,158	11,191
Chances Mission	Gateway Casinos and Entertainment Limited	125*	11,010	115	1,227	12,237	11,125
Chances Prince Rupert	0733244 BC Ltd.	100*	7,097	136	1,271	8,368	8,362
Chances RimRock, Port Alberni	Alberni Valley Gaming Association	100*	7,670	99	1,212	8,882	9,159
Chances Signal Point, Williams Lake	Lucky's Ventures Ltd.	100*	9,882	320	2,220	12,102	12,131
Chances Squamish	Gateway Casinos and Entertainment Limited	100*	4,239	168	365	4,604	4,768
Chances Surrey[4]	Gateway Casinos and Entertainment Limited	–	–	624	8,940	8,940	8,966
Chances Terrace	Lucky Dollar Bingo Management Ltd.	75*	9,621	144	1,279	10,900	9,937
Chilliwack Bingo	Chilliwack Gaming Ltd.	–	–	384	11,325	11,325	12,204
Fairweather Bingo Hall, Vernon	Terrim Properties Ltd.	–	–	350	3,599	3,599	4,080
Harbour City Bingo Hall, Nanaimo	Harbour City Bingo Society	–	–	420	4,480	4,480	4,995
Planet Bingo, Vancouver	Community Gaming Management Association	–	–	426	9,960	9,960	9,592
Playtime Gaming Langley	Playtime Community Gaming Centres Inc.	50	2,339	312	5,141	7,480	7,727
Playtime Gaming Nanaimo	Playtime Community Gaming Centres Inc.	–	–	464	2,420	2,420	2,895
Playtime Gaming Penticton	Playtime Community Gaming Centres Inc.	–	–	338	2,421	2,421	2,553
Playtime Gaming Victoria	Playtime Community Gaming Centres Inc.	–	–	485	3,752	3,752	3,560
Rocky Mountain Bingo, Cranbrook[5]	Terrim Properties Ltd.	–	–	–	518	518	1,610
Treasure Cove Casino, Prince George[6]	Treasure Cove Casino Inc.	–	–	633	9,382	9,382	8,935
Total Community Gaming Centres & Commercial Bingo Halls		2,103	$193,017	8,481	$ 95,915	$ 288,932	$ 276,507
Independent Bingo Hall Ka-Chingo Sales[7]						142	313
Paper Bingo Distribution Revenue						212	216
Total						$ 289,286	$ 277,036

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Boardwalk Gaming Centre, Burnaby closed March 20, 2011.

2 Chances Castlegar opened July 26, 2011.

3 Chances Maple Ridge opened October 15, 2010 and operated as Haney Bingo Plex to October 14, 2010.

4 Newton Bingo Country name changed to Chances Surrey.

5 Rocky Mountain Bingo, Cranbrook closed July 23, 2011.

6 Treasure Cove Casino slot machine revenue is reported on the BCLC Casino Revenue chart.

7 Ka-chingo product decommissioned September 5, 2011

insight and oversight

governance framework

As a Crown agent, BCLC complies with Government disclosure requirements for public accountability and transparency detailed in Best Practices Guidelines—*BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations* and the Board Resourcing and Development Office's Section 3. More at www.bclc.com/cm/aboutbclc/corporategovernance.htm

The scope of our formal governance framework includes our:

- Corporate mandate, vision and mission
- Principles and guidelines for our Board of Directors, Chairman, Standing Committees, President and Chief Executive Officer
- Processes for strategic and succession planning
- Procedures for Board performance evaluations
- Government's Letter of Expectations outlining our commitment to deliver on performance expectations for the benefit of B.C.

board of directors

Per the *Gaming Control Act* and appointed by the Lieutenant-Governor in Council, the BCLC Board comprises nine non-management members selected for expertise. While BCLC's senior management attend all Board meetings, autonomy is maintained by in-camera sessions at the end of meetings.

The Board provides stewardship and ethical leadership for long-term success for the shareholder—the Government of B.C.—and ensures our governance framework aligns BCLC business practices with Crown principles.

Overall Board duties are:

- Oversight of BCLC management responsible for day-to-day operations
- Assisting management with business and service plans, priorities and capital and operational budgets
- Policy guidance for human resources, compensation, stakeholder communications and risk management
- Risk resolution strategies
- Evaluating annual financial results and performance versus objectives

board members

Chairman: John McLernon, Vancouver

Presiding Director of leadership and performance, and liaison between the Board and the Minister responsible for BCLC.

Vice Chair: Arthur Willms, Vancouver

DIRECTORS:

Trudi Brown, Victoria

David W. Gillespie, Kamloops

Cindy Grauer, Vancouver

Walter Gray, Kelowna*

Moray Keith, Delta

D. Neil McDonnell, North Vancouver

Michael Riley, Surrey

Per the Code of Conduct and Conflict of Interest Guidelines, Directors act with prudent skill and diligence in the best interests of BCLC.

* Walter Gray resigned from the Board November 19, 2011

board committees

The Board assigns specific committees to fulfil responsibilities and Committee Chairs report performance and recommendations to the Board. The Chairman of the Board and BCLC's President & CEO are ex-officio members of all committees.

AUDIT COMMITTEE	Liaises with auditors of BCLC financial operations; presents approved financial statements and quarterly reports to the Board; reviews financial information submitted to Government and the public; and oversees information systems, risk management and internal controls. **CHAIR:** Michael Riley **MEMBERS:** David W. Gillespie; Moray Keith; D. Neil McDonnell; Arthur Willms;		
GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	Aligns governance focus to optimize overall performance; advances scope of corporate social responsibility; evaluates Board effectiveness; and plans succession for future Board composition. **CHAIR:** David W. Gillespie **MEMBERS:** Trudi Brown; Walter Gray*; Moray Keith		
HUMAN RESOURCES AND COMPENSATION COMMITTEE	Aligns strategies, practices and succession with future goals; evaluates performance and compensation of the President & CEO; reviews employee compensation, benefits, resource allocation and training to drive performance **CHAIR:** D. Neil McDonnell **MEMBERS:** Cindy Grauer; John McLernon		
BCLC SENIOR MANAGEMENT AND EXECUTIVES	**PRESIDENT & CEO:**	Michael Graydon	
	VICE-PRESIDENTS:	Peter Charlton	Human Resources
		Rhonda Garvey	eGaming
		Kevin Gass	Lottery Gaming
		Lynette Hughes	Transformation and Technology
		Jim Lightbody	Casino and Community Gaming
		Darryl Schiewe	Casino System Implementation
		Terry Towns	Corporate Security and Compliance
		Marsha Walden	Customer Strategy and Corporate Relations
		Tom Williamson	Finance and Corporate Services
B.C. LOTTOTECH INTERNATIONAL INC. (LOTTOTECH)	This wholly owned subsidiary leases BCLC capital assets which are budgeted and approved by our Board of Directors and included in our financial statements. Lottotech Officers are BCLC's President & CEO and Vice-Presidents.		

making good on commitments

BCLC optimizes our financial performance within the gaming and social policy framework established by the Province, providing our games and services in a socially responsible manner consistent with our commitments reflected in British Columbia's Responsible Gambling Strategy. A key component of our governance framework is "Government'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 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. Government directs BCLC to take specific actions. Our actions and the status of our activities to implement them are shown in the following chart.

GOVERNMENT DIRECTION	BCLC ACTIONS
To optimize the Corporation's financial performance, within the gambling and social policy framework established by Government and in response to customer and marketplace demand for products and services, propose new revenue opportunities as they arise;	Within the gambling and social policy framework established by the Province of British Columbia, in 2011/12 BCLC achieved a record $1.107 billion in net income, $2.4 million over budget. BCLC was able to increase its net income over both budget and last year by focusing on games and services that increase the entertainment value to players, coupled with diligently managing the costs of operating our business. BCLC is continuing our focus on the player and is forecasting net income growth through innovative new games in facilities and through the Internet, developing new product delivery options, and continued improvements in casino and community gaming facilities.
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;	Processes and technology to support the performance, integrity and efficiency of the business to sustain the current business and provide future growth potential continued to be a key focus. A primary area of focus was the initial stages of replacing the gaming management system that supports more than $1.5 billion in net win. This is a multi-year project spanning to the 2014/15 year and is the largest project BCLC has ever undertaken with a capital cost of more than $100 million.
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;	BCLC delivers gaming 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 and access to programs, including Voluntary Self-Exclusion. GameSense is 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 is also available online at GameSense.ca, bclc.com and PlayNow.com. We support the Province 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.
To operate within the Province's legislative framework and regulations, including the *Gaming Control Act*, and comply with policies, directives, and standards that may be issued from time to time by the Minister responsible for BCLC or the regulatory agency, the Gaming Policy and Enforcement Branch (GPEB).	BCLC operates our business within the legislative, regulatory, and policy framework established by the Province of British Columbia. BCLC continues to comply with policy directives issued by the Minister, including directives and standards issued by GPEB. BCLC and GPEB meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPEB's independent role as regulator.

solid results

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

Our performance targets are set based on trends in current performance and the expected impact of our programs to maintain or improve performance.

For non-financial measures, we contract with independent third-party professionals to conduct surveys and use these results to measure our performance against targets. On a quarterly basis, we assess our results and use the data collected in these surveys to modify and improve business performance.

Public support for gambling, player awareness of responsible gambling initiatives, player participation and satisfaction are measured by Research and Incite Consultants, a third-party research supplier that uses a random sampling of the B.C. adult population throughout the year. Samples are verified to ensure 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 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 that 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 Canadian Gambling Digest.

We benchmark to 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 performance against national averages and comparable gambling jurisdictions. Svenska Spel has been selected because it is widely 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.

our performance management framework

PERSPECTIVE	GOALS →	STRATEGIES →	PERFORMANCE MEASURES
PUBLIC/PLANET	1. Build public trust and support for BCLC gambling	1. 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 (GHG) emissions (CO_2e)
PLAYER	2. Create a player-centric company	2. Improve the organizational capacity to hear, anticipate and act upon customer expectations and desires. 3. Offer exceptional entertainment through innovative and engaging channels and products.	• Player satisfaction (%) • Player participation (%) • Net win per capita ($)
FINANCIAL/ OPERATIONS	3. Invest in infrastructure and technology to drive innovation that enables our growth	4. Design processes and implement technology that improves operational effectiveness and prepares for the future. 5. Enable an integrated multi-channel community.	• Net income ($ millions) • Operating cost ratio (% net win) • Electronic gaming devices per capita
PEOPLE	4. Have a workforce passionately driving the success of our business	6. Make BCLC a great place to work.	• Employee engagement (%) • Employee vacancy rate (%)

Our goals have not changed between the 2011/12 and 2012/13 Service Plans. Our strategies to create a player-centric company have been refined to better align with the overall objective of this goal.

Our performance against targets is outlined in the following pages. A more detailed explanation of the methodology used for each measure and our benchmarking is contained in Appendix 1.

PUBLIC/PLANET

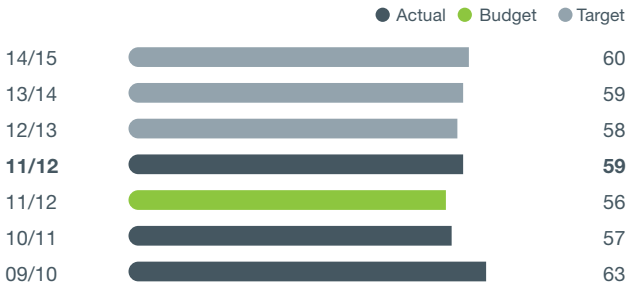
Goal 01: build public trust and support for BCLC gambling

public support for gambling (%)

We measure public support for legalized gambling in British Columbia to ensure our products and facilities are accepted by the public.

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.

(%)



Our target is to achieve improvements in this measure, following the decline in public support recorded in the past two years.

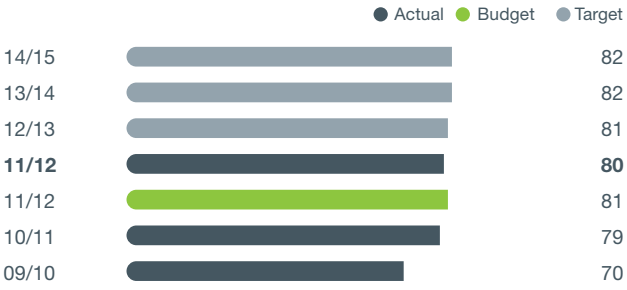
We had expected this decline to bottom-out in 2011/12 as our public information programs began to take effect. BCLC's public campaign about how the proceeds from gambling benefit British Columbians and Government's gaming grant announcement to reinstate eligibility to more charities contributed to improved performance.

player awareness of responsible gambling activities (%)

We measure player awareness of our responsible gambling activities to determine whether our responsible gambling programs are effective at reaching players.

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 the lack of comparable data from other gambling jurisdictions.

(%)



In 2011/12 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 removal of best-known programs from the question mix.

Our performance was below target but within the margin of error associated with the survey methodology. We are committed to the continuous improvement of our programs which are designed to reduce the incidence and impacts of problem gambling. Our GameSense responsible gambling communication and education program has been acknowledged as among the best in the world; we will continue to invest in research for opportunities to improve problem gambling prevention and player education, and in programs to support those for whom gambling has become a problem.

PLAYER

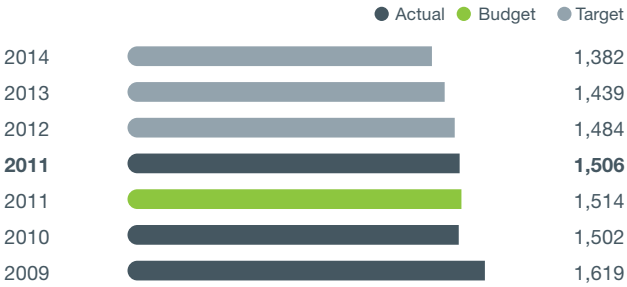
Goal 02: create a player-centric company

level of greenhouse gas emissions (CO_2e)

We measure reportable greenhouse gas emissions (GHG) to monitor our progress towards meeting our target of reducing our (GHG) by 33 per cent by 2020, in line with Government's *Greenhouse Gas Reductions Target Act*.

description of performance measure
BCLC uses standard calculations provided by the Province to report our GHG emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO_2e) for the calendar year. We obtain data from suppliers of electricity, natural gas, fleet fuel, paper and from internal financial reporting.

(CO_2e tonnes by calendar year)



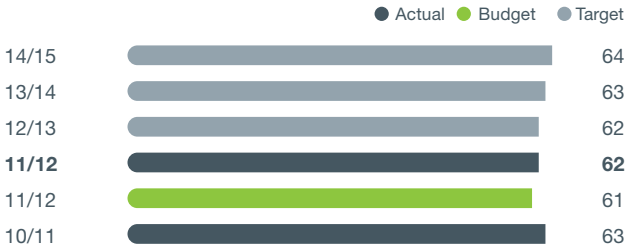
Our targets are based on achieving a three per cent year-over-year reduction in reportable emissions, to achieve a 33 per cent reduction by 2020. We exceeded our reduction target for 2011, but emissions were slightly above those for 2010. This was because during the first six months of 2011 we were completing our relocation from our Richmond to our Vancouver facility and were responsible for utilities for both sites. The 2012 calendar year will be our first full year in our LEED-pending Vancouver facility, where we expect utilities-related emissions to be lower.

player participation (% at least monthly)

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.

description of performance measure
Player participation measures the percentage of B.C. adults who play a game or visit a facility at least once every month. By measuring frequency, we have a gauge of players' behaviour and interest.

(% at least monthly)



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 performance in 2010/11 exceeded estimates, so we have revised our targets for future years to reflect incremental growth in player participation as our player programs start to take effect.

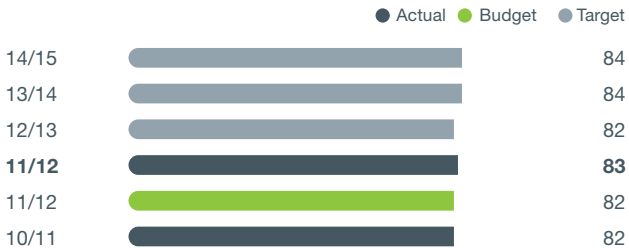
Our performance in 2011/12 was slightly above target but within the margin of error for the survey methodology.

player satisfaction (%)

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.

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.

(%)



In 2011/12 BCLC changed the way player satisfaction is calculated to remove the weighting of each gambling channel according to its contribution to net win. This was done to remove the skew that previously occurred because of the higher net win contribution from slot play.

Our performance is consistent with previous years, allowing for the margin of error associated with the survey methodology.

net win per capita ($ per 1,000 population)

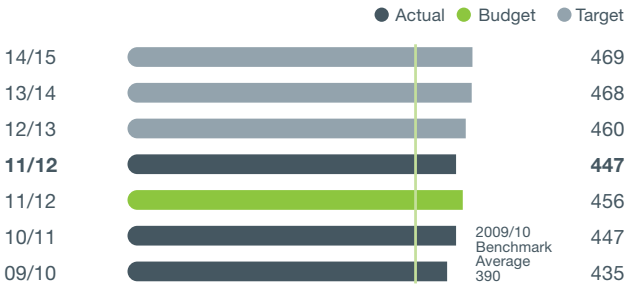
Net win per capita tells us how successful we are in growing revenue. It is indexed to total population to allow us to benchmark to other jurisdictions, as the age at which legal gambling is permitted may vary.

description of performance measure
Net win is calculated for lottery and bingo games by deducting prizes from net 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.

($ per 1,000 population)



Our targets are reviewed annually in September and have been set based on forecast performance in 2011/12 and our predicted growth in net win, taking into account standard economic indicators used by the Province.

Although our net win per capita results were slightly behind budget, it grew over the previous year as we continued to benefit from a rebounding economy that provided consumers with additional discretionary income. Lottery net win was comparable to last year's record performance as we continue to rejuvenate brands and pricing strategies. PlayNow.com net win grew strongly, as a result of enhancements to product line-up, but was below targets as ePoker has yet to reach its full potential. Casino and community gaming net win also grew over the previous year, but was below target. Major infrastructure developments in the lower mainland continue to affect a number of casinos, with the most measurable impact being Highway 1/Port Mann Bridge construction on the Boulevard Casino.

We are transforming from a product-driven to a player-driven organization. We will use the understanding of our players, current and future, to develop the variety of games and prize structures that will appeal to them. By focusing on service excellence, putting in place the tools and technology to create a seamless player service experience and working with our service providers to develop and enhance our gambling facilities and retail presentation, we will create the exceptional entertainment experience our players desire.

FINANCIAL/OPERATIONS

Goal 03: invest in infrastructure and technology to drive innovation that enables our growth

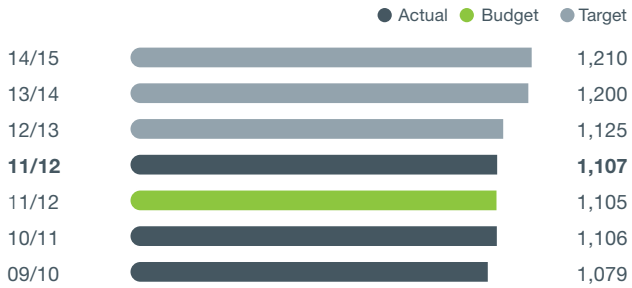
net income ($ millions)

Net income is an 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, and 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 federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

($ millions)



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 tax regime.

In 2011/12 BCLC's net income exceeded budget and beat last year's record performance by $1.7 million. Growth in net win was coupled with careful spending management that resulted in operating costs and amortization that were $24.4 million under budget.

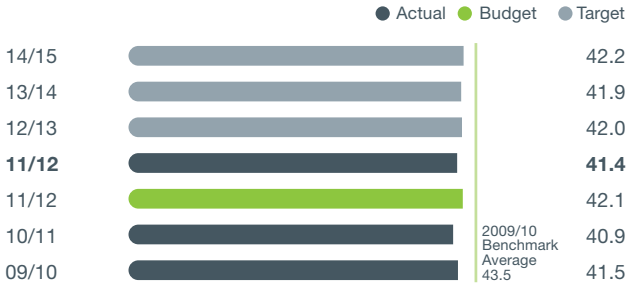
We will continue to focus on optimizing our business in order to sustain current operations and support future growth of net income within the gambling and social policy framework established by the Province.

operating cost ratio (% of net win)

General operating cost ratio as a percentage of net win is a measure of 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 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 higher than Svenska Spel. For more details, see Appendix 1.

(% of net win)



This year careful spending management resulted in total operating costs and amortization that were $24.4 million under budget.

We are 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, we are committed to maintaining our operating cost ratio at constant levels.

electronic gaming devices per capita

The number of electronic gaming 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 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 average was 2.84, slightly above the availability rate in B.C.

(per 1,000 population)

Availability of electronic gaming devices was consistent with 2010/11. 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 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.

PEOPLE

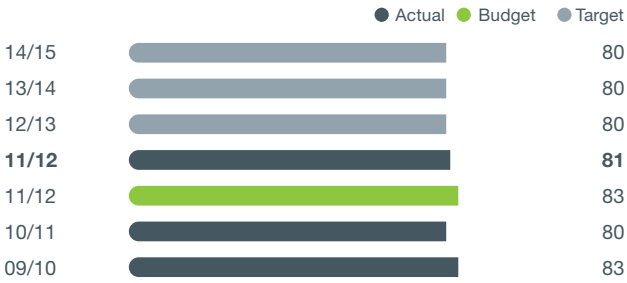
Goal 04: have a workforce passionately driving the success of our business

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.

description of performance measure
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.

(%)



The employee survey conducted in early 2012 showed a one per cent improvement in employee engagement, compared to 2011.

The survey also compares BCLC to indices established by the third party research company. BCLC performs highly in these comparisons.

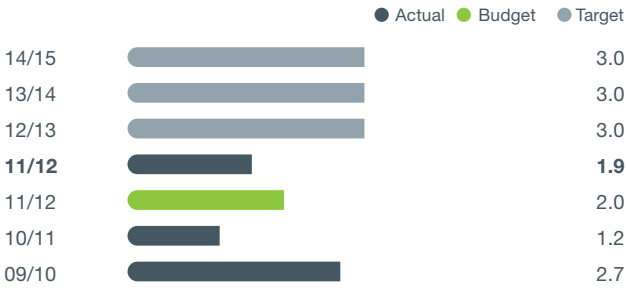
We are continuing to focus on transforming to a player-centric company, which requires modernization of processes and technology. Maintaining employee engagement during major change can be challenging, but our targets for the next three years reflect our commitment to maintain the present high levels of engagement.

employee vacancy rate (%)

Employee vacancy rate is a measure of BCLC's employee turnover, competitiveness and the effectiveness of recruitment processes. It is 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. It must be interpreted within the context of the timeframe that is being measured.

description of performance measure
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.

(%)



Our employee vacancy rate was slightly better than our target. In 2011/12 there was 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 remain stable and employee turnover low, but closer to the levels experienced in 2009/10.

risk and capacity

BCLC has a formal enterprise risk management policy and framework that mandates consistent risk identification and evaluation methodology with formally agreed action plans required for all significant risks. Risk is also considered as part of the strategic and business planning processes and all significant corporate projects are required to undertake and report on risk management activities.

The Board uses BCLC's Audit Committee to assist in the review of BCLC's risk register prepared by management on the principal risks facing the Corporation. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive and Audit Committee.

RISK/OPPORTUNITY	IMPACT	RESPONSES
long term sustainable income		
risk The entertainment products BCLC offers may not appeal to existing and potential players. New offerings may have lower margins than traditional games **opportunity** Transforming our business to better meet the expectations of current customers and attract new players to our games	If profitability decreases, the net income contribution that BCLC makes to the Province may decline	• BCLC continues to explore new games and new delivery mechanisms while focusing on sustaining existing brands. • This year has seen the continued success of LOTTO MAX and the ongoing revitalization of instant lottery games. • Player feedback has been strengthened through the launch of the Voice of the Customer program. • The eGaming portfolio continues to develop with mobile, sports and bingo products due for launch in 2012. • The implementation of the new gaming management system at casinos and community gaming centres (CGCs) will enable a number of innovations, while a table game strategy is under development. • Cost management continues as a major focus.
personal information management		
risk Personal information collected by BCLC or Service Providers may not be sufficiently protected **opportunity** Using player information to offer more personalized experiences	If player information were to be exposed or misused, this could lead to personal harm, financial cost or loss of reputation	• Over the course of the year BCLC implemented a multi-stage Privacy Impact Assessment (PIA) process. • BCLC has worked closely with our service providers to improve their personal information management systems, and also strengthened the privacy requirements in all of our contract templates. • TRUSTe certification was obtained for PlayNow.com. • We also consulted with the office of the Information and Privacy Commissioner on the development of its own privacy impact assessment guidelines.

RISK/OPPORTUNITY	IMPACT	RESPONSES
information security		
risk Maintaining security in the face of increasingly sophisticated cyber-attacks is an industry-wide concern **opportunity** Further improving our processes, systems and practices to protect both our assets and our players	Emerging security threats require responsive and preventative action to prevent systems, process and information from damage or compromise	• BCLC has made further investments in information systems security this year, with two new specialist positions created. • BCLC undertakes real-time monitoring of our systems and takes a proactive approach to auditing and reviewing critical systems access controls. • A mandatory information security training course was developed and delivered to all BCLC staff. • Security has been embedded into the Privacy Impact Assessment process for all initiatives or significant change.
public trust and support		
risk BCLC may not be seen as a socially responsible, transparent organization that brings value to British Columbia **opportunity** Increasingly engaging both our players and all British Columbians	If public acceptance declines, BCLC's mandate to operate could be threatened	• BCLC has been working to develop a more proactive disclosure approach, with communications strategies now in place for new games and other initiatives, and also to address a number of public concerns. A part of this has been delivered through social media channels, including a responsible gambling blog. • We have also been working on engaging more directly with our local communities, including through sponsoring Responsible Gambling Awareness Week in Vernon. • Enhancements to BCLC's GameSense program over the year included the launch of a new public education campaign for parents, increased presence on PlayNow.com and further development of GameSense Information Centres in casinos and community gaming centres.

RISK/OPPORTUNITY	IMPACT	RESPONSES
technology and infrastructure		
risk BCLC is highly reliant on technology systems and expertise which may become inflexible, expensive or difficult to support **opportunity** Implementing new reliable and robust information technologies and capabilities	As BCLC develops, the supporting systems and technology require updating or replacement, increasing expenses to supply and support the business	• BCLC experienced two significant milestones this year with the redevelopment of the main data centre and the creation of a new back up data centre. • A business optimization exercise was completed focusing on the Transformation and Technology division. • The program to replace the gaming management system was initiated, and a number of elements of lottery support systems were replaced.
governance and business practices		
risk BCLC may not manage all processes with accuracy and integrity, and in compliance with regulatory and social responsibility objectives **opportunity** Streamlining and automating business processes to improve efficiency	Integrity is at the heart of BCLC operations and public trust	• BCLC has been working on improving a number of internal processes, in particular strengthening a number of financial controls through recruiting additional specialists; conducting governance, risk and assurance exercises and expanding the mandatory training program. • On the gaming operations side, policies and procedures have been reviewed and updated and mystery shopping exercises completed. • Focusing on gaming facilities, a number of initiatives to reduce the reliance on cash are underway. Liaison with provincial and local law enforcement continues and external review has been undertaken to provide assurance and identify any areas for future improvement.

Capacity

BCLC is committed to optimizing capacity and capability of our workforce through a holistic and comprehensive approach in managing its people resources. Ensuring BCLC has the right skills to deliver on organizational goals is a primary focus of the Human Resource team. Key targeted areas include the introduction of a proactive recruitment strategy, support for the creation of employee development plans, multi-level leadership development, targeted succession planning and the introduction of workforce planning tools. These efforts have resulted in enhanced employee development opportunities throughout the organization. At the same time, BCLC has conducted a workforce optimization review to ensure effective use of its existing resources, creating greater organizational efficiency.
To support the organization into the future in the effective management of its people resources, it has been identified that investigation into the adoption of an integrated Human Resources technology platform is needed in 2012/13.

management's discussion and analysis

The Management Discussion and Analysis reviews the financial condition and results of operation of British Columbia Lottery Corporation for the fiscal year ended March 31, 2012 and should be read in conjunction with the Corporation's audited financial statements.

financial overview

	2007/08[2]	2008/09[2]	2009/10[2]	2010/11[1]	**2011/12**	2011/12	2011/12	2011/12 Variance from	2012/13	2013/14	2014/15
	Actual	Actual	Actual	Actual	**Actual**	Budget	Variance	Prior Year	Target	Target	Target
Revenue											
Lottery	$ 976.9	$ 954.2	$ 937.9	$1,062.4	**$1,061.4**	$ 1,045.0	$ 16.4	$ (1.0)	$1,076.3	$1,113.0	$1,141.0
Casino & community gaming	1,582.3	1,596.0	1,579.4	1,616.3	**1,640.0**	1,681.0	(41.0)	23.7	1,684.0	1,723.0	1,741.0
	2,559.2	2,550.2	2,517.3	2,678.7	**2,701.4**	2,726.0	(24.6)	22.7	2,760.3	2,836.0	2,882.0
Prizes	647.1	599.7	577.6	652.3	**641.9**	627.6	(14.3)	10.4	624.5	634.5	645.4
Net Win	1,912.1	1,950.5	1,939.7	2,026.4	**2,059.5**	2,098.4	(38.9)	33.1	2,135.8	2,201.5	2,236.6
Expenditures[3]											
Lottery	158.9	165.4	155.4	170.5	**175.6**	184.1	8.5	(5.1)	187.4	193.0	199.7
Casino & community gaming	624.3	660.7	667.6	669.9	**689.6**	714.0	24.4	(19.7)	723.4	743.5	759.4
	783.2	826.1	823.0	840.4	**865.2**	898.1	32.9	(24.8)	910.8	936.5	959.1
Net income before tax	1,128.9	1,124.4	1,116.7	1,186.0	**1,194.3**	1,200.3	(6.0)	8.3	1,225.0	1,265.0	1,277.5
GST/HST	40.0	33.7	37.6	80.3	**86.9**	95.3	8.4	(6.6)	100.0	65.0	67.5
Net income											
Lottery	263.9	256.4	266.7	289.4	**279.0**	277.3	1.7	(10.4)	291.0	320.0	326.0
Casino & community gaming	825.0	834.3	812.4	816.3	**828.4**	827.7	0.7	12.1	834.0	880.0	884.0
	$1,088.9	$1,090.7	$1,079.1	$1,105.7	**$1,107.4**	$1,105.0	$ 2.4	$ 1.7	$1,125.0	$1,200.0	$1,210.0
Profit margin	42.6%	42.8%	42.9%	41.3%	**41.0%**	40.5%	0.5%	(0.3)%	40.8%	42.3%	42.0%
Debt	$ 0.0	$ 0.0	$ 60.0	$ 85.0	**$ 90.0**	$ 103.0	$ (13.0)	$ (5.0)	$ 128.0	$ 132.0	$ 143.0
Capital expenditures	$ 60.5	$ 97.4	$ 92.5	$ 81.3	**$ 74.4**	$ 161.4	$ 87.0	$ 6.9	$ 116.2	$ 110.0	$ 105.0

In 2011/12, BCLC achieved a record $1.107 billion in net income, exceeding fiscal 2010/11 by $1.7 million.

This year, BCLC continued to benefit from a rebounding economy that provided consumers with additional discretionary income, and from product enhancements, high lottery jackpots, and the expansion of our PlayNow.com platform.

Each year, BCLC prepares a three-year Service Plan against which its results are measured. Careful spending management this year resulted in total operating costs and amortization that were $24.4 million under budget. Capital spending was $87.0 million less than planned, reflecting the fact that several projects represent multi-year initiatives and the rescheduling of various capital programs.

1 2010/11 comparative results have been restated to comply with IFRS.

Reconciliation of net income for the year ended March 31, 2011:

Total net income for the year (under Canadian GAAP)	$ 1,104.6
Reconciling Items:	
Amortization and depreciation	0.3
Employee costs	0.8
Total net income for the year (under IFRS)	$ 1,105.7

2 2009/10 and prior comparative results reflect Canadian GAAPs

3 Please refer to page 48 for a detailed breakdown of 2011/12 actual expenditures

performance measurement

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess our 2011/12 operational performance against the targets and budgets established in the Service Plan. BCLC also compares its performance to other gaming organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

International Financial Reporting Standards

The Budget Transparency and Accountability Act specifies that the Government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior government are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

Fiscal 2011/12 is the first year BCLC will be formally reporting under IFRS. As noted in the audited financial statements, some comparative numbers for 2010/11 have been restated to comply with the new standards.

economic outlook

Current economic indicators suggest B.C.'s economy will continue to experience modest growth throughout 2012 and 2013.

BCLC's strategy will be to continue to invest in new revenue-generating opportunities, strategically manage costs, and upgrade critical infrastructure in order to optimize corporate performance as the economy improves.

A more detailed discussion of initiatives and opportunities can be found in our three-year Service Plan and on our web site (bclc.com).

lottery operations

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	**2011/12 Actual**	2011/12 Budget	2011/12 Variance	Variance From Prior Year
Revenue								
Retail network	$ 709.7	$ 710.7	$ 691.7	$ 807.5	**$ 789.2**	$ 787.9	$ 1.3	$ (18.3)
Hospitality network	248.5	220.0	212.6	212.0	**206.6**	182.1	24.5	(5.4)
eGaming	18.7	23.5	33.6	42.9	**65.6**	75.0	(9.4)	22.7
	976.9	954.2	937.9	1,062.4	**1,061.4**	1,045.0	16.4	(1.0)
Prizes	542.8	521.8	505.3	581.5	**580.8**	556.2	(24.6)	0.7
Net win	434.1	432.4	432.6	480.9	**480.6**	488.8	(8.2)	(0.3)
Direct expenses	79.0	75.5	71.3	77.2	**77.4**	76.8	(0.6)	(0.2)
Gaming support costs and operating expenses	79.9	89.9	84.1	93.3	**98.2**	107.3	9.1	(4.9)
Net income before taxes	275.2	267.0	277.2	310.4	**305.0**	304.7	0.3	(5.4)
GST/HST	11.3	10.6	10.5	21.0	**26.0**	27.4	1.4	(5.0)
Net income	$ 263.9	$ 256.4	$ 266.7	$ 289.4	**$ 279.0**	$ 277.3	$ 1.7	$ (10.4)
Lottery retailers	4,033	4,046	4,044	3,994	**3,853**	4,060	(207.0)	(141.0)
Lottery terminals	3,969	3,995	4,002	3,962	**3,866**	4,050	(184.0)	(96.0)

LOTTERY OPERATIONS
($ millions)

Lottery net income of $279.0 million exceeded budget by $1.7 million but lagged the previous year by $10.4 million. Overall revenue exceed budget by $16.4 million, once again surpassing the $1 billion mark and falling only $1 million short of last year's record $1.062 billion.

Revenue was most notably up in the Instant and Social categories on the continued strength of the brand rejuvenation and pricing strategies introduced last year. LOTTO MAX performance again outpaced statistical projections with twelve $50 million jackpots—just four short of the record sixteen seen in 2010/11.

In 2011/12, BCLC continued to invest in the PlayNow eGaming business, enhancing its suite of casino-style games and making other changes to the product line-up. eCasino games continued to be well received, generating net win of $34.2 million—more than double that seen in 2010/11. However, ePoker has yet to realize its full potential, and this year lagged $8.8 million behind budget. Overall, eGaming contributed $24.8 million to BCLC's net income against a plan of $27.2 million and prior year performance of $8.6 million—a year-over-year increase of 288 per cent.

casino and community gaming operations

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	**2011/12 Actual**	2011/12 Budget	2011/12 Variance	Variance From Prior Year
Revenue								
Slot machines	$ 1,060.6	$ 1,087.4	$ 1,098.6	$1,126.6	**$ 1,140.7**	$1,185.2	$ (44.5)	$ 14.1
Table games	325.8	356.4	343.9	357.1	**380.9**	362.0	18.9	23.8
Poker	22.4	23.5	23.1	22.5	**22.1**	23.0	(0.9)	(0.4)
Bingo	173.5	128.7	113.8	110.1	**96.3**	110.8	(14.5)	(13.8)
	1,582.3	1,596.0	1,579.4	1,616.3	**1,640.0**	1,681.0	(41.0)	23.7
Prizes	104.3	77.9	72.3	70.8	**61.1**	71.4	10.3	9.7
Net win	1,478.0	1,518.1	1,507.1	1,545.5	**1,578.9**	1,609.6	(30.7)	33.4
Direct expenses	517.3	544.3	535.5	542.7	**552.9**	562.1	9.2	(10.2)
Gaming support costs and operating expenses	107.0	116.3	132.1	127.2	**136.7**	151.9	15.2	(10.5)
Net income before taxes	853.7	857.5	839.5	875.6	**889.3**	895.6	(6.3)	12.7
GST/HST	28.7	23.2	27.1	59.3	**60.9**	67.9	7.0	(0.6)
Net income	$ 825.0	$ 834.3	$ 812.4	$ 816.3	**$ 828.4**	$ 827.7	$ 0.7	$ 12.1
Casinos	17	17	17	17	**17**	17	0	0
Slot machines	7,837	8,818	9,438	9,476	**9,727**	9,526	185	251
Tables	481	485	478	436	**459**	498	(39)	23
Commercial halls	15	13	13	11	**10**	10	(2)	(1)
Independent operators	15	14	7	6	**0**	0	0	(6)
Community gaming centres	12	14	15	16	**17**	17	0	1
Community gaming slot machines	1,105	1,378	1,581	1,850	**2,103**	1,927	236	253

CASINO AND COMMUNITY GAMING REVENUE
($ millions)

Casino and Community Gaming revenue reached $1.64 billion in 2011/12, up $23.7 million from the prior year, but $41.0 million short of plan. Net win for the business unit was up $33.4 million over 2010/11, and net income exceeded the prior year by $12.1 million. Overall, the Lower Mainland market was stable, with some shifting of revenue between properties due to the major construction on Highway 1/Port Mann Bridge, affecting access to the Boulevard Casino. A buoyant economy in the northern Interior market resulted in increased customer traffic and strong community gaming centre performance. Also additional revenue was generated with the opening of a new Chances location in Castlegar.

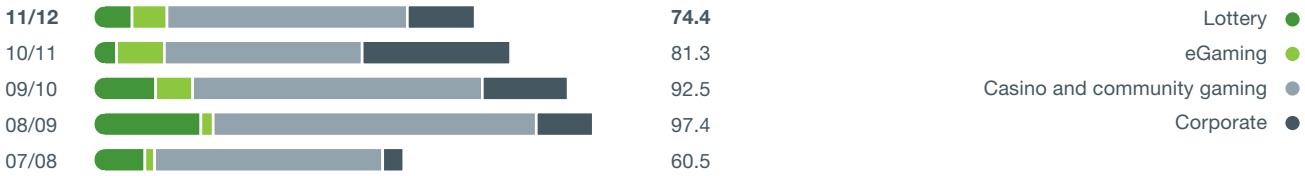
Table games performed very well this year, led by outstanding results from the River Rock Casino Resort's Baccarat tables. Slot machine revenue fell short of budget; however, growth in slot machine revenue at community gaming centres fueled year-over-year improvement. Bingo continues to be challenged by a diminishing player base.

capital spending

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	**2011/12 Actual**	2011/12 Budget	2011/12 Variance
Lottery	$ 10.1	$ 21.0	$ 12.2	$ 4.6	**$ 7.6**	$ 13.1	$ 5.5
eGaming	1.9	2.4	7.2	9.3	**6.8**	12.2	5.4
Casino and community gaming	44.4	62.9	56.4	38.5	**46.8**	104.6	57.8
Corporate	4.1	11.1	16.7	28.9	**13.2**	31.5	18.3
Capital expenditures	$ 60.5	$ 97.4	$ 92.5	$ 81.3	**$ 74.4**	$ 161.4	$ 87.0

From year to year, capital spending varies significantly in response to revenue and gaming facility initiatives. In 2011/12, capital spending of $74.4 million was $87.0 million under budget and $6.9 million less than last year. The positive budget variance this year reflects the approval of several multi-year projects, the rescheduling of a number of infrastructure programs and strategic cost management activities.

CAPITAL SPENDING
($ millions)



2011/12 INITIATIVES

In lottery, major initiatives included the development of a system for lottery sales through existing retail point-of-sale (POS) terminals. Investment in eGaming focused on the continued development and implementation of new casino games on PlayNow.com, enhancements to sports betting, and optimizing PlayNow.com to make it accessible on mobile devices. Major initiatives in casino and community gaming included the new gaming management system, and refreshing slot machines and table games at existing facilities. BCLC continued to invest in the replacement of legacy systems and hardware, and the modernization of core technology and business infrastructure.

B.C. LOTTOTECH INTERNATIONAL INC.

The consolidated statements of the British Columbia Lottery Corporation include B.C. Lottotech International, a wholly owned subsidiary of the Corporation. The primary purpose of B.C. 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 B.C. Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

	2011/12	2010/11
Revenue ($ thousands)		
Lease revenue	**$ 62,949**	$ 62,702
Expenses		
Amortization	**62,792**	62,546
Other expenses	**300**	1,300
	63,092	63,846
Net loss	**$ (143)**	$ (1,144)

management's responsibility for financial reporting

The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements present fairly the consolidated financial position of BCLC as at March 31, 2012, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements of BCLC.

Tom Williamson
CFO & Vice-President,
Finance and Corporate Services

Michael Graydon
President & CEO

independent auditors' report

To the Directors of and Minister Responsible for British Columbia Lottery Corporation:

We have audited the accompanying consolidated financial statements of the British Columbia Lottery Corporation, which are comprised of the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the consolidated statements of comprehensive income, changes in deficit, and cash flows for the years ended March 31, 2012 and 2011, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the British Columbia Lottery Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010, and its consolidated financial performance and cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Vancouver, Canada

May 22, 2012

(In thousands of Canadian dollars)

	March 31 2012	March 31 2011	April 1 2010
Assets			
Current assets:			
Cash (note 5)	**$ 52,130**	$ 48,539	$ 33,538
Short-term investments (note 6)	**29,335**	28,970	29,628
Accounts receivable (note 7)	**32,310**	24,206	25,859
Receivable from Interprovincial Lottery Corporation	**–**	–	4,247
Prepaid expenses	**4,439**	3,962	3,708
Inventories (note 8)	**9,819**	9,541	9,379
Total current assets	**128,033**	115,218	106,359
Employee future benefit plan assets (note 9)	**1,546**	1,641	11,992
Property and equipment (note 10)	**138,710**	145,528	141,942
Intangible assets (note 11)	**43,878**	31,114	22,101
Total assets	**$ 312,167**	$ 293,501	$ 282,394
Liabilities			
Current liabilities:			
Cheques issued in excess of funds on hand	**$ –**	$ –	$ 5,635
Prizes payable (note 12)	**31,410**	27,198	25,483
Accounts payable and accrued liabilities (note 13)	**46,894**	43,992	37,819
Short-term financing (note 14)	**90,122**	85,049	59,996
Payable to Interprovincial Lottery Corporation	**714**	3,142	–
Due to Government of British Columbia	**136,627**	115,757	128,715
Deferred revenue	**3,825**	7,984	5,776
Total current liabilities	**309,592**	283,122	263,424
Accrued post retirement benefit obligation (note 9)	**52,873**	42,350	37,304
Provisions (note 15)	**800**	1,300	500
Total liabilities	**363,265**	326,772	301,228
Deficit			
Accumulated deficit	**(17,728)**	(17,728)	(18,834)
Accumulated other comprehensive loss	**(33,370)**	(15,543)	–
Total deficit	**(51,098)**	(33,271)	(18,834)
Total liabilities and deficit	**$ 312,167**	$ 293,501	$ 282,394

Commitments and contingencies (notes 21 and 22)

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Chair, Board of Directors

Moray Keith
Board Audit Committee

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2012 and 2011
(In thousands of Canadian dollars)

	2012	2011
Revenue (note 16)	**$ 2,701,457**	$ 2,678,687
Prizes	**641,945**	652,296
Net win	**2,059,512**	2,026,391
Commissions and fees	**599,550**	589,728
Gaming systems, maintenance and ticket distribution	**29,105**	24,562
Gaming equipment, leases and licenses	**18,631**	16,790
Ticket printing	**12,145**	13,347
	659,431	644,427
Employee costs	**82,118**	76,623
Amortization and depreciation	**67,074**	66,004
Advertising, marketing and promotions	**31,573**	29,493
Professional fees and services	**8,089**	6,908
Cost of premises	**6,265**	4,045
Net finance costs (note 17)	**458**	25
Other	**10,167**	12,810
	205,744	195,908
Net income before tax	**1,194,337**	1,186,056
Harmonized Sales Tax expense	**86,902**	80,310
Net income	**1,107,435**	1,105,746
Other comprehensive loss		
Defined benefit plan actuarial losses (note 9)	**(17,827)**	(15,543)
Total comprehensive income	**$ 1,089,608**	$ 1,090,203

Sector activity information (note 25)

See accompanying notes to consolidated financial statements.

Years ended March 31, 2012 and 2011
(In thousands of Canadian dollars)

	Accumulated Deficit	AOCL[1]	Total Deficit
Opening balance, April 1, 2010	$ (18,834)	$ –	$ (18,834)
Net income	1,105,746	–	1,105,746
Distributions to Government of British Columbia (note 19)	(1,095,742)	–	(1,095,742)
Distributions to Government of Canada (note 18)	(8,898)	–	(8,898)
Defined benefit plan actuarial losses (note 9)	–	(15,543)	(15,543)
Ending balance, March 31, 2011	(17,728)	(15,543)	(33,271)
Net income	1,107,435	–	1,107,435
Distributions to Government of British Columbia (note 19)	(1,098,271)	–	(1,098,271)
Distributions to Government of Canada (note 18)	(9,164)	–	(9,164)
Defined benefit plan actuarial losses (note 9)	–	(17,827)	(17,827)
Ending balance, March 31, 2012	**$ (17,728)**	**$ (33,370)**	**$ (51,098)**

1 Accumulated Other Comprehensive Loss

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2012 and 2011
(In thousands of Canadian dollars)

	2012	2011
Cash provided by (used in):		
Operating activities:		
Net income	**$ 1,107,435**	$ 1,105,746
Items not involving cash:		
Depreciation of property and equipment	**55,141**	56,840
Amortization of intangible assets	**11,933**	9,164
Loss on disposal of property and equipment	**420**	1,777
Loss on disposal of intangible assets	**369**	701
Net benefit plan expense	**8,691**	6,549
Write-down of inventory to net realizable value	**383**	722
Unrealized foreign exchange gain	**–**	(17)
Net finance costs	**458**	25
	1,184,830	1,181,507
Changes in working capital or operating activities:		
Accounts receivable	**(8,104)**	1,740
Receivable from Interprovincial Lottery Corporation	**–**	4,247
Prepaid expenses	**(477)**	(254)
Inventories	**(661)**	(884)
Employee future benefit plan assets and accrued post retirement benefit obligation (note 9)	**(15,900)**	(6,695)
Prizes payable	**4,212**	1,715
Accounts payable and accrued liabilities	**2,782**	6,008
Payable to Interprovincial Lottery Corporation	**(2,428)**	3,142
Deferred revenue	**(4,159)**	2,208
Provisions	**(500)**	–
Interest received	**406**	368
Net cash from operating activities	**1,160,001**	1,193,102
Cash flows from financing activities:		
Increase in short-term financing	**5,073**	25,053
Interest paid	**(744)**	(298)
Distributions to Government of British Columbia (note 19)	**(1,077,401)**	(1,108,700)
Distributions to Government of Canada (note 18)	**(9,164)**	(8,898)
Net cash used in financing activities	**(1,082,236)**	(1,092,843)
Cash flows from investing activities:		
Additions to property and equipment	**(49,381)**	(62,075)
Additions to intangible assets	**(25,066)**	(18,878)
Proceeds on disposal of property and equipment	**638**	672
Net cash used in investing activities	**(73,809)**	(80,281)
Net increase in cash and cash equivalents	**3,956**	19,978
Cash and cash equivalents, beginning of years	**77,509**	57,531
Cash and cash equivalents, end of years	**$ 81,465**	$ 77,509
Cash and cash equivalents are comprised of:		
Cash (note 5)	**$ 52,130**	$ 48,539
Short-term investments (note 6)	**29,335**	28,970
Cash and cash equivalents, end of years	**$ 81,465**	$ 77,509

See accompanying notes to consolidated financial statements.

1. Reporting entity:

The British Columbia Lottery Corporation (BCLC or the Corporation) is a Crown corporation of British Columbia. BCLC was incorporated under the *Company Act* (British Columbia) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC's registered office is 74 West Seymour Street in Kamloops, British Columbia, Canada. As an agent of the Crown, the Government of British Columbia (B.C.) has designated BCLC as the authority to conduct, manage and operate lottery schemes on behalf of the Government of B.C., including lottery, casino, bingo and internet gaming. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. As BCLC is an agent of the Crown, it is not subject to federal or provincial corporate income taxes.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These are the Corporation's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1).

In previous years, these consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). This has resulted in certain changes to previously applied accounting policies. The comparative figures from 2011 have been restated to reflect the impact of these changes. The effects of these changes in accounting policies are explained in the disclosures concerning the transition from Canadian GAAP to IFRS required by IFRS 1, as set out in note 26 of the notes to the consolidated financial statements.

The consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 22, 2012.

(b) Basis of measurement:

The consolidated financial statements of the Corporation have been prepared on the historical cost basis except for employee future benefit plan assets which are recognized as the net total of the plan assets, plus unrecognized past service costs less the present value of the defined benefit obligation.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All values are rounded to the nearest thousand dollars.

(d) Key assumptions and significant judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation (continued):

(d) Key assumptions and significant judgments (continued):

Information about significant areas of estimation uncertainty, and critical judgments in applying accounting policies are as follows:

(i) Employee future benefits (note 9)

(ii) Asset lives and residual values of property and equipment (note 10) and intangible assets (note 11)

(iii) Provisions (note 15)

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS. The accounting policies have been applied consistently by the Corporation and its subsidiary.

(a) Basis of consolidation:

The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned Canadian subsidiary of BCLC. The financial statements used for consolidation are at the reporting date. Intercompany transactions and balances are eliminated on consolidation.

(b) Foreign currency transactions:

Transactions in foreign currencies are translated to Canadian dollars at the exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the reporting date. Foreign currency exchange differences are recorded in income in the period incurred.

(c) Cash equivalents:

Cash equivalents include short-term investments in overnight deposits with financial institutions having original maturity dates of 90 days or less. Short-term investments are highly liquid and form an integral part of the Corporation's cash management. As such, they are a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(d) Financial instruments:

The Corporation classifies its non-derivative financial instruments into the following categories: fair value through income, loans and receivables, held-to-maturity, available-for-sale, and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments were acquired.

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

(i) Non-derivative financial assets:

The Corporation recognizes loans and receivables on the date that they are originated. All other financial assets are recognized on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset are settled or expire.

The Corporation has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for doubtful debts and impairment losses. Amortized cost is determined with reference to any discounts or premiums on acquisition over the period to maturity.

Loans and receivables are comprised of cash, short-term investments, accounts receivable and the receivable from Interprovincial Lottery Corporation.

Accounts receivable are due for settlement no more than 30 days from the date of recognition. Collectibility of accounts receivable is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provision of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Corporation has the following non-derivative financial liabilities: cheques issued in excess of funds on hand, prizes payable, accounts payable and accrued liabilities, short-term financing, payable to Interprovincial Lottery Corporation, and due to Government of British Columbia.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

(iii) Embedded derivatives:

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through income.

(e) Inventories:

Instant tickets and supplies are recorded at the lower of cost, determined on a weighted average basis, and net realizable value. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

The net realizable value of instant tickets is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. For all other inventories, net realizable value is cost.

Inventories of minor spare parts are measured at the lower of cost, determined on a weighted average basis, and net realizable value.

Merchandise prize inventory is recorded at the lower of cost, determined using specific identification, and net realizable value.

(f) Employee future benefits:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of benefit payable in the future that employees have earned in return for their service in the current and prior periods; that benefit is then discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of the economic benefits available in the form of any future refunds from the plan, if allowed, or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The discount rate is the spot rate yield curve at the end of each month based on Canadian AA corporate bond yields that have maturity dates approximating the terms of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in income on a straight-line basis over the average vesting period. To the extent that the benefits vest immediately, the portion of the increased benefit relating to past service is recognized immediately in income.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive loss, and reports them in accumulated other comprehensive loss. Also, any variations in the asset limit are recognized in other comprehensive loss.

The actuarial valuations of the defined benefit plans for IAS 19 *Employee Benefits* purposes are performed annually by qualified actuaries using the projected unit credit method.

3. Significant accounting policies (continued):

(g) Property and equipment:

The Corporation's policy on capital purchases is that any major purchase which has a useful life of more than 12 months beyond the end of the current year will be capitalized.

The Corporation's property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment at April 1, 2010, the date of transition to IFRS, was determined by reference to its historical cost at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of salaries and benefits for employees working directly on the construction of the qualifying asset. The amount capitalized is based on the time spent on the construction of the asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

The cost of replacing part of an item of property and equipment is recognized within the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in income as incurred.

Land is not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and is taken at the following annual rates:

Asset	Rate
Corporate facilities and equipment	5 to 20 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
Casino and community gaming systems and equipment	3 to 5 years

The residual values, depreciation methods and useful economic lives of property and equipment are reviewed annually. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. An impairment loss on property and equipment may be reversed upon subsequent increase of the fair value of such assets.

Property and equipment under construction is not depreciated. Depreciation commences upon completion of the construction when the assets are available for use.

Gains and losses realized on the disposition of items of property and equipment are determined by comparing net proceeds with carrying amounts. These gains and losses on disposal are included on a net basis within other expenses in the consolidated statement of comprehensive income.

(h) Intangible assets:

Costs incurred in developing or acquiring computer software products or systems that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Costs capitalized are directly attributable to the development or acquisition of the intangible asset. Costs include direct costs of materials and services, payroll and payroll-related costs of employees' time spent on the project. Borrowing costs related to the development of qualifying assets are capitalized.

3. Significant accounting policies (continued):

(h) Intangible assets (continued):

The cost of internally developed intangible assets is comprised of developmental costs that are directly attributable to creation, production and preparation of the asset to be capable of operating in the manner intended by management. These costs are capitalized if they meet all of the following criteria:

- The technical feasibility of completing the intangible asset for use has been demonstrated,
- The Corporation has demonstrated its intention to use the intangible asset,
- The Corporation has demonstrated its ability to use the intangible asset,
- The usefulness of the intangible asset in generating probable future economic benefit has been demonstrated,
- There are adequate technical, financial, and other resources to complete the development of the intangible asset, and
- The expenditures attributable to the intangible asset can be measured reliably during its development.

Other development costs are recognized in income as incurred.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to five years). The residual values, amortization methods, and useful economic lives of intangible assets are reviewed annually. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. An impairment loss for an intangible asset may be reversed upon subsequent increase of the fair value of such assets.

(i) Impairment:

(i) Financial assets:

A financial asset not carried at fair value through income is assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows.

(ii) Non-financial assets:

The carrying amounts of non-financial assets, other than inventories and employee future benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Borrowing costs:

Borrowing costs directly attributable or allocated to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial amount of time to get ready for their intended use or sale, are added to the cost of those assets. The Corporation uses the weighted average of the general borrowing costs of the Corporation, exclusive of specific borrowing costs, and the effective interest rate method to determine the capitalization rate for allocation of borrowing costs. The Corporation ceases to capitalize borrowing costs when the asset is substantially ready for use.

All other borrowing costs are recognized in income in the period in which they are incurred.

3. Significant accounting policies (continued):

(k) Provisions:

Provisions are liabilities of uncertain timing and amount. A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect current estimates.

A provision for decommissioning is recognized when the Corporation enters a lease agreement or acquires property or equipment which the Corporation is legally obliged to decommission at the end of the lease term or the estimated useful life. The provision is based on the estimated future cost of returning the premises or equipment to its required state.

(l) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized for major business activities as follows:

(i) Lottery:

The recognition of revenue and the corresponding direct expenses for electronically generated lottery tickets sold through retail terminals and online through PlayNow.com is at the date of the draw.

Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

The recognition of lottery revenue, net of buybacks, and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

PlayNow Casino revenue is comprised of revenue from eCasino, ePoker, eBingo and interactive products. Revenue from eCasino and ePoker is recorded in income, net of prizes paid, in the same period the game is played. Revenue from other lottery products (including eBingo and interactive products) is recorded in income in the same period the games are played.

Subscription revenue is recognized at the date of each draw over the life of the subscription.

(ii) Casino and Community Gaming:

Revenue from casino and community gaming slot machines and table games is recorded in income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in income in the period they are incurred. Revenue from the operation of bingo games, and the associated selling costs and prize expenses, are included in income in the same period the games are played.

3. Significant accounting policies (continued):

(l) Revenue recognition (continued):

(iii) Customer loyalty programs:

The Corporation has several customer loyalty programs through which customers receive free or discounted goods or services. If a customer has the right to receive cash under a customer loyalty program, then the cash value is recognized as a financial liability under IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). These customer loyalty programs are measured initially at fair value and are only derecognized when the derecognition criteria in IAS 39 are met. If the patron does not have the right to receive cash, if the promotion is part of a current gaming transaction, and if the patron can redeem the promotional item for free or discounted goods or services, then the revenue, as determined by the fair value of the undelivered goods and services related to the customer loyalty program estimated taking into account the expected redemption rate when applicable, is deferred until the promotional consideration is provided under IFRIC 13 *Customer Loyalty Programs* or until the award expires.

(iv) Net win:

Net win represents revenue net of prizes paid.

(m) Prize expenses:

Lottery prize expenses are recorded based on the actual prize liability experienced for each game, with the exception of instant ticket games which are recorded at theoretical prize liabilities for each game.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense.

Unclaimed lottery prizes are recorded as prizes payable until the prizes are claimed, discontinued or expire. Expired prizes are then recorded as reductions in prize expense and prize liability in the year of expiry.

Unclaimed prizes of national lottery games are administered by the Interprovincial Lottery Corporation.

Progressive jackpots:

The Corporation has several progressive jackpot games, each of which may be comprised of a seed as well as an incremental portion which increases by allotting a portion of each player's wager to the pot. BCLC recognizes such amounts as a prize payable at the time the Corporation has the obligation to pay the jackpot.

(n) Commissions:

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as revenue is recognized.

Commissions paid to gaming facility service providers are based on net win earned. BCLC records these commission expenses as net win is earned.

BCLC employs a commission structure that enables gaming facility service providers to earn additional commission (facility development commission (FDC) and accelerated facility development commission (AFDC)), up to contractually determined limits, based on net win earned.

The FDC and AFDC are recorded as commission expenses by BCLC as net win is earned.

3. Significant accounting policies (continued):

(o) Leases:

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases not classified as finance leases are considered operating leases. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

(p) Finance income and finance costs:

Finance income is comprised of interest income on funds invested. Interest income is recognized as it accrues in income, using the effective interest method.

Finance costs are comprised of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in income using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

(q) Sector activity reporting:

The Corporation's reportable sectors are business units that represent distinct distribution channels for similar products and services. These sectors are lottery, and casino and community gaming. The sector activity is illustrated in note 25. The accounting policies of the sectors do not differ from the accounting policies of the Corporation.

(r) New standards and interpretations issued but not yet adopted:

The following standard has been issued but is not effective until July 1, 2012:

Presentation of Financial Statements:

Amendments to IAS 1 *Presentation of Financial Statements* have been published which revise the presentation of other comprehensive income. The amendments to the standard retain the one or two statement approach alternative at the option of the entity and revise the presentation of other comprehensive income by requiring separate subtotals for those elements which may ultimately be reclassified to net income as well as for those elements that will not. The amendments to IAS 1 will impact the presentation of the components of other comprehensive loss in the Corporation's *Consolidated Statement of Comprehensive Income*. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

3. Significant accounting policies (continued):

(r) New standards and interpretations issued but not yet adopted (continued):

The following standards have been issued but are not effective until January 1, 2013:

Employee Benefits:

IAS 19 *Employee Benefits* has been amended to modify accounting for changes in the net defined benefit liability and termination benefits, enhance the disclosure requirements around defined benefit plans, and provide further clarification on certain matters. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

Financial Instruments:

IFRS 7 *Financial Instruments: Disclosures* has been amended to contain new disclosure requirements for financial assets and liabilities that are:

- offset in the statement of financial position; or
- subject to master netting arrangements or similar arrangements.

These amendments are to be applied retrospectively. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

The following standard has been issued but is not effective until January 1, 2014:

Financial Instruments:

IAS 32 *Financial Instruments: Presentation* has been amended to clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. These amendments are to be applied retrospectively. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2015.

The following standard has been issued but is not effective until January 1, 2015:

Financial Instruments:

IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. The new standard provides new requirements for classifying and measuring financial assets and financial liabilities and maintains the existing requirements for derecognition of financial assets and financial liabilities. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2016.

4. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

General:

BCLC's Board of Directors (the Board) is responsible for the oversight of management including its policies related to financial and risk management issues. The Board uses BCLC's Audit Committee to assist in the review of the risk register prepared by management on the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

The Audit Committee also oversees and reports back to the Board on the review of the Corporation's information systems, risk management function and internal controls in order to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate, and timely management and financial information.

The Corporation has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems, and to adopt risk treatment plans when appropriate. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive and Audit Committee.

The Corporation also has a division focused on corporate security and compliance. Further, the Corporation has Audit Services and a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control and compliance.

Credit risk:

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, investments and cash floats.

Trade receivables, net win less commissions outstanding, and cash floats:

The major third parties transacting with the Corporation, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC. The Corporation is not materially exposed to any one individual lottery retailer or gaming facility service provider except as noted below.

The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments may be completed for new retailers (with the exception of registered charities), retailers who have experienced insufficient fund occurrences or where there is a concern that a retailer might be experiencing financial difficulties.

Security is obtained from lottery retailers who are considered high financial risks or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees.

4. Financial risk management (continued):

Credit risk (continued):

Trade receivables, net win less commissions outstanding, and cash floats (continued):

The Corporation may secure trade receivables from lottery retailers and net win less commissions that would be outstanding from gaming facility service providers through security deposits or Irrevocable Standby Letters of Credit. This security also covers gaming cash floats owned by the Corporation and provided by the Corporation to certain gaming facility service providers. While the Corporation is materially exposed to two different gaming facility service providers, their letters of credit and daily cash sweeps made by the Corporation mitigate the risk of material default for financial assets owned by the Corporation.

The Corporation's PlayNow.com sales are paid in advance through credit card, debit card, or online bill payment transactions.

As at March 31, 2012, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $7,730 (2011: $3,549; April 1, 2010: $1,282) of the accounts receivable carrying amount.

The maximum exposure to credit risk for trade receivables and net win less commissions outstanding at the reporting date by type of debtor is represented by the carrying amounts, as detailed in note 7, less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

	March 31 2012	March 31 2011	April 1 2010
Lottery retailers	**$ 13,980**	$ 13,059	$ 14,652
Gaming facility service providers	**–**	–	–
Other	**1,703**	1,015	6,246
	$ 15,683	$ 14,074	$ 20,898

Normal credit terms of trade receivables or net win less commissions outstanding are due within 30 days. As at March 31, 2012, March 31, 2011 and April 1, 2010, there were no trade receivables or net win less commissions outstanding more than 60 days overdue.

Investments:

The Corporation limits its exposure to credit risk by investing only in short-term debt securities with high credit ratings (as noted below) and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meets its obligations.

The Corporation has a formal policy and guidelines in place for short-term investments that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

4. Financial risk management (continued):

Credit risk (continued):

Investments (continued):

Specifically, the Corporation may invest in the following short-term investments:

- Fixed income securities issued, insured, or guaranteed by the Government of Canada, a provincial or municipal government, or the Government of the United States;
- Short-term financial and corporate commercial paper rated R-1 by the Dominion Bond Rating Service (DBRS) or an equivalent rating agency;
- Short-term paper issued by savings institutions;
- Fixed income securities from corporate issuers with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency; and
- Canadian dollar denominated fixed income securities issued, insured or guaranteed by a non-Canadian sovereign government or a supranational entity (e.g., the World Bank), with a rating of A or R-1 or better from DBRS, or with an equivalent rating from another rating agency.

A policy has been established that outlines various asset mix range percentages for investments restricted to short-term pooled money market funds or bond investments.

Concentrations:

The Corporation has significant business arrangements with two gaming facility service providers which account for the majority of its casino business. The Corporation also has arrangements with other gaming facility service providers and approximately 4,000 lottery retailers. Credit risk related to service providers or lottery retailers is mitigated through Irrevocable Standby Letters of Credit or security deposits, as well as the distribution of risk across a large number of lottery retailers.

The Corporation has a number of business relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a significant number of other relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gambling industry.

4. Financial risk management (continued):

Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of B.C. under its Fiscal Agency Loan (FAL) program. Under this agreement, the Corporation may borrow up to $150 million. In making a loan to the Corporation, the Government of B.C. uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of B.C.. Loans are unsecured and there are no pre-established repayment terms. The terms are set by the Government of B.C. each time a loan is requested under this agreement. To date the durations of the loans have not exceeded 90 days.

The Corporation also has a $10 million unused demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2011: prime rate; April 1, 2010: prime rate plus 0.5 per cent).

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money and money from normal operations held in advance of its transfer to the Government of B.C.. As a result of fluctuating cash flow requirements and to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of financial liabilities at March 31, 2012, March 31, 2011 and April 1, 2010 are as follows:

March 31, 2012:

	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Prizes payable	$ 31,410	$ (31,410)	$ (25,093)	$ (6,317)
Accounts payable and accrued liabilities	46,894	(46,894)	(46,894)	–
Short-term financing	90,122	(90,122)	(90,122)	–
Payable to Interprovincial Lottery Corporation	714	(714)	(714)	–
Due to Government of British Columbia	136,627	(136,627)	(136,627)	–
	$ 305,767	$ (305,767)	$ (299,450)	$ (6,317)

4. Financial risk management (continued):

Liquidity risk (continued):

March 31, 2011:

	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Prizes payable	$ 27,198	$ (27,198)	$ (23,118)	$ (4,080)
Accounts payable and accrued liabilities	43,992	(43,992)	(43,992)	–
Short-term financing	85,049	(85,049)	(85,049)	–
Payable to Interprovincial Lottery Corporation	3,142	(3,142)	(3,142)	–
Due to Government of British Columbia	115,757	(115,757)	(115,757)	–
	$ 275,138	$ (275,138)	$ (271,058)	$ (4,080)

April 1, 2010:

	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Cheques issued in excess of funds on hand	$ 5,635	$ (5,635)	$ (5,635)	$ –
Prizes payable	25,483	(25,483)	(19,112)	(6,371)
Accounts payable and accrued liabilities	37,819	(37,819)	(37,819)	–
Short-term financing	59,996	(59,996)	(59,996)	–
Due to Government of British Columbia	128,715	(128,715)	(128,715)	–
	$ 257,648	$ (257,648)	$ (251,277)	$ (6,371)

4. Financial risk management (continued):

Market risk:

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of a financial instrument. Market risk includes currency risk, interest rate risk and other market price risk. BCLC is exposed to currency risk and interest rate risk which are described below.

Currency risk:

The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily U.S. dollars (USD)) and by holding bank accounts and investments in USD.

The Corporation limits its exposure by holding minimal USD investments and only maintaining required funds in USD bank accounts. Gains and losses due to foreign exchange rate fluctuations are also minimized by settling USD obligations as quickly as possible.

The Corporation's exposure to currency risk, based on notional amounts, is as follows:

	March 31, 2012		March 31, 2011		April 1, 2010	
	CAD	**USD[1]**	CAD	USD[1]	CAD	USD[1]
Short-term investments	**$ 29,216**	**$ 119**	$ 28,854	$ 116	$ 29,507	$ 121
Cash held	**55,490**	**694**	53,151	376	31,076	545
Accounts payable and accrued liabilities	**(46,829)**	**(65)**	(42,907)	(1,085)	(37,379)	(440)
Net exposure	**$ 37,877**	**$ 748**	$ 39,098	$ (593)	$ 23,204	$ 226

1 Note: All USD balances are shown in Canadian dollar (CAD) equivalents.

The Corporation does not have material currency risk since substantially all of its transactions are settled in Canadian dollars.

4. Financial risk management (continued):

Market risk (continued):

Interest rate risk:

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Government of B.C.. The terms are set by the Government of B.C. each time a loan is requested under the FAL agreement. The terms are determined based on market conditions available at that time.

The Corporation mitigates this risk by borrowing from the Government of B.C. for the minimum time necessary.

The Corporation is also exposed to interest rate risk through the Corporation's demand operating credit facility (when used) which is subject to interest charged at its bank's commercial prime lending rate (2011: prime rate; April 1, 2010: prime rate plus 0.5 per cent).

The Corporation mitigates this risk by minimizing the use of the demand operating credit facility.

The Corporation's interest-bearing assets are typically invested for short periods due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Short-term investments			
(fixed rate instruments)	**$ 29,335**	$ 28,970	$ 29,628
Short-term financing			
(fixed rate instruments)	**(90,122)**	(85,049)	(59,996)
	$ (60,787)	$ (56,079)	$ (30,368)

Sensitivity analysis:

The Corporation has classified its fixed-rate short-term investments as loans and receivables and its short-term financing as non-derivative financial liabilities. A one percent change in interest rates at the reporting date would have increased (decreased) net income by the amounts shown below. This analysis assumes that all other variables, including foreign currency rates, remain constant.

	Net income		Net income	
	March 31, 2012		March 31, 2011	
	1% increase	**1% decrease**	1% increase	1% decrease
Short-term investments	**$ 293**	**$ (293)**	$ 289	$ (289)
Short-term financing	**$ (901)**	**$ 901**	$ (850)	$ 850

4. Financial risk management (continued):

Market risk (continued):

Fair values:

The carrying amounts of financial assets and financial liabilities not classified as fair value through income approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

5. Cash:

	March 31 2012	March 31 2011	April 1 2010
Gaming cash floats	**$ 41,347**	$ 41,120	$ 24,104
Funds held for security deposits	**3,434**	3,353	7,958
Funds held for player accounts	**2,667**	2,262	1,476
Unrestricted operating cash	**4,682**	1,804	–
	$ 52,130	$ 48,539	$ 33,538

Gaming cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gambling locations and are not available for other purposes.

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $3,434 (2011: $3,353; April 1, 2010: $7,958) is included in accounts payable and accrued liabilities.

Funds held for player accounts represent funds provided to the Corporation by PlayNow.com players through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding PlayNow.com player account liability in the amount of $2,667 (2011: $2,262; April 1, 2010: $1,476) is included in accounts payable and accrued liabilities.

Select casino service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (the accounts). These gaming accounts are accounted for in a trust-like fashion by the casino service providers in accordance with policy and under the supervision of the Corporation, as well as in accordance with the regulations of GPEB. No amounts are recorded in the Corporation's financial statements for the accounts. The casino service providers are legally liable for these accounts that hold player funds.

6. Short-term investments:

	March 31 2012	March 31 2011	April 1 2010
BC Investment Management Corporation:			
Canadian Money Market Fund (overnight deposit)	**$ 29,216**	$ 28,854	$ 29,507
US Dollar Money Market Fund (overnight deposit)	**119**	116	121
	$ 29,335	$ 28,970	$ 29,628

7. Accounts receivable:

	March 31 2012	March 31 2011	April 1 2010
Trade receivables and net win less commissions outstanding:			
Lottery retailers	**$ 17,774**	$ 16,819	$ 18,552
Gaming facility service providers	**12,833**	6,372	5,308
	30,607	23,191	23,860
Other	**1,703**	1,015	1,999
Total accounts receivable	**$ 32,310**	$ 24,206	$ 25,859

8. Inventories:

The major components of inventories are as follows:

	March 31 2012	March 31 2011	April 1 2010
Slot machine spare parts	**$ 5,700**	$ 5,723	$ 5,171
Instant tickets	**2,404**	1,888	2,366
Lottery ticket supplies and other supplies	**1,069**	1,248	1,156
Merchandise prizes	**646**	682	686
	$ 9,819	$ 9,541	$ 9,379

For the year ended March 31, 2012, inventories recognized as an expense amounted to $15,024 (2011: $17,653).

For the year ended March 31, 2012, the write-down of ticket inventories and merchandise prizes to net realizable value amounted to $383 (2011: $722) of which $339 (2011: $722) was included in ticket printing expense and $44 (2011: $nil) was included in prize expense.

9. Employee future benefits:

The Corporation sponsors two defined benefit pension plans: a registered plan which covers substantially all of its employees and a supplementary plan which covers employees designated by the Corporation. The pension benefits are based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and are partially indexed for inflation after retirement. The registered plan is funded by employee and employer contributions. The supplementary plan is unfunded.

The Corporation also sponsors a non-pension post-retirement defined benefit plan covering substantially all of its employees. The non-pension post-retirement plan is unfunded.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans			Post Retirement Benefit Plan		
	March 31 2012	March 31 2011	April 1 2010	**March 31 2012**	March 31 2011	April 1 2010
Present value of unfunded accrued benefit obligation	**$ (6,855)**	$ (5,684)	$ (5,028)	**$ (49,611)**	$ (38,681)	$ (33,227)
Present value of funded accrued benefit obligation	**(134,863)**	(115,748)	(88,538)	**–**	–	–
Total present value of obligations[1]	**(141,718)**	(121,432)	(93,566)	**(49,611)**	(38,681)	(33,227)
Fair value of plan assets	**142,972**	122,998	105,467	**–**	–	–
Unamortized past service costs (benefit)	**292**	75	91	**(3,262)**	(3,669)	(4,077)
Accrued employee future benefit plan asset (liability)	**$ 1,546**	$ 1,641	$ 11,992	**$ (52,873)**	$ (42,350)	$(37,304)

1 Estimated accrued benefit obligation increase (decrease) on the post-retirement benefit plan—effect with:

	March 31 2012	March 31 2011	April 1 2010
1% increase in assumed health care cost trend rate	**$ 10,648**	$ 7,511	$ 6,126
1% decrease in assumed health care cost trend rate	**$ (8,249)**	$ (5,902)	$ (4,852)

A one per cent increase in the discount rate at the reporting date would decrease the value of the accrued benefit obligation in the funded registered pension plan by an estimated $21,000. A one per cent decrease in the discount rate at the reporting date would increase the value of the accrued benefit obligation in the funded registered pension plan by an estimated $27,000.

Change in the present value of the **defined benefit obligations**	Pension Plans **2012**	Pension Plans 2011	Post Retirement Benefit Plan **2012**	Post Retirement Benefit Plan 2011
Balance at April 1	**$ 121,432**	$ 93,566	$ **38,681**	$ 33,227
Current service cost	**6,363**	4,931	**1,899**	1,421
Interest cost	**7,351**	5,995	**2,403**	2,180
Plan amendments	**257**	–	**–**	–
Employee contributions	**2,569**	2,452	**–**	–
Benefits paid	**(4,555)**	(2,794)	**(666)**	(602)
Actuarial loss	**8,434**	17,282	**7,294**	2,455
Curtailment gain	**(133)**	–	**–**	–
Balance at March 31	**$ 141,718**	$ 121,432	**$ 49,611**	$ 38,681

9. Employee future benefits (continued):

Change in the fair value of **plan assets**	Pension Plans **2012**	Pension Plans 2011	Post Retirement Benefit Plan **2012**	Post Retirement Benefit Plan 2011
Fair value at April 1	**$ 122,998**	$ 105,467	**$ –**	$ –
Expected return on plan assets[1]	**8,825**	7,586	**–**	–
Actuarial (loss) gain	**(2,099)**	4,194	**–**	–
Employer contributions[2]	**15,234**	6,093	**666**	602
Employee contributions	**2,569**	2,452	**–**	–
Benefits paid	**(4,555)**	(2,794)	**(666)**	(602)
Balance at March 31	**$ 142,972**	$ 122,998	**$ –**	$ –

1 Actual return on plan assets was $6,726 (2011: $11,780).

2 The total employer contributions for all plans for the year ended March 31, 2012 are $15,900 (2011: $6,695).

Plan assets by asset category for the registered plan only:

	March 31 2012	March 31 2011	April 1 2010
Equity securities	**63%**	61%	61%
Debt securities	**37%**	39%	39%
	100%	100%	100%

The Corporation's total expense recognized in income is as follows:

	Pension Plans **2012**	Pension Plans 2011	Post Retirement Benefit Plan **2012**	Post Retirement Benefit Plan 2011
Current service cost	**$ 6,363**	$ 4,931	**$ 1,899**	$ 1,421
Interest cost	**7,351**	5,995	**2,403**	2,180
Expected return on plan assets	**(8,825)**	(7,586)	**–**	–
Past service cost (credit) recognized in the year	**40**	16	**(407)**	(408)
Curtailment gain recognized	**(133)**	–	**–**	–
Total expense recognized in income[3]	**$ 4,796**	$ 3,356	**$ 3,895**	$ 3,193

The total expense is recognized in employee costs in the consolidated statement of comprehensive income.

3 Estimated effect on the aggregate of current service cost and interest cost on the post-retirement benefit plan—income decrease (increase) effect with:

	2012	2011
1% increase in assumed health care cost trend rate	**$ 1,079**	$ 839
1% decrease in assumed health care cost trend rate	**$ (807)**	$ (640)

9. Employee future benefits (continued):

The actuarial losses recognized in other comprehensive loss are as follows:

	Pension Plans		Post Retirement Benefit Plan	
	2012	2011	**2012**	2011
Cumulative amount at April 1	**$ 13,088**	$ –	**$ 2,455**	$ –
Actuarial loss	**10,533**	13,088	**7,294**	2,455
Cumulative amount at March 31	**$ 23,621**	$ 13,088	**$ 9,749**	$ 2,455

The total actuarial losses recognized for all plans in other comprehensive loss for the year ended March 31, 2012 are $17,827 (2011: $15,543).

An actuarial valuation is required, at a minimum, every three years to assess the financial position of the registered pension plan. The most recent actuarial valuation of the registered plan for funding purposes was made as of December 31, 2010 by Mercer (Canada) Limited, a firm of consulting actuaries. The next required actuarial valuation will be made as of December 31, 2013, with results expected to be available in 2014. There is no statutory requirement to perform actuarial valuations of the supplementary plan and the non-pension post-retirement benefit plan. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations for accounting purposes are as follows:

	Pension Plans			Post Retirement Benefit Plan		
	March 31 2012	March 31 2011	April 1 2010	**March 31 2012**	March 31 2011	April 1 2010
Discount rate at reporting dates	**5.10%**	5.91%	6.25%	**5.10%**	5.98%	6.35%
Expected return on plan assets at beginning of years	**6.25%**	7.00%	7.00%	**–**	–	–
Rate of compensation increase for fiscal year	**3.78%**	2.80%	4.27%	**–**	–	–
Future compensation increases	**2.50%**	3.50%	3.00%	**–**	–	–
Future pension increases	**3.25%**	3.25%	3.00%	**–**	–	–
Inflation	**2.25%**	2.75%	2.50%	**–**	–	–
Initial weighted-average health care trend rate	**–**	–	–	**6.55%**	6.64%	6.84%
Ultimate weighted average health care trend rate	**–**	–	–	**4.50%**	4.50%	4.50%
Year ultimate reached	**–**	–	–	**2029**	2029	2029

9. Employee future benefits (continued):

Historical information:

	Pension Plans			Post Retirement Benefit Plan		
	March 31 2012	March 31 2011	April 1 2010	**March 31 2012**	March 31 2011	April 1 2010
Present value of accrued benefit obligation	**$ (141,718)**	$ (121,432)	$ (93,566)	**$ (49,611)**	$ (38,681)	$ (33,227)
Fair value of plan assets	**142,972**	122,998	105,467	**–**	–	–
Surplus (deficit)	**$ 1,254**	$ 1,566	$ 11,901	**$ (49,611)**	$ (38,681)	$ (33,227)
Experience adjustments arising on plan liabilities	**$ (2,329)**	$ (3)	n/a	**$ 63**	$ 25	n/a
Experience adjustments arising on plan assets	**$ (2,099)**	$ 4,194	n/a	**n/a**	n/a	n/a

The contributions expected to be paid during the year ended March 31, 2013 amount to $13,447 for the funded registered plan, $244 for the unfunded supplementary plan and $828 for the unfunded non-pension plan.

10. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost						
Balance at April 1, 2010	$ 700	$ 55,339	$ 112,995	$ 279,244	$ 1,234	$ 449,512
Additions	–	20,630	2,585	38,083	1,551	62,849
Borrowing costs capitalized	–	26	–	–	–	26
Transferred to systems and equipment	–	54	1,180	–	(1,234)	–
Disposals and retirements	–	(1,510)	(2,640)	(19,338)	–	(23,488)
Balance at March 31, 2011	$ 700	$ 74,539	$ 114,120	$ 297,989	$ 1,551	$ 488,899
Additions	–	7,983	2,552	37,061	1,785	49,381
Borrowing costs capitalized	–	–	–	–	–	–
Transferred to systems and equipment	–	1,204	–	–	(1,204)	–
Disposals and retirements	–	(6,509)	(2,388)	(18,213)	–	(27,110)
Balance at March 31, 2012	**$ 700**	**$ 77,217**	**$ 114,284**	**$ 316,837**	**$ 2,132**	**$ 511,170**

10. Property and equipment (continued):

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Depreciation						
Balance at April 1, 2010	$ –	$ 41,184	$ 80,408	$ 185,978	$ –	$ 307,570
Depreciation for the year	–	6,911	11,476	38,453	–	56,840
Disposals and retirements	–	(627)	(2,162)	(18,250)	–	(21,039)
Balance at March 31, 2011	$ –	$ 47,468	$ 89,722	$ 206,181	$ –	$ 343,371
Depreciation for the year	–	9,191	9,474	36,476	–	55,141
Disposals and retirements	–	(6,377)	(2,301)	(17,374)	–	(26,052)
Balance at March 31, 2012	**$ –**	**$ 50,282**	**$ 96,895**	**$ 225,283**	**$ –**	**$ 372,460**
Carrying Amounts						
At April 1, 2010	$ 700	$ 14,155	$ 32,587	$ 93,266	$ 1,234	$ 141,942
At March 31, 2011	$ 700	$ 27,071	$ 24,398	$ 91,808	$ 1,551	$ 145,528
At March 31, 2012	**$ 700**	**$ 26,935**	**$ 17,389**	**$ 91,554**	**$ 2,132**	**$ 138,710**

For the year ended March 31, 2012, losses on disposal of property and equipment amounted to $420 (2011: $1,777) and were included in other expenses in the consolidated statement of comprehensive income.

Borrowing costs:

During the year ended March 31, 2012, no borrowing costs were capitalized to property and equipment (2011: 7.46 per cent of borrowing costs were eligible for capitalization and borrowing costs of $26 were capitalized).

11. Intangible assets:

The intangible assets balance represents software purchased and internally-generated software assets.

	Software	Assets under development	Total
Cost			
Balance at April 1, 2010	$ 46,023	$ 3,213	$ 49,236
Acquisitions—separately acquired	16,815	118	16,933
Acquisitions—internally generated	–	1,940	1,940
Borrowing costs capitalized	–	5	5
Transferred to intangibles	3,213	(3,213)	–
Disposals and retirements	(959)	–	(959)
Balance at March 31, 2011	$ 65,092	$ 2,063	$ 67,155
Acquisitions—separately acquired	6,888	15,337	22,225
Acquisitions—internally generated	–	2,791	2,791
Borrowing costs capitalized	–	50	50
Transferred to intangibles	226	(226)	–
Disposals and retirements	(1,564)	–	(1,564)
Balance at March 31, 2012	**$ 70,642**	**$ 20,015**	**$ 90,657**
Amortization			
Balance at April 1, 2010	$ 27,135	$ –	$ 27,135
Amortization for the year	9,164	–	9,164
Disposals and retirements	(258)	–	(258)
Balance at March 31, 2011	$ 36,041	$ –	$ 36,041
Amortization for the year	11,933	–	11,933
Disposals and retirements	(1,195)	–	(1,195)
Balance at March 31, 2012	**$ 46,779**	**$ –**	**$ 46,779**
Carrying Amounts			
At April 1, 2010	$ 18,888	$ 3,213	$ 22,101
At March 31, 2011	$ 29,051	$ 2,063	$ 31,114
At March 31, 2012	**$ 23,863**	**$ 20,015**	**$ 43,878**

For the year ended March 31, 2012, losses on disposal of intangible assets amounted to $369 (2011: $701) and were included in other expenses in the consolidated statement of comprehensive income.

Borrowing costs:

During the year ended March 31, 2012, 5.77 per cent (2011: 1.18 per cent) of borrowing costs were eligible for capitalization and borrowing costs of $50 (2011: $5) were capitalized.

12. Prizes payable:

	March 31 2012	March 31 2011	April 1 2010
Lottery	**$ 24,393**	$ 21,650	$ 20,737
Casino and community gaming	**7,017**	5,548	4,746
	$ 31,410	$ 27,198	$ 25,483

13. Accounts payable and accrued liabilities:

	March 31 2012	March 31 2011	April 1 2010
Trade payables	**$ 9,759**	$ 7,624	$ 6,850
Accrued expenses	**22,395**	21,954	17,196
Harmonized sales tax payable	**8,259**	8,545	4,188
Other	**6,481**	5,869	9,585
	$ 46,894	$ 43,992	$ 37,819

14. Short-term financing:

	March 31 2012	March 31 2011	April 1 2010
Government of B.C., loan, payable in a single instalment including interest of $35 at 0.91%, unsecured, due April 4, 2012	**$ 30,102**	$ –	$ –
Government of B.C., loan, payable in a single instalment including interest of $40 at 0.92%, unsecured, due May 15, 2012	**29,966**	–	–
Government of B.C., loan, payable in a single instalment including interest of $52 at 0.92%, unsecured, due May 31, 2012	**30,054**	–	–
Government of B.C., loan, payable in a single instalment including interest of $63 at 0.87%, unsecured, settled April 2011	**–**	45,081	–
Government of B.C., loan, payable in a single instalment including interest of $16 at 0.87%, unsecured, settled April 2011	**–**	19,987	–
Government of B.C., loan, payable in a single instalment including interest of $22 at 0.90%, unsecured, settled May 2011	**–**	19,981	–
Government of B.C., loan, payable in a single instalment including interest of $8 at 0.17%, unsecured, settled April 2010	**–**	–	59,996
	$ 90,122	$ 85,049	$ 59,996

15. Provisions:

		Total
Balance at April 1, 2010	$	500
Provisions made during the year		800
Balance at March 31, 2011		1,300
Provisions made during the year		–
Provisions settled during the year		(293)
Provisions reversed during the year		(207)
Balance at March 31, 2012	**$**	**800**

Decommissioning:

Total provisions of $1,300 existed at March 31, 2011 in respect of the Corporation's obligation to bring certain premises, held under operating leases, back to their original states as required by the lease agreements. This includes $800 for certain current leased space and $500 for former leased space. The required work was completed during fiscal 2012 for the former leased space at a cost of $293. The unused provision of $207 was reversed.

In accordance with the lease terms, certain current leased space must be brought back to its original state. During the year ended March 31, 2011, the Corporation provided $800 for this purpose. Because of the long-term nature of this liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. Decommissioning is expected to occur in 15 years at the end of the lease term.

16. Revenue:

	2012	2011
Lottery:		
Keno	**$ 234,929**	$ 229,741
LOTTO MAX	**197,772**	248,608
Lotto 6/49	**161,190**	155,929
Scratch & Win	**172,395**	165,652
Sports Action	**53,678**	48,847
Extra	**51,960**	54,160
BC/49	**43,178**	42,041
PlayNow Casino	**39,250**	18,452
Pacific Hold'Em Poker	**37,627**	41,879
Pull Tabs	**34,493**	36,210
Special Event	**20,491**	10,528
Poker Lotto	**9,128**	–
SportsFunder	**5,331**	6,168
Knockout 21	**–**	113
Millionaire Life	**–**	4,051
	1,061,422	1,062,379
Casino and Community Gaming:		
Slot machines—revenue net of prizes paid[1]	**1,140,704**	1,126,602
Table games—revenue net of prizes paid[1]	**380,973**	357,087
Electronic Bingo	**58,480**	67,897
Paper Bingo	**37,789**	42,254
Poker	**22,089**	22,468
	1,640,035	1,616,308
Total revenue	**$ 2,701,457**	$ 2,678,687

1 Net win

17. Net finance costs:

	2012	2011
Finance income	**$ (406)**	$ (455)
Interest expense	**821**	344
Foreign exchange loss	**43**	136
	$ 458	$ 25

18. Payments to the Government of Canada:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

19. Payments to the Government of British Columbia:

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 18), is paid into the consolidated revenue fund of the Government of B.C. in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of B.C. occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings. For the years ended prior to and including March 31, 2011, the Corporation remitted its net income to the Government of B.C. and Government of Canada (note 18) based on previously reported Canadian GAAP amounts.

20. Interprovincial Lottery Corporation expenses and interest revenue:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized in prize expense and ticket printing expense, respectively, in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses in the consolidated statement of comprehensive income.

21. Commitments:

Operating leases:

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises and vehicles are as follows:

2013	$	4,843
2014		4,636
2015		4,262
2016		3,514
2017		3,203
Thereafter		27,330

21. Commitments (continued):

Operating leases (continued):

The Corporation leases its Vancouver office and warehouse space under operating leases. The leases commenced May, 2011 and have a term of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay rent and service fees that are reviewed, negotiated and possibly adjusted as necessary.

The Corporation leases a fleet of vehicles under operating lease agreements. These leases have terms that range from two to five years.

During the year ended March 31, 2012, $22,745 (2011: $15,477) was recognized as an expense in the consolidated statement of comprehensive income in respect of operating leases. Included in this amount were contingent rents totaling $305 (2011: $301). The Corporation recognized income of $1,395 (2011: $1,317) in respect of rent under cancellable operating agreements with lottery retailers.

22. Contingencies:

The Corporation has been named as a defendant in several lawsuits in the ordinary course of business. In the opinion of management, these matters are without substantial merit and accordingly no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These indemnifications are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements for these indemnifications.

23. Related party transactions:

BCLC is a wholly owned Crown corporation of the Government of B.C.

All transactions with the Government of B.C. ministries, agencies and Crown corporations occurred in the normal course of operations and are at arm's length, which is representative of fair value.

Key management personnel have been defined as the members of the Board of Directors, the Corporation's President & CEO, and the Corporation's Vice-Presidents. The compensation for key management personnel is shown below:

		2012		2011
Compensation and other employee benefits	**$**	**2,913**	$	3,227
Pension and post-employment benefits		**343**		300
	$	**3,256**	$	3,527

The Corporation contributes to defined benefit pension plans and a post-retirement plan. Transactions with these entities are disclosed in note 9.

Other related party transactions have been disclosed in note 19 to the consolidated financial statements.

24. Harmonized Sales Tax (HST) expense:

As a prescribed HST registrant, the Corporation makes HST remittances to the Government of Canada pursuant to the *Games of Chance Regulations* of the *Excise Tax Act* (the Regulations). The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations resulting in the direct payment of additional HST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to other HST registrants.

Prior to July 2010, BCLC was a prescribed Goods and Services Tax (GST) registrant making remittances to the Government of Canada pursuant to the Regulations.

25. Sector activity information:

Year ended March 31, 2012

	Lottery	Casino & Community Gaming	Consolidated
Revenue (note 16)	$ 1,061,422	$ 1,640,035	$ 2,701,457
Prizes	580,795	61,150	641,945
Net Win	480,627	1,578,885	2,059,512
Gaming support costs:			
Commissions and fees	60,599	538,951	599,550
Gaming systems, maintenance and ticket distribution	18,160	10,945	29,105
Gaming equipment, leases and licenses	5,642	12,989	18,631
Ticket printing	11,180	965	12,145
Total gaming support costs	95,581	563,850	659,431
Operating expenses:			
Employee costs	30,684	51,434	82,118
Amortization and depreciation	18,379	48,695	67,074
Advertising, marketing and promotions	22,260	9,313	31,573
Other administrative expenses	4,233	6,673	10,906
Professional fees and services	2,578	5,511	8,089
Cost of premises	1,680	4,585	6,265
Other expenses (income)	15	(754)	(739)
Net finance costs (note 17)	95	363	458
Total operating expenses	79,924	125,820	205,744
Net income before tax	305,122	889,215	1,194,337
Harmonized sales tax expense	26,137	60,765	86,902
Net income	$ 278,985	$ 828,450	$ 1,107,435

25. Sector activity information (continued):

Year ended March 31, 2011

	Lottery	Casino & Community Gaming	Consolidated
Revenue (note 16)	$ 1,062,379	$ 1,616,308	$ 2,678,687
Prizes	581,484	70,812	652,296
Net Win	480,895	1,545,496	2,026,391
Gaming support costs:			
Commissions and fees	61,731	527,997	589,728
Gaming systems, maintenance and ticket distribution	15,098	9,464	24,562
Gaming equipment, leases and licenses	3,271	13,519	16,790
Ticket printing	12,192	1,155	13,347
Total gaming support costs	92,292	552,135	644,427
Operating expenses:			
Employee costs	29,394	47,229	76,623
Amortization and depreciation	18,237	47,767	66,004
Advertising, marketing and promotions	21,444	8,049	29,493
Other administrative expenses	4,622	7,140	11,762
Professional fees and services	3,298	3,610	6,908
Cost of premises	1,146	2,899	4,045
Other expenses	84	964	1,048
Net finance costs (income) (note 17)	(46)	71	25
Total operating expenses	78,179	117,729	195,908
Net income before tax	310,424	875,632	1,186,056
Harmonized sales tax expense	20,993	59,317	80,310
Net income	$ 289,431	$ 816,315	$ 1,105,746

26. Transition to IFRS:

As stated in note 2(a), these are the Corporation's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2012, the comparative information presented in these consolidated financial statements for the year ended March 31, 2011 and in preparation of an opening IFRS statement of financial position at April 1, 2010 (the Corporation's date of transition).

In preparing the opening IFRS statement of financial position, the Corporation adjusted amounts previously reported in its consolidated financial statements prepared in accordance with Canadian GAAP, BCLC's previous basis of accounting.

The Corporation has taken the following optional and mandatory elections and exemptions, respectively, as allowed under IFRS 1 *First-Time Adoption of International Financial Reporting Standards*:

IFRS optional elections:

- Cumulative actuarial gains/losses on its pension plans have been recognized as an opening adjustment to deficit.
- The capitalization of borrowing costs as required under IAS 23 *Borrowing Costs* was applied prospectively from the transition date.
- All agreements in effect at the transition date have been assessed to determine if they contain leases based on conditions as at the transition date, and not retroactively.
- Existing provisions have been measured as at the date of transition. The standard, with regard to changes in existing decommissioning liabilities, has not been applied retroactively.

IFRS mandatory exemptions:

- Hindsight is not used to create or revise estimates. The estimates previously made by the Corporation under Canadian GAAP were not revised for the application of IFRS except where necessary, to reflect any differences in accounting policies between IFRS and Canadian GAAP.

The following reconciliations, with the accompanying notes, provide quantification of the effect of the transition to IFRS and provide details of the impact of transition on:

- Financial position at March 31, 2011 and April 1, 2010
- Comprehensive income for the year ended March 31, 2011

26. Transition to IFRS (continued):

Reconciliation of financial position as at March 31, 2011:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash		$ 48,539	$ –	$ 48,539
Short-term investments		28,970	–	28,970
Accounts receivable		24,206	–	24,206
Prepaid expenses		3,962	–	3,962
Inventories		9,541	–	9,541
Total current assets		115,218	–	115,218
Employee future benefit plan assets	A	34,302	(32,661)	1,641
Property and equipment	B	144,792	736	145,528
Intangible assets		31,114	–	31,114
Total assets		$ 325,426	$ (31,925)	$ 293,501
Liabilities				
Current liabilities				
Prizes payable		$ 27,198	$ –	$ 27,198
Accounts payable and accrued liabilities		43,992	–	43,992
Short-term financing		85,049	–	85,049
Payable to Interprovincial Lottery Corporation		3,142	–	3,142
Due to Government of British Columbia		115,757	–	115,757
Deferred revenue		7,984	–	7,984
Total current liabilities		283,122	–	283,122
Accrued post retirement benefit obligation	A	41,004	1,346	42,350
Provisions		1,300	–	1,300
Total liabilities		325,426	1,346	326,772
Deficit				
Accumulated deficit	A & B	–	(17,728)	(17,728)
Accumulated other comprehensive loss	A	–	(15,543)	(15,543)
Total deficit		–	(33,271)	(33,271)
Total liabilities and deficit		$ 325,426	$ (31,925)	$ 293,501

26. Transition to IFRS (continued):

Reconciliation of financial position as at April 1, 2010 (date of transition):

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash		$ 33,538	$ –	$ 33,538
Short-term investments		29,628	–	29,628
Accounts receivable		25,859	–	25,859
Receivable from Interprovincial Lottery Corporation		4,247	–	4,247
Prepaid expenses		3,708	–	3,708
Inventories		9,379	–	9,379
Total current assets		106,359	–	106,359
Employee future benefit plan assets	A	32,404	(20,412)	11,992
Property and equipment	B	141,472	470	141,942
Intangible assets		22,101	–	22,101
Total assets		$ 302,336	$ (19,942)	$ 282,394
Liabilities				
Current liabilities				
Cheques issued in excess of funds on hand		$ 5,635	$ –	$ 5,635
Prizes payable		25,483	–	25,483
Accounts payable and accrued liabilities		37,819	–	37,819
Short-term financing		59,996	–	59,996
Due to Government of British Columbia		128,715	–	128,715
Deferred revenue		5,776	–	5,776
Total current liabilities		263,424	–	263,424
Accrued post retirement benefit obligation	A	38,412	(1,108)	37,304
Provisions		500	–	500
Total liabilities		302,336	(1,108)	301,228
Deficit				
Accumulated deficit	A & B	–	(18,834)	(18,834)
Total liabilities and deficit		$ 302,336	$ (19,942)	$ 282,394

26. Transition to IFRS (continued):

Reconciliation of comprehensive income for the year ended March 31, 2011:

	Note	2011
Total net income, being comprehensive income for the year (under Canadian GAAP)		$ 1,104,640
Reconciling items		
Amortization and depreciation	B	266
Employee costs	A	840
Actuarial loss	A	(15,543)
Total comprehensive income for the year (under IFRS)		$ 1,090,203

Notes to the reconciliations:

(A) Under Canadian GAAP, the Corporation amortized past service costs from plan amendments or initiations on a straight-line basis over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan. In addition, cumulative gains and losses were recognized using the corridor method.

At the date of IFRS transition, all previously unrecognized cumulative actuarial gains and losses were recognized in deficit.

The Corporation's accounting policy is to amortize past service costs on a straight-line basis over the average vesting period. Past service costs are recognized immediately to the extent that the benefits are fully vested. In addition, all actuarial gains and losses are recognized immediately in other comprehensive loss. The unrecognized actuarial gains and losses exceeding the corridor that were recognized in income in the year ended March 31, 2011 under previous Canadian GAAP were reversed, and all actuarial gains and losses and vested past service costs arising in the year ended March 31, 2011 were recognized in other comprehensive loss.

The impact arising from the change is summarized as follows:

	March 31 2011	April 1 2010
Consolidated statement of financial position		
Decrease in employee future benefit plan assets	$ (32,661)	$ (20,412)
Decrease (increase) in accrued post retirement benefit obligation	(1,346)	1,108
Increase in accumulated other comprehensive loss	15,543	–
Increase in deficit	$ (18,464)	$ (19,304)

26. Transition to IFRS (continued):

Notes to the reconciliations (continued):

(A) The impact arising from the change is summarized as follows (continued):

	Year ended March 31, 2011
Consolidated statement of financial income	
Decrease in employee costs	$ 840
Increase in other comprehensive loss	(15,543)
Decrease in total comprehensive income	$ (14,703)

(B) At the date of IFRS transition and March 31, 2011, property and equipment was revalued to capture the impact of componentization of corporate facilities, systems and equipment with different estimated useful lives.

Under IFRS, the Corporation's accounting policy is to separately account for major components of property and equipment with different useful lives. Depreciation recognized under Canadian GAAP for the year ended March 31, 2011 was reduced to capture the impact of componentization arising in the year.

The impact arising from the change is summarized as follows:

	March 31 2011	April 1 2010
Consolidated statement of financial position		
Increase in property and equipment	$ 736	$ 470
Decrease in deficit	$ 736	$ 470

	Year ended March 31, 2011
Consolidated statement of comprehensive income	
Decrease in depreciation	$ 266
Increase in total comprehensive income	$ 266

appendix 1: how we measure and benchmark our performance

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 BCLC's 2011/12 Performance section of this Annual Service Plan Report.

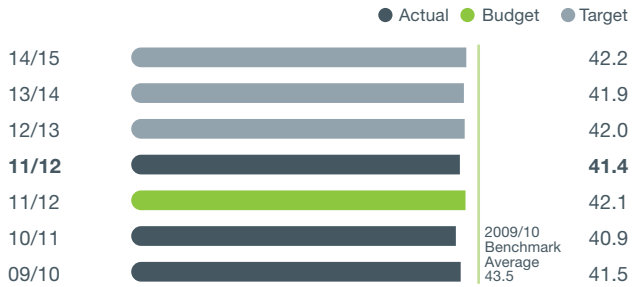
Our external performance benchmarks are obtained from the audited financial results published by the benchmark organizations, and from Lafleurs World Lottery Almanac and the Canadian Gambling Digest. The organizations to which BCLC currently benchmarks are:

- 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.

performance measures	how we measure and benchmark	data reliability
public support for gambling	Research and Incite Consultants conducts 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. 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. Public support for gambling is internally benchmarked on a time series basis. We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.	The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining age, gender and regional balance that is consistent with Statistics Canada figures. Significance testing based on the sample size has identified a margin of error of +/- 3%.
player awareness of responsible gambling activities	Research and Incite Consultants conducts 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. 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. Player awareness of responsible gambling activities is internally benchmarked on a time series basis. 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.	The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining age, gender and regional balance that is consistent with Statistics Canada figures. Significance testing based on the sample size has identified a margin of error of +/- 3%.

		how we measure and benchmark	data reliability
performance measures	level of greenhouse gas emissions	BCLC uses standard calculations provided by the Province to calculate and report greenhouse gas emissions in a standard format, as required by the Province. 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 at LiveSmart BC–Carbon Neutral Action Reports–Crown Corporations.	Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. Fleet vehicle fuel consumption is verified from fuel consumption reporting from our fleet vehicle management company. Paper consumption for all types of reportable paper is measured internally each month.
	player participation	Research and Incite Consultants conducts 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. 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 every month. Player participation is internally benchmarked on a time series basis. We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.	The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining age, gender and regional balance that is consistent with Statistics Canada figures. Significance testing based on sample size has identified a margin of error of +/- 3%.
	player satisfaction	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. 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. Player satisfaction is internally benchmarked on a time series basis. We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.	The survey is independently conducted by Research and Incite Consultants, using industry standard techniques to randomize the sample, while retaining age, gender and regional balance that is consistent with Statistics Canada figures. Significance testing based on sample size has identified a margin of error of +/- 3%.
	net win per capita	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 net sales revenue. We use the population forecasts published by BC Stats in July of each year as the baseline for our calculations. 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. **2009/10 NET WIN PER CAPITA BENCHMARKS** ($ per 1,000 population) **BCLC** — **435** Canada Total — 404 OLG — 362 LQ — 360	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. Population figures are taken from published Statistics Canada figures for each of the years included in the Service Plan. 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 Lafleurs World Lottery Almanac and the Canadian Gambling Digest.
	net income	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). Net income is internally benchmarked on a time series basis. Net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels.	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.

performance measures	how we measure and benchmark	data reliability
general operating costs as % of net win	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. 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. **OPERATING COST RATIO** (% of net win)  	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. 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.
electronic gaming devices per 1000 population	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. We use the population forecasts published by BC Stats in July of each year as the baseline for our calculations. 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. **2009/10 DEVICES PER CAPITA BENCHMARKS** (per 1,000 population) 	The number of electronic gaming devices is verified as an asset count by our Corporate Finance team. Population figures are taken from published Statistics Canada figures for each of the years included in the Service Plan. Numbers of EGDs are drawn from Lafleurs World Lottery Almanac and the Canadian Gambling Digest.
employee engagement	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 per cent in 2011/12. 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. The overall engagement score is an aggregate of the responses to eight statements focused on organizational values, culture and objectives, with which employees have ranked their agreement in the top two points of the scale. Employee engagement is internally benchmarked on a time series basis. We do not externally benchmark, owing to the BCLC specific nature of survey questions used for this performance measure. However, BCLC compares its results to general Ipsos Reid indices.	The survey is independently conducted by Ipsos Reid, using industry standard techniques.
employee vacancy rate	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. Employee vacancy rate is internally benchmarked on a time series basis. We do not externally benchmark, as other gambling jurisdictions do not publish equivalent figures.	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.

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BCLC's Service Plan is available at bclc.com

Use your GameSense
GameSense.ca

BRITISH COLUMBIA
The Best Place on Earth

bclc
playing it right

APPENDIX Z

Appendix AA – 2012/13:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2012-2013,* (Kamloops: British Columbia Lottery Corporation, 2013).

our focus

2012/2013 BCLC Annual Service Plan Report

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APPENDIX AA

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Our focus is our players.

This year, more than ever before, we've demonstrated this through innovation in distribution, fostering strategic partnerships, community outreach, encouraging responsible gambling, and creating more exceptional entertainment experiences.

APPENDIX AA

Statement of Accountability

To the Honourable Michael de Jong, Minister of Finance and Minister responsible for BCLC:

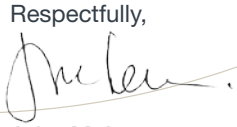
On behalf of the Board of Directors and all our employees, I'm pleased to present the 2012/13 BCLC Annual Service Plan Report, for the 12 months ended March 31, 2013.

The Board is responsible for all the content of this report and the methods for reporting it. The Board is also responsible for the internal controls that ensure the information contained within this report is consistent with the mandate and goals of the organization, is measured and reported accurately and completely in a timely manner, and aligns with Government's priorities.

The content of this report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. It reflects BCLC's performance for the 12 months ended March 31, 2013, against the goals and targets identified in our 2012/13–2014/15 Service Plan. In addition, it also captures our Corporate Social Responsibility targets that we will report on moving forward.

All significant decisions and changes to BCLC's strategies, measures, targets or data reliability are clearly identified within the report. Significant assumptions, events and identified risks also have been considered in the preparation of the report. Estimates and interpreted information represent the best judgment of management.

Respectfully,



John McLernon
Chair, Board of Directors

Message from the Chair and President & CEO

We know people today have many choices for how to spend their entertainment dollars. This makes it imperative that we continually work to stay relevant and create as entertaining an experience as possible, while doing so in a responsible manner. These efforts have been effective.

Delivering Results

For the year ended March 31, 2013, BCLC achieved another year of record net income, earning $1,127.6 million. This exceeded our target for the year by $2.6 million, while exceeding last year's net income by $20.2 million. Changing consumer demographics, shopping patterns and preferences; a modestly growing economy; and the maturity of some of our products made it a challenging year for BCLC. Our net income milestone was achieved by continuing to focus on revenue generating initiatives, while ensuring operational effectiveness and cost management.

Our Casino and Community Gaming business generated revenue of $1.64 billion in 2012/13—virtually unchanged from the previous year, but $45.9 million less than planned; however, net win increased $3.8 million over 2011/12, and net income exceeded the prior year by $0.9 million. Increased slot play at community gaming centres contributed to these results.

Lottery and eGaming net income of $298.2 million exceeded budget by $10.2 million and the previous year by $19.3 million. Profitability was up most notably in the Lotto category, once again driven by the success of LOTTO MAX. Brand rejuvenation and pricing strategies in the Instant category produced a year-over-year improvement of $12.7 million and $4.1 million more than planned. In 2012/13, we continued to invest in our eGaming business, enhancing the suite of casino-style games and making other changes to the product line-up on PlayNow.com including the introduction of PlayNow Sports—all of which continue to be well received.

These achievements have been made possible by our team listening to our players and working to make the games we offer more entertaining. Our online customer panel, "xchange," is helping us solicit feedback from our customers and enabling us to consider our players' opinions and viewpoints in the products and programs we offer. Social media has also played a role in increasing player engagement, with BCLC Facebook fans now exceeding 135,000.

Some of BCLC's results exceeded Service Plan targets as a result of changes we made to our survey and survey supplier during the year. BCLC's vacancy rate result was higher than projected due to an increase in the time to hire—the result of a competitive labour market. We continue to leverage our strong brand presence in the changing marketplace so that we can remain a great place to work.

Setting the Groundwork

BCLC is also pleased that many exciting initiatives that will help us continue to deliver on our players' expectations and build our long-term business have either commenced or been completed.

Lotto Express is one such initiative, allowing players to purchase their lottery tickets from checkout lanes in select grocers—right at their fingertips. Already in over 700 lanes throughout 100 stores, this initiative offers precisely what our players have asked for: the games they want, when they want them, where they want them.

Our new partnership with Manitoba Lotteries Corporation has also been successful. Manitobans now have access to online gambling through BCLC's PlayNow.com platform. This marks the beginning of a new line of business and revenue stream for BCLC—one that shows incredible promise as we look to partner with other jurisdictions, which we anticipate will afford economies of scale and increase our player base across the country.

Our casinos are also benefiting from significant investments in innovation and technology. Our new gaming management system has already been introduced in four casinos and community gaming centres. This new system will provide more convenience, more benefits and more entertainment options for our players.

Without question, we're also seeing a fundamental shift in our society with respect to how and when people receive information as well as seek entertainment. That's why we're reviewing our business in light of new retail trends to create a better multichannel experience for our players.

Throughout 2013/14, we will continue to focus on revenue generating initiatives and operational effectiveness while sustaining our core, mature products and growing net income for the Province. This includes the replacement of the casino gaming management system, providing our players with options such as Lotto Express that improve the convenience of accessing our lottery games and further developing our PlayNow.com platform as well as engaging players in understanding responsible gambling.

Playing it Right

We see Corporate Social Responsibility (CSR) as part of our organizational DNA and we are committed to fully integrating the social, economic and environmental pillars of CSR into how we operate our business. We believe that reporting on our progress, by adopting Global Reporting Initiative (GRI) international standards, is a vital component of our accountability. We call this "Playing it Right" and it's an ingrained part of everything we do.

Ensuring we continue to enjoy the social licence to operate in the communities we're currently a part of, we must never forget that our focus on entertaining our players also means facilitating and helping them make informed gambling choices.

This year, we took our responsible gambling messages to five B.C. communities as part of Responsible Gambling Awareness Month, which culminated in our inaugural New Horizons in Responsible Gambling conference for industry representatives from around the globe. Reflecting our commitment to responsible gambling, BCLC is also investing $2 million in the new independent Centre for Gambling Research at the University of British Columbia expected to open in fall 2013, so we can continue to develop programs in the years ahead.

BCLC's responsible gambling efforts have been recognized in multiple ways in 2012/13: Manitoba has adopted GameSense, reflective of the strength and power of our responsible gambling brand, 13 B.C. casinos underwent an RG Check by the independent Responsible Gambling Council, and almost 44,000 player interactions and conversations happened this year at GameSense Info Centres. These are all testaments to the effectiveness of responsible gambling at BCLC.

BCLC also made significant strides in continuing to lessen our impact on the environment. This year saw the introduction of BCLC's Sustainable Procurement Policy, helping to make sure all decisions are made with a consideration of their environmental impact. BCLC's greenhouse gas emissions were reduced by 100 tonnes compared to the year before and, in our Vancouver office, 90 per cent of office waste was either recycled or composted.

Recognizing the People Behind our Success

Our people are without a doubt behind the success of BCLC. We have a great team that works together to drive innovation in all parts of our business. Through our leadership programs and our ongoing employee engagement surveys we're ensuring we continually make our workplace a stimulating, challenging, and rewarding environment in which to build a career.

All this has helped us earn the honour of Top Employer in B.C. for the seventh year. Our people have not only made their workplace better, they've made our communities better, with fundraising efforts and giving back so much time to many deserving charities and non-profits.

A special thanks to all of our staff, our valued retailers, our casino and community gaming centre service providers and their staff for helping us reach our goals and making a meaningful contribution to B.C.'s economy.

In Summary

This past year we've been very encouraged by successful initiatives we've implemented and the promising initiatives we're developing. A strong, motivated team, great partners, and an unwavering commitment to responsibility have allowed us to focus on entertaining our players this year like never before.

John McLernon
Chair, Board of Directors

Michael Graydon
President & CEO

About BCLC

Our Vision

Our vision is “Gambling is widely embraced as exceptional entertainment through innovation in design, technology, social responsibility and customer understanding.”

Our Mandate

We are a Crown corporation governed by B.C.’s *Gaming Control Act*. Our mandate is to conduct, manage and operate lottery, casino, commercial bingo and internet gambling in a socially responsible way for the benefit of British Columbians.

Our Promise

At BCLC we understand the importance of public confidence in our organization and the people who provide our products and services.

It is critical we ensure our business is conducted with:

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

Real Benefits

BCLC works for British Columbians every day. After paying operating costs, prizes and service provider commissions, we remit a portion of net income to the Government of Canada and the remainder to the Government of British Columbia for health care, education, charitable and municipal programs. Visit gaming.gov.bc.ca/revenue/index.htm

Core Business Areas

Channel	Casino & Community Gaming	Lottery	eGaming
Distribution Network	17 Casinos 19 Community Gaming Centres 7 Commercial Bingo Halls	3,800 retailers	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

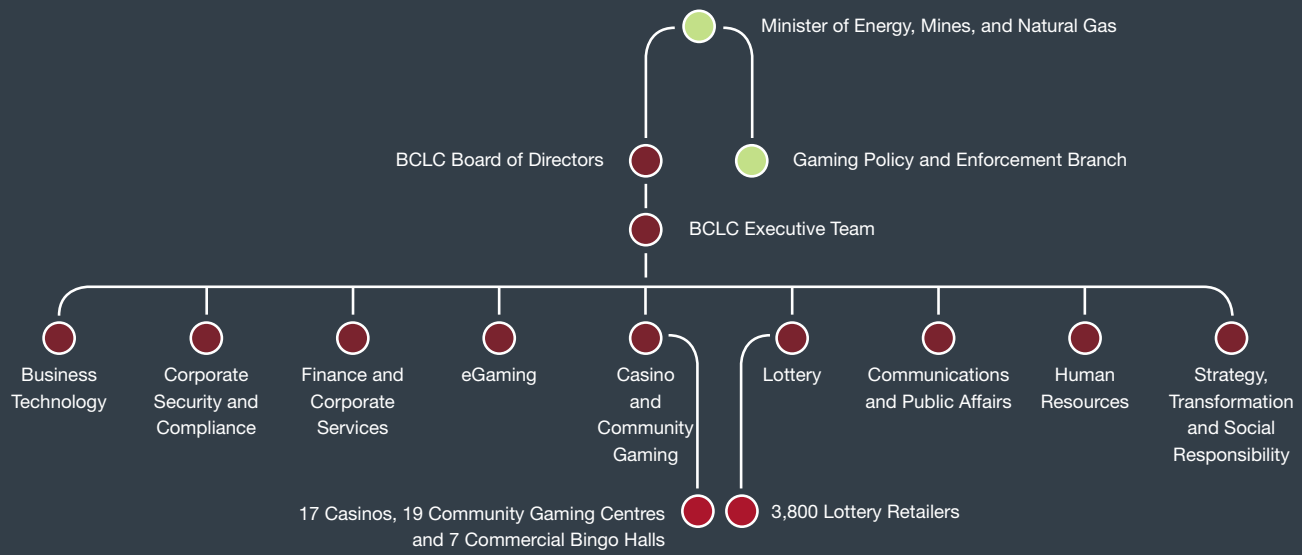
Regulated and Regional

The Minister of Energy, Mines and Natural Gas is the Minister responsible for BCLC and the Gaming Policy and Enforcement Branch (GPEB). GPEB is responsible for the overall integrity of gaming and horse racing. GPEB also certifies gambling service providers, suppliers of equipment, and conducts audits and compliance checks.

BCLC headquarters in Kamloops oversees finance, administration and information technology. Our Vancouver office manages sales, marketing and distribution, while field staff across the province support operations. We employ about 850 corporate staff with more than 37,000 direct and indirect workers employed in B.C. in gambling operations, government agencies, charities and support services.*

While B.C. casinos and community gaming centres are privately owned and operated, BCLC owns the equipment and sets the policies and procedures for these facilities. Most BCLC products are sold by private sector service providers through more than 3,800 lottery retailers, 17 casinos, 19 community gaming centres and seven commercial bingo halls. Secure, regulated online gambling is offered on PlayNow.com.

There were no significant changes in 2012/13 regarding the size, structure or ownership of BCLC.



* Source: HLT Advisory Inc. "2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report."

About this Report

When BCLC adopted our Corporate Social Responsibility (CSR) Charter in 2010, it articulated an aspiration to continue building our foundation of social responsibility, while showing leadership in the education and inspiration of our employees, communities and partners. Visit bclc.com/CSR-charter

CSR is the opportunity that we have to be a positive catalyst economically, socially, and environmentally, and it is the accountability that BCLC has to be a transparent creator of benefits in the areas our business touches.

This Annual Service Plan Report is not only a reflection of BCLC's performance as set out by the goals and targets identified in our 2012/13–2014/15 Service Plan, but it also sets a baseline of our performance based on our CSR strategies, metrics, targets and direction from the Global Reporting Initiative (GRI) international standards, as outlined in Appendix 4. Prepared in accordance with our CSR Charter, this is BCLC's first combined Annual and CSR report, which we will continue on an annual basis.

For more CSR context, a CSR Executive Summary, a CSR Glossary, a summary of progress against our CSR Charter and how we are addressing our CSR strategic challenges, visit bclc.com/CSR-performance

For a legend of where to find key CSR issues within this document, download our PDF at bclc.com/CSR-legend

Audience

BCLC is disclosing our CSR performance as a demonstration of our commitment to transparency and accountability and to engage the public and employees in a dialogue on how we can work with others to advance sustainability. We have identified 16 stakeholder groups which can influence or are influenced by BCLC's operations. Ten groups are prioritized as the target audience for this report (in italics below).

- *BCLC employees*
- *Communities*
- *Crown corporations*
- *First Nations*
- *Local and regional governments*
- *Players*
- *Provincial government and regulator*
- *Public*
- *Public interest groups*
- *Service providers and retailers*
- CSR practitioners
- Gaming grant recipients
- Lottery and gambling industry
- Media
- Public health, prevention and treatment groups
- Suppliers

Strategic Challenges

To demonstrate transparency and accountability, we have identified four key challenges faced this year in achieving our CSR objectives:

- Shared responsibility for CSR page 7
- Self-exclusion from gambling page 10
- Public acceptance of gambling page 16
- Player privacy protection page 18

These strategic challenges are noted throughout the report and marked by this symbol: SC

Scope

This report presents the material issues and impacts of our activities during the fiscal year of April 1, 2012 to March 31, 2013. It covers all operations under BCLC's direct control and BCLC's CSR strategies. It does not include the CSR performance of facilities that are operated by our service providers: casinos, community gaming centres, bingo halls or lottery retail locations.

We fully recognize that shared responsibility for CSR is a strategic challenge: CSR outcomes reflect a combined effort of BCLC, our service providers, the Government of British Columbia and players. While we have direct control over our two corporate offices in Kamloops and Vancouver, the greater impacts involve many other parties that we can only influence. We are seeking to further support our service providers and lottery retailers' CSR performance in coming years. SC

BCLC went through an internal materiality analysis to determine priority CSR topics, issues and impacts for reporting. We assessed the degree of significance for employees based on understanding their priorities, the impacts of key sustainability risks to BCLC's ability to deliver on its mandate, and the approach other gambling jurisdictions are taking on various issues.

BCLC did not seek independent assurance for the CSR content of this report. However, a panel of CSR experts reviewed the content and provided feedback, as outlined in Appendix 3.

Material Issues

Best practice in CSR reporting, according to the GRI international standards, requires companies to identify and report on their top CSR issues. This is called a materiality analysis. These are topics that reflect our significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of our stakeholders.

To develop BCLC's list of material issues, we engaged our CSR Committee (a cross-divisional group of BCLC directors and managers), staff focus groups, and BCLC's executives for their input into what CSR issues are important to cover in this report. The following list reflects the results of their discussion and feedback.

- Responsible gambling
  - Informed player choice
  - Problem and underage gambling
  - Game integrity and fairness
  - Product design, marketing and distribution
- Player experience
  - Player engagement
  - Improved systems and processes
- Player privacy protection
- Service provider CSR role
- Employee attraction, retention and engagement
- Stakeholder engagement
- Gambling expansion
- Community socio-economic benefits
- Openness and accountability
- Ethical conduct
- Anti-money laundering and illegal activities
- Environmental impacts
  - Carbon neutrality
  - Waste and water management

Focus on Innovating to meet our players on their terms.

We're in the entertainment business, and we compete among the vast entertainment choices available to our players. We aim to delight them by putting their needs and wants first when we make decisions.

Our goal is to broaden our player base by creating more personalized, interactive experiences. That requires using research to develop a deeper understanding of our players and their entertainment choices. With that understanding we can develop innovative new offerings and increase our responsible gambling options that put the player in the centre of everything we do.

Meeting our players' lifestyle and entertainment expectations, and being where they are, we can ensure that every interaction they have with us is convenient and fun.

Lotto Express

Lotto Express was a significant initiative for BCLC this year. This program puts lottery games at our customers' fingertips, giving them the option to purchase tickets from the convenience of the grocery store checkout. This pilot program has seen Lotto Express added to over 700 checkout lanes in 100 stores, with results exceeding our expectations.

PlayNow.com

Increased options for sports betting have delivered immediate results, with BCLC doubling the number of sports bettors and wagers on PlayNow.com in the past year. Further enhancements to games and features will build on that growth.

Gaming Management System (GMS)

The introduction of our new GMS in casinos and community gaming centres allows us to improve the gambling experience and better understand our players' behaviour, including providing them the ability to set their own spending limits on slot machines in the future. GMS will not only make sure we have the optimal mix of entertainment options for our players, but will also help us design our casino floor spaces to their highest potential and best use.

"If I want to play lotto, being able to get a ticket while I'm already in the grocery line-up makes it very convenient."

Phyllis Wilson, BCLC player

Being socially responsible is an important part of keeping gambling fun for players. This means we're continually evaluating and implementing industry best practices as well as finding creative new ways to engage our players in the understanding of responsible gambling.

Education

Responsible gambling is important to us and the health of our business. We want our players to play for fun, not with the expectation of making money. But we also know that sometimes players can have too much of a good thing. That's why we developed GameSense—to encourage informed play. Knowing how games work, the odds of winning, and dispelling myths about gambling are important steps to enjoying gambling for what it is: a game. Keeping gambling fun for all players is a key part of being socially responsible.

Getting people talking about responsible gambling is essential for increasing understanding about the subject. Every year at GameSense Info Centres in every BCLC gambling facility, GameSense Advisors, contracted through the Province, engage visitors with interactive tools to help them better understand responsible gambling. Last year alone, nearly 44,000 player interactions and conversations took place at GameSense Info Centres.

To support GameSense, BCLC launched new GameSense public education information through traditional media, online, owned channels and social media to expand our reach even further and engage players in dialogue at many touchpoints.

Indicative of the effectiveness of GameSense and the strength of the brand, this year Manitoba adopted the GameSense brand. This partnership will see GameSense increase its equity and power through increased awareness and provide better opportunities to exchange programming initiatives between our provinces.

Training

Appropriate Response Training (ART) is an educational program that equips staff to assist players and take a proactive stance on responsible gambling. ART is mandatory for front-line gambling workers, management and security personnel and last year we launched refresher courses to make sure knowledge stays current.

Assistance SC

Voluntary Self-Exclusion (VSE) is a program to assist participants in their efforts to control their gambling. BCLC offers the program in B.C. gambling facilities as well as on PlayNow.com. Participants exclude themselves for self-set periods of time. Free problem gambling counseling resources are available to them, funded by the Province of British Columbia. Based on a 2011 study of VSE participants, 93 per cent said they would recommend the program to others. As of March 31, 2013, the VSE program had about 8,200 participants.

One of our strategic challenges is creating a VSE program that meets the needs of those exhibiting signs of problem gambling, is operationally manageable in a large and complex gambling environment, and meets public expectations. Significant media coverage and related legal challenges this year demonstrated the difficulty of balancing these various perspectives.

It is estimated that 4.6 per cent of adult British Columbians are problem gamblers, including 3.7 per cent who are moderate problem gamblers and 0.9 per cent who are severe problem gamblers.*

*Source: Ipsos Reid Public Affairs and Gemini Research. "British Columbia Problem Gambling Prevalence Study." January 25, 2008.

For more on problem gambling, visit bcresponsiblegambling.ca/problem-gambling/

For more on underage gambling, visit gamesense.bclc.com/kids-and-gambling/

"Our business is built on our players having an enjoyable experience. Responsible gambling efforts help ensure that."

Michael Graydon, President & CEO, BCLC

"How do the best organizations assure leadership with respect to responsible gambling? The really good ones seek out best practice from around the world and from beyond the gaming sector. They build these into their approach and go beyond the minimum requirements and the basics. They actively seek out world-class assessment and critique. They want to know what they are doing right and they actively ask the question, "tell us how we can improve."

John Luff, Responsible Gaming
Independent Assessment Panel Member
World Lottery Association

Research

In an effort to advance our understanding of responsible gambling and help reduce problem gambling behaviours, BCLC and the Province of British Columbia are investing in the development of a new, independent Centre for Gambling Research at the University of British Columbia. The centre will conduct innovative and productive research on the social and behavioural aspects of gambling, and help improve responsible gambling programs to reduce the problematic impacts of gambling in B.C., across Canada, and internationally.

Validation

The Responsible Gambling Council (RGC), an independent agency advancing problem gambling prevention across Canada, has been working with BCLC to review our gambling facilities for their employee training, venue and game features, and corporate policies and practices in the area of responsible gambling. This past year, 13 B.C. casinos underwent an RG Check, with plans for all to be reviewed and certified within the next two years.

Best Practices

As part of Responsible Gambling Awareness Month in January 2013, BCLC hosted a highly successful New Horizons in Responsible Gambling conference in Vancouver. BCLC welcomed industry representatives from around the world who came to learn from top international experts as well as to share and discuss ideas on responsible gambling.

Focus on Collaborating to expand into new markets and grow our business.

This year, BCLC made strides in growing our human resource capabilities by improving engagement, developing our team through education and training, as well as supporting them in their collaboration with each other and key partners. With our people, BCLC is well positioned to serve our players better now and in the future.

PlayNow.com in Manitoba

The successful launch of our new business-to-business model in Manitoba was internally dubbed 'Big Sky' because not only did it require an incredible amount of teamwork across our divisions to bring this project to life, but also because of the vast opportunity this initiative represents to our organization. Beginning with PlayNow.com in Manitoba, this partnership extends BCLC's business potential outside of B.C.'s borders for the first time, opening new doors for future revenue and considerable opportunities for achieving economies of scale.

Gaming Management System Implementation

With the help of our partner Bally and our service providers, approximately 100 BCLC employees in 20 departments worked collaboratively to implement our new gaming management system (GMS) in four gambling facilities this year, with more planned for the upcoming year. This system will offer us increased intelligence about what our players want from our facilities and more robust game usage information. At the end of the day, we'll improve our facilities and better optimize them to meet the changing needs of our players.

"We have a good partnership with BCLC, which has allowed us to provide our players with a safe and secure online gambling option. Our players can have confidence in the site knowing that it is regulated, and can enjoy the fact that all profits directly benefit our communities."

Carolin Taubensee, Executive General Manager eGaming, Manitoba Lotteries

"Ensuring our team feels good about their work environment is one thing, but providing them with the ability to make a positive change in their community is especially rewarding."

Peter Charlton, Vice-President, Human Resources, BCLC

"Like many of my colleagues, I value giving back to my community and I appreciate that BCLC supports my efforts."

Margaret Watson, Director, Corporate Marketing, BCLC

We want to ensure BCLC remains a great place to work through passionate teamwork, by providing challenging work opportunities and by helping our employees realize personal success and growth.

Starting Off Right

Employee engagement can be impacted by the very first impressions, setting clear expectations for what to expect from BCLC. Efforts have been made to improve BCLC's new employee onboarding process, helping new employees become productive faster and increasing their relevant contributions to the work culture.

Improving Employee Engagement

Strong employee engagement can be attributed to many elements. Certainly, a large part of it is being immersed in a challenging, respectful, and rewarding work environment that allows for opportunities and growth. Complementing this are our shared values of integrity, social responsibility and respect.

Annual employee surveys allow BCLC to measure the engagement level of our team. Our engagement levels are consistently high in comparison to other organizations in Canada, with engagement at 82 per cent in 2012/13. BCLC gains actionable insight from the engagement survey, allowing us to support areas of strength, address areas that require improvement, and share best practices across the organization. At BCLC, we're committed to the continual improvement of our overall work environment and culture because this is key for delivering positive business results and more net income to benefit B.C.

Recognizing that all employees are more engaged with their jobs when their responsibilities and evaluation metrics are clearly articulated, every employee is responsible for developing goals and a personal development plan. Additionally, BCLC supported the enrollment of select staff in leadership development programs to improve our current capability and succession planning.

For more on how BCLC is a great place to work, visit bclc.com/great

Employee Well-Being

Delivering on the needs of our employees, BCLC has improved our benefits program to give a greater degree of choice on coverage—helping employees get the coverage that best suits their specific family requirements at no additional cost to BCLC. Additionally, BCLC has also implemented a proactive disability management program.

BCLC's Human Resources team is also leading the formation of an innovative well-being program, which, when implemented, will link programs that support our employees total well-being from health, financial, and social perspectives.

82% employee engagement

4.4% employee vacancy rate

15.3 average hours of training per year per employee

Supporting Volunteerism

Founded on an understanding that BCLC employees want to contribute to their communities in many ways, BCLC supports employees who wish to volunteer for charitable activities.

While examples of our employees giving back can be found throughout our organization, here are just some of the many notable contributions BCLC employees made to their communities:

- $27,000 for the United Way
- $27,000 for families in need
- $7,500 for ovarian cancer research
- $7,300 for heart and stroke research
- $6,000 for prostate cancer research

Vancouver's Downtown Eastside food donations

BCLC Christmas Charity Committee

Ride to Conquer Cancer

Focus on Connecting with British Columbians at a grassroots level to better serve our players.

Engaging with the public, whether through new technology or face-to-face at community outreach events, enables us to better serve our players, and ultimately all the people of British Columbia.

Community Outreach

It was an unprecedented year in terms of our level of stakeholder engagement. Building on the success of our initial Responsible Gambling Awareness Week in January 2012, this year BCLC brought Responsible Gambling Awareness Month (RGAM) to five B.C. communities. It had a big impact because it engaged a diverse range of community members who helped us raise awareness of responsible gambling. Working with municipal governments, service providers, social service agencies and the Province of British Columbia, outreach efforts were supported in Kamloops, Vernon, Langley, Prince George, and the West Shore communities of Southern Vancouver Island during the month of January 2013.

In January, we made responsible gambling top-of-mind by:

- Reaching more than 360,000 British Columbians through media coverage
- Engaging in more than 2,300 meaningful conversations with the public
- Visiting more than 32 locations across the five communities

These outreach efforts included organized interactive events, speaker panels, myth-busting challenges, and more—all designed to encourage public dialogue and increase understanding about responsible gambling. Our research showed significant increases (from 54 to 60 per cent) in residents who agreed that BCLC is actively involved in educating the public about playing responsibly, and an overall increase in awareness of GameSense, with awareness rising from 62 to 67 per cent.

Public Acceptance SC

RGAM helped us address another strategic challenge for BCLC: the public acceptance of gambling. Whenever a new gambling facility is proposed, BCLC engages a number of stakeholders with diverse opinions and often competing interests. For example, while a local government may vote in favour of rezoning land for a gambling facility, not all residents may share the same support for such a change in their neighbourhood. In 2012/13, we were pleased with the increase in awareness achieved for responsible gambling but acknowledge the need for greater awareness on a number of topics to address this strategic challenge.

"It was a real group effort with all sorts of different organizations and groups coming together, and in the end, I believe the players in the Kamloops community were well-served by BCLC's responsible gambling outreach—evident by the sheer volume of dialogue it created."

Ben Chobater, Community Development Coordinator
City of Kamloops

Demonstrating integrity in what we deliver and how we deliver it is top of mind.

Improved Access to Information

This year, BCLC re-developed and launched our corporate website bclc.com. With a better understanding of what information our stakeholders want, the new site offers improved navigation and streamlines information for player, public and media access.

Game Integrity

BCLC has rigorous checks and balances to protect the integrity of our games. Each of our three business units—lottery, casino and eGaming—have specific standards and procedures to help us maintain a business that is fair, safe and well-managed.

For example, in lottery, we have a robust Mystery Shop program to verify compliance with the lottery ticket validation procedure. In casino, BCLC Operational Gaming Compliance Officers conduct a comprehensive compliance review schedule for every gambling facility in the province. For a safe, fun online experience, BCLC continues to embed advanced privacy, security and responsible gambling controls, including TRUSTe certification achieved last year. For more on our Mystery Shop program, visit bclc.com/mystery-shop

Minors

Entry into BCLC facilities is restricted to those 19 years of age and older. In 2012/13, almost 18,000 individuals (specifically, minors and those with insufficient identification) were turned away. Underage detection has further been bolstered through special age-verification training for staff, increased staffing at peak periods, use of identification scanning technology and random ID checks on casino floors.

Privacy SC

Maintaining security in the face of increasingly sophisticated cyber-attacks is an industry-wide concern and strategic challenge for BCLC. Player privacy protection is a high priority for BCLC and we will continue to keep our systems in line with industry best practices. For more on privacy, visit bclc.com/privacy

Anti-Money Laundering

With stringent anti-money laundering practices, BCLC reports to the Financial Transactions Reports and Analysis Centre of Canada (FINTRAC) as legislated, as well as to law enforcement. In 2012, we reported 70,550 large cash transactions. Following an independent review to improve our processes, we added steps to reduce cash reliance in casinos through player accounts, gambling cheques, electronic transfers and stronger cash-in/cash-out policies to augment measures already in place.

Sustainable Procurement

In 2012, we introduced a Sustainable Procurement Policy and this is another action that demonstrates our ongoing intent to reduce BCLC's operational, social and environmental impact. This policy aims to assist us in making sustainable and cost-effective purchasing decisions. We will also introduce sustainability standards for our suppliers as well as engage suppliers in reducing their own greenhouse gas emissions and other sustainability impacts.

"BCLC contributions to B.C. are vast–from significantly adding to B.C.'s economy, giving back to communities and enhancing the everyday lives of its residents by providing great entertainment."

Susan Dolinski, Vice-President, Communications and Public Affairs, BCLC

Although our mandate is to benefit British Columbians through offering safe and secure gambling entertainment, BCLC's impact in our province goes beyond that.

Shared Revenue

BCLC's games and facilities can be found in communities throughout the province—be they Scratch & Win tickets at remote convenience stores or major entertainment destinations such as the River Rock Casino Resort. In return, every community in B.C. benefits from the revenue earned by BCLC.

All British Columbians benefit from the many provincial and community services which are funded by BCLC net income. For instance, our community partners benefit by receiving a portion of the revenues that the facilities in their communities generate. This welcomed revenue is then used by local governments to help fund programs and initiatives that best serve their communities. In 2012/13 alone, BCLC delivered $84.5 million to communities that host gambling facilities, helping fund countless programs and initiatives.

For more on our Benefits to B.C. visit bclc.com/benefits

"Gaming revenue has made a meaningful difference to our community, such as our arena and aquatic centre improvements and operation of the Coliseum and Kin Centre. Today, we now have many widely used amenities that are a real source of pride as we lead up to hosting the 2015 Canada Winter Games."

Shari Green, Mayor, Prince George

Focus on Listening
to our players to deliver more of what they want and grow our business responsibly.

This year, BCLC made large strides in using feedback and data from our players to make our offerings more relevant and entertaining. We've looked at our systems and methods and we're making them better through business intelligence and analytics to deliver better service and value to players.

Player-Centric Learning

Innovative technologies are allowing BCLC to listen to our customers in improved ways. We continued to grow our online "xchange" panel for ongoing research and customer feedback, with a group that now exceeds 4,000 BCLC players who can be segmented in a variety of ways. We also embraced a social media monitoring tool to better connect with players and respond with feedback in a more timely and accurate manner. Additionally, BCLC launched a Voice of the Customer program which, when fully implemented, will enable us to gather instant feedback from players at every touchpoint.

We continued to support efforts that champion the notion of player-centric learning and decision-making across the entire organization. The most evident is the launch of our new gaming management system. This system reflects how we are redefining our business to become a more player-focused organization and to develop multichannel player relationships based on being where the player is, such as online, in a facility, or at retail. For more information, visit bclc.com/player-centric

Business Optimization

BCLC continually benchmarks against other best-in-class gambling operations and best-of-breed industries for operational performance. We are reviewing our divisions and business model with a view of operational excellence and efficiency, and setting BCLC on a solid foundation to deliver sustainable revenue to British Columbians for the long term.

"Learning more about how our products are performing and through listening to our players, we're able to give our players more of what they want—which is having a positive impact on our bottom line."

Todd Rende, Manager, Gaming Analytics, BCLC

For BCLC, addressing climate change involves balancing the need to reduce greenhouse gas emissions and environmental impacts while working to meet financial targets. BCLC is committed to supporting efforts that pursue environmental sustainability and carbon neutrality by engaging staff through conscientious business practices. Over the next three years we will continue to improve our environmental performance by addressing our operational footprint, supporting our service providers and lottery retailers and encouraging our employees to make sustainable choices inside and outside of work.

Greenhouse Gas Emissions

We remain on target to reach our 2020 goal of reducing reportable greenhouse gas emissions by 33 per cent against a 2007 baseline. In 2012, our reportable emissions reduced again. This was partly attributable to our move to a new Leadership in Energy and Environmental Design (LEED) certified facility and vacating our Richmond offices. We also made real reductions in our paper consumption and the reportable gas consumption of our vehicle fleet that deserve mention.

Waste Management

Through continual efforts, we now estimate that our Vancouver facility diverted approximately 90 per cent of its waste from landfill through recycling and composting in 2012. Despite a lack of local infrastructure in Kamloops, we continued to make progress at our facility there and introduced a wider ranging recycling program following the completion of a comprehensive waste audit.

Travel Reduction

Through technology upgrades at our Kamloops facility, BCLC conservatively estimates that in 2012 we were able to prevent approximately 195 tonnes of greenhouse gas emissions by utilizing video-conference technology to hold meetings. Its use has increased and in 2012 we recorded the most reportable hours of conferencing, the highest number of attendees and the most conferences booked since we began collecting data in 2009. The financial savings from reducing travel between Kamloops and Vancouver were also considerable—over $1 million based on average flight costs.

Lottery Ticket Paper

Following a successful trial, we introduced a thinner paper stock for our lottery retail terminals. The new roll will reduce the environmental impact from our traditional lottery tickets since the longer paper length will reduce the number of rolls purchased. We are continuing to track our consumption of lottery ticket paper and will expand our tracking to include Scratch & Win games.

"As technology drives our business, it also drives increased electricity consumption. That's why we have to do everything we can to support energy conservation."

Marsha Walden, Vice-President, Strategy, Transformation and Social Responsibility, BCLC

37% waste diverted from landfill

8,664 kg e-waste recycled

7,060m^3 office water use

1,403 total CO_2e for 2012
1.61 tonnes per FTE

Environmental Impact

BCLC is committed to improving our environmental sustainability. From the implementation of our Sustainable Procurement Policy and embracing technology to reduce travel requirements, to leading energy efficiency practices in our Vancouver office, as well as employee initiatives that support efforts such as recycling, composting and biking to work, BCLC is demonstrating continuous improvements in this area.

For more information on BCLC's environmental responsibility, visit bclc.com/environment

"We are offsetting increasing costs by being environmentally responsible. For instance, over the past five years we've decreased our natural gas consumption by the equivalent annual consumption from 26 homes."

Mark Cannon, Sustainability Specialist, BCLC

Highlights

A Record Setting Year

$1,127.6M Net Income

You might be surprised to learn just how the revenues we generate from entertainment are distributed to British Columbians. We work hard to make a positive impact and this year's results are impressive:

- $706.8 million to the Province for public services
- $147.3 million to the Province's Health Special Account for health care, research, education and promotion of health issues
- $135.0 million to 5,000 charities and community organizations
- $84.5 million to 31 Host Local Governments with a community gaming centre or casino to fund local programs
- $20.0 million in local economic funding through Development Assistance Compensation to New Westminster, Penticton and Cranbrook to encourage economic development within those communities
- $12.3 million to the Gaming Policy and Enforcement Branch (GPEB) for industry oversight
- $9.2 million to the Government of Canada
- $7.0 million to the standardbred and thoroughbred sectors of the horse racing industry
- $5.5 million for responsible gambling initiatives

Visit: gaming.gov.bc.ca/revenue/index.htm

Awards

- Top Employer in B.C. by Mediacorp Canada Inc.
- SPCA of Kamloops' 2013 Caring Company Award
- National American Association of State and Provincial Lotteries Award for GameSense Print Ad

Launched

- Lotto Express in 706 lanes in 100 stores
- Gaming Management System in four gambling facilities
- PlayNow.com in Manitoba
- PlayNow Sports
- bclc.com
- Lotto Signature Store at Champlain Square
- Chances Chilliwack

Milestones

- $829.4 million in net income from Casino and Community Gaming
- $207.9 million from Scratch & Win revenues, beating 2002 record ($202 million)
- $298.2 million in net income from Lottery and eGaming
- $24 million in table net win from Chinese New Year in Metro Vancouver

Corporate Social Responsibility

- Responsible Gambling Awareness Week in five B.C. communities
- Inaugural New Horizons in Responsible Gambling conference
- $2 million investment in Centre for Gambling Research at the University of British Columbia (over five years)
- GameSense adopted by Manitoba
- BCLC's Sustainable Procurement Policy launched
- Greenhouse gas emissions reduced by 100 tonnes
- 90 per cent of Vancouver office waste recycled or composted
- 195 tonnes of greenhouse gas emissions averted by video conferencing instead of travelling
- RG Check at 13 B.C. casinos
- Nearly 44,000 player interactions and conversations at GameSense Info Centres
- Vehicle fuel consumption for business use reduced by over 26,000 litres
- Sponsor of 12 Kamloops community events
- 82 per cent employee engagement rate

- **$706.8M**
  to the Province for public services

- **$147.3M**
  to the Province's Health Special Account for health care, research, education and promotion of health issues

- **$135.0M**
  to 5,000 charities and community organizations

- **$84.5M**
  to 31 Host Local Governments with a community gaming centre or casino to fund local programs

Each year, local governments that host casinos or community gaming centres receive a share of net income generated by those facilities. The Host Local Government share charts show provincial payments made to Host Local Governments in 2012/13 as compared to 2011/12.

Host Local Government Share of Casino Revenue

Local Government	Casino	Total 2012/13	Total 2011/12
(in thousands of dollars)			
Burnaby	Grand Villa Casino	$ 8,826	$ 9,366
Coquitlam	Boulevard Casino	7,386	7,502
Langley	Cascades Casino	5,793	5,875
Kamloops	Lake City Casino	1,819	1,922
Kelowna	Lake City Casino	1,977	2,036
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies	1,344	1,365
Nanaimo	Casino Nanaimo	2,431	2,350
New Westminster	Starlight Casino	5,702	5,780
Penticton	Lake City Casino	1,594	1,683
Prince George	Treasure Cove Casino	2,622	2,627
Quesnel	Billy Barker Casino	500	520
Richmond	River Rock Casino Resort	15,701	14,804
Surrey	Fraser Downs Racetrack and Casino	2,998	2,878
Vancouver	Edgewater Casino	6,085	5,822
	Hastings Racecourse Casino	1,215	1,270
Vancouver Total		7,300	7,092
Vernon	Lake City Casino	2,001	1,948
View Royal	Great Canadian Casino View Royal	4,143	4,197
Total		$ 72,137	$ 71,945

Host Local Government Share of Community Gaming Centre Revenue

Local Government	Community Gaming Centre	Total 2012/13	Total 2011/12
(in thousands of dollars)			
Abbotsford	Chances Abbotsford	$ 971	$ 905
Campbell River	Chances Campbell River	684	687
Castlegar[1]	Chances Castlegar	452	283
Chilliwack[2]	Chances Chilliwack	496	–
Courtenay	Chances Courtenay	835	802
Cowichan Indian Band	Chances Cowichan	734	784
Dawson Creek	Chances Dawson Creek	831	840
Fort St. John	Chances Fort St. John	947	969
Kamloops	Chances Kamloops	659	542
Kelowna	Chances Kelowna	1,733	1,585
Langley	Playtime Gaming Langley	130	132
Maple Ridge	Chances Maple Ridge	820	787
Mission	Chances Mission	626	646
Port Alberni	Chances RimRock	427	450
Prince Rupert	Chances Prince Rupert	425	404
Squamish Nation	Chances Squamish	237	231
Surrey[3]	Newton Community Gaming Centre	188	–
Terrace	Chances Terrace	626	561
Williams Lake	Chances Signal Point	579	580
Total		$ 12,400	$ 11,188

1 Chances Castlegar opened July 26, 2011.

2 Chances Chilliwack opened October 30, 2012.

3 Newton Community Gaming Centre added slots on November 15, 2012.

BCLC casino and community gaming revenue charts show all revenue generated by B.C. gambling facilities on behalf of BCLC for 2012/13 as compared to 2011/12. Slot machine and table game revenue is recorded as “net win,” which is revenue after prizes are paid. Bingo revenue is recorded as “sales,” which is revenue before prizes are paid.

BCLC Casino Revenue

Casino	Service Provider	No. of Slot Machines	Slot Machine Revenue 2012/13	No. of Tables	Table Game Revenue 2012/13	Total Casino Revenue 2012/13	Total Casino Revenue 2011/12
(in thousands of dollars)							
Billy Barker Casino, Quesnel[1]	585 Holdings Ltd.	136*	$ 8,294	3	$ 2	$ 8,296	$ 8,709
Boulevard Casino, Coquitlam	Great Canadian Casinos Inc.	972*	103,132	64	36,129	139,261	144,064
Cascades Casino, Langley	Gateway Casinos and Entertainment Limited	812	88,019	31	18,006	106,025	108,639
Casino Nanaimo	Great Canadian Casinos Inc.	407*	39,869	6	3,371	43,240	43,035
Casino of the Rockies, Cranbrook	SEM Resort Limited Partnership	227*	13,262	11	829	14,091	14,553
Edgewater Casino, Vancouver	Edgewater Casino ULC	550*	62,244	57	54,047	116,291	113,572
Fraser Downs Racetrack and Casino, Surrey	Orangeville Raceway Ltd.	469	45,325	22	7,403	52,728	51,829
Grand Villa Casino, Burnaby	Gateway Casinos and Entertainment Limited	1001*	111,496	60	55,863	167,359	177,340
Great Canadian Casino View Royal	Great Canadian Casinos Inc.	601	65,483	13	8,212	73,695	75,276
Hastings Racecourse Casino, Vancouver	Hastings Entertainment Inc.	596	20,788	–	–	20,788	21,987
Lake City Casino Kamloops	Gateway Casinos and Entertainment Limited	301*	29,199	6	1,802	31,001	33,063
Lake City Casino Kelowna	Gateway Casinos and Entertainment Limited	450*	31,687	16	4,929	36,616	37,236
Lake City Casino Penticton	Gateway Casinos and Entertainment Limited	307*	26,242	9	1,351	27,593	29,255
Lake City Casino Vernon	Gateway Casinos and Entertainment Limited	404*	34,849	–	–	34,849	34,187
River Rock Casino Resort, Richmond	Great Canadian Casinos Inc.	1,110	133,747	108	181,972	315,719	301,018
Starlight Casino, New Westminster	Gateway Casinos and Entertainment Limited	857*	72,291	57	35,599	107,890	110,657
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	540*	43,866	9	2,022	45,888	46,329
Total		9,740	$929,793	472	$ 411,537	$1,341,330	$1,350,749

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Table games (excluding poker) were removed at Billy Barker Casino on May 23, 2011.

BCLC Community Gaming Revenue

Community Gaming Centre or Commercial Bingo Hall	Service Provider	No. of Slot Machines	Slot Machine Revenue 2012/13	No. of Bingo Seats	Bingo Revenue 2012/13	Total Community Gaming Revenue 2012/13	Total Community Gaming Revenue 2011/12
(in thousands of dollars)							
Bingo Bingo Esquimalt	319968 BC Ltd.	–	$ –	189	$ 4,024	$ 4,024	$ 4,034
Chances Abbotsford	Playtime Peardonville Ventures Ltd.	186*	16,388	166	664	17,052	16,256
Chances Campbell River	Playtime Community Gaming Centres Inc.	125*	11,737	179	1,210	12,947	13,443
Chances Castlegar[1]	Terrim Properties Ltd.	100*	7,642	175	82	7,724	4,884
Chances Chilliwack[2]	Great Canadian Entertainment Centres Ltd.	175*	8,244	288	8,805	17,049	11,325
Chances Courtenay	Playtime Community Gaming Centres Inc.	164*	14,265	239	760	15,025	15,154
Chances Cowichan, Duncan	Duncan Dabber Bingo Society	150*	12,511	229	1,977	14,488	15,625
Chances Dawson Creek	Great Canadian Entertainment Centres Ltd.	149*	14,105	222	312	14,417	15,108
Chances Fort St. John	243045 Alberta Ltd.	178*	16,145	180	415	16,560	17,414
Chances Kamloops	Enterprise Entertainment Ltd.	137*	11,229	415	4,027	15,256	13,590
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	270*	29,488	494	7,120	36,608	34,896
Chances Maple Ridge	Great Canadian Entertainment Centres Ltd.	100	13,891	450	3,491	17,382	17,158
Chances Mission	Gateway Casinos and Entertainment Limited	125*	10,562	115	1,090	11,652	12,237
Chances Prince Rupert	0733244 BC Ltd.	100*	7,168	136	1,060	8,228	8,368
Chances RimRock, Port Alberni	Alberni Valley Gaming Association	100*	7,205	99	1,324	8,529	8,882
Chances Signal Point, Williams Lake	Lucky's Ventures Ltd.	100*	9,774	320	1,893	11,667	12,102
Chances Squamish	Gateway Casinos and Entertainment Limited	100*	4,000	270	308	4,308	4,604
Chances Terrace	Lucky Dollar Bingo Management Ltd.	75*	10,776	144	1,058	11,834	10,900
Fairweather Bingo Hall, Vernon	Terrim Properties Ltd.	–	–	350	3,519	3,519	3,599
Harbour City Bingo Hall, Nanaimo	Harbour City Bingo Society	–	–	420	4,584	4,584	4,480
Newton Community Gaming Centre[3]	Gateway Casinos and Entertainment Limited	100	2,994	624	7,725	10,719	8,940
Planet Bingo, Vancouver	Community Gaming Management Association	–	–	426	9,670	9,670	9,960
Playtime Gaming Langley	Playtime Community Gaming Centres Inc.	50	2,188	312	4,689	6,877	7,480
Playtime Gaming Nanaimo[4]	Playtime Community Gaming Centres Inc.	–	–	–	1,500	1,500	2,420
Playtime Gaming Penticton	Playtime Community Gaming Centres Inc.	–	–	338	2,407	2,407	2,421
Playtime Gaming Victoria	Playtime Community Gaming Centres Inc.	–	–	485	3,634	3,634	3,752
Rocky Mountain Bingo, Cranbrook[5]	Terrim Properties Ltd.	–	–	–	–	–	518
Treasure Cove Casino, Prince George[6]	Treasure Cove Casino Inc.	–	–	633	8,925	8,925	9,382
Total Community Gaming Centres & Commercial Bingo Halls		2,484	$210,312	7,898	$ 86,273	$ 296,585	$ 288,932
Independent Bingo Hall Ka-Chingo Sales[7]						–	142
Paper Bingo Distribution Revenue						215	212
Total						$ 296,800	$ 289,286

* No. of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Chances Castlegar opened July 26, 2011.

2 Chances Chilliwack opened October 30, 2012 and operated as Chilliwack Bingo to October 21, 2012.

3 Chances Surrey name changed to Newton Community Gaming Centre on November 15, 2012 when slots went live at the site.

4 Playtime Gaming Nanaimo closed October 27, 2012.

5 Rocky Mountain Bingo, Cranbrook closed July 23, 2011.

6 Treasure Cove Casino slot machine revenue is reported on the BCLC Casino Revenue chart.

7 Ka-Chingo product decommissioned September 5, 2011.

Corporate Governance

Corporate governance refers to clearly defined processes with respect to the selection and composition of the Board and senior management and the division of responsibilities, decision making and accountability among the Board, senior management and our Shareholder to ensure BCLC's short and long-term success is consistent with our mandate and mission.

Governance Framework

As a Crown agent, BCLC complies with Government disclosure requirements for public accountability and transparency detailed in Best Practices Guidelines—B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations and the Board Resourcing and Development Office's Part Three.

More information is available at bclc.com/governance

The scope of our formal governance framework includes our:

- Corporate mandate, vision and mission
- Principles and guidelines for our Board of Directors, Chair, Board Committees, President and Chief Executive Officer
- Processes for strategic and succession planning
- Procedures for Board performance evaluations
- Government's Letter of Expectations outlining our commitment to deliver on performance expectations for the benefit of B.C.

Board of Directors

As set out in the *Gaming Control Act*, BCLC's Board comprises up to nine members who are appointed by the Lieutenant-Governor in Council. Currently, there are seven men and two women on BCLC's Board. While BCLC's senior management attend all Board meetings, in accordance with best practice, Board members also meet in camera at each meeting. The Board provides oversight and ethical leadership for long-term success for the Shareholder—the Government of British Columbia—and ensures our governance framework aligns BCLC business practices with Crown principles. There is currently no formal process by which employees are able to provide recommendations or direction to the BCLC Board.

Overall Board duties are:

- Appoint the CEO, plan their succession, approve their terms of reference and review their performance
- Participate in the development of BCLC's strategic and service plans
- Ensure the implementation and integrity of BCLC's internal control and management information systems
- Monitor operational and financial results
- Ensure BCLC operates within applicable laws and regulations and to the highest ethical and moral standards
- Ensure BCLC has a plan/policy to enable management and the Board to communicate effectively with Government, stakeholders and the public

Board Members

Chair:

John McLernon, Vancouver

Presiding Director of leadership and performance, and liaison between the Board and the Minister responsible for BCLC.

Vice-Chair:

Arthur Willms, Vancouver

Directors:

Trudi Brown, Victoria
David W. Gillespie, Kamloops
Cindy Grauer, Vancouver
Moray Keith, Delta
D. Neil McDonnell, North Vancouver
Michael Riley, Surrey
Bud Smith, Kamloops

Per the Code of Conduct and Conflict of Interest Guidelines, Directors act with prudent skill and diligence in the best interests of BCLC.

Board Committees

The Board assigns specific committees to fulfil responsibilities and Committee Chairs report performance and recommendations to the Board. The Chair of the Board and BCLC's President & CEO are ex-officio members of all committees.

AUDIT COMMITTEE	Liaises with auditors of BCLC financial operations; presents approved financial statements and quarterly reports to the Board; reviews financial information submitted to Government and the public; and oversees information systems, risk management and internal controls.	
	CHAIR:	Michael Riley
	MEMBERS:	David W. Gillespie; Moray Keith; D. Neil McDonnell; Arthur Willms
GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	Aligns governance focus to optimize overall performance; advances scope of corporate social responsibility; evaluates Board effectiveness; and plans succession for future Board composition.	
	CHAIR:	David W. Gillespie
	MEMBERS:	Trudi Brown; Bud Smith; Moray Keith
HUMAN RESOURCES AND COMPENSATION COMMITTEE	Aligns strategies, practices and succession with future goals; evaluates performance and compensation of the President & CEO; reviews employee compensation, benefits, resource allocation and training to drive performance.	
	CHAIR:	D. Neil McDonnell
	MEMBERS:	Cindy Grauer; John McLernon; Bud Smith
BCLC SENIOR MANAGEMENT AND EXECUTIVES	PRESIDENT & CEO:	Michael Graydon
	VICE-PRESIDENTS:	
	Peter Charlton	Human Resources
	Brad Desmarais	Corporate Security and Compliance
	Susan Dolinski	Communications and Public Affairs
	Rhonda Garvey	eGaming
	Kevin Gass	Lottery Gaming
	Lynette Hughes, CIO	Business Technology
	Jim Lightbody	Casino and Community Gaming
	Jervis Rodrigues, CFO	Finance and Corporate Services
	Marsha Walden	Strategy, Transformation and Social Responsibility
B.C. LOTTOTECH INTERNATIONAL INC. (LOTTOTECH)	This wholly-owned subsidiary leases BCLC capital assets which are budgeted and approved by our Board of Directors and included in our financial statements. Lottotech Officers are BCLC's President & CEO and Vice-Presidents.	

CSR Governance and Management bclc.com/CSR-governance

Government's Letter of Expectations

Purpose

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 relationship that benefits all British Columbians.

A summary of how BCLC is working to fulfil the Government of British Columbia's expectations can be found below; the full Government's Letter of Expectations can be found at bclc.com/governance

Government Direction	BCLC Actions
Operate the gambling business within the social policy framework established by Government and in alignment with the corporation's Corporate 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;	Gambling is delivered within the social policy framework established by Government, in a manner that encourages responsible gambling and healthy choices. There is a continuing focus on enhancing responsible gambling programs and communicating access and availability of programs, including Voluntary Self-Exclusion and GameSense. GameSense helps players make informed decisions about our gambling products. GameSense Info Centres are in all casinos and community gaming centres and information is also available online at GameSense.ca, bclc.com and PlayNow.com. We support the Province 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 January 2013, BCLC hosted an international conference, New Horizons in Responsible Gambling, featuring responsible gambling experts who discussed developments in prevention, response and best practices. In January 2013, BCLC also partnered with five communities and the Gaming Policy and Enforcement Branch to deliver Responsible Gambling Awareness Week in each of those communities. In accordance with Government goals and direction, BCLC is continuing to strive to reduce reportable greenhouse gas emissions from the 2007 baseline by 33 per cent by 2020. We have implemented a new Sustainable Procurement Policy and complied with new regulations governing the tracking and disposal of electronic waste, as well as maximizing our re-use and recycling programs.

Government Direction	BCLC Actions
Optimize the corporation's financial performance within the gambling 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;	Within the gambling framework established by the Province of British Columbia, in 2012/13 BCLC achieved a record $1.128 billion in net income, $2.6 million over budget and $20.2 million higher than last year. Although BCLC did not achieve its net win target, net win was $22.8 million higher than the previous year. We were able to increase net income by diligently managing our costs. We are continuing our focus on our players. Future net income growth will come from revenue generating initiatives while sustaining our mature products, as well as a continuing focus on operational effectiveness and cost management.
Optimize the performance, security, integrity and efficiency of the corporation through the modernization of infrastructure, process and technology;	A key focus for the year was investing in the processes, systems and technology necessary to deliver optimal performance with efficiency, integrity and security. A primary focus was the multi-year replacement of the casino gaming management system which supports more than $1.6 billion in net win. This project is the largest BCLC has ever undertaken with a capital cost of more than $100 million.
Enhance the corporation's compliance policies and programs specific to anti-money laundering measures and enforcing age restrictions at gambling facilities;	This year, BCLC introduced identification scanning technology at the entrance of all gambling facilities to aid in the detection of minors.
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;	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 the Gaming Policy and Enforcement Branch, have worked together to develop cash-free buy-in options for 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 into their bank account. All the recommendations of the action plan have now been completed.
Enhance programs, policies, procedures, training, and take any other measures deemed necessary and continued vigilance in ensuring all gambling 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 continuing to work 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, Mines and Natural Gas, or the regulatory agency, the Gaming Policy and Enforcement Branch.	We 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.

Our Performance

BCLC's Board and Senior Executive conduct an annual review of our performance framework, which includes our mission, vision, goals, strategies, performance measures and associated targets and results as identified in our 2012/13–2014/15 Service Plan. In addition, this report also captures our Corporate Social Responsibility (CSR) targets that we will report on moving forward. We also gather results from other gambling jurisdictions with similar operations to assess our performance relative to comparable businesses.

How we Measure and Benchmark our Performance

Our performance targets are set based on trends in current performance and the expected impact of our programs to maintain or improve performance. For non-financial measures, we contract with independent third-party professionals to conduct surveys and use these results to measure our performance against targets. On a quarterly basis, we assess our results and use the data collected in these surveys to modify and improve business performance.

Public support for gambling, player awareness of responsible gambling activities, player participation and satisfaction are measured using an online survey conducted by a third-party research supplier using a random sampling of the B.C. adult population throughout the year. Samples are verified to ensure they are representative of B.C.'s regional population, age and gender balance. In the fourth quarter of 2012/13, BCLC made changes to how some of its non-financial performance measure results are assessed, changing from online surveys conducted by Research & Incite Consultants to Ipsos North America. The online methodology remained the same, although the composition of the sample panels may differ. This change affected surveys for public support for gambling, player awareness of responsible gambling activities, player satisfaction and participation.

Financial information is obtained from BCLC's audited financial statements and other internal reporting. Population figures from BC Stats and Statistics Canada are used to calculate some performance measures.

Employee engagement is measured on our behalf by Ipsos North America, a third-party research supplier that conducts an annual survey of BCLC employees.

Our external performance benchmarks are obtained from the audited publicly reported financial results published by the benchmark organizations, from La Fleur's World Lottery Almanac and from the Canadian Gambling Digest. We benchmark to the Ontario Lottery and Gaming Corporation (OLG), Loto-Québec (LQ), the Swedish lottery Svenska Spel (Svenska) and the Canadian gambling average. The Canadian gambling average does not include BCLC's results.

These benchmarks provide insight into BCLC's performance against national averages and comparable gambling jurisdictions. We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

A more detailed explanation of the methodology used for each measure and our benchmarking is contained in Appendix 2.

Our Corporate Social Responsibility committee provided direction on selecting the relevant CSR strategies, performance measures and targets.

For our CSR performance summary, visit bclc.com/CSR-performance

2012/13 – 2014/15 Performance Framework

Perspective	Goals	Strategies	Performance Metrics
Public/Planet	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 (GHG) Emissions (CO_2e)
		· Engage key stakeholders in an informative dialogue	· Agreement to the Statement "I Have Trust and Confidence in the Games Offered by BCLC" (%) · Community Engagement Sessions Held (#)
		· Integrate CSR into governance and management systems	· Recommendations Implemented to Increase Board Oversight of CSR (%) · Products and Promotions Covered by a CSR Assessment (%) · Employees Who Completed "Where's Your GameSense" Course (%)
		· Offer games and conduct business in a way that is fair, honest and trustworthy	· Pass Rate in Lottery Retail Mystery Shop Program (%) · Substantiated PlayNow.com Player Complaints (%)
		· Reduce energy use, reportable greenhouse gas emissions, waste to landfill, water use and paper consumption	· Waste Diverted from Landfill (%) · E-Waste Recycled (kg) · Office Water Use (m^3)
		· Engage employees and service providers in reducing their environmental impacts	· Gambling Facilities That Use CSR Reporting Tool Software (#)

For more information about what we plan to do differently in 2013/14–2015/16 and why, see Appendix 1.

Note: Green text denotes Corporate Social Responsibility (CSR) strategies and performance metrics.

Perspective	Goals	Strategies	Performance Metrics
Player	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	· Player Satisfaction (%) · Player Participation (%) · Net Win per Capita ($)
		· Maintain a world-class responsible gambling program	· World Lottery Association Certification Level Achieved · Responsible Gambling Interactions at GameSense Info Centres (#)
		· Protect player privacy	· BCLC's Privacy Practices for PlayNow.com Registrants are TRUSTe Compliant
		· Support our service providers in developing effective responsible gambling practices	· Casinos and Community Gaming Centres Certified by RG Check (#) · New Service Provider Employees Who Passed Appropriate Response Training (%) · Service Provider Employees Who Rated Appropriate Response Training as Good or Excellent (%)
Profit	3. Invest in infrastructure and technology to drive innovation that enables our growth	· Design processes and implement technology that improve operational effectiveness and prepare for the future · Enable an integrated multichannel community	· Net Income ($) · General Operating Costs as % of Net Win · Electronic Gaming Devices per 1,000 Population
People	4. Have a workforce passionately driving the success of our business	· Make BCLC a great place to work	· Employee Engagement (%) · Employee Vacancy Rate (%)
		· Create a workplace culture that supports employee mental, physical, social, and financial well-being, including work-life balance and professional development	· Average Number and Duration of Short-Term Disability Claims and the Number that Transition to Long-Term Disability Cases (#) · Average Hours of Training per Year per Employee (#)
		· Promote a community investment program that supports a workplace culture of social wellness and values both corporate and individual contributions	· Employees Who Entered the BCLC Volunteers Storytelling Contest (#)
		· Create a workplace that understands, supports and is engaged in CSR	· Employees Who Agree BCLC is a Good Corporate Citizen and Understand What CSR Means to BCLC (%)

Note: Green text denotes Corporate Social Responsibility (CSR) strategies and performance metrics.

2012/13–2014/15 Performance Measures

	Performance Metric	2010/11 Actual	2011/12 Actual	2012/13 Target	2012/13 Actual
Public/ Planet	Public Support for Gambling[1]	57%	59%	58%	63%
	Player Awareness of Responsible Gambling Activities	79%	80%	81%	78%
	Level of Greenhouse Gas Emissions (CO_2e tonnes by calendar year)	2010: 1,504[2]	2011: 1,506	2012: 1,484	2012: 1,403
Player	Player Satisfaction	82%	83%	82%	85%
	Player Participation (at least monthly)	63%	62%	62%	69%[3]
	Net Win per Capita ($)	447	447	460	450
Profit	Net Income ($ millions)	1,106	1,107	1,125	1,128
	Operating Cost Ratio (% of Net Win)	41.5%	42.0%	42.6%	41.2%
People	Employee Engagement	80%	81%	80%	82%
	Employee Vacancy Rate	1.2%	1.9%	3.0%	4.4%

2013/14–2015/16 Performance Measures

	Performance Metric	2013/14 Target	2014/15 Target	2015/16 Target
Player	Player Satisfaction	83%	83%	83%
	Player Participation (at least monthly)	62%	63%	64%
	Player Awareness of Responsible Gambling Activities	80%	82%	83%
	Net Win per Capita ($)	467	479	492
People	Employee Engagement	80%	80%	80%
	Employee Vacancy Rate	4.0%	4.0%	4.0%
Public	Public Support for BCLC[4]	80%	81%	83%
	Level of Greenhouse Gas Emissions (Co_2e tonnes by calendar year)	2013: 1,439	2014: 1,382	2015: 1,326
Profit	Net Income ($ millions)	1,172	1,202	1,237
	Operating Cost Ratio (% of Net Win)	42.5%	42.5%	42.5%

1 Public Support for Gambling will not be used as a corporate metric after the 2012/13 fiscal year.

2 BCLC's previous report of 1,502 CO_2e tonnes was misstated.

3 2012/13 result based on surveys conducted over the first three quarters of the year and excluding the fourth quarter due to a change in the survey questions.

4 Public Support for BCLC was added as a corporate metric in 2013/14, replacing Public Support for Gambling.

2012/13–2014/15 Performance Measures

Public/Planet

Public Support for Gambling

Description

Public support for gambling measures the percentage of adult British Columbians who support legalized gambling. Analysis of the key drivers of this metric determined that communication about our social responsibility efforts does not translate directly into increased results in the percentage of adult British Columbians who support legalized gambling.

The measurement of public support for gambling may not be providing results that are specific to BCLC, as widespread Internet access provides many gambling options offered by illegal, private companies. We have not benchmarked this measure to other gambling jurisdictions due to a lack of comparable data.

	2012/13 Result	2012/13 Target
Support	63%	58%

Significant Changes from Previous Service Plan

This measure was changed slightly in the fourth quarter of 2012/13 when the wording of the statement used in the survey was modified.

While BCLC's result for this measure increased this year, our analysis shows that public support for BCLC provides another indicator as we manage our gambling business and marketplace.

Targets

Starting in 2013/14 BCLC will revert to reporting on a metric used in previous years, public support for BCLC, in place of public support for gambling.

Targets for public support for BCLC have been set to reflect an increase over the next several years. This increase correlates with an increase in our social responsibility programs.

Player Awareness of Responsible Gambling Activities

Description

A key component of BCLC's provision of commercial gambling is our commitment to strengthening responsible gambling programs and their delivery. Player awareness of responsible gambling activities measures the percentage of our players who are aware of one or more of BCLC's five key responsible gambling programs. This measure determines how effective we are at reaching out to our players about our responsible gambling activities.

Player awareness of responsible gambling activities is significantly influenced by BCLC's ability to communicate and connect with players with appropriate programming and messages. Our responsible gambling messaging includes communications at the point of purchase, within gambling facilities, on PlayNow.com and bclc.com and as part of our product advertising.

In 2013/14, BCLC plans to increase its responsible gambling programs with the objective of preventing and reducing problem gambling incidents. These programs will include communication about responsible gambling, player-focused promotional programming in our gambling facilities and our online sites and enhanced training programs for BCLC employees, our service providers and their employees. The escalating target levels have been set to reflect the increase in programs and communication about responsible gambling.

	2012/13 Result	2012/13 Target
Awareness	78%	81%

Significant Changes from Previous Service Plan

BCLC's results were below the target set partially due to a reduction in messaging and also due to changes to the wording of the survey statements and survey supplier during the fourth quarter.

Targets

	2013/14	2014/15	2015/16
Awareness	80%	82%	83%

Level of Greenhouse Gas (GHG) Emissions

Description

BCLC uses standard calculations provided by the Province to convert and report our greenhouse gas (GHG) emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO_2e) by calendar year. Data is obtained from suppliers of electricity, natural gas, fleet fuel, paper suppliers and from internal financial and 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. BCLC's reportable GHG emissions result from buildings, fleet vehicles and certain office paper supplies.

BCLC views sustainability as a key component of Corporate Social Responsibility and is advancing environmentally sustainable behaviours in our organizational culture as an integral component of business modernization. This year, part of the decrease was due to no longer having responsibility for our old Richmond office space; however, our vehicle fleet has driven less business miles and we also used far fewer packets of office paper in 2012 than in any of the preceding five years. One of the ways BCLC will continue to meet the targets is by investing in building infrastructure at our Kamloops office to reduce emissions, particularly from natural gas.

To align with Government's reporting cycle, our data for this metric covers the calendar year, not the fiscal year.

	2012 Result	2012 Target
CO_2e Metric Tonnes	1,403	1,484

Significant Changes from Previous Service Plan

There are no changes to the objectives for this measure.

Targets

Figures are reported in CO_2e metric tonnes by calendar year. Our targets are based on achieving a 33 per cent reduction in reportable emissions from a 2007 baseline by 2020.

	2013	2014	2015
CO_2e Metric Tonnes	1,439	1,382	1,326

Agreement to the Statement "I Have Trust and Confidence in the Games Offered by BCLC"

Description

It is important that we instill confidence in our players. Annually we measure the level of public trust in our products. This year, 56 per cent of the public surveyed agreed with the statement "I have trust and confidence in the games offered by BCLC." To influence this performance measure, we actively engage a wide range of community groups on specific issues in our business, detailed in the Community Engagement Sessions Held performance measure section below.

	2012/13 Result
Agreement	56%

Community Engagement Sessions Held

Description

Each year, we actively engage with the communities in which we operate. This includes a wide range of groups, such as local governments, chambers of commerce, boards of trade, business improvement associations, tourism associations and community services groups. In 2012/13, we implemented our community engagement strategy and participated in a total of 44 community engagement sessions. This included a diverse range of stakeholders in the South Surrey entertainment complex proposal. We also launched our first annual Responsible Gambling Awareness Month (RGAM) in five B.C. communities.

Next year, we will continue to expand our stakeholder engagement program on key topics of mutual interest. We are also developing a multi-year corporate reputation strategy that will better align the many Corporate Social Responsibility and public affairs initiatives to build understanding of BCLC's purpose and business.

	2012/13 Result
Sessions Held	44

Public/Planet

Recommendations Implemented to Increase Board Oversight of CSR

Description

A review of the BCLC Board's governance was conducted in 2011 following Canadian Business for Social Responsibility's (CBSR) Corporate Social Responsibility (CSR) Governance Guidelines. Through this review process, we identified a number of opportunities for enhancing BCLC's CSR governance.

We have completed three out of four key opportunities for improvement, including: increase Board oversight over CSR performance against goals, objectives and targets; build Board capacity to understand CSR implications of decisions; and include CSR in director recruitment, orientation, education and evaluation. We hope to work towards accomplishing the fourth opportunity next year—adopting a long-term CSR vision for BCLC—through the process of updating our CSR Charter.

	2012/13 Result	2015/16 Target
Implemented Recommendations	75%	100%

Products and Promotions Covered by a CSR Assessment

Description

The Corporate Social Responsibility Assessment (CSRA) process is a means by which the responsible gambling team is consulted on the impacts of BCLC's product advertising and promotions. Any time a new sales and marketing initiative or product development is being contemplated, our brand managers complete an online CSRA, which allows them to describe the initiative and review key questions about the messaging. They include draft copies of the advertising or collateral material, and these are reviewed for compliance with our responsible gambling standards. Our team looks for a number of elements that could be problematic, such as imagery that appeals exclusively to minors, messaging that excessively glamorizes gambling or presents it as an alternative to employment. For new game development, we also have a CSRA process to evaluate player risk, using a product called GAM-GaRD, which helps us evaluate how to mitigate future concerns.

This year, we completed 365 CSRAs, which are required for all new products and promotions. Next year, we are working towards revising the CSRA process to provide more accountability by brand managers now that they have working familiarity with the responsible gambling standards. The responsible gambling team would then play a more consultative role, providing spot checks and/or feedback on key advertising or promotional pieces (rather than reviewing each initiative in its entirety).

	2012/13 Actual
CSRAs Completed	365
Products and Promotions Covered	100%

Employees Who Completed "Where's Your GameSense" Course

Description

"Where's Your GameSense" is an online training course that we require of all BCLC employees. The course is designed to educate employees about responsible and problem gambling, about our GameSense programming, and about how we support players in making informed decisions about gambling. This year, 187 new BCLC employees were registered to take the "Where's Your GameSense" course. Of those, 185 have completed and passed, resulting in a compliance rate of 99 per cent. Next year we plan to update the course and add a three-year refresher policy.

	2012/13 Result
Course Completion	99%

Pass Rate in Lottery Retail Mystery Shop Program

Description

Our Mystery Shop program helps us see how retailers operate day-to-day and make sure standards are being met by the retailers who sell lottery products. We also confirm equipment is operating as it should and verify that communications between BCLC and retailers are working. Our Corporate Security and Compliance team oversees mystery shops to determine whether lottery retailers are complying with policies and procedures that include: returning tickets and providing validation slips; checking to see if the Player Display Unit is clearly visible; checking to see that lottery tickets remain visible to the player throughout the validation procedure; and that they are paying out correct prize amounts and following appropriate processes.

Any infraction of the Lottery Retailer Agreement by a lottery retailer is investigated by BCLC. If the infraction is related to integrity, we notify our regulator, the Gaming Policy and Enforcement Branch (GPEB), immediately. If the infraction is related to a BCLC policy, we notify GPEB at the conclusion of our investigation.

Last year, lottery investigators and sales staff were heavily involved in providing positive feedback to retailers, contributing to our increase in pass rates. In addition, information was provided to retailers during site visits by territory managers as well as in our retailer e-bulletins.

	2012/13 Result
Pass Rate	88%

Substantiated PlayNow.com Player Complaints

Description

This year, of 311 complaints received from PlayNow.com players, 18 (six per cent) were substantiated as relating to game, transaction or prize disputes. Substantiated claims are those that, upon investigation, are verified to be legitimate. Unsubstantiated claims are allegations that have not been established as truthful or valid. We aim to keep the number of substantiated PlayNow.com player complaints low by continuing to thoroughly test all games on the site prior to launch, use preventative measures to ensure the site is working at an acceptable capacity, and comply with our Regulatory Technical Standards.

	2012/13 Result
Substantiated Complaints	6%

Waste Diverted from Landfill

Description

We measure the percentage of waste diverted from landfill from our two offices, including compost, paper and cardboard recycling, and mixed container recycling. To align with Government's reporting cycle, our data for this metric covers the calendar year, not the fiscal year.

In 2012, we achieved a 37 per cent diversion rate, averaged between both offices. Approximately 90 per cent of waste was recycled or composted from our Vancouver office. Unfortunately, our Kamloops office continues to be a challenge given that the recycling infrastructure is not as easily accessible as the Metro Vancouver area, which means they are unable to compost.

Following a comprehensive waste audit conducted in Kamloops, we have determined that currently only about 16 per cent of total waste is recycled. We need to find a way to divert the compostable organics from the Kamloops waste stream, which could further reduce landfill levels by over 60 per cent.

We will continue to seek ways to reduce and divert wastes from both office locations. Our three-year target for waste diverted from landfill includes both BCLC offices, and aligns with Metro Vancouver's strategic goal of 70 per cent diversion by 2015.

	2012 Result	2015 Target
Diversion Rate	37%	70%

Public/Planet

E-Waste Recycled

Description

In 2012, the Province's electronics waste (e-waste) regulation was extended and our lottery retail terminals and slot machines are now included. Although we have been consciously managing our e-waste to minimize environmental impacts for several years, the new regulations required that we review and amend our processes to ensure compliance. Initially we submitted a Product Stewardship Plan to the Ministry of Environment that detailed how we at BCLC would manage end-of-life e-waste. However, later in the year we were able to take advantage of a new industry-led program that allowed us to streamline administration and reduce annual costs while remaining in full compliance.

We started reporting on the weight of e-waste recycled in July 2012, so current data covers only six months. To align with Government's reporting cycle, our data for this metric covers the calendar year, not the fiscal year.

	July–December 2012 Result
E-Waste Recycled	8,664 kg

Office Water Use

Description

Differences in water consumption between our two offices, Kamloops and Vancouver, result from what data is reported, and the age of the Kamloops facility. The Vancouver building is much newer and has Leadership in Energy and Environmental Design rated water saving fittings, helping to reduce consumption. Kamloops includes both irrigation water use as well as domestic, whereas Vancouver only includes domestic.

In Kamloops, we consumed 4,728 m^3 of water and in Vancouver 2,332 m^3 in 2012. Water use in Vancouver was higher than expected in 2011 due to a leak which has since been detected and resolved. To align with Government's reporting cycle, our data for this metric covers the calendar year, not the fiscal year.

	2012 Result
Water Use	7,060 m^3

Gambling Facilities That Use CSR Reporting Tool Software

Description

This year we conducted a Request For Proposal process to purchase Corporate Social Responsibility (CSR) reporting software, which will help us monitor and report on our CSR performance measures moving forward. In 2013/14, we plan on fully implementing the software within BCLC and, over time, encouraging our service provider gambling facilities to contribute data that can be tracked in our system. Over the next three years, our target is to have at least five service provider gambling facilities adding data to our CSR reporting tool software.

	2012/13 Result	2015/16 Target
Software Use	0	5

Player

Player Satisfaction

Description

Player satisfaction is a measure of satisfaction with the products, services and facilities BCLC offers in each of our gambling channels. The metric gauges BCLC's overall success in transforming to become more player-centric.

BCLC's level of player satisfaction is very positive. Our plans to continue to focus on becoming more 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 achieve revenue growth targets.

	2012/13 Result	2012/13 Target
Satisfaction	85%	82%

Significant Changes from Previous Service Plan

There are no changes to the objectives for this measure.

Targets

Through the move to become a more player-centric organization our targets have been set to maintain the high level of player satisfaction that has been achieved recently.

	2013/14	2014/15	2015/16
Satisfaction	83%	83%	83%

Player Participation

Description

Player participation measures the percentage of adult British Columbians who play a BCLC game or visit a BCLC gambling facility at least monthly. By measuring frequency, we have a gauge of players' play behaviour and can better understand how successful we are in attracting them to play our games and visit our facilities.

	2012/13 Result	2012/13 Target
Participation	69%	62%

Significant Changes from Previous Service Plan

Changes were made to the wording used in the survey to gauge our level of success for this measurement in the fourth quarter. As a result of this change, BCLC is using only the results for the first three quarters of the 2012/13 year. Going forward, we expect our results to be lower than our 2012/13 result, as the new survey helps us to determine the difference between visits to gambling facilities and playing the games we offer at casino facilities.

Targets

The targets have been set based on the new survey with the goal of increasing player participation levels over the next several years.

	2013/14	2014/15	2015/16
Participation	62%	63%	64%

Player

Net Win per Capita

Description

This measure is widely used in the gambling industry and is the calculation of sales after prizes are paid divided by the total population. Net win is available publicly in BCLC's financial statements. For lottery and bingo games, net win is calculated by deducting prizes from gross sales. Casino game prizes are paid during game play. Net win per capita will not grow if the population rate of growth is higher than the rate of net win growth.

Net win per capita tells us how successful we are in growing revenue in relation to the provincial population and indicating the extent to which BCLC is able to balance offering gambling entertainment with responsible gambling to grow income.

	2012/13 Result	2012/13 Target
Canadian Average: $399	$450	$460

Significant Changes from Previous Service Plan

There are no changes to the objective for this measure, however the targets are updated each September when BCLC conducts its annual review of our financial performance and sets targets for the next three years based on our 2012/13 forecast growth in net win. Our forecast takes into account standard economic indicators used by the Province and the planned introduction of new products, services and facility developments.

While net win per capita grew over the previous year, the 2012/13 result was below the target. Lottery net win exceeded budget through strong performance in the core lottery products of Lotto 6/49, LOTTO MAX and Keno. PlayNow.com, while under budget, continues to focus on enhancements to the casino and sports offerings, as well as optimizing the site for new mobile technologies. Casino and community gaming was also below budget as challenges to planned site relocations have flattened growth. Upgrades to existing facilities continue to be a priority. BCLC continues to compete for consumer discretionary entertainment dollars through increasing our focus on the player.

Targets

	2013/14	2014/15	2015/16
Net Win per Capita	$467	$479	$492

World Lottery Association Certification Level Achieved

Description

We assess our responsible gambling programming through participation in the World Lottery Association (WLA) responsible gambling framework in order to determine how we compare to world class standards. BCLC has been recognized by the WLA for adopting and putting into action international responsible gambling principles aimed at protecting players in B.C. The seven principles address areas of player protection, collaboration with other stakeholders, research, promotion, informed player choice, monitoring and reporting.

BCLC has set as a goal achieving and remaining at Level 4, the highest level, of the WLA responsible gambling framework. We first attained Level 4 in 2010, demonstrating that our responsible gambling programs are well established, show commitment to continual improvement, and are among the best in the world. Certification is valid for three years and this year we submitted our application for re-certification. As we need to demonstrate continual improvement in order to re-certify, our three-year target is to maintain Level 4 certification.

	2010 Result	2013 Target
Certification	Level 4 Achieved	Level 4 Achieved

Responsible Gambling Interactions at GameSense Info Centres

Description

GameSense Info Centres (GSICs) are located in every B.C. casino and community gaming centre, and patrons who visit the centres are encouraged to think about responsible gambling through fun and engaging activities. GameSense Advisors (GSAs), contracted through the Province, staff the centres located at casinos to provide personalized education on responsible play strategies; support and training for venue staff to reinforce Appropriate Response Training principles; and, assistance in addressing issues related to problem gambling and completion of the Voluntary Self-Exclusion process. This year, 49 educational activities were developed and delivered to gambling facility patrons and staff to increase awareness of the centres, house edge in games of chance, how the games work, and problem gambling resources. As a result, GSAs recorded nearly 44,000 individual interactions with casino patrons.

This year at the GSIC located at River Rock Casino Resort in Richmond, we introduced a two-week pilot initiative called "Clear the Air," in which we combined responsible gambling education and environmental benefit. For every customer who engaged in an educational activity about knowing the odds, we planted a symbolic "tree" at the GSIC, upon which many customers wrote a personalized message of social responsibility. In total, we purchased 150 tonnes of greenhouse gas emission offsets (the rough equivalent of planting 600 trees) based on the number of customer interactions. We continue to introduce new methods of engaging players to increase the meaningful responsible gambling conversations we are able to have with our patrons.

	2012/13 Result
Interactions	43,823

BCLC's Privacy Practices for PlayNow.com Registrants are TRUSTe Compliant

Description

We strive to implement best privacy practices for PlayNow.com registrants. The TRUSTe Privacy Seal Program helps consumers identify responsible privacy practices. PlayNow.com was TRUSTe certified on March 9, 2012. Our goal is to maintain compliance with TRUSTe's Privacy Seal Program requirements for renewed certification.

	2012/13 Result	2015/16 Target
TRUSTe Compliant	Achieved	Achieved

Casinos and Community Gaming Centres Certified by RG Check

Description

RG Check is an accreditation program created by the Responsible Gambling Council (RGC) based on standards and criteria reflecting international best practices. The program offers gambling companies the opportunity to qualify for an independent endorsement of their responsible gambling safety net. Certification is valid for three years.

This performance measure is cumulative—we introduced the program in 2011/12 and our target is to have all our casinos and community gaming centres fully certified by early 2014/15. Since the program's launch in 2011/12, all of our sites tested have passed, with 13 sites certified and nine pending certification (the draft stage of their report). Next year, we have 13 more sites scheduled to proceed through the RG Check process. We also plan on implementing recommendations from the Responsible Gambling Council to improve our policies and programs, as outlined in RG Check reports.

	2012/13 Result	2014/15 Target
Sites Certified	13 (36%)	36 (100%)
Pending	9	

Player

New Service Provider Employees Who Passed Appropriate Response Training

Description

BCLC requires all gambling facility employees who have the potential to interact directly with players to successfully complete Appropriate Response Training (ART). ART is an educational program that prepares BCLC and service providers' employees to know how to assist players who may be experiencing problems with their gambling. ART is mandatory for all front-line workers, management and security personnel, and refresher training is offered throughout their employment. This performance measure includes both Level 1 (online) and Level 2 (in-person) ART training. This year, a total of 1,177 service provider employees registered for ART (Level 1 and 2 combined). Of this total, 1,139 passed, resulting in a 97 per cent overall compliance rate.

	2012/13 Result
Compliance Rate	97%

Service Provider Employees Who Rated Appropriate Response Training as Good or Excellent

Description

To assess and improve how Appropriate Response Training (ART) is received by BCLC service provider employees, we request that participants provide feedback after taking the course. The course evaluation is based on a number of attributes, such as the quality, amount, and organization of information presented, as well as the quality of interactive learning activities.

Based on feedback, we made some revisions to improve ART Level 1, this year. We clarified escalation procedures, included more information on problem gambling (such as risks, signs and impacts) and interaction scenarios, and added a quick navigation feature, to enable learners to review sections within the course prior to completing the quiz. We have also launched a refresher course for employees to keep their training current.

	2012/13 Result
Good or Excellent Rating	83%

Profit

Net Income

Description

Net income is the total amount of income generated from BCLC gambling after all expenses. Net income is sent to the Province of British Columbia and is used to fund public health care, education, 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.

Net income is a direct indicator of BCLC's success in meeting our mandate to generate income for the benefit of all British Columbians.

	2012/13 Result	2012/13 Target
$ million	$1,128	$1,125

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.

BCLC set a new record in net income performance in 2012/13, exceeding the budget by $2.6 million. A reduction in operating expenses through operational efficiencies, combined with an increase in net win, led to a net income increase of $20.2 million above the 2011/12 achievement.

Targets

	2013/14	2014/15	2015/16
$ million	$1,172	$1,202	$1,237

General Operating Costs as % of Net Win

Description

This performance indicator measures the ratio of consolidated operating costs as a percentage of net win to provide a measure of our operational efficiency. The operating cost ratio 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.

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 business effectiveness.

In 2013/14 BCLC is continuing its investments in modernizing and optimizing the business. This investment is done with a commitment to keeping our operating cost ratio at consistent levels for the next three years while continuing to replace legacy systems.

	2010/11 Benchmark Average	2012/13 Result	2012/13 Target
Ratio	49.2%	41.2%	42.6%

Significant Changes from Previous Service Plan

During the 2012/13 year, BCLC adjusted the operating costs ratio calculation to include ticket printing to allow us to better benchmark against the annual reports of other gambling regulated jurisdictions.

Operational efficiencies through optimization, combined with careful cost management, resulted in BCLC's 2012/13 operating expenses being $53.0 million under budget. We are modernizing our business with a focus on investing in our technology infrastructure.

Targets

BCLC plans to maintain its targeted operating cost ratio over the next three-year period through careful control of our operating costs while maintaining our commitment to modernization.

	2013/14	2014/15	2015/16
Ratio	42.5%	42.5%	42.5%

Profit

Electronic Gaming Devices per 1,000 Population

Description

BCLC formerly used this metric to gauge the ratio of electronic gaming devices to B.C.'s population.

Significant Changes from Previous Service Plan

This measure has been discontinued, as access to casino-style games is also available through PlayNow.com and as it has not provided BCLC or the public with any insight related to market sizing where facilities are located.

BCLC did not set targets for this measure, but did benchmark to other gambling jurisdictions to monitor how availability in B.C. compares to other provinces. As the number of jurisdictions implementing Internet gambling sites continues to increase, this measure has lost its relevancy.

People

Employee Engagement

Description

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 also more successful at recruiting and retaining employees.

BCLC has maintained an engagement level at 80 per cent or higher since 2008/09 and our objective continues to be to maintain this level of employee engagement over the next three years as a key component of the success of our organization.

	2012/13 Result	2012/13 Target
Engagement	82%	80%

Significant Changes from Previous Service Plan

There are no changes to the objective or target of maintaining our results for this measure. Targets are set each year in our December planning period, with the survey conducted in early spring.

Targets

	2013/14	2014/15	2015/16
Engagement	80%	80%	80%

Employee Vacancy Rate

Description

Employee vacancy rate measures BCLC's employee turnover, competitiveness and the effectiveness of recruitment processes.

In past years, the vacancy rate has been low, reflecting limited growth and low turnover of employees in a flat labour market. The past year vacancy rate of 4.4 per cent is reflective of a year when our business has been undergoing transformation that will support our future growth. The labour market is becoming more competitive though we are also experiencing a faster time to hire due to BCLC's strong brand presence in the market. We anticipate this trend will continue as our business continues to adapt and grow to the changing business and market needs.

	2012/13 Result	2012/13 Target
Vacancy Rate	4.4%	3.0%

Significant Changes from Previous Service Plan

There are no changes to the objectives for this measure.

Targets

Our targets reflect our expectation that the number of full-time equivalent positions will be stable and employee turnover will remain low, but closer to the level experienced prior to 2009/10.

	2013/14	2014/15	2015/16
Vacancy Rate	4.0%	4.0%	4.0%

Average Number and Duration of Short-Term Disability Claims and the Number that Transition to Long-Term Disability Cases

Description

This year, there were 54 new Short-Term Disability cases, the average duration of which was 33.8 calendar days. Only nine of these cases transitioned to Long-Term Disability claims. By comparison, last year there were 87 new Short-Term Disability claims, the average duration of which was 38.1 calendar days and 16 Short-Term Disability cases transitioned to Long-Term Disability claims.

To influence this performance measure, in 2012/13 we introduced a program that shifts our focus from income replacement to a return to productivity sooner. At a broader level, we also redesigned and launched BCLC's flexible health and dental package, "my benefits," which meets employees' changing needs, expands the level of access to preventive care and engages employees in their physical health. We revised our occupational health and safety policy and programming to reflect a new direction set by our Occupational Health and Safety Committee.

Next year, we will further work towards employee wellness. We plan to develop and implement a workplace wellness strategy and implement a Healthy Workplace Scorecard to measure results. We plan to launch a comprehensive employee financial wellness program that supports employees with the knowledge and tools necessary to achieve financial health; design and launch a comprehensive mental health program that includes raising awareness, training, education and support for employees and managers and addresses work and home life; refresh the employee recognition program that reflects corporate values of innovation, contributions towards the growth of the business, and community involvement.

	2012/13 Result
Short-Term Disability Cases	54
Long-Term Disability Cases	9

Average Hours of Training per Year per Employee

Description

BCLC employees recorded an average of 15.3 hours of training this year. Thirty-five per cent of our employees developed career goals, 55 per cent had development plans, and 51 per cent completed competency assessments. Overall, BCLC dedicated $1,387 per employee to training and development.

Our three-year target for training and development is for employees to spend 20–25 hours on training annually, with BCLC dedicating $1,500 per employee to training and development. We also aim for 100 per cent of employees to complete career goals, development plans and competency assessments.

We are working towards our annual target of 20–25 training hours per employee through continuous promotion and education about the importance of career goals, development plans and competency assessments. Through taking part in this career development process, employees are able to identify and act on areas in which they could benefit from more training.

Next year, we plan on supporting employee professional development with the launch of a New Employee Orientation plan that introduces all new employees to a suite of core online courses through BCLC's Learning Management System and extends the option for all employees to take more Learning Management System courses to advance their professional development.

	2012/13 Result	2015/16 Target
Training Hours	15.3	20–25

Employees Who Entered the BCLC Volunteers Storytelling Contest

Description

This year we launched BCLC Volunteers, a program which allows employees to volunteer during work hours, using our Flexible Work Hours Policy. To celebrate some of the great accomplishments of BCLC employees who volunteer, we also introduced a BCLC Volunteers storytelling contest—presenting an opportunity for passionate volunteers to tell their story and be entered into a draw for a charity gift card to the cause of their choice. We received 13 submissions and through a random draw selected three winners, per office—one in each category.

Next year, we plan on developing and implementing a Community Investment Strategy, providing a wider strategic lens on community involvement, such as volunteering. We hope to increase submissions in our BCLC Volunteers storytelling contest, as awareness grows about the Flexible Work Hours Policy and BCLC Volunteers program. Finally, to further extend the ways employees can give back, we plan on providing the option of choosing a charity gift card as part of BCLC's employee recognition program.

	2012/13 Result
Submissions	13

Employees Who Agree BCLC is a Good Corporate Citizen and Understand What CSR Means to BCLC

Description

One of the questions in our employee engagement survey assesses agreement with the statement "BCLC is a good corporate citizen." Last year, 87 per cent of employees were in agreement, moving up two percentage points to 89 per cent in 2012/13. This year, we also added a new question to our employee engagement survey, measuring agreement with the statement "I understand what Corporate Social Responsibility means to BCLC." In 2012/13, 91 per cent of BCLC employees answered affirmatively. Next year, we plan on developing and implementing an internal Corporate Social Responsibility (CSR) communications plan to build understanding of what CSR means to BCLC and how it is integrated into everything we do.

	2012/13 Result	2012/13 Target
Good Corporate Citizen	89%	87%
CSR Understanding	91%	

Risk and Capacity

BCLC has a formal enterprise-wide risk management policy and framework that mandates consistent risk identification and evaluation methodologies, complemented by formally agreed action plans required for all significant risks. Risk is also considered as part of the strategic and business planning processes and all significant corporate projects are required to undertake and report on risk management activities.

This year the Board of Directors assumed direct oversight of BCLC's risk management system. Quarterly reports on risk management activities and the risk profile of the corporation are produced for the Executive Committee and Board.

Sustain and Grow

Risk	Impact	BCLC Actions
With the build-out of casinos nearing completion, gambling products that are reaching maturity in their life cycles, an aging player demographic, a potential decrease in player relevance, and challenging economic times, sustained delivery of net income to Government is at risk. **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.	If profitability decreases, the net income contribution that BCLC makes to the Province may decline.	Significant initiatives over the past year include the introduction of the new GMS; delivery of new games and game enhancements on PlayNow.com; the launch of PlayNow.com in Manitoba and the expansion of the Lotto Express initiative to all Overwaitea stores. We have started business optimization initiatives to focus on increasing customer engagement and entertainment, identifying and prioritizing opportunities for increasing revenue from existing and new sources in the short and medium term. We continue to gather customer insights and identify future areas of focus for product innovation through our Voice of the Customer program, including the use of our online "xchange" panel.

Information Management

Risk	Impact	BCLC Actions
Maintaining security and, in particular, protecting personal information, is an industry-wide concern, as is defending the organization from malicious cyber-attacks. **Opportunity** There are opportunities to improve information life cycle management and systems.	Emerging security threats require responsive and preventative action to prevent systems, process and information, including personal information, from damage or compromise. Security breaches could lead to personal harm, financial cost or loss of reputation.	BCLC continues to develop and maintain information security, in line with best practice and in response to external threats. We have implemented an integrated approach to privacy impact assessments including an information security component with clear instructions and remedies included in contractual documentation. Over the past year we have further formalized the corporate information architecture, improving governance throughout the information life cycle, including a significant records management initiative.

Social Mandate

Risk	Impact	BCLC Actions
If BCLC is not viewed as being a socially responsible, transparent organization that brings value to the people of British Columbia then public acceptance of our mandate may decrease. **Opportunity** Greater engagement with our players and all British Columbians and clearly articulating our socially responsible business practices may increase public support of gambling as an entertainment option.	If public acceptance declines, BCLC may not be able to move forward with new initiatives (e.g. new gambling facilities, increase in slot machines, liquor licences).	BCLC has implemented an openness and accountability strategy, including greater release of information through bclc.com. We have an active stakeholder engagement program and community relations program. BCLC's Corporate Social Responsibility (CSR) activities include initiatives around responsible gambling, such as our GameSense awareness program; the provision of Appropriate Response Training to all front-line staff; the expansion of Responsible Gambling Awareness Month activities to five communities and holding the first New Horizons in Responsible Gambling conference in British Columbia.

Infrastructure and Capacity

Risk	Impact	BCLC Actions
BCLC technology systems and expertise may not be capable of sustaining current operations and transforming the organization to meet future needs. **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.	Developing and sustaining expertise, supporting systems and technology may raise the cost of supporting the business.	BCLC continues to update or replace a number of legacy systems, with particular focus over the past year on the new casino gaming management system which has now been installed at four sites and has an aggressive expansion schedule for the next two years. A number of corporate transformational initiatives are underway including workforce redesign projects in business technology and finance and corporate services. Specific initiatives to increase capacity (for example, in customer support) are in progress, alongside work to strengthen business continuity and disaster recovery capabilities. An architectural approach to both business and systems has been adopted which will create agility and increase organizational effectiveness.

Third-Party Dependencies

Risk	Impact	BCLC Actions
BCLC is reliant on retailers and private sector service providers to distribute its products and manage its gambling facilities. We are also dependent on vendors providing gambling and business solutions. **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.	The technology architecture supporting the BCLC business model may become increasingly complex. Interactions between systems may be unpredictable. Costs may increase and profit margins decrease. BCLC could also be exposed to unexpected supply chain or reputational risks due to third-party actions or decisions.	BCLC works closely with our private sector service providers and retailers, providing regularly updated policy, procedure and guidance and routine training programs. We actively monitor and review areas of higher risk, such as financial transactions, retail wins, and casino admissions. A progressive discipline policy is now in place and we are working on updating the contractual arrangements with gambling facilities and developing a system to provide early warning of problems. We continue to develop and maintain extensive audit and security programs, with incident reporting and investigation and close liaison with the Gaming Policy and Enforcement Branch and provincial and local police forces. Over the past year we have undertaken a number of contract management initiatives, including the development of a consistent vendor management approach. We continue to work closely with major vendors in order to optimize business relationships and value for money.

Corporate Business Practices

Risk	Impact	BCLC Actions
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. **Opportunity** Streamlining and automating business processes will further improve efficiency.	Integrity is at the heart of BCLC operations, any significant issue could lead to additional costs, potential liabilities, increased scrutiny and oversight and immediate and potentially ongoing loss of reputation.	BCLC supports this area through a variety of functions, including an established policy office to support the development and maintenance of corporate and operational policies and procedures; a strong audit services group to review and advise on control frameworks; and the provision of mandatory training modules for key risk areas such as privacy and security. Management also provide ongoing guidance and support to staff to ensure that they understand their roles and responsibilities. Compliance exercises in lottery and facility gambling include mystery shop programs, targeted training modules and recertification programs supported by an active compliance team which inspects and assesses implementation of controls in the field. There are also projects underway aimed at reducing the reliance on cash in gambling facilities. At the corporate level, BCLC has developed plans for decision support and business planning centres of excellence, and is implementing an enterprise architecture approach and portfolio management capabilities. A number of initiatives which aim to enhance internal control processes, further develop change management protocols and reinforce accountability have been undertaken or are planned.

Gaming Management System (GMS)

Risk	Impact	BCLC Actions
BCLC's existing gaming management system (GMS) 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. **Opportunity** In addition to providing stability to a critical part of BCLC's gambling infrastructure, the new GMS will provide opportunities to grow revenue through enhanced marketing capabilities.	Gambling facility operations generate a high proportion of BCLC's income, and the GMS supports both operational and financial processes. Issues with operations following rollout to all, or the majority of sites could have a significant player satisfaction and financial impact.	Installation of the new system including supporting infrastructure began in May 2012. To date four sites have been successfully converted (Kamloops, Vernon, Penticton and Chilliwack). There have been some delays to the project as we awaited a new product version from our vendor with a number of essential features, however, we anticipate that the next phase in the rollout will shortly be underway.

Capacity

Positioning BCLC to attract and retain top talent as well as ensuring our organization has the right skills applied at the right time, remains a primary focus of our Human Resources team. This involves working to determine the needs of the organization, modeling, attracting and retaining talent. The continuation of a proactive recruitment strategy is just the beginning of a comprehensive and strategically driven process.

Starting our new employees off right means positioning them for long-term success in the organization. Employee engagement can be impacted by the very first impressions they have of our organization, which is why efforts have been initiated to enhance the onboarding process and our orientation program to ensure new employees become productive faster and are able to make relevant contributions to our work culture more quickly.

The process of optimizing and developing our talent is continuous. All employees are responsible for developing a personal development plan that provides a framework for professional development, along with specific expectations and accountabilities.

Our increased focus on performance management also includes our leadership development programs to ensure our culture of continuous improvement, growth and competitiveness is sustained. These development programs all contribute to our ongoing succession and workforce planning.

At the same time, BCLC continues to conduct targeted workforce optimization reviews to ensure effective use of its existing resources, creating greater organizational efficiency. All of these initiatives work to enhance employee engagement, ensuring our ability to support ongoing growth and innovation through a strong corporate culture.

This holistic approach to BCLC's attraction and retention strategy was a key factor in ensuring that the organization maintained sufficient capacity in 2012/13.

Management's Discussion and Analysis

The Management's Discussion and Analysis reviews the financial condition and results of operation of British Columbia Lottery Corporation for the fiscal year ended March 31, 2013 and should be read in conjunction with the corporation's audited financial statements.

Financial Overview

	2008/09[1]	2009/10[1]	2010/11[2]	2011/12	2012/13[3]	2012/13	2012/13 Variance from	2012/13 Variance from	2013/14	2014/15	2015/16
	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Prior Year	Target	Target	Target
Revenue											
Lottery & eGaming	$ 954.2	$ 937.9	$ 1,062.4	$ 1,061.4	$ 1,093.8	$ 1,076.3	$ 17.5	$ 32.4	$ 1,125.0	$1,158.7	$ 1,191.1
Casino & community gaming	1,596.0	1,579.4	1,616.3	1,640.0	1,638.1	1,684.0	(45.9)	(1.9)	1,678.0	1,710.0	1,749.0
	2,550.2	2,517.3	2,678.7	2,701.4	2,731.9	2,760.3	(28.4)	30.5	2,803.0	2,868.7	2,940.1
Prizes	599.7	577.6	652.3	641.9	649.6	624.4	(25.2)	(7.7)	645.2	656.5	665.0
Net Win	1,950.5	1,939.7	2,026.4	2,059.5	2,082.3	2,135.9	(53.6)	22.8	2,157.8	2,212.2	2,275.1
Expenditures[3]											
Lottery & eGaming	165.4	155.4	170.2	175.6	176.8	190.2	13.4	(1.2)	192.5	196.8	203.7
Casino & community gaming	660.7	667.6	668.9	689.6	681.1	720.7	39.6	8.5	725.3	744.3	764.1
	826.1	823.0	839.1	865.2	857.9	910.9	53.0	7.3	917.8	941.1	967.8
Income before the undernoted	1,124.4	1,116.7	1,187.3	1,194.3	1,224.4	1,225.0	(0.6)	30.1	1,240.0	1,271.1	1,307.3
GST/HST/PST	33.7	37.6	81.6	86.9	96.8	100.0	3.2	(9.9)	68.0	69.1	70.3
Net income											
Lottery & eGaming	256.4	266.7	289.4	278.9	298.2	288.0	10.2	19.3	319.0	335.0	349.0
Casino & community gaming	834.3	812.4	816.3	828.5	829.4	837.0	(7.6)	0.9	853.0	867.0	888.0
	$ 1,090.7	$ 1,079.1	$1,105.7	$ 1,107.4	$ 1,127.6	$ 1,125.0	$ 2.6	$ 20.2	$ 1,172.0	$1,202.0	$ 1,237.0
Profit margin	42.8%	42.9%	41.3%	41.0%	41.3%	40.8%	0.5%	0.3%	41.8%	41.9%	42.1%
Debt	$ 0.0	$ 60.0	$ 85.0	$ 90.1	$ 131.7	$ 128.0	$ (3.7)	$ 41.6	$ 173.1	$ 202.1	$ 225.1
Retained earnings	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Capital expenditures	$ 97.4	$ 92.5	$ 81.3	$ 74.4	$ 96.6	$ 152.6	$ (56.0)	$ 22.2	$ 120.0	$ 110.0	$ 110.0

In 2012/13, BCLC achieved a record $1.128 billion net income on record revenue of $2.732 billion, exceeding the previous net income record set in fiscal 2011/12 by $20.2 million.

This year, BCLC continued to benefit from product enhancements, high lottery jackpots, and the expansion of our PlayNow.com platform.

Each year, BCLC prepares a three-year Service Plan against which its results are measured. As part of this annual process, the corporation again committed to the strategic cost management program that began in 2009/10. Careful spending management this year resulted in total operating costs that were virtually unchanged from the previous year and which were $6.9 million less than planned. Capital spending was $56.0 million less than planned, in part because of delays in a number of gaming and infrastructure projects.

1 2009/10 and prior comparative results reflect Canadian GAAP.

2 2010/11 comparative results have been restated to comply with IFRS.

Total net income for the year (under Canadian GAAP)	$ 1,104.6
Reconciling Items:	
Amortization and depreciation	0.3
Employee costs	0.8
Total net income for the year (under IFRS)	$ 1,105.7

3 Please refer to page 65 for a detailed breakdown of 2012/13 actual expenditures.

Performance Measurement

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess our 2012/13 operational performance against the targets and budgets established in the Service Plan (bclc.com/service-plan). BCLC also compares its performance to other gambling organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

International Financial Reporting Standards (IFRS)

The *Budget Transparency and Accountability Act* specifies that the Government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior government are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

Economic Outlook

Current economic indicators suggest that B.C.'s economy will continue to experience modest growth throughout 2013 and 2014.

Over the next three years, growing net income from our core business will continue to be a priority. 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. We are 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. We will support innovation and moving quickly to market with the games, amenities, social settings, services and access that players want by working with best-in-class partners. In addition to revenue generating initiatives, we will optimize financial performance through an increased emphasis on business optimization and cost management.

A more detailed discussion of initiatives and opportunities can be found in our three-year Service Plan and on our website bclc.com.

Lottery and eGaming Operations

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	**2012/13 Actual**	2012/13 Budget	Variance From Budget	Variance From Prior Year
Revenue								
Retail Network	$ 710.7	$ 691.7	$ 807.5	$ 789.2	**$ 825.5**	$ 790.6	$ 34.9	$ 36.3
Hospitality Network	220.0	212.6	212.0	206.6	**195.0**	194.4	0.6	(11.6)
eGaming	23.5	33.6	42.9	65.6	**73.3**	91.3	(18.0)	7.7
	954.2	937.9	1,062.4	1,061.4	**1,093.8**	1,076.3	17.5	32.4
Prizes	521.8	505.3	581.5	580.8	**594.2**	568.3	(25.9)	(13.4)
Net Win	432.4	432.6	480.9	480.6	**499.6**	508.0	(8.4)	19.0
Direct Expenses	75.5	71.3	77.2	77.4	**81.2**	84.9	3.7	(3.8)
Gaming Support Costs & Operating Expenses	89.9	84.1	93.0	98.2	**95.6**	105.3	9.7	2.6
Income before the undernoted	267.0	277.2	310.7	305.0	**322.8**	317.8	5.0	17.8
GST/HST	10.6	10.5	21.3	26.1	**24.6**	29.8	5.2	1.5
Net Income	$ 256.4	$ 266.7	$ 289.4	$ 278.9	**$ 298.2**	$ 288.0	$ 10.2	$ 19.3
Lottery Retailers	4,046	4,044	3,994	3,853	**3,805**	3,879	(74.0)	(48.0)
Lottery Terminals	3,995	4,002	3,962	3,866	**3,765**	3,830	(65.0)	(101.0)

Lottery Operations
($ millions)

Lottery net income of $298.2 million exceeded budget by $10.2 million and the previous year by $19.3 million. Overall revenue exceeded budget by $17.5 million, once again surpassing the $1 billion mark and the previous $1.062 billion record set in fiscal 2010/11 by $31.4 million.

Profitability was up most notably in the Lotto category, once again driven by the success of LOTTO MAX, which continues to outpace statistical projections with seventeen $50 million jackpots—one more than the previous record set in 2010/11. Brand rejuvenation and pricing strategies in the Instant category produced a year-over-year improvement of $12.7 million which was $4.1 million more than planned.

In 2012/13, BCLC continued to invest in the PlayNow.com eGaming business, enhancing its suite of casino-style games and making other changes to the product line-up including the introduction of PlayNow Sports—all of which have been well received.

Casino and Community Gaming Operations

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	**2012/13 Actual**	2012/13 Budget	Variance From Budget	Variance From Prior Year
Revenue								
Slot Machines	$ 1,087.4	$ 1,098.6	$ 1,126.6	$ 1,140.7	**$ 1,140.1**	$1,207.3	$ (67.2)	$ (0.6)
Table Games	356.4	343.9	357.1	380.9	**390.2**	364.9	25.3	9.3
Poker	23.5	23.1	22.5	22.1	**21.3**	23.6	(2.3)	(0.8)
Bingo	128.7	113.8	110.1	96.3	**86.5**	88.2	(1.7)	(9.8)
	1,596.0	1,579.4	1,616.3	1,640.0	**1,638.1**	1,684.0	(45.9)	(1.9)
Prizes	77.9	72.3	70.8	61.1	**55.4**	56.1	0.7	5.7
Net Win	1,518.1	1,507.1	1,545.5	1,578.9	**1,582.7**	1,627.9	(45.2)	3.8
Direct Expenses	544.4	535.5	542.7	552.9	**556.0**	565.7	9.7	(3.1)
Gaming Support Costs & Operating Expenses	116.3	132.1	126.2	136.7	**125.1**	155.0	29.9	11.6
Income before the undernoted	857.4	839.5	876.6	889.3	**901.6**	907.2	(5.6)	12.3
GST/HST	23.1	27.1	60.3	60.8	**72.2**	70.2	(2.0)	(11.4)
Net Income	$ 834.3	$ 812.4	$ 816.3	$ 828.5	**$ 829.4**	$ 837.0	$ (7.6)	$ 0.9
Casinos	17	17	17	17	**17**	17	0	0
Casino Slot Machines	8,818	9,438	9,476	9,727	**9,740**	9,804	(64)	13
Casino Tables	485	478	436	459	**472**	482	(10)	13
Commercial Bingo Halls	13	13	11	10	**7**	8	(1)	(3)
Independent Operators	14	7	6	0	**0**	0	0	0
Community Gaming Centres	14	15	16	17	**19**	19	0	2
Community Gaming Slot Machines	1,378	1,581	1,850	2,103	**2,484**	2,359	125	381

Casino and Community Gaming Revenue
($ millions)

The Casino and Community Gaming business generated revenue of $1.638 billion in 2012/13—virtually unchanged from the previous year, but $45.9 million less than planned; however, net win increased $3.8 million, and net income exceeded the prior year by $0.9 million. Revenue from slot machines was sustained through careful product refreshment and the opening of two community gaming centres. Table games posted strong results due to increased availability and the best Chinese New Year period in history. Bingo revenue continued to decline, as locations reduced their game frequency.

Capital Spending

	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	**2012/13 Actual**	2012/13 Budget	Variance From Budget
Lottery	$ 21.0	$ 12.2	$ 4.6	$ 7.6	**$ 6.3**	$ 7.3	$ 1.0
eGaming	2.4	7.2	9.3	6.8	**10.0**	14.0	4.0
Casino & Community Gaming	62.9	56.4	38.5	46.8	**63.5**	104.5	41.0
Corporate	11.1	16.7	28.9	13.2	**16.8**	26.8	10.0
Capital Expenditures	$ 97.4	$ 92.5	$ 81.3	$ 74.4	**$ 96.6**	$ 152.6	$ 56.0

From year to year, capital spending varies significantly in response to revenue and gambling facility initiatives. In 2012/13, capital spending of $96.6 million was $56.0 million under budget but was $22.2 million more than last year as the corporation's gaming management system (GMS) project ramped up. The positive budget variance this year was due in part to delays in completing a number of other gaming and infrastructure programs, and in part to strategic cost management activities.

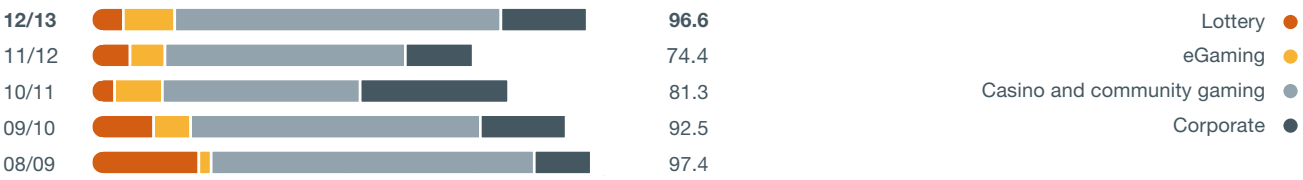
BCLC is in year two of a multi-year project to replace the GMS which supports the annual generation of $1.6 billion in revenue and over $800 million in net income. A broad group of partners both within and outside BCLC are creating a whole new technology architecture and platform for the casino business, 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.

GMS is projected to require $104 million in capital to complete. Costs incurred to March 31, 2013, amount to $43.5 million.

Capital Spending
($ millions)



B.C. Lottotech International Inc.

The consolidated statements of British Columbia Lottery Corporation include B.C Lottotech International Inc. (Lottotech), a wholly-owned subsidiary of the corporation. The primary purpose of Lottotech is to purchase capital assets for BCLC. In 2012/13, Lottotech accounted for $88.4 million of the $96.6 million total capital spending (2012–$67.1 million). 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 purchases through the annual business planning and budget process.

	2013	2012
Revenue ($ thousands)		
Lease Revenue	**$ 49,827**	$ 62,949
Expenses		
Amortization	**49,700**	62,792
Other Expenses (Income)	**(223)**	300
	49,477	63,092
Net Income (Loss)	**$ 350**	$ (143)

Management's Responsibility for Financial Reporting

The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements present fairly the consolidated financial position of BCLC as at March 31, 2013, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements of BCLC.

Jervis Rodrigues
CFO & Vice-President
Finance and Corporate Services

Michael Graydon
President & CEO

Independent Auditors' Report

To the Directors of and Minister Responsible for British Columbia Lottery Corporation

We have audited the accompanying consolidated financial statements of the British Columbia Lottery Corporation which are comprised of the consolidated statement of financial position as at March 31, 2013, the consolidated statements of comprehensive income, changes in deficit, and cash flows for the year then ended, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the British Columbia Lottery Corporation as at March 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Vancouver, Canada

May 22, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

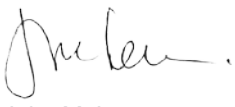
March 31, 2013 with comparative information for 2012
(in thousands of Canadian dollars)

	March 31 2013	March 31 2012
Assets		
Current assets		
Cash (note 5)	**$ 48,758**	$ 52,130
Short-term investments (note 6)	**14,754**	29,335
Accounts receivable (note 7)	**41,933**	32,310
Receivable from Interprovincial Lottery Corporation	**7,154**	—
Prepaid expenses	**5,485**	4,439
Inventories (note 8)	**9,998**	9,819
Total current assets	**128,082**	128,033
Employee future benefits (note 9)	**—**	1,546
Property and equipment (note 10)	**141,192**	138,710
Intangible assets (note 11)	**82,652**	43,878
Total non-current assets	**223,844**	184,134
Total assets	**$ 351,926**	$ 312,167
Liabilities		
Current liabilities		
Cheques issued in excess of funds on hand	**$ 7,325**	$ —
Prizes payable (note 12)	**31,201**	31,410
Accounts payable, accrued liabilities and other (note 13)	**69,240**	47,694
Short-term financing (note 14)	**131,704**	90,122
Payable to Interprovincial Lottery Corporation	**—**	714
Due to Government of British Columbia	**111,296**	136,627
Deferred revenue	**6,274**	3,825
Total current liabilities	**357,040**	310,392
Employee future benefits (note 9)	**57,375**	52,873
Total non-current liabilities	**57,375**	52,873
Total liabilities	**414,415**	363,265
Deficit		
Accumulated deficit	**(17,728)**	(17,728)
Accumulated other comprehensive loss	**(44,761)**	(33,370)
Total deficit	**(62,489)**	(51,098)
Total liabilities and deficit	**$ 351,926**	$ 312,167

Commitments and contingencies (notes 19 and 20)

See accompanying notes to consolidated financial statements.

Approved:



John McLernon
Chair, Board of Directors

Michael Riley
Chair, Board Audit Committee

Year ended March 31, 2013
(in thousands of Canadian dollars)

	2013	2012
Revenue	**$ 2,731,901**	$ 2,701,457
Prizes	**649,558**	641,945
Net win	**2,082,343**	2,059,512
Commissions and fees	**605,784**	599,550
Systems, maintenance and ticket distribution	**29,420**	29,105
Gaming equipment, leases and licenses	**19,545**	18,631
Ticket printing	**11,811**	12,145
	666,560	659,431
Employee costs	**84,348**	82,118
Amortization and depreciation	**54,709**	67,074
Advertising, marketing and promotions	**28,279**	31,573
Professional fees and services	**9,149**	8,089
Cost of premises	**6,384**	6,265
Net finance costs (note 15)	**350**	458
Other	**8,208**	10,167
	191,427	205,744
Income before the undernoted	**1,224,356**	1,194,337
Harmonized sales tax expense	**96,751**	86,902
Net income	**1,127,605**	1,107,435
Other comprehensive loss		
Defined benefit plan actuarial losses (note 9)	**(11,391)**	(17,827)
Total comprehensive income	**$ 1,116,214**	$ 1,089,608

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT

Year ended March 31, 2013
(in thousands of Canadian dollars)

	Accumulated Deficit	AOCL[1]	Total Deficit
Opening balance, April 1, 2011	$ (17,728)	$ (15,543)	$ (33,271)
Net income	1,107,435	–	1,107,435
Distributions to Government of British Columbia (note 16)	(1,098,271)	–	(1,098,271)
Distributions to Government of Canada (note 17)	(9,164)	–	(9,164)
Defined benefit plan actuarial losses (note 9)	–	(17,827)	(17,827)
Ending balance, March 31, 2012	$ (17,728)	$ (33,370)	$ (51,098)
Net income	**1,127,605**	**–**	**1,127,605**
Distributions to Government of British Columbia (note 16)	**(1,118,394)**	**–**	**(1,118,394)**
Distributions to Government of Canada (note 17)	**(9,211)**	**–**	**(9,211)**
Defined benefit plan actuarial losses (note 9)	**–**	**(11,391)**	**(11,391)**
Ending balance, March 31, 2013	**$ (17,728)**	**$ (44,761)**	**$ (62,489)**

1 Accumulated Other Comprehensive Loss

See accompanying notes to consolidated financial statements.

Year ended March 31, 2013
(in thousands of Canadian dollars)

	2013	2012
Cash provided by (used in):		
Cash flows from operating activities:		
Net income	**$ 1,127,605**	$ 1,107,435
Items not involving cash:		
Depreciation of property and equipment	**40,983**	55,141
Amortization of intangible assets	**13,726**	11,933
Loss on disposal of property and equipment	**130**	420
Loss on disposal of intangible assets	**3**	369
Net benefit plan expense	**8,870**	8,691
Write-down of inventory to net realizable value	**1,004**	383
Net finance costs	**350**	458
	1,192,671	1,184,830
Changes in:		
Accounts receivable	**(9,691)**	(8,104)
Receivable from Interprovincial Lottery Corporation	**(7,154)**	–
Prepaid expenses	**(1,046)**	(477)
Inventories	**(1,183)**	(661)
Employee future benefits	**(14,213)**	(15,900)
Prizes payable	**(209)**	4,212
Accounts payable, accrued liabilities and other	**8,929**	2,282
Payable to Interprovincial Lottery Corporation	**(714)**	(2,428)
Deferred revenue	**2,449**	(4,159)
Interest received	**564**	406
Net cash from operating activities	**1,170,403**	1,160,001
Cash flows from financing activities:		
Increase in short-term financing	**41,582**	5,073
Interest paid	**(843)**	(744)
Distributions to Government of British Columbia	**(1,143,725)**	(1,077,401)
Distributions to Government of Canada	**(9,211)**	(9,164)
Net cash used in financing activities	**(1,112,197)**	(1,082,236)
Cash flows from investing activities:		
Additions to property and equipment	**(42,589)**	(49,381)
Additions to intangible assets	**(41,428)**	(25,066)
Proceeds on disposal of property and equipment	**533**	638
Net cash used in investing activities	**(83,484)**	(73,809)
Net increase (decrease) in cash and cash equivalents	**(25,278)**	3,956
Cash and cash equivalents, beginning of year	**81,465**	77,509
Cash and cash equivalents, end of year	**$ 56,187**	$ 81,465
Cash and cash equivalents are comprised of:		
Cash	**$ 48,758**	$ 52,130
Short-term investments	**14,754**	29,335
Cheques issued in excess of funds on hand	**(7,325)**	–
Cash and cash equivalents, end of year	**$ 56,187**	$ 81,465

See accompanying notes to consolidated financial statements.

1. Reporting entity:

The British Columbia Lottery Corporation ("BCLC" or "the Corporation") is a Crown corporation of British Columbia. BCLC was incorporated under the *Company Act* (B.C.) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC's registered office is 74 West Seymour Street in Kamloops, British Columbia, Canada. As an agent of the Crown, the Government of British Columbia (B.C.) has designated BCLC as the authority to conduct, manage and operate lottery schemes on behalf of the Government of British Columbia, including lottery, casino, bingo and internet gaming. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

As BCLC is an agent of the Crown, it is not subject to federal or provincial corporate income taxes.

2. Basis of preparation:

a. Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 22, 2013.

b. Basis of measurement:

The consolidated financial statements of the Corporation have been prepared on a historical cost basis except for employee future benefit plan assets, which are recognized as plan assets plus unrecognized past service cost less the present value of the defined benefit obligation and are limited as explained in note 3(f).

c. Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information has been rounded to the nearest thousand dollars.

d. Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management does not believe it was required to make any critical judgments in applying accounting policies that would have a significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following note:

– Measurement of defined benefit obligations (note 9)

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Corporation's subsidiary.

a. Basis of consolidation:

The consolidated financial statements include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC. The financial statements used for consolidation are at the reporting date. Intercompany transactions and balances are eliminated on consolidation.

b. Foreign currency transactions:

Transactions in foreign currencies are translated to Canadian dollars at the exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the reporting date. Foreign currency exchange differences are recorded in income in the period incurred.

c. Cash equivalents:

Cash equivalents include short-term investments in overnight deposits with financial institutions having original maturity dates of three months or less from the acquisition date, that are subject to an insignificant risk of changes in their fair value, and are used by the Corporation in the management of its short-term commitments. Short-term investments are highly liquid and form an integral part of the Corporation's cash management. As such, they are a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

d. Financial instruments:

The Corporation classifies its non-derivative financial instruments into the following categories: fair value through income, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments were acquired.

i. Non-derivative financial assets:

The Corporation initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or are settled.

The Corporation has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for doubtful debts and impairment losses (see note 3(i)). Amortized cost is determined with reference to any discounts or premiums on acquisition over the period to maturity.

Loans and receivables are comprised of cash, short-term investments, accounts receivable and the receivable from Interprovincial Lottery Corporation.

3. Significant accounting policies (continued):

d. Financial instruments (continued):

ii. Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade dates, which are the dates that the Corporation becomes a party to the contractual provision of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged or cancelled.

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation's non-derivative financial liabilities are comprised of cheques issued in excess of funds on hand, prizes payable, accounts payable, accrued liabilities and other, short-term financing, payable to Interprovincial Lottery Corporation, and due to Government of British Columbia.

iii. Embedded derivatives:

Embedded derivatives are separated from host contracts and accounted for separately if the economic characteristics and risks of the host contracts and the embedded derivatives are not closely related, a separate instrument with the same terms as an embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through income.

e. Inventories:

Inventories of slot machine spare parts, instant tickets and other inventory are measured at the lower of cost, determined on a weighted average basis, and net realizable value.

The net realizable value of instant tickets is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. For all other inventories, net realizable value is cost.

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

f. Employee future benefits:

i. Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Defined benefit plans:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of benefit payable in the future that employees have earned in return for their service in the current and prior periods; that benefit is then discounted to determine its present value. Any unrecognized past service cost and the fair value of any plan assets are deducted.

The discount rate assumption is based upon utilizing Canadian AA corporate bond yields that have maturity dates approximating the terms of the Corporation's obligations, with extrapolated data created by term-based yield spreads over long provincial bond yields, and that are denominated in the same currency in which the benefits are expected to be paid.

3. Significant accounting policies (continued):

f. Employee future benefits (continued):

ii. Defined benefit plans (continued):

When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service cost and the present value of the economic benefits available in the form of any future refunds from the plan, if allowed, or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in income on a straight-line basis over the average vesting period. To the extent that the benefits vest immediately, the portion of the increased benefit relating to past service is recognized immediately in income.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive loss, and reports them in accumulated other comprehensive loss. Also, any variations in the asset limit are recognized in other comprehensive loss.

The actuarial valuations of the defined benefit plans for IAS 19 (Employee Benefits) purposes are performed annually by qualified actuaries using the projected unit credit method and managements best estimate assumptions.

g. Property and equipment:

The Corporation's policy on capital purchases is that any major purchase which has a useful life of more than 12 months beyond the end of the current year will be capitalized.

The Corporation's property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of salaries and benefits for employees working directly on the construction of the qualifying asset. The amount capitalized is based on the time spent on the construction of the asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

The cost of replacing part of an item of property and equipment is recognized within the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in income as incurred.

Land is not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and is taken at the following annual rates:

Asset	Rate
Corporate facilities and equipment	5 to 20 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
eGaming systems and equipment	3 to 5 years
Casino and community gaming systems and equipment	3 to 10 years

3. Significant accounting policies (continued):

g. Property and equipment (continued):

The residual values, depreciation methods and useful economic lives of property and equipment are reviewed annually and adjusted if appropriate. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. An impairment loss on property and equipment may be reversed upon subsequent increase of the fair value of such assets.

Property and equipment under construction is not depreciated. Depreciation commences upon completion of the construction when the assets are available for use.

Gains and losses realized on the disposition of items of property and equipment are determined by comparing net proceeds with carrying amounts. These gains and losses on disposal are included on a net basis within other expenses in the consolidated statement of comprehensive income.

h. Intangible assets:

Costs incurred in developing or acquiring computer software products or systems that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Costs capitalized are directly attributable to the development or acquisition of intangible assets. Costs include direct costs of materials and services, payroll and payroll-related costs of employees' time spent on projects. Borrowing costs related to the development of qualifying assets are capitalized.

The cost of internally developed intangible assets is comprised of developmental costs that are directly attributable to creation, production and preparation of the asset to be capable of operating in the manner intended by management. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset.

Other development costs are recognized in income as incurred.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to ten years). The residual values, amortization methods, and useful economic lives of intangible assets are reviewed annually and adjusted if appropriate. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. An impairment loss for an intangible asset may be reversed upon subsequent increase of the fair value of such assets.

i. Impairment:

i. Financial assets:

A financial asset not classified as at fair value through income is assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

ii. Non-financial assets:

The carrying amounts of non-financial assets, other than inventories and employee future benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

3. Significant accounting policies (continued):

j. Borrowing costs:

Borrowing costs directly attributable or allocated to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial amount of time to get ready for their intended use or sale, are added to the cost of those assets. The Corporation uses the weighted average of the general borrowing costs of the Corporation, exclusive of specific borrowing costs, and the effective interest rate method to determine the capitalization rate for allocation of borrowing costs. The Corporation ceases to capitalize borrowing costs when the asset is substantially ready for use.

All other borrowing costs are recognized in income in the period in which they are incurred.

k. Provisions:

Provisions are liabilities of uncertain timing and amount. A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect current estimates.

l. Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized for major business activities as follows:

i. Lottery:

The recognition of revenue and the corresponding direct expenses for lottery tickets sold through retail terminals is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

The recognition of revenue, net of buybacks, and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

ii. eGaming:

The recognition of revenue for lottery tickets sold online through PlayNow.com is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

Revenue from eCasino and ePoker is recorded in income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in income in the period they are incurred.

Revenue from eGames, and the associated selling costs and prize expenses, is recorded in income in the same period the games are played.

iii. Casino and Community Gaming:

Revenue from casino and community gaming slot machines and table games is recorded in income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in income in the period they are incurred. Revenue from the operation of bingo games, and the associated selling costs and prize expenses, are included in income in the same period the games are played.

3. Significant accounting policies (continued):

l. Revenue recognition (continued):

iv. Customer loyalty programs:

The Corporation has several customer loyalty programs through which customers receive free or discounted goods or services, or free play. If a customer has the right to receive cash under a customer loyalty program, a financial liability is recognized under IAS 39 Financial Instruments: Recognition and Measurement. These customer loyalty programs are measured initially at fair value and are only derecognized when the derecognition criteria in IAS 39 are met. If the patron does not have the right to receive cash, if the promotion is part of a current gaming transaction, or if the patron can redeem the promotional item for free or discounted goods or services, or free play, the revenue, as determined by the fair value of the undelivered goods and services related to the customer loyalty program taking into account the expected redemption rate when applicable, is deferred until the promotional consideration is provided under IFRIC 13, Customer Loyalty Programs, or until the award expires.

v. Net win:

Net win represents revenue net of prizes paid.

m. Prizes:

Lottery, bingo and eGames prize expenses are recorded based on the actual prize liability experienced for each game, with the exception of instant ticket games which are recorded at theoretical prize liabilities for each game.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense.

Unclaimed lottery prizes are recorded as prizes payable until the prizes are claimed, discontinued or expire. Expired prizes are then recorded as reductions in prize expense and prize liability in the year of expiry.

Unclaimed prizes of national lottery games are administered by the Interprovincial Lottery Corporation.

Progressive jackpots:

The Corporation has several progressive jackpot games, each of which may be comprised of a seed as well as an incremental portion which increases by allotting a portion of each player's wager to the pot. BCLC recognizes such amounts as a prize payable at the time the Corporation has the obligation to pay the jackpot.

n. Commissions:

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as revenue is recognized.

Commissions paid to gaming facility service providers are based on net win earned. BCLC records these commission expenses as net win is earned.

BCLC employs a commission structure that enables gaming facility service providers to earn additional commission for facility development, up to contractually determined limits, based on net win earned.

The facility development commissions are recorded as commission expenses by BCLC as net win is earned.

3. Significant accounting policies (continued):

o. Leases:

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases other than finance leases are classified as operating leases and are not recognized in the consolidated statement of financial position. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

p. Finance income and finance costs:

Finance income is comprised of interest income on funds invested. Interest income is recognized as it accrues in income, using the effective interest method.

Finance costs are comprised of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in income using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

q. New standards and interpretations issued but not yet adopted:

IAS 1–Presentation of Financial Statements:

In June 2011, the International Accounting Standards Board (IASB) issued an amendment to IAS 1, Presentation of Financial Statements, which requires entities to separately present items in other comprehensive earnings based on whether they may be recycled to earnings or loss in future periods. The amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012. The amendments to IAS 1 will impact the presentation of the components of other comprehensive loss in the Corporation's consolidated statement of comprehensive income. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

IAS 19–Employee Benefits:

In June 2011, the IASB published an amended version of IAS 19, Employee Benefits, to modify accounting for changes in the net defined benefit liability and termination benefits, enhance the disclosure requirements around defined benefit plans, and provide further clarification on certain matters. The amendment is effective for annual periods beginning on or after January 1, 2013. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

IFRS 10–Consolidated Financial Statements:

In May 2011, the IASB issued IFRS 10 which establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 introduces a single consolidation model for all entities based on control, irrespective of the nature of the entity. IFRS 10 supersedes all of the guidance in IAS 27, Consolidated and Separate Financial Statements and Standing Interpretations Committee 12, Consolidation—Special Purpose Entities. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

3. Significant accounting policies (continued):

q. New standards and interpretations issued but not yet adopted (continued):

IFRS 12–Disclosure of Interests in Other Entities:

In May 2011, the IASB issued IFRS 12 which provides the disclosure requirements for entities reporting under IFRS 10 and IFRS 11 and replaces the disclosure requirements currently in IAS 28, Investments in Associates. IFRS 12 requires the disclosure of the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

IFRS 9–Financial Instruments:

In November 2009, the IASB issued IFRS 9 (2009), Financial Instruments, which represents the first phase of its replacement of IAS 39, Financial Instruments: Recognition and Measurement, introduces new requirements for the classification and measurement of financial assets, and removes the need to separately account for certain embedded derivatives. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2009 and 2010) is effective for annual periods beginning on or after January 1, 2015. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2016.

4. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

General:

BCLC's Board is responsible for the oversight of management including its policies related to financial and risk management issues and oversight of the overall risk profile. The Board uses BCLC's Audit Committee to assist in the review of financial risks, and the Executive Committee for monitoring the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

The Audit Committee also oversees and reports back to the Board on the review of the Corporation's information systems, risk management function and internal controls in order to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate, and timely management and financial information.

The Corporation has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems, and to adopt risk treatment plans when appropriate. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive Committee and the Board.

The Corporation also has a division focused on corporate security and compliance. Further, the Corporation has internal audit services and a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control, and compliance.

4. Financial risk management (continued):

Credit risk:

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, net win less commissions outstanding, investments and cash floats.

Trade receivables, net win less commissions outstanding and cash floats

The major third parties transacting with the Corporation, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC.

The Corporation is not materially exposed to any one individual lottery retailer. The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments may be completed for new retailers (with the exception of registered charities), retailers who have experienced insufficient fund occurrences or where there is a concern that a retailer might be experiencing financial difficulties.

Security is obtained from lottery retailers who are considered high financial risks or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees.

The Corporation may secure trade receivables from lottery retailers and net win less commissions that would be outstanding from gaming facility service providers through security deposits or Irrevocable Standby Letters of Credit. This security also covers gaming cash floats owned by the Corporation and provided by the Corporation to certain gaming facility service providers. While the Corporation is materially exposed to two different gaming facility service providers, their letters of credit and daily cash sweeps made by the Corporation mitigate the risk of material default for financial assets owned by the Corporation.

The Corporation's PlayNow.com sales are paid in advance through credit card, debit card, or online bill payment transactions.

As at March 31, 2013, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $10,996 (2012: $7,730) of the accounts receivable carrying amount.

The maximum exposure to credit risk for trade receivables and net win less commissions outstanding at the reporting date by type of debtor is represented by the carrying amounts, as detailed in note 7, less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

	March 31 2013	March 31 2012
Lottery retailers	**$ 18,780**	$ 13,980
Gaming facility service providers	**2,658**	–
Other	**2,264**	1,703
	$ 23,702	$ 15,683

Normal credit terms of trade receivables or net win less commissions outstanding are due within 30 days. As at March 31, 2013 and March 31, 2012, there were no trade receivables or net win less commissions outstanding more than 60 days overdue.

4. Financial risk management (continued):

Credit risk (continued):

Investments

The Corporation limits its exposure to credit risk by investing only in short-term debt securities with high credit ratings (as noted below) and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meets its obligations.

The Corporation has a formal policy and guidelines in place for short-term investments that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

A policy has been established that outlines various asset mix range percentages for low risk investments restricted to short-term pooled money market funds or bond investments.

Concentrations

The Corporation has significant business arrangements with two gaming facility service providers which account for the majority of its casino business. The Corporation also has arrangements with other gaming facility service providers and approximately 3,800 lottery retailers. Credit risk related to service providers or lottery retailers is mitigated through Irrevocable Standby Letters of Credit or security deposits, as well as the distribution of risk across a large number of lottery retailers.

The Corporation has a number of business relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a significant number of other relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gambling industry.

Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of British Columbia under its Fiscal Agency Loan (FAL) program. Under this agreement, the Corporation may borrow up to $250 million. In making a loan to the Corporation, the Government of British Columbia uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of British Columbia. Loans are unsecured and there are no pre-established repayment terms. The terms are set by the Government of British Columbia each time a loan is requested under this agreement. To date the durations of the loans have not exceeded 90 days.

The Corporation also has a $10 million unused demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2012: prime rate).

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money and money from normal operations held in advance of its transfer to the Government of British Columbia. As a result of fluctuating cash flow requirements and to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of all financial liabilities as at March 31, 2013 and March 31, 2012 are within three months or less.

4. Financial risk management (continued):

Market risk:

Market risk is the risk that changes in market prices will affect the fair value of or future cash flows from a financial instrument. Market risk includes currency risk, interest rate risk and other market price risk. BCLC is exposed to currency risk and interest rate risk which are described below.

Currency risk

The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily U.S. dollars (USD)) and by holding bank accounts in USD.

The Corporation limits its exposure by holding minimal USD investments and only maintaining required funds in USD bank accounts. Gains and losses due to foreign exchange rate fluctuations are also minimized by settling USD obligations as quickly as possible.

The Corporation's exposure to currency risk, based on notional amounts, is as follows:

	March 31, 2013		March 31, 2012	
	CAD	**USD[1]**	CAD	USD[1]
Short-term investments	**$ 14,754**	**$ –**	$ 29,216	$ 119
Cash held	**45,326**	**641**	55,490	694
Accounts payable, accrued liabilities and other	**(69,200)**	**(40)**	(47,629)	(65)
Net exposure	**$ (9,120)**	**$ 601**	$ 37,077	$ 748

1 Note: All USD balances are shown in Canadian dollar (CAD) equivalents.

The Corporation does not have material currency risk since substantially all of its transactions are settled in Canadian dollars.

Interest rate risk

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Government of British Columbia. The terms are set by the Government of British Columbia each time a loan is requested under the FAL agreement. The terms are determined based on market conditions available at that time.

The Corporation mitigates this risk by borrowing the minimum amount necessary from the Government of British Columbia.

The Corporation's interest-bearing assets are typically invested for short periods due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

	March 31 2013	March 31 2012
Short-term investments (fixed rate instruments)	**$ 14,754**	$ 29,335
Short-term financing (fixed rate instruments)	**(131,704)**	(90,122)
	$ (116,950)	$ (60,787)

4. Financial risk management (continued):

Market risk (continued):

Sensitivity analysis

The Corporation has classified its fixed-rate short-term investments as loans and receivables and its short-term financing as non-derivative financial liabilities. A one per cent change in interest rates at the reporting date would have increased (decreased) net income by the amounts shown below. This analysis assumes that all other variables, including foreign currency rates, remain constant.

	Net Income		Net Income	
	March 31, 2013		March 31, 2012	
	1% increase	**1% decrease**	1% increase	1% decrease
Short-term investments	**$ 148**	**$ (148)**	$ 293	$ (293)
Short-term financing	**$ (1,317)**	**$1,317**	$ (901)	$ 901

Fair values

The carrying amounts of financial assets and financial liabilities not classified as fair value through income approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

5. Cash:

	March 31 2013	March 31 2012
Gaming cash floats	**$ 41,826**	$ 41,347
Funds held for security deposits	**3,511**	3,434
Funds held for player accounts	**3,421**	2,667
Unrestricted operating cash	**–**	4,682
	$ 48,758	$ 52,130

Gaming cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gambling locations and are not available for other purposes.

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $3,511 (2012: $3,434) is included in accounts payable, accrued liabilities and other.

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player account liability in the amount of $3,421 (2012: $2,667) is included in accounts payable, accrued liabilities and other.

Select casino service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (the accounts). These gaming accounts are accounted for in a trust-like fashion by the casino service providers in accordance with the casino and community gaming centre standards, policies and procedures under the supervision of the Corporation, as well as in accordance with the regulations of GPEB. No amounts are recorded in the Corporation's financial statements for the accounts. The casino service providers are legally liable for these accounts that hold player funds.

6. Short-term investments:

	March 31 2013	March 31 2012
B.C. Investment Management Corporation:		
Canadian Money Market Fund (overnight deposit)	**$ 14,754**	$ 29,216
US Dollar Money Market Fund (overnight deposit)	**–**	119
	$ 14,754	$ 29,335

7. Accounts receivable:

	March 31 2013	March 31 2012
Trade receivables and net win less commissions outstanding:		
Lottery retailers	**$ 22,597**	$ 17,774
Gaming facility service providers	**17,072**	12,833
	39,669	30,607
Other	**2,264**	1,703
	$ 41,933	$ 32,310

8. Inventories:

The major components of inventories are as follows:

	March 31 2013	March 31 2012
Slot machine spare parts	**$ 5,942**	$ 5,700
Instant tickets	**2,730**	2,404
Other	**1,326**	1,715
	$ 9,998	$ 9,819

For the year ended March 31, 2013, inventories recognized as an expense amounted to $15,488 (2012: $15,024).

For the year ended March 31, 2013, the write-down of inventories to net realizable value amounted to $1,004 (2012: $383).

9. Employee future benefits:

The Corporation sponsors two defined benefit pension plans: a registered plan which covers substantially all of its employees and a supplementary plan which covers employees designated by the Corporation. The pension benefits are based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and are partially indexed for inflation after retirement. The registered plan is funded by employee and employer contributions. The supplementary plan is unfunded.

The Corporation also sponsors a non-pension post-retirement defined benefit plan covering substantially all of its employees for post-retirement medical, dental and life insurance benefits. The non-pension post-retirement plan is unfunded.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plan	
	March 31 2013	March 31 2012	**March 31 2013**	March 31 2012
Present value of unfunded accrued benefit obligation	**$ (7,880)**	$ (6,855)	**$ (49,184)**	$ (49,611)
Present value of funded accrued benefit obligation	**(163,435)**	(134,863)	**–**	–
Total present value of obligations[2]	**(171,315)**	(141,718)	**(49,184)**	(49,611)
Fair value of plan assets	**165,731**	142,972	**–**	–
Unamortized past service cost (benefit)	**248**	292	**(2,855)**	(3,262)
Accrued employee future benefit plan asset (liability)[1]	**$ (5,336)**	$ 1,546	**$ (52,039)**	$ (52,873)

1 Total employee future benefit liability as at March 31, 2013 is $57,375.

2 Estimated accrued benefit obligation increase (decrease) on the post-retirement benefit plan—effect with:

	March 31 2013	March 31 2012
1% increase in assumed health care cost trend rate	**$ 9,770**	$ 10,648
1% decrease in assumed health care cost trend rate	**$ (7,575)**	$ (8,249)

If all other variables remain constant, a one per cent increase in the discount rate at the reporting date would decrease the value of the accrued benefit obligation by an estimated $34,000 and a one per cent decrease in the discount rate at the reporting date would increase the value of the accrued benefit obligation by an estimated $44,000.

9. Employee future benefits (continued):

Change in the present value of the **defined benefit obligations**	Pension Plans **2013**	Pension Plans 2012	Post Retirement Benefit Plan **2013**	Post Retirement Benefit Plan 2012
Balance at April 1	**$ 141,718**	$ 121,432	**$ 49,611**	$ 38,681
Current service cost	**6,160**	6,363	**2,410**	1,899
Interest cost	**7,337**	7,351	**2,632**	2,403
Plan amendments	**–**	257	**–**	–
Employee contributions	**2,490**	2,569	**–**	–
Benefits paid	**(6,334)**	(4,555)	**(679)**	(666)
Actuarial loss (gain)	**19,944**	8,434	**(4,790)**	7,294
Curtailment gain	**–**	(133)	**–**	–
Balance at March 31	**$ 171,315**	$ 141,718	**$ 49,184**	$ 49,611

Change in the fair value of **plan assets**	Pension Plans **2013**	Pension Plans 2012	Post Retirement Benefit Plan **2013**	Post Retirement Benefit Plan 2012
Fair value at April 1	**$ 142,972**	$ 122,998	**$ –**	$ –
Expected return on plan assets[1]	**9,306**	8,825	**–**	–
Actuarial (loss) gain	**3,763**	(2,099)	**–**	–
Employer contributions[2]	**13,534**	15,234	**679**	666
Employee contributions	**2,490**	2,569	**–**	–
Benefits paid	**(6,334)**	(4,555)	**(679)**	(666)
Balance at March 31	**$ 165,731**	$ 142,972	**$ –**	$ –

1 Actual return on plan assets was $13,069 (2012: $6,726).

2 The total employer contributions for all plans for the year ended March 31, 2013 are $14,213 (2012: $15,900).

Plan assets by asset category for the registered plan only:

	March 31 2013	March 31 2012
Equity securities	**63%**	63%
Debt securities	**37%**	37%
	100%	100%

9. Employee future benefits (continued):

The Corporation's total expense recognized in income is as follows:

	Pension Plans		Post Retirement Benefit Plan	
	2013	2012	**2013**	2012
Current service cost	**$ 6,160**	$ 6,363	**$ 2,410**	$ 1,899
Interest cost	**7,337**	7,351	**2,632**	2,403
Expected return on plan assets	**(9,306)**	(8,825)	**–**	–
Past service cost (credit) recognized in the year	**44**	40	**(407)**	(407)
Curtailment gain recognized	**–**	(133)	**–**	–
Total expense recognized in income[1]	**$ 4,235**	$ 4,796	**$ 4,635**	$ 3,895

The total expense is recognized in employee costs in the consolidated statement of comprehensive income.

1 Estimated effect on the aggregate of current service cost and interest cost on the post-retirement benefit plan—income decrease (increase) effect with:

	2013	2012
1% increase in assumed health care cost trend rate	**$ 1,391**	$ 1,079
1% decrease in assumed health care cost trend rate	**$ (1,033)**	$ (807)

The actuarial losses (gains) recognized in other comprehensive loss are as follows:

	Pension Plans		Post Retirement Benefit Plan	
	2013	2012	**2013**	2012
Cumulative amount at April 1	**$ 23,621**	$ 13,088	**$ 9,749**	$ 2,455
Actuarial loss (gain)	**16,181**	10,533	**(4,790)**	7,294
Cumulative amount at March 31	**$ 39,802**	$ 23,621	**$ 4,959**	$ 9,749

The total actuarial losses recognized for all plans in other comprehensive loss for the year ended March 31, 2013 are $11,391 (2012: $17,827).

9. Employee future benefits (continued):

An actuarial valuation is required, at a minimum, every three years to assess the financial position of the registered pension plan. The most recent actuarial valuation of the registered plan for funding purposes was made as of December 31, 2010 by Mercer (Canada) Limited, a firm of consulting actuaries. The next required actuarial valuation will be made as of December 31, 2013, with results expected to be available in 2014. Although there is no statutory requirement, an actuarial valuation is completed every three years on the non-pension post-retirement benefit plan. An actuarial valuation for the non-pension post-retirement benefit plan was performed as of January 31, 2013. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations for accounting purposes are as follows:

	Pension Plans		Post Retirement Benefit Plan	
	March 31 2013	March 31 2012	**March 31 2013**	March 31 2012
Discount rate at March 31	**4.40%**	5.10%	**4.40%**	5.10%
Expected return on plan assets at April 1	**6.25%**	7.00%	**–**	–
Rate of compensation increase for the fiscal year	**2.67%**	3.78%	**–**	–
Future compensation increases	**2.25%**	2.50%	**–**	–
Inflation	**2.25%**	2.25%	**–**	–
Initial weighted-average health care trend rate	–	–	**6.15%**	6.55%
Ultimate weighted-average health care trend rate	–	–	**4.50%**	4.50%
Year ultimate reached	–	–	**2029**	2029

The overall expected long-term rate of return on assets is 6.25 per cent (2012: 7.00 per cent). The expected long-term rate of return is based on the portfolio as a whole and not the sum of the returns on individual asset categories. The expected return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation.

Historical information:

	Pension Plans			Post Retirement Benefit Plan		
	March 31 2013	March 31 2012	March 31 2011	**March 31 2013**	March 31 2012	March 31 2011
Present value of accrued benefit obligation	**$ (171,315)**	$ (141,718)	$ (121,432)	**$ (49,184)**	$ (49,611)	$ (38,681)
Fair value of plan assets	**165,731**	142,972	122,998	**–**	–	–
Surplus (deficit)	**$ (5,584)**	$ 1,254	$ 1,566	**$ (49,184)**	$ (49,611)	$ (38,681)

	Pension Plans			Post Retirement Benefit Plan		
	March 31 2013	March 31 2012	March 31 2011	**March 31 2013**	March 31 2012	March 31 2011
Experience adjustments arising on plan liabilities[1]	**$ (439)**	$ 2,329	$ 3	**$ (1,940)**	$ 63	$ 25
Experience adjustments arising on plan assets[2]	**$ 3,763**	$ (2,099)	$ 4,194	**n/a**	n/a	n/a

1 (Increases) decreases in plan liabilities
2 Increases (decreases) in plan assets

The contributions expected to be paid during the year ended March 31, 2014 amount to $12,603 for the funded registered plan, $246 for the unfunded supplementary plan and $929 for the unfunded non-pension plan.

10. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost							
Balance at April 1, 2011	$ 700	$ 74,539	$ 107,921	$ 6,199	$ 297,989	$ 1,551	$ 488,899
Additions	–	7,983	2,552	–	37,061	1,785	49,381
Transferred to systems and equipment	–	1,204	–	–	–	(1,204)	–
Disposals and retirements	–	(6,509)	(2,254)	(134)	(18,213)	–	(27,110)
Balance at March 31, 2012	$ 700	$ 77,217	$ 108,219	$ 6,065	$ 316,837	$ 2,132	$ 511,170
Additions	**–**	**6,177**	**3,063**	**529**	**29,933**	**4,426**	**44,128**
Transferred to systems and equipment	**–**	**–**	**841**	**–**	**75**	**(916)**	**–**
Disposals and retirements	**–**	**(2,929)**	**(7,790)**	**(46)**	**(11,616)**	**–**	**(22,381)**
Balance at March 31, 2013	**$ 700**	**$ 80,465**	**$ 104,333**	**$ 6,548**	**$ 335,229**	**$ 5,642**	**$ 532,917**

10. Property and equipment (continued):

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Depreciation							
Balance at April 1, 2011	$ –	$ 47,468	$ 86,556	$ 3,166	$ 206,181	$ –	$ 343,371
Depreciation for the year	–	9,191	8,695	779	36,476	–	55,141
Disposals and retirements	–	(6,377)	(2,195)	(106)	(17,374)	–	(26,052)
Balance at March 31, 2012	$ –	$ 50,282	$ 93,056	$ 3,839	$ 225,283	$ –	$372,460
Depreciation for the year	**–**	**9,394**	**7,495**	**769**	**23,325**	**–**	**40,983**
Disposals and retirements	**–**	**(2,826)**	**(7,517)**	**(40)**	**(11,335)**	**–**	**(21,718)**
Balance at March 31, 2013	**$ –**	**$ 56,850**	**$ 93,034**	**$ 4,568**	**$ 237,273**	**$ –**	**$391,725**
Carrying amounts							
At March 31, 2012	$ 700	$ 26,935	$ 15,163	$ 2,226	$ 91,554	$ 2,132	$138,710
At March 31, 2013	**$ 700**	**$ 23,615**	**$ 11,299**	**$ 1,980**	**$ 97,956**	**$ 5,642**	**$141,192**

For the year ended March 31, 2013, net losses on disposal of property and equipment amounted to $130 (2012: $420) and were included in other expenses in the consolidated statement of comprehensive income.

Change in estimate:

The Corporation reviews the estimated lives of its long-lived assets and related depreciation periods on an annual basis. During the year ended March 31, 2013, this review indicated the estimated depreciation periods of the Corporation's casino and community gaming systems and equipment were deemed to be longer than the previously assigned depreciation periods. As a result, effective April 1, 2012, the Corporation changed its estimate of the expected useful lives of these assets. The effect of this change in estimate is a decrease of $14,053 in depreciation expense for the year ended March 31, 2013.

11. Intangible assets:

The intangible assets balance represents software purchased and internally-generated software assets.

	Software	Assets under development	Total
Cost			
Balance at April 1, 2011	$ 65,092	$ 2,063	$ 67,155
Acquisitions–separately acquired	6,888	15,337	22,225
Acquisitions–internally generated	–	2,791	2,791
Borrowing costs capitalized	–	50	50
Transferred to intangibles	226	(226)	–
Disposals and retirements	(1,564)	–	(1,564)
Balance at March 31, 2012	$ 70,642	$ 20,015	$ 90,657
Acquisitions–separately acquired	**10,707**	**33,685**	**44,392**
Acquisitions–internally generated	**3,081**	**4,806**	**7,887**
Borrowing costs capitalized	**18**	**206**	**224**
Transferred to intangibles	**8,971**	**(8,971)**	**–**
Disposals and retirements	**(4,397)**	**–**	**(4,397)**
Balance at March 31, 2013	**$ 89,022**	**$ 49,741**	**$ 138,763**

11. Intangible assets (continued):

	Software	Assets under development	Total
Amortization			
Balance at April 1, 2011	$ 36,041	$ –	$ 36,041
Amortization for the year	11,933	–	11,933
Disposals and retirements	(1,195)	–	(1,195)
Balance at March 31, 2012	$ 46,779	$ –	$ 46,779
Amortization for the year	**13,726**	**–**	**13,726**
Disposals and retirements	**(4,394)**	**–**	**(4,394)**
Balance at March 31, 2013	**$ 56,111**	**$ –**	**$ 56,111**
Carrying amounts			
At March 31, 2012	$ 23,863	$ 20,015	$ 43,878
At March 31, 2013	**$ 32,911**	**$ 49,741**	**$ 82,652**

For the year ended March 31, 2013, net losses on disposal of intangible assets amounted to $3 (2012: $369) and were included in other expenses in the consolidated statement of comprehensive income.

Borrowing costs:

During the year ended March 31, 2013, 21.50 per cent (2012: 5.77 per cent) of borrowing costs were eligible for capitalization and borrowing costs of $224 (2012: $50) were capitalized.

12. Prizes payable:

		March 31 2013		March 31 2012
Lottery	$	**24,941**	$	24,393
Casino and community gaming		**6,260**		7,017
	$	**31,201**	$	31,410

13. Accounts payable, accrued liabilities and other:

		March 31 2013		March 31 2012
Trade payables	$	**8,866**	$	9,759
Accrued expenses		**49,443**		23,195
Harmonized sales tax payable		**3,641**		8,259
Other		**7,290**		6,481
	$	**69,240**	$	47,694

14. Short-term financing:

		March 31 2013		March 31 2012
Government of British Columbia, loans, payable in single instalments including interest ranging from $17 to $35 at rates ranging from 0.88% to 0.94%, unsecured, due between April 3, 2013 and May 7, 2013	$	**131,704**	$	–
Government of British Columbia, loans, payable in single instalments including interest ranging from $35 to $52 at rates ranging from 0.91% to 0.92%, unsecured, settled between April 4, 2012 and May 31, 2012		**–**		90,122
	$	**131,704**	$	90,122

15. Net finance costs:

		2013		2012
Finance income	$	**(492)**	$	(406)
Interest expense		**846**		821
Foreign exchange (gain) loss		**(4)**		43
	$	**350**	$	458

16. Payments to the Government of British Columbia:

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 17), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of British Columbia occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings.

17. Payments to the Government of Canada:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

18. Interprovincial Lottery Corporation expenses and interest revenue:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized in prize expense and ticket printing expense, respectively, in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses in the consolidated statement of comprehensive income.

19. Commitments:

Operating leases:

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises and vehicles are as follows:

2014	$ 4,910
2015	4,591
2016	3,775
2017	3,395
2018	3,064
Thereafter	24,633

The Corporation leases its Vancouver office and warehouse space under operating leases. The leases commenced May, 2011 and have a term of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay location and service fees that are reviewed, negotiated and adjusted as necessary. In 2013, the location fees were comprised solely of contingent rents.

The Corporation leases a fleet of vehicles under operating lease agreements. These leases have terms that range from two to six years.

During the year ended March 31, 2013, $21,436 (2012: $22,745) was recognized as an expense in the consolidated statement of comprehensive income in respect of operating leases. Included in this amount were contingent rents totaling $292 (2012: $305). The Corporation recognized income of $2,693 (2012: $1,395) in respect of rent under cancellable operating agreements with lottery retailers.

20. Contingencies:

The Corporation has been named as a defendant in several lawsuits as well as other disputes in the ordinary course of business. A provision is recognized only when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These indemnifications are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements for these indemnifications.

21. Related party transactions:

BCLC is a wholly-owned Crown corporation of the Government of British Columbia.

All transactions with the Government of British Columbia ministries, agencies and Crown corporations occurred in the normal course of operations and are at arm's length, which is representative of fair value.

Key management personnel have been defined as the members of the Board of Directors, the President & CEO, and the Corporation's Vice-Presidents. The compensation for key management personnel is shown below:

		2013		2012
Compensation and other employee benefits	**$**	**3,187**	$	2,913
Pension and post-employment benefits		**412**		343
Termination benefits		**1,102**		–
	$	**4,701**	$	3,256

The Corporation contributes to defined benefit pension plans and a post-retirement plan. Transactions with these entities are disclosed in note 9.

Other related party transactions have been disclosed in note 16 to the consolidated financial statements.

22. Harmonized Sales Tax (HST) expense:

As a prescribed HST registrant, the Corporation makes HST remittances to the Government of Canada pursuant to the Games of Chance Regulations of the *Excise Tax Act* (the Regulations). The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations resulting in the direct payment of additional HST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to other HST registrants.

As of April 1, 2013, the Province of British Columbia will be reverting back to a GST/PST system. GST will be calculated and remitted to the Government of Canada in the same manner as HST described above. PST will be calculated and remitted to the Province of British Columbia pursuant to the *Provincial Sales Tax Act*.

Appendix 1: What We Plan to Do Differently and Why

During the 2012/13 year, BCLC made several changes to how we measure the results for the metrics in our framework, which along with details about what we use each metric for and the targets for the next three years, are in the previous sections.

In BCLC's 2013/14 Service Plan, we worded and reordered our four goals to add clarity on where we want to be in the future and reflect the transformation to a player-focused company. We also realigned our responsible gambling performance metrics to the player goal.

Perspective	2012/13 Service Plan Goals	2013/14 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 was adjusted to clarify what we are planning to provide to 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. Wording was adjusted to reflect our continued focus on the long-term success of our business.

Appendix 2: How We Measure and Benchmark Our Performance

Details of what we use each measure for and the targets for the next three years are in the Our Performance section of this Annual Service Plan Report.

We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

Perspective	2012/13 Service Plan Performance Metrics	2013/14 Service Plan Performance Metrics	Comments
Player	Player Satisfaction Player Participation Net Win per Capita	Player Satisfaction Player Participation Net Win per Capita Player Awareness of Responsible Gambling Activities	Player Awareness of Responsible Gambling Activities was moved to the Player goal 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 was moved to the Player goal to better reflect the importance BCLC places on player education. Public Support for BCLC is newly added to the framework, replacing Public Support for Gambling to provide BCLC with a better understanding of how adult British Columbians perceive BCLC. BCLC wants to build trust amongst British Columbians and demonstrate how we successfully and responsibly run the business, fulfilling our mandate.
Profit	Net Income General Operating Costs as % of Net Win Electronic Gaming Devices per 1,000 population	Net Income General Operating Costs as % of Net Win	Electronic Gaming Devices per 1,000 population has been discontinued as a performance measure. While targets were not set for this measure, in past years it provided a way to benchmark with other Canadian organizations. This metric was discontinued in 2012 as a result of jurisdictions around the world offering their games on the Internet.

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	Public Support for Gambling	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. Participants are asked to indicate their level of agreement with the statement "I (fully) support the existence of legalized gambling in B.C." 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. The word "fully" was included in the statement during the first three quarters of the year, and removed in the fourth quarter. Public support for gambling is internally benchmarked on a time series basis. We have not externally benchmarked as we have not identified similar data published by other gambling jurisdictions.	The survey was independently conducted by Research & Incite Consultants for Q1-Q3 this year and was conducted by Ipsos North America for Q4. Both surveys use industry standard techniques to randomize the sample, while retaining a gender and regional balance that is consistent with BC Stats figures. The sample size is 3,000.
	Player Awareness of Responsible Gambling Activities	In a continuous tracking study conducted by an external research supplier, players of BCLC games are asked about their awareness of specific responsible gambling activities. 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. 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. Player awareness of responsible gambling activities is internally benchmarked on a time series basis. As this survey has a methodology specific to BCLC, this metric is best analyzed on a time series basis. BCLC will monitor and update if/when other lottery and gambling organizations adopt a comparable metric. In 2010/11 the survey was changed from a telephone methodology to an online methodology, which resulted in a significant positive increase in BCLC's results.	The survey is 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. The sample size is 3,000. During the 2012/13 year, BCLC changed survey suppliers from Research & Incite Consultants to Ipsos North America. The wording of some of the statements was updated slightly, while the online methodology remained the same, although the composition of the sample panels may differ. The results for Q4 were significantly below other quarters for some metrics, which may be attributed to the change in supplier and panel sample. Typically results can shift between five to 10 per cent above or below previous results.
	Level of Greenhouse Gas Emissions	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. 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.	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. Fleet vehicle fuel consumption is verified from fuel consumption reporting from our fleet vehicle management company. Paper consumption for all types of reportable paper is measured internally each month.

		How We Measure and Benchmark	Data Reliability
Performance Measures	Player Satisfaction	A third-party research supplier conducts 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. Players who play a game/visit a gambling channel at least once every three to five months or more often are asked to rate on a 10-point scale how satisfied they were overall with their last experience in each channel. 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. As this survey has a methodology specific to BCLC this metric is best analyzed on a time series basis. BCLC will monitor and update if/when other lottery and gambling organizations adopt a comparable metric.	The survey was independently conducted by Research & Incite Consultants for the first three quarters of this year and by Ipsos North America for the fourth quarter. Both use industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures. The online methodology remained the same, although the composition of the sample panels may differ. The sample size is 3,000. The results for Q4 were slightly below other quarters for some metrics, which may be attributed to the change in supplier and panel sample. Typically results can shift between five to 10 per cent above or below previous results. Due to changes in methodology, BCLC's results prior to 2011/12 are not comparable to results for 2011/12 onwards.
	Player Participation	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. Until the end of the third quarter 2012/13, the external research supplier Research & Incite Consultants used a continuous tracking study to ask how frequently players participate in the games BCLC offers or visit our gambling facilities. The result is an aggregate score for those players who played or visited at least once every month. BCLC has used these first three quarters for our 2012/13 results. Starting in the fourth quarter, a continuous tracking study conducted by a new external research supplier Ipsos North America, asks players how frequently they play our lottery games, play casino games when visiting a casino, community gaming centre, bingo hall and play games on our PlayNow.com site. The result is an aggregate score for those players who played at least once every month. The results for the fourth quarter were used to understand how the change would affect BCLC's overall results, which was an expected decline in frequency. This will be used for results starting in 2013/14. As this survey will continue to have a methodology specific to BCLC, this metric is best analyzed on a time series basis. BCLC will monitor and update if/when other lottery and gambling organizations adopt a comparable metric.	The survey was independently conducted by third-party research suppliers. Both firms use industry standard techniques to randomize the sample, while retaining a gender and regional balance that is consistent with BC Stats figures. The sample size is 3,000. The online methodology remained the same, although the composition of the sample panels may differ. As a result of the change made to the question wording in the fourth quarter, BCLC expects the overall results going forward to decline slightly but provide us with better insight. The results for Q4 were significantly below other quarters for some metrics, which may be attributed to the change in question, supplier and panel sample. Typically results can shift between five to 10 per cent above or below previous results.

Performance Measures

	How We Measure and Benchmark	Data Reliability
Net Win Per Capita	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. Net win per capita is widely used in the gambling industry, making consistent benchmarking possible. As the age at which legal gambling is permitted varies between jurisdictions, BCLC's calculation is indexed to the total population to allow us to benchmark to other jurisdictions, rather than specifically to B.C.'s adult population. 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. Video lottery terminal (VLT) revenue is included in benchmarking results from Loto-Québec and the Canada Average comparators to give a complete picture of total spending on gambling. The provinces of B.C. and Ontario do not permit VLTs. **2010/11 Net Win per Capita** ($) **BCLC** **447** Canada Average 399 OLG 363 LQ 339	Net win figures are taken from our audited financial statements which are published in our Annual Service Plan Report. Population figures are taken from published Statistics Canada figures in July each year as the baseline for our calculations for each of the years included in the Service Plan. Figures for forecasts and targets are calculated by BCLC and are reviewed with Treasury Board prior to inclusion in the Service Plan.
Net Income	Net income is the calculation of total sales after prizes, operating expenses and taxes have been deducted and is reported using financial information from BCLC's publicly reported financial statements. BCLC's net income is analyzed on a time series basis and is not benchmarked with other jurisdictions due to differences in the types of gambling offered by jurisdiction, the differing gaming models and population levels.	Net income figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Forecasts and targets are calculated by BCLC in accordance with International Financial Reporting Standards (IFRS) and are reviewed with the Treasury Board prior to inclusion in the Service Plan.
Operating Costs Ratio (% of Net Win)	Our operating costs ratio is the sum of our direct expenses (except prizes), gaming support costs including BCLC private sector service provider commissions and ticket printing, general operating costs and amortization divided by our consolidated net win and expressed as a percentage. Operating costs include BCLC private sector service provider commissions, which serves to more closely normalize the different operating models of other jurisdictions (i.e. instead of operating our bricks and mortar facilities directly, BCLC pays commissions to private sector service providers). Ticket printing is also included, as many other gambling jurisdictions do not separate this cost from their consolidated operating costs. BCLC's operating costs ratio remains well 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. **Operating Cost Ratio** (% of net win) Actual Budget Target 15/16 42.5 14/15 42.5 13/14 42.5 **12/13** **42.0** 12/13 41.2 11/12 42.0 10/11 41.5 2010/11 Benchmark Average 49.2	Direct expenses, gaming support costs and operating costs are taken from our audited statement of accounts, as published in our Annual Service Plan Report. All figures are determined in accordance with International Financial Reporting Standards. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan. Benchmark comparators net win and operating cost figures are taken from the audited statements of accounts, as published in the annual reports of the comparator organizations. During the 2012/13 year, BCLC adjusted the operating costs ratio to include ticket printing, allowing more accurate benchmarking against comparator organizations.

Performance Measures	How We Measure and Benchmark	Data Reliability
Employee Engagement	Employee engagement is measured by an annual anonymous online survey of BCLC's employees, conducted by a third-party research supplier on our behalf. BCLC's engagement survey is a reflection of our unique culture, values and business objectives. The survey questions across 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. 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. 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. As this survey is customized by Ipsos North America to questions that are specific to BCLC's objectives, the survey results cannot be directly benchmarked and are best analyzed on a time series basis.	The survey is independently conducted by a third-party research supplier, using industry standard techniques. Employee participation in the 2012/13 survey was 88 per cent.
Employee Vacancy Rate	This metric provides the average percentage of vacant positions in the process of being filled (replacement or additional positions actively being recruited) as a proportion of BCLC's total headcount. It is measured on a monthly basis. The year-end result is calculated by averaging the month-end rates. It is subject to considerable variation based on organizational growth, internal personnel movement, employee demographics and external market conditions and must therefore be interpreted within the context of the time frame it is being measured. 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.	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.

Appendix 3: Corporate Social Responsibility Panel Statement

BCLC sought feedback on an early draft of its report from Corporate Social Responsibility (CSR) experts representing a range of organizations, from municipal governments, corporations, a non-governmental organization, and a peer in the gambling industry. The CSR experts commented on:

- Whether the report would give stakeholders the information they need to assess BCLC's CSR performance and alignment with its CSR Charter commitments;
- How well the report presents BCLC's CSR performance in relation to broader provincial, national and global CSR issues;
- Whether the CSR content seems accurate, complete and balanced;
- Whether the CSR content and format of the report allows for comparability to other Crown corporations and gambling companies; and
- Presentation clarity.

The following is a list of CSR experts who provided feedback on the draft report and a summary of their key comments. They did not represent their organizations, and they were not asked to endorse or validate claims in the report. BCLC was able to make some but not all of the changes recommended; the feedback will also guide the development of future reports. For BCLC's response, see the table below.

Panel Members

- Margot Davis, Manager, Sustainability, City of Port Moody
- Dara Edmonds, Sustainability Programs Officer, Teck
- Brenda Goehring, Manager, Regulatory and Relationship Management, BC Hydro
- Leslie Ng, Monitoring and Reporting Planner, City of Vancouver
- Laura Da Silva, Corporate Responsibility Manager, Camelot
- Magdalena Szpala, Sustainability Planning and Reporting Manager, BC Housing
- Marion Town, Senior Regional Manager, Greater Vancouver Sea-to-Sky, Fraser Basin Council

Overall the panelists commented that it was a good first combined Annual and CSR Report, that the material issues were identified and that there was comprehensive disclosure of BCLC's CSR Roadmap and Performance Plan. The table below provides an overview of the panel's feedback on improving the report and BCLC's response.

BCLC recognizes that much of the panel's feedback relates to greater clarity on: the broader CSR context; top CSR issues, risks and challenges and how they are managed; past performance, performance commentary and future plans; and how CSR issues are linked and connected throughout the combined report. Where we have not been able to include this content in our current report, we have put this information on our website, if possible. We plan to consider these issues in future years as we continually improve our approach to combined CSR and annual reporting.

Topic	CSR Panel Feedback	BCLC Response
CSR and business context	Provide more information on broader sustainability and CSR challenges and opportunities and relevance to BCLC; include key business information and metrics to communicate the nature of BCLC's business; provide a more fulsome discussion on strategic challenges and how BCLC is addressing these concerns	Added a definition of CSR and link to website with more information on broader CSR context; added information and metrics on our business structure and composition to the report; added a table to the website explaining how we are addressing each CSR strategic challenge and linked back to the report
Charter performance	Provide more information on progress against commitments in the 2010 CSR Charter	Provided more information on progress against CSR Charter on the website and linked to the report

Topic	CSR Panel Feedback	BCLC Response
Corporate mission and allocation of gambling revenues	Clarify if BCLC's mission is to provide great entertainment or generate revenue for community benefit or both; include more information on the allocation of revenues to communities and the provincial government from gambling activity	Included "About BCLC" section at beginning of report, which outlines our vision, purpose and promise (clarifying that we aim both to provide great entertainment and generate revenue for community benefit); included information in report on benefits to B.C. and how revenues are distributed in the province, with a link to more information
Priority linkages and annual report integration	Enhance linkages between materiality, risk, strategic challenges, stakeholders, metrics and plans on a few key areas; further prioritize material issues; consider use of a legend to help readers follow key issues throughout the report; enhance integration of CSR components with other annual report components	Included a legend on the website, linked to the report, to help stakeholders with navigation and understanding of material issues, risk, strategic challenges, metrics and plans; will pursue a visual depiction and prioritization of material issues as well as enhanced integration of CSR components with annual report components next year
Problem and underage gambling	Include more information on the prevalence of problem and underage gambling and show relationship to how BCLC is supporting management of the issues through its responsible gambling programs	Included problem gambling rates and relationship to relevant programs; included link to the Province's problem gambling programming; we cannot include prevalence rates for underage gambling because they are not available for BCLC products; the issues of underage gambling are described on GameSense.ca, with link in report
Service providers	Provide more information on the relationship between BCLC and its service providers, BCLC's CSR standards for service providers and service provider compliance	Included an enhanced description and graphic image showing the relationship between BCLC and our service providers; included performance measures on CSR standards and compliance
Indirect environmental impact	Provide more information on BCLC's indirect environmental footprint as a result of its product distribution model and how BCLC is managing them; include intensity metrics for greenhouse gas emissions, energy use, and other measures to enable comparisons	Included description in scope section of how we will be seeking to support our service providers and retailers in future years; included intensity metric on levels of greenhouse gas emissions per full-time equivalent; will evaluate other measures next year and include intensity where appropriate
Targets and performance measures	Enhance description of the key CSR performance measures and include more stretch targets; include graphs to break up the text and facilitate understanding; provide more commentary on strong performance or underperformance	Enhanced descriptions of the key CSR performance measures; included executive summary of CSR performance on website; will pursue more graphical representation and evaluation of performance next year; will update our CSR targets following CSR vision development
Executive summary	Include an executive summary of key results at the front end of the report	Included executive summary of CSR results on website, with link in report
Nomenclature	Make CSR nomenclature consistent and precise (e.g. relationship between CSR and sustainability, greenhouse gas emissions management and environmental sustainability); consider including a glossary	Included glossary of CSR definitions on website, with link in report; in future reports, we will work to make CSR nomenclature more consistent and precise

Appendix 4: Global Reporting Initiative (GRI) Index

BCLC is aiming to align with GRI G3.1 Level C, though this report has not been externally assured. In future, BCLC will work to align with GRI G4 principles.

Standard Disclosures

GRI	Description	Pages
1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy	3
2.1	Name of the organization	1
2.2	Primary brands, products, and/or services	4–5
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	5, 31
2.4	Location of organization's headquarters	5
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	5
2.6	Nature of ownership and legal form	4
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries)	5
2.8	Scale of the reporting organization, including: number of employees, number of operations, net revenues, quantity of products or services provided	5
2.9	Significant changes during the reporting period regarding size, structure, or ownership, such as the location of or changes in operations	5
2.10	Awards received in the reporting period	24
3.1	Reporting period (e.g. fiscal/calendar year) for information provided	1
3.2	Date of most recent pervious report (if any)	6
3.3	Reporting cycle (annual, biennial, etc.)	6
3.4	Contact point for questions regarding the report or its contents	103
3.5	Process for defining report content, including: determining materiality, prioritizing topics within the report, and identifying stakeholders the organization expects to use the report	7
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint venture, suppliers)	5, 7, 31
3.7	State any specific limitation of the scope or boundary of the report	7
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability	5, 7, 31, 61
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers, acquisitions, change of base years, nature of business, measurement methods)	N/A
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	N/A
3.12	Table identifying the location of the Standard Disclosures in the report	101–102
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	30–31
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	30
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	30
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	30
4.14	List of stakeholder groups engaged by the organization	7, 16, 20, 39, 99
4.15	Basis for identification and selection of stakeholders with whom to engage	7

Indicators

GRI	Description	Page
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	56–92
EN3	Direct energy consumption by primary energy source	bclc.com/environment
EN8	Total water withdrawal by source	42
EN16	Total direct and indirect greenhouse gas emissions by weight	39
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	22–23
EN22	Total weight of waste by type and disposal method.	bclc.com/environment
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	bclc.com/great
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	bclc.com/great
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	bclc.com/great
LA10	Average hours of training per year per employee, by gender, and by employee category	50
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	bclc.com/great
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	bclc.com/great
LA15	Return to work and retention rates after parental leave, by gender	bclc.com/great
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	20, 43

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BCLC's Service Plan is available at bclc.com/service-plan

Use your GameSense
GameSense.ca

BRITISH
COLUMBIA
The Best Place on Earth

bclc
playing it right

Appendix BB – 2013/14:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2013-2014,* (Kamloops: British Columbia Lottery Corporation, 2014).

Annual Service Plan Report

bclc
playing it right

APPENDIX BB

strength in numbers

APPENDIX BB

Statement of accountability

To the Honourable Michael de Jong, Minister of Finance and minister responsible for BCLC:

On behalf of the Board of Directors and all our employees, I'm pleased to present the BCLC 2013/14 Annual Service Plan Report, for the twelve months ended March 31, 2014.

The Board is responsible for all the content of this report and the methods for how it was reported. The Board is also responsible for the internal controls that ensure the information contained within this report is consistent with the mandate and goals of the organization, is measured and reported accurately and completely in a timely manner, and aligns with Government's priorities.

The content of this report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. It reflects BCLC's performance for the twelve months ended March 31, 2014, against the goals and targets identified in our 2013/14–2015/16 Service Plan.

All significant decisions and changes to BCLC's strategies, measures, targets or data reliability are clearly identified within the report. Significant assumptions, events and identified risks also have been considered in the preparation of the report. Estimates and interpreted information represent the best judgment of management.

Respectfully,

Bud Smith
Chair, Board of Directors

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About this report

Numbers are our business, but people are our heart and soul. The people who play our games, the people of British Columbia who benefit from the more than $1 billion each year BCLC provides to the public good and the dedicated professionals who work behind the scenes 24/7/365 to make it all possible.

Our employees are the driving force behind our success. In this report, we will demonstrate how our strength in numbers begins with them. This report provides information about our 2013/14 fiscal year. In addition, we offer some insight into the way our employees work and live in their communities, and a 'by the numbers' look at how BCLC works.

As the Crown corporation responsible for managing and operating gambling in the province of British Columbia, we employ approximately 900 people in our offices in Kamloops and Vancouver. We also support more than 37,000 direct and indirect jobs through our service providers.

Thousands of B.C. residents are registered on PlayNow.com to play our secure and regulated online and mobile games. We offer eCasino, ePoker, eBingo, sports betting and lotto games. We also work in partnership with the Province of Manitoba to provide the platform for PlayNow Manitoba's online and mobile business.

We work closely with our service providers across British Columbia to operate over 12,000 slot machines, nearly 500 table games, and 7,000 electronic and paper bingo seats, with other amenities and entertainment options, at 17 casinos (two with racetracks); 19 community gaming centres; and six bingo halls. While B.C. casinos and community gaming centres are privately owned and operated, BCLC owns the equipment and pays commissions to the service providers to operate the facilities. BCLC also sets policies and operating procedures.

In British Columbia, if you play national or provincial lottery games like LOTTO MAX, Lotto 6/49 or Scratch & Win; you play them with us. We manage the lottery network which offers sales online, through nearly 4,000 retailers and through our Lotto Express network which includes grocery and liquor stores in the province.

The Minister of Finance is responsible for BCLC and for the Gaming Policy and Enforcement Branch (GPEB). GPEB regulates gambling and oversees our compliance with B.C.'s *Gaming Control Act* (2002).

BCLC generates over $2 billion in gambling revenues annually. The revenue covers operating costs, prizes and service provider commissions and remitting a portion to the Government of Canada. We forward the remainder, about $1.2 billion in net income, to the Province of British Columbia. These funds are used for health care, education, municipal and charitable programs.

APPENDIX BB

Organization overview

BCLC operates under the provincial *Gaming Control Act* (2002) and within the legislative, regulatory and policy framework established by the Province.

Our mission

We 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

Our vision

Gambling is widely embraced as exceptional entertainment for adults.

Our 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.

Core business areas

Gaming Facilities: BCLC conducts and manages gambling at casinos, racecourse casinos, community gaming centres and commercial bingo halls. Private sector partners provide and manage the facilities, and earn a percentage of the net win.

Lottery: We sell lottery tickets through nearly 4,000 outlets, operated by private sector retailers. They earn an industry-standard commission based on their sales of lottery products.

eGaming: Our online platform, PlayNow.com, offers secure, regulated lottery games, sports betting, eBingo, eCasino and ePoker. Private sector partners who provide the software earn a licence fee and/or a commission. We also provide business-to-business services including partnering with Manitoba Lotteries to offer regulated online gambling to Manitobans.

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.

365

When we speak
to our players,
we smile with
our voice

Message from the Chair

In fiscal 2013/14, for the fifteenth consecutive year, BCLC delivered over $1 billion in net income for British Columbia. We met our net income of $1.175 billion—up 4 per cent from the previous year. We did this by minimizing our costs, maximizing our investments and leveraging our assets.

As the Crown corporation responsible to manage and conduct gambling for the province, BCLC is rising to meet challenging times. As the market matures, existing demand for gambling is increasingly being met by the industry; demographics are shifting; operating costs are rising due to increasing compliance commitments; and there is an ongoing need to invest in replacing aging technology.

The corporation met several of its performance targets for the year in addition to its net income target. This includes meeting our budget for operating costs but our net win was down so we did not meet our operating cost ratio. A significant cost management review at BCLC was undertaken to ensure it continues to operate its business as efficiently as possible. As a result, we identified $20 million in current operating cost reductions.

In 2013/14 BCLC maximized investments and leveraged assets by taking advantage of efficiencies wherever possible. For example, the corporation manages more than 12,000 slot machines across the province. This year, the corporation implemented its new Gaming Management System (GMS) in 13 sites, and many of these were in the larger Lower Mainland casinos. As of March 31, 2014, 80 per cent of revenue in BCLC casinos and community gaming centres was being generated by GMS sites. This system is the technological engine that's increasing speed and efficiency to improve the player experience in the casino business. In the future, it will also provide ways to deliver responsible gambling information directly to players.

The BCLC online gambling platform PlayNow.com reflects a growing focus on its business-to-business service model. Leveraging assets and investing in them to build on BCLC's technological advantages enables the corporation to turn innovative ideas into real-world products and services to provide more convenience for our players.

Consistent with our vision that gambling is widely embraced as exceptional entertainment, BCLC set player satisfaction targets high. In 2013/14, the player satisfaction rate was 81 per cent. This is a great result, although it is slightly below target. One of the major milestones was the opening of Coquitlam's new Hard Rock Casino Vancouver, in December 2013. The Hard Rock brand and our approach to entertainment—with live music, restaurants, lounges and other amenities—is helping attract a younger, more diverse player base, including more light and casual players. This year BCLC brought more than two dozen new high-limit tables to the River Rock casino in Richmond and the Edgewater casino in Vancouver. Players, including tourists, have responded: table game net win during Chinese New Year 2014 was up over last fiscal by 30 per cent in Lower Mainland casinos.

In everything it does, BCLC considers the impact on and for the people and the communities of British Columbia. 2013/14 was an exceptional year for BCLC Responsible Gambling programs. This included partnering with six communities and the Gaming Policy and Enforcement Branch to deliver the third annual series of Responsible Gambling Awareness Weeks; hosting our second annual New Horizons in Responsible Gambling conference with experts from around the world; strengthening our GameSense program with larger, brighter, interactive self-serve booths at Chances locations across the province; delivering a GameSense education outreach program with tools and resources to Chances staff; and extending the use of the GameSense brand and messaging to Manitoba.

Public trust is essential to BCLC's social licence to operate. In 2013/14 public support for BCLC was 75 per cent. This is below the target of 80 per cent. The corporation will continue to work with stakeholder and community groups to demonstrate their ongoing commitment to their social responsibilities. This includes being open and forthcoming about our business, communicating about the benefits of gambling to communities and the province, continuously improving their responsible gambling programs, and delivering gambling entertainment choices with integrity and transparency.

To meet our commitment to grow net income for the Province, BCLC must continue to seek innovative new revenue generating opportunities, broaden our player base and focus on content that will engage players. To live up to the words BCLC is known for—playing it right—we are working hard to meet our commitments to be financially, socially and environmentally responsible while generating gambling revenue to support provincial services like health care and education.

I am proud of the work BCLC is doing, from the ground up. The economic and demographic landscape has changed, expectations have increased and become more complex, and the corporation will face unprecedented challenges in meeting its commitments over the next year. I believe the achievements of fiscal 2013/14 create a strong foundation. The goals reached this year will enable BCLC to continue meeting its targets, and to balance this work as a strong corporate citizen focused on strengthening its relationships with the communities of British Columbia.

Bud Smith
Chair, Board of Directors

Message from the Interim President & CEO

The end of this fiscal year marks the beginning of a period of renewal. BCLC has a major economic presence in British Columbia, and continues to be a very profitable business. Our strength is in our numbers. We provide well-paid jobs, directly and indirectly, for an estimated 37,000 people. Our employees work hard to ensure we consistently generate $1 billion in net income each year for provincial health and education, for host local governments, and for thousands of community organizations who receive community gaming grants. These profits are generated through our business units that sell more than 300 million lottery tickets; offer online gambling to thousands of registered PlayNow.com players; and oversee 11 billion casino transactions.

We understand our social responsibility is the touchstone of our social license to operate. Paying attention to the needs of our communities means being committed to balancing the opportunity for revenue growth with the need for social responsibility. We found that balance in Surrey this year in deciding not to pursue a community gaming centre development in their Newton community. Our decision to pull all the slot machines from the Newton Bingo Country facility was done to respect Newton's social needs. It means looking for a more suitable location for this development, one that will better serve the community's entertainment needs. This is an example of our commitment to doing the right thing for our players and for our communities.

Just as we must continue to meet our social commitments and to hit our financial targets in order to provide new and exciting entertainment experiences, we remain focused on developing our single greatest strength: our employees. They are the face of BCLC in communities, the voice of BCLC on the customer support line, and the heart and soul of a business model that others are trying to duplicate.

However, our business is facing unprecedented challenges: our market is maturing and our costs are increasing. To meet these challenges we made strategic changes in 2013/14 to the way we run our business by laying a new foundation that will enable us to adapt. I believe we are now on the right footing to hit our short term goals and to continue to grow our net income in the long term.

We reduced our operating costs by $20 million, including a reduction in our marketing and advertising budget. We reduced contracting costs and eliminated fleet vehicles. We also reviewed our organizational structure and changed or eliminated some roles. Wherever possible, this was accomplished through attrition and voluntary termination. In total, BCLC reduced its workforce by seven per cent.

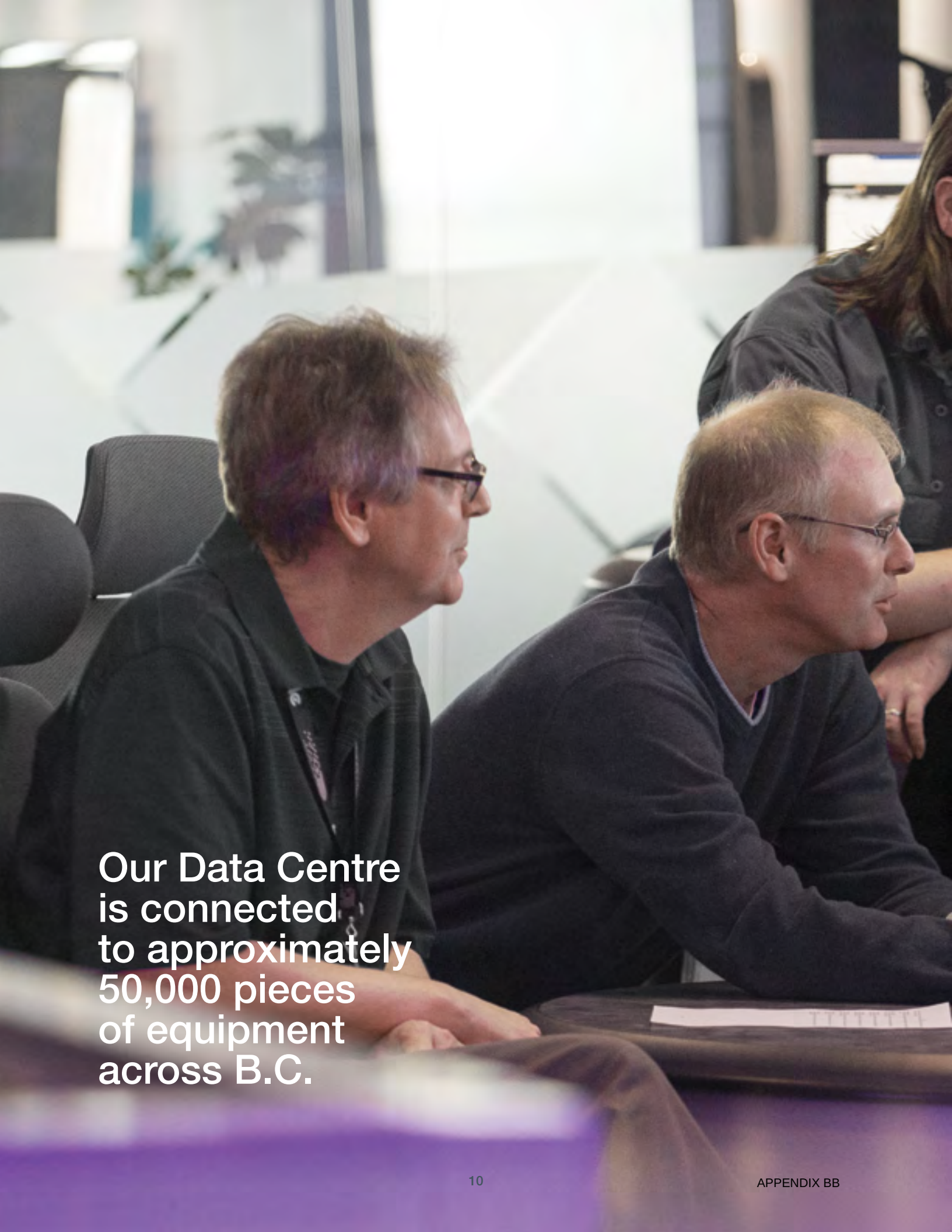
These kinds of decisions are difficult for any business, but in the short term they are the right decisions to best position BCLC to continue to deliver strong net income to benefit British Columbians. We continue to compare well to other regulated gambling providers, with the highest net win and lowest operating cost ratio against which we benchmark, in Canada and internationally. And yet we must continually challenge ourselves to do better.

Our success to date has been driven by the implementation of a strong distribution strategy. Lottery, casino and bingo games are available in multiple channels. Our customers can easily access their favourite game through lottery retailers, in casinos, community gaming centers and bingo halls, and online. Our success in the future will require another strategy to leverage our strong distribution network. This strategy will require innovation to create exciting content to attract casual customers and continue to delight our core players.

We will continue to depend on our valued service partners who deliver facilities and service in our channels. These private industry partners are critical to delivering outstanding experiences for our players and making our business model very effective and efficient. We will continue to collaborate with these private companies to strengthen our business going forward.

I am proud of our achievements. I am also proud of our employees' performance in 2013/14 because they not only rose to meet their daily challenges, they met the imperative of our cost management review and continued to deliver solid results. Congratulations to our staff and our partners for all their hard work in the past 12 months. I look forward to seeing how these strategic decisions translate into new relationships, new business and continued revenue growth in 2014/15.

Jim Lightbody
Interim President & CEO



Our Data Centre is connected to approximately 50,000 pieces of equipment across B.C.

Amount of data in our BCLC Data Centre:

1,700 terabytes

We strive for perfection, that's our goal. We don't settle for anything less.

Leveraging our street smarts

One reason: the player experience

Play anytime, anywhere

A 30-year old man overhears a conversation about the upcoming jackpot while waiting for the bus. He signs in on PlayNow.com using his mobile phone and purchases his ticket before his bus even arrives. He gets instant access to secure, regulated online games—anywhere, anytime. With an optimized site for mobile users, it is this easy. We are focused on delivering the service our players are looking for. In 2013/14 this focus helped increase the number of new users joining PlayNow.com on mobile devices.

New technology goes to the front of the line

A couple is paying for a bottle of wine at their local government liquor store when they realize they still have time to get a ticket for tonight's $50 million LOTTO MAX jackpot; and they can buy their ticket directly from the same pinpad. "Wow," says one. "You can do that?" says the other. That's amazing." It's true. Lotto Express—the program behind the pinpad purchase option—is an example of disruptive technology that speaks to the unique culture and spirit of innovation at BCLC. Available only in British Columbia (so far), Lotto Express is simple and seamless for customers: they can buy tickets at grocery and liquor store check-out counters. That means they don't have to stand in line a second time. It's winning customer satisfaction ratings of 94 per cent. And it's increasing sales: roughly three in four users surveyed in the 2012 pilot said they hadn't planned to buy a ticket, but then did so because of the convenience. Behind the scenes, this new technology is highly complex—and brimming with potential. First, it adds new distribution points for lotto sales that respond more effectively to changing customer traffic patterns, which will help maintain and build our player base. Second, because it relies on the retail partner's pinpads, it represents a whole new kind of business for BCLC, built around strengthening relationships with retailers. And it is growing. At the end of 2013/14, Lotto Express was live or in the planning stages for 1,650 lanes in more than 300 stores.

Rocking the house with a new casino experience

Great Canadian Casinos opened the newly renovated Boulevard Casino in Coquitlam as the Hard Rock Casino Vancouver in December, 2013. It's a different kind of casino experience and it's a rocking success. In the first three months after opening, we have seen growth in attendance from younger player segments and the entertainment amenities are helping to drive new visits. Most of these were light and casual players. There are more 25–34 and more 45–54 year-olds coming to play, and more players are willing to recommend this casino to friends. The Hard Rock brand is one of the most globally recognized entertainment brands in the world and this is the first Hard Rock Casino in Canada.

Table games peak during Chinese New Year

Chinese New Year celebrations are usually a peak time of the year for table games in Metro Vancouver, and in 2014 we experienced our highest volume ever. The strong performance of 2013/14 can be attributed to a few key strategies to refresh our table games. We added 28 high limit Baccarat tables to our network, introduced side bets, including a table progressive, and new table aggregate limits for high limit rooms in our casinos. Table game net win is usually higher during this time of year. Thanks to an enthusiastic response from regular players and tourists, this year broke records set for the past five years: 30 per cent higher than the average of the table game net win during Chinese New Years from 2009 to 2013.

Staying on top of our games

A BCLC gaming technician is in the warehouse helping his colleagues work on another shipment of old slot machines. These machines are being refreshed. That means they are stripped down, opened up, loaded with the latest software and given a new look. Makeover complete, and playing a whole new game, they will soon be shipped out to various casinos across the province. With more than 12,000 slot machines to manage, the systems we use are based on customer data analysis to determine timing, types and numbers of games, which machines need refreshing and where they need to be sent once they are refreshed. In 2013/14 we refreshed 2,000 games this way so players could experience new and exciting game themes.

6

Innovation

Ways we excel at what we do

Finding new ways to connect with vulnerable players

A senior boards a shuttle bus on her way to the Grand Villa casino in Burnaby. Staff from BCLC's Responsible Gambling (RG) team are on board, talking with passengers and handing out free Scratch & Learn cards. Just like Scratch & Win tickets, these are fun to play. The card offers her a chance to enter a draw, and it invites her to choose whether the two questions it contains are true or false. Will this tempt her to check out the GameSense Information Centre at the casino even before she starts to gamble? This is one question the RG team wondered about during their GameSense Scratch & Learn pilot. We are always looking for new ways to connect with players who have unique characteristics or who may face elevated risks related to gambling. We have recently focused on special populations, and our RG team developed this simple yet innovative approach following some intensive research. The results are clear. In our pilot conducted in two phases in February and March 2014 at the Grand Villa, over 70 per cent of the cards distributed on shuttle buses led to players visiting the GameSense Info Centre and engaging in a meaningful conversation about responsible gambling with a GameSense Advisor where some RG information or tools are shared. Even more important, they did this before they started to gamble. Our commitment to keeping gambling fun is just one part of our broader commitment to social responsibility. Read the full report on our SR activities for the year.

Mastering complexity to deliver seamless service

BCLC's Manager of Software Release Services and his team begin the complex task of launching the new Lotto 6/49. It will offer Canadian lottery players a new $1 million prize that's guaranteed to be won with each and every draw, jackpots that start at $5 million, and new free play prizes that can be won by matching just two numbers. This is the second time the game has been overhauled since its launch in the early 1980s—and "complex" only begins to describe it. With the new $1 million prize that's guaranteed to be won with every draw, Lotto 6/49 will be creating more millionaires every week. For players, it will be a seamless transition. Behind the scenes, the pressure is on. Technicians are coordinating upgrades to six internal technology systems and five player-facing systems across two major platforms (traditional and electronic) with four different software vendors. The work is completed in just four hours—an incredible accomplishment. It speaks to the value of BCLC's ongoing work to transform separate business streams into one massive engine—driven by a lean, collaborative workforce.

B.C.'s first Lotto 6/49 guaranteed $1 million prize draw winner

Congratulations to Lodrigo Arnuco of Coquitlam, who becomes B.C.'s first winner of the new Lotto 6/49 guaranteed $1 million prize draw on PlayNow.com in November 2013. The 50-year-old plans to pay off his house, invest the rest and watch his winnings grow. BCLC sold 340 million lottery tickets in 2013/14, and validated 201 million tickets. This adds up to 541 million lottery transactions across the province last year.

Mission responsible: encourage research and dialogue

Parisa Hedayatmofidi, an emerging research scientist at the Centre for Addiction and Mental Health at the University of Toronto, prepares a presentation for a major international gambling conference. Her area of expertise? Opposing Effects of Controllable and Uncontrollable Stress in an Animal Model of Gambling Behaviour. Parisa is determined to make a difference in the field of responsible gambling, and she has our support. We are providing $1,000 towards her conference registration, travel and accommodation—part of her prize after she was chosen as a winner of the poster session at BCLC's second annual New Horizons in Responsible Gambling conference. Eleven up-and-coming academics took part. Their research topics ranged from gambling and homelessness to decision-making behaviour. The exhibit floor was buzzing as delegates interacted with presenters and learned more about their research.

Our player support call centre managed an average of 96,000 interactions

At end of 2013/14 Lotto Express was live or in the planning stages for 1,650 lanes in more than 300 stores.

Innovation

Ways we excel at what we do

Continued

Held in January 2014, the New Horizons conference brought together experts from the academic, industry and treatment and prevention communities to share insights and best practices, report on findings and generate discussion. It strives to be the leading forum for generating dialogue about responsible gambling.

Let's talk about Responsible Gambling

Several players are talking to the GameSense Advisor at the River Rock casino in Richmond—learning more about how gambling works and how to keep it fun. Pioneered by BCLC in 2009, GameSense is internationally recognized and proven. During 2013/14, 22 trained GameSense Advisors worked more than 35,000 hours at Information Centres in B.C. casinos. On average, they interacted with more than 4,500 players every month. Saskatchewan and Manitoba adopted the GameSense program this year, offering the full suite of tools for players—in person at casinos and online anytime. BCLC does not charge a fee or commission for the use of GameSense: spreading the word about responsible gambling is part of our commitment to social responsibility; and a national brand will help ensure Canadians are all focused on keeping gambling fun.

Is it GameSense or is it nonsense?

It's Responsible Gambling Awareness Week (RGAW) in Prince George. A GameSense Team Leader gives Rowdy Cat, the mascot of the Prince George Cougars hockey club, a lesson in responsible gambling at the GameSense kiosk set up in the arena. GameSense or nonsense? "I've been playing one slot machine all evening and it hasn't paid out yet. It must be due for a win." The correct answer is, "nonsense," and this is one way BCLC raises awareness about the myths associated with gambling. GameSense is all about making informed choices. It's designed to give people the tools they need to play responsibly. We do this with a fun, friendly approach to engage with people online, in person and at self-serve kiosks in community gaming centres around B.C. Informed gamblers are gamblers who play for fun, not for money, and who know when to stop. We also take the GameSense message out to places like libraries and shopping malls during our annual Responsible Gambling Awareness Week events. In 2013/14, Prince George was one of six communities hosting RGAWs, along with Kamloops, Greater Victoria, Langley, Richmond and Vernon. Vernon held the first B.C. RGAW in January 2012. BCLC's director of Corporate Social Responsibility was there.

Business to Business

Our business in four stories

Real time analysis to provide solid decision support

BCLC's Director of Decision Support sits in her office, deep in discussion with BCLC's marketing director for eGaming. Although it delivers a smaller share of revenues than long-established products like lottery, the PlayNow platform is giving eGaming unprecedented opportunities for growth—and the eGaming team has some new marketing ideas. This is where the decision support role can make a difference. The Director of Decision Support has financial analysts in every BCLC business unit. Working side-by-side with the people they're supporting gives these analysts a clear understanding of how each part of the business works, adding great value to their expertise and insight. In the case of eGaming, they can help refine a wide range of options to help ensure the most effective and efficient use of their resources. The Decision Support team was established in the fall of 2013. BCLC is lowering its cost base and taking steps to increase efficiency, including this new approach to managing financial risk. For example, we have changed the way we focus on major projects by thinking hard about what we continue to do and what we will not do. This allows us to focus our efforts and resources on the projects with the greatest potential for results.

We stand behind your community's gaming grants

Teenaged members of the Bantam female Timberwolves hockey team take to the ice for an early morning practice at the Cariboo Memorial Complex in Williams Lake. You can't see us, but BCLC is part of the support team. We generate the revenue for community gaming grants. $135 million is distributed by the Gaming Policy Enforcement Branch through community gaming grants to more than 5,000 community organizations every year. One of these groups is the Williams Lake Minor Hockey Association, which includes the Timberwolves hockey team.

2013/14 Gaming Grants

- to WLMHA: $100,000
- to Williams Lake: (total) $293,775
- to B.C.: (total) approximately $135 million

Our Data Centre excels at round-the-clock service

There is an emergency alert at the BCLC Data Centre. A network link is down and eCasino games are temporarily unavailable. Even though it's the middle of the night, technicians are on it immediately. The issue is resolved and eCasino games are back online in minutes. This kind of fast response is crucial—not just for players, but for BCLC's growing number of business-to-business customers. We're leveraging platforms like PlayNow.com and our system for offering lotto sales on pinpads, and that puts us in a relatively new position. Examples of ways are generating new revenues and serving our players, the public and other businesses include: working with the Manitoba Lotteries Corporation to keep PlayNow.com running smoothly halfway across the country; sharing our GameSense responsible gambling program with Saskatchewan; and optimizing pinpad lottery sales to suit our new retail partners. Our data centre in Kamloops, and all the people working there, are vital to developing this promising new revenue stream—managing massive quantities of data.

Help as needed, and room to grow

A new PlayNow.com player tries to access her account, but she can't remember her password. She clicks the Live Chat icon for help—and a BCLC technician in Kamloops is online, solving the problem, in less than 15 seconds. In 2013/14, the Player Support call centre managed an average of 96,000 interactions with customers. These include phone calls, emails and live chat conversations. From that volume, 9,000 interactions were with B.C. players. The other 600 interactions were with Manitoba players, because the call-in centre also services PlayNow Manitoba customers. Manitoba signed on in 2012, with BCLC providing not only the technology platform but all of the associated customer and player supports. Other jurisdictions are watching Manitoba's experience with keen interest and chances are good for PlayNow.com to grow even further.

We strive
to create
outstanding
gambling
experiences

The number of player interactions at GameSense Info Centres was 54,656

Our culture

8 days a week we walk the talk

Making mulch of lunch

Two employees scrape leftover food from their lunches into a compost bin. And the bin is more than just a plastic container. It's a symbol of the unique culture of BCLC employees. The City of Kamloops has no dedicated system for managing organic waste, so BCLC headquarters staff partnered with their facility manager to create their own on-site composter early in 2014. The finished materials are used for landscaping. Diverting waste from landfills is part of BCLC's commitment to social responsibility. In 2013, 89 per cent of the waste from the Vancouver office was diverted. The Kamloops office will be audited in 2014.

Combining precision with randomness to make the deadline, every day

An order processor works at her picking station in the Lottery Distribution warehouse at BCLC. She's well-trained in the use of multiple firewalls, both literal and procedural, to guarantee the security of the millions of lottery tickets that she and her crew process each year. Tickets are printed off site by a contracted service provider and they are subjected to a system combining precision with randomness so no one at BCLC knows which tickets are the winners in any given batch or box. Boxes are assigned to picking stations each day at random and the pickers have no idea whose order they are filling at any given time. Information appearing on screens are identified by order numbers, and everything is audited daily to ensure every ticket is accounted for. This team packs over 165,000 orders a year, or more than 400 per day. Day in and day out, every day of the week. And they have never missed their 5 pm shipping deadline.

Got input? Join xchange

A man checks his smart phone and sees he has an email from BCLC, inviting him to share his views as part of the *xchange* community panel. Today's topic is a Scratch & Win game; and he's invited to tell us what he thinks about Set for Life becoming a $5 ticket and what prizes he thinks it should offer. He responds, and becomes part of a user group saying they prefer 12 instead of 10 top prizes of $1,000 a week for 25 years and an additional 10 prizes of $100,000. We follow this advice to feature these prize preferences on our brand new $5 ticket, and we launch it in June 2013. The first month of sales are 21 per cent higher than Set for Life in the same period of 2012. This is one way customer-focused research guides decision making at BCLC.

We offer a new survey or discussion forum online every month or so and—since we are an entertainment company—there are, of course, prizes for participating. To learn more, go to https://www.bclcxchange.com

Coffee shop feedback fuels eGaming earnings

A BCLC eGaming analyst is at a coffee shop, talking to customers—showing them the graphics he's working on and asking for their feedback. This kind of outreach is not in his job description. He's just passionate about his work. And he's one reason for the burgeoning success of our eGaming business. We check in with our players regularly to ensure they have a great online experience with our online casino games. In 2013/14 our overall player satisfaction scores are strong and players told us the site is easy to use.

Volunteering to make a difference

When our BCLC Sports Product Specialist, Tim Whitehead, got the call from his old high school, he answered. He learned that the basketball team at Delta Secondary, badly needed a coach and—even though he works full time at BCLC—he jumped at the chance. By the end of 2013/14, he had logged about 300 volunteer hours as head coach for Delta's senior boys' team. And the team had earned an impressive 17–12 record. He's one of many BCLC employees making positive contributions to their communities. Another example is Curt Foidart, a Senior Systems Administrator with BCLC. He has traveled to Debre Birhan Ethiopia to make a difference. He used a pickaxe, sweating in the midday heat to dig the foundation for a family's new home. By the time he headed back to work

Our culture

8 days a week we walk the talk

Continued

at BCLC, he experienced everything from mixing cement to weaving eucalyptus bark—not to mention the realities of daily life in this remote part of central Ethiopia. Believe it or not, this is how he spent his vacation, doing 100 hours of hard physical labour, book-ended by more than 80 hours of total travel time. “I have a sense of adventure,” he explains, adding that the highlight was “the smiles, tears and thanks we received on a daily basis” from the families they were helping. This kind of interest in the health and well-being of others is part of our culture at BCLC. And individual contributions like these are just one part of the picture.

Read the full report on our SR activities for the year.

Midsummer Music Jam

The 2013 BCLC Midsummer Music Jam in Kamloops celebrated the 20th year that BCLC has been the presenting sponsor of Music in the Park. The August event entertained a crowd of thousands, and more than one million people have enjoyed these concerts since 1993. This well-loved Music in the Park concert series presents free music by local and international entertainers at Riverside Park in Kamloops every night in July and August. This is the only free live music series in North America that takes place for 60 nights every summer. We are proud to support communities and make a meaningful impact through our sponsorships. BCLC also sponsored the 2014 Tim Hortons Brier in Kamloops, providing volunteers and generating excitement for the event through radio contests and VIP experiences.

We manage more than 12,000 slot machines around the province.

2013/14

Highlights

$ Million	
1,174.6	2013/14 Net income
756.9	B.C. government for public services
147.3	B.C.'s health special account for health care, research and education
135.0	5000 charities and community organizations
86.9	31 Host Local Governments with a community gaming centre or casino to fund local programs
12.7	Gaming Policy and Enforcement Branch (GPEB) for industry oversight
11.4	Development assistance compensation in local funding to New Westminster, Penticton and Cranbrook to encourage economic development
9.3	Government of Canada
8.9	Standard and thoroughbred sectors of the horseracing industry
6.2	Responsible gambling initiatives

Awards

Top Employer in B.C. by Mediacorp Canada Inc.

Gold MarCom award—Government—BCLC 2012/13 Annual Report

Gold MarCom award—Other: Conference—New Horizons Responsible Gambling concert

Launched

New Lotto 6/49

Gaming Management System in 13 gambling facilities

Hard Rock Casino Vancouver in Coquitlam

Chances Maple Ridge

Milestones

Lottery retail revenues—$1,032.5 million, highest ever annual revenue

$870.5 million in net income from Casino and Community Gaming, highest ever annual revenue

$230.7 million from Scratch & Win Revenues

$304.1 million in net income from Lottery and eGaming

$27 million in table net win from Chinese New Year in Metro Vancouver

Social Responsibility

Responsible Gambling Awareness Week in six B.C. communities

New Horizons in Responsible Gambling Conference in Vancouver

$2 million investment; and New Research Chair in Centre for Gambling Research at the University of British Columbia

Highlights 2013/14

Each year, local governments that host casinos or community gaming centres receive a share of net income generated by those facilities. The Host Local Government share charts show provincial payments made to Host Local Governments in 2013/14 as compared to 2012/13.

Host Local Government Share of Casino Revenue

Local Government	Casino	Total 2013/14	Total 2012/13
(in thousands of dollars)			
Burnaby	Grand Villa Casino	$ 9,644	$ 8,826
Coquitlam	Hard Rock Casino Vancouver[1]	6,386	7,386
Langley	Cascades Casino	5,623	5,793
Kamloops	Lake City Casino Kamloops	1,667	1,819
Kelowna	Lake City Casino Kelowna	1,912	1,977
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies	1,163	1,344
Nanaimo	Casino Nanaimo	2,452	2,431
New Westminster	Starlight Casino	5,735	5,702
Penticton	Lake City Casino Penticton	1,544	1,594
Prince George	Treasure Cove Casino	2,564	2,622
Quesnel	Billy Barker Casino	469	500
Richmond	River Rock Casino Resort	17,367	15,701
Surrey	Fraser Downs Racetrack and Casino	2,773	2,998
Vancouver	Edgewater Casino	7,186	6,085
	Hastings Racecourse Casino	1,067	1,215
Vancouver Total		8,253	7,300
Vernon	Lake City Casino Vernon	1,880	2,001
View Royal	View Royal Casino	3,974	4,143
Total		$ 73,406	$ 72,137

1 Boulevard Casino rebranded to Hard Rock Casino Vancouver on December 20, 2013.

$73.41M

$13.5M

Highlights 2013/14

Host Local Government Share of Community Gaming Centre Revenue

Local Government	Community Gaming Centre	Total 2013/14	Total 2012/13
(in thousands of dollars)			
Abbotsford	Chances Abbotsford	$ 892	$ 971
Campbell River	Chances Campbell River	676	684
Castlegar	Chances Castlegar	426	452
Chilliwack	Chances Chilliwack	1,228	496
Courtenay	Chances Courtenay	837	835
Cowichan Indian Band	Chances Cowichan	677	734
Dawson Creek	Chances Dawson Creek	779	831
Fort St. John	Chances Fort St. John	916	947
Kamloops	Chances Kamloops	700	659
Kelowna	Chances Kelowna	1,745	1,733
Langley	Playtime Langley	113	130
Maple Ridge	Chances Maple Ridge	912	820
Mission	Chances Mission	547	626
Port Alberni	Chances RimRock	444	427
Prince Rupert	Chances Prince Rupert	485	425
Squamish Nation	Chances Squamish	223	237
Surrey	Newton Community Gaming Centre	679	188
Terrace	Chances Terrace	675	626
Williams Lake	Chances Signal Point	531	579
Total		$ 13,485	$ 12,400

BCLC casino and community gaming revenue charts show all revenue generated by B.C. gambling facilities on behalf of BCLC for 2013/14 as compared to 2012/13. Slot machine and table game revenue is recorded as "net win," which is revenue after prizes are paid. Bingo revenue is recorded as "sales," which is revenue before prizes are paid.

BCLC Casino Revenue

Casino	Service Provider	No. of Slot Machines*	Slot Machine Revenue 2013/14	No. of Tables	Table Game Revenue 2013/14	Total Casino Revenue 2013/14	Total Casino Revenue 2012/13
(in thousands of dollars)							
Billy Barker Casino, Quesnel[1]	585 Holdings Ltd.	138	$ 8,200	5	$ 181	$ 8,381	$ 8,296
Cascades Casino, Langley	Gateway Casinos and Entertainment Limited	832	83,882	27	19,672	103,554	106,025
Casino Nanaimo	Great Canadian Casinos Inc.	384	40,142	6	2,654	42,796	43,240
Casino of the Rockies, Cranbrook	SEM Resort Limited Partnership	234	12,098	11	642	12,740	14,091
Edgewater Casino, Vancouver	Edgewater Casino ULC	600	59,850	70	78,274	138,124	116,291
Fraser Downs Racetrack and Casino, Surrey	Orangeville Raceway Ltd.	475	42,324	22	6,495	48,819	52,728
Grand Villa Casino, Burnaby	Gateway Casinos and Entertainment Limited	1,038	111,534	58	71,930	183,464	167,359
Hard Rock Casino Vancouver, Coquitlam[2]	Great Canadian Casinos Inc.	983	89,606	53	32,258	121,864	139,261
Hastings Racecourse Casino, Vancouver	Hastings Entertainment Inc.	596	19,726	–	–	19,726	20,788
Lake City Casino Kamloops	Gateway Casinos and Entertainment Limited	308	27,003	6	1,924	28,927	31,001
Lake City Casino Kelowna	Gateway Casinos and Entertainment Limited	459	30,664	16	4,831	35,495	36,616
Lake City Casino Penticton	Gateway Casinos and Entertainment Limited	308	25,741	9	1,321	27,062	27,593
Lake City Casino Vernon	Gateway Casinos and Entertainment Limited	408	33,630	–	–	33,630	34,849
River Rock Casino Resort, Richmond	Great Canadian Casinos Inc.	1,138	136,462	115	206,770	343,232	315,719
Starlight Casino, New Westminster	Gateway Casinos and Entertainment Limited	894	72,734	57	35,515	108,249	107,890
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	547	43,373	9	2,120	45,493	45,888
View Royal Casino	Great Canadian Casinos Inc.	565	62,256	12	8,179	70,435	73,695
Total		9,907	$ 899,225	476	$ 472,766	$1,371,991	$ 1,341,330

* Number of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Table games (including poker) were re-introduced at Billy Barker Casino on July 12, 2013.

2 Boulevard Casino rebranded to Hard Rock Casino Vancouver on December 20, 2013.

BCLC Community Gaming Revenue

Community Gaming Centre or Commercial Bingo Hall	Service Provider	No. of Slot Machines*	Slot Machine Revenue 2013/14	Bingo Revenue 2013/14	Total Community Gaming Revenue 2013/14	Total Community Gaming Revenue 2012/13
(in thousands of dollars)						
Bingo Esquimalt	319968 BC Ltd.	–	$ –	$ 3,856	$ 3,856	$ 4,024
Chances Abbotsford	Playtime Peardonville Ventures Ltd.	190	15,574	535	16,109	17,052
Chances Campbell River	Playtime Community Gaming Centres Inc.	129	11,902	929	12,831	12,947
Chances Castlegar	Terrim Properties Ltd.	104	7,553	222	7,775	7,724
Chances Chilliwack[1]	Great Canadian Entertainment Centres Ltd.	189	21,142	5,665	26,807	17,049
Chances Courtenay	Playtime Community Gaming Centres Inc.	168	14,724	795	15,519	15,025
Chances Cowichan, Duncan	Duncan Dabber Bingo Society	154	11,923	1,935	13,858	14,488
Chances Dawson Creek	Great Canadian Entertainment Centres Ltd.	159	13,634	280	13,914	14,417
Chances Fort St. John	243045 Alberta Ltd.	201	16,386	407	16,793	16,560
Chances Kamloops	Enterprise Entertainment Ltd.	163	12,381	3,891	16,272	15,256
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	285	30,216	6,738	36,954	36,608
Chances Maple Ridge	Great Canadian Entertainment Centres Ltd.	182	15,782	2,987	18,769	17,382
Chances Mission	Gateway Casinos and Entertainment Limited	129	9,727	960	10,687	11,652
Chances Prince Rupert	0733244 BC Ltd.	115	8,626	1,001	9,627	8,228
Chances RimRock, Port Alberni	Alberni Valley Gaming Association	104	7,775	1,186	8,961	8,529
Chances Signal Point, Williams Lake	Lucky's Ventures Ltd.	133	9,333	1,630	10,963	11,667
Chances Squamish	Gateway Casinos and Entertainment Limited	111	4,191	375	4,566	4,308
Chances Terrace	Lucky Dollar Bingo Management Ltd.	79	11,742	954	12,696	11,834
Fairweather Bingo, Vernon	Terrim Properties Ltd.	–	–	3,066	3,066	3,519
Harbour City Bingo, Nanaimo	Harbour City Bingo Society	–	–	5,259	5,259	4,584
Newton Community Gaming Centre	Gateway Casinos and Entertainment Limited	158	11,473	5,629	17,102	10,719
Planet Bingo, Vancouver	Community Gaming Management Association	–	–	8,366	8,366	9,670
Playtime Langley	Playtime Community Gaming Centres Inc.	50	2,043	4,719	6,762	6,877
Playtime Nanaimo[2]	Playtime Community Gaming Centres Inc.	–	–	–	–	1,500
Playtime Penticton	Playtime Community Gaming Centres Inc.	–	–	2,392	2,392	2,407
Playtime Victoria	Playtime Community Gaming Centres Inc.	–	–	3,544	3,544	3,634
Treasure Cove Casino, Prince George[3]	Treasure Cove Casino Inc.	–	–	9,195	9,195	8,925
Total Community Gaming Centres & Commercial Bingo Halls		2,803	$ 236,127	$ 76,516	$ 312,643	$ 296,585
Paper Bingo Distribution Revenue					203	215
Total					$ 312,846	$ 296,800

* Number of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Chances Chilliwack opened October 30, 2012 and operated as Chilliwack Bingo up to October 21, 2012.

2 Playtime Nanaimo Closed October 27, 2012.

3 Treasure Cove Casino Slot Machine Revenue is reported on the BCLC Casino Revenue chart.

$312.85M

Corporate governance

Corporate governance refers to clearly defined processes with respect to the selection and composition of the Board and senior management and the division of responsibilities, decision making and accountability among the Board, senior management and our Shareholder to ensure BCLC's short and long-term success is consistent with our mandate and mission.

Governance Framework

As a Crown agent, BCLC complies with Government disclosure requirements for public accountability and transparency detailed in Best Practices Guidelines—B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations and the Board Resourcing and Development Office's Part Three.

More information is available at corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html

The scope of our formal governance framework includes our:

- Corporate mandate, vision and mission
- Principles and guidelines for our Board of Directors, Chair, Board Committees, President & Chief Executive Officer
- Processes for strategic and succession planning
- Procedures for Board performance evaluations
- Government's Letter of Expectations outlining our commitment to deliver on performance expectations for the benefit of B.C.

Board of Directors

As set out in the *Gaming Control Act*, BCLC's Board comprises up to nine members who are appointed by the Lieutenant-Governor in Council. While BCLC's senior management attend all Board meetings, in accordance with best practice, Board members also meet in-camera at each meeting. The Board provides oversight and ethical leadership for long-term success for the Shareholder—the Government of British Columbia—and ensures our governance framework aligns BCLC business practices with Crown principles.

Overall Board duties are:

- Appoint the CEO, plan their succession, approve their terms of reference and review their performance
- Participate in the development of BCLC's strategic and service plans
- Ensure the implementation and integrity of BCLC's internal control and management information systems
- Monitor operational and financial results
- Ensure BCLC operates within applicable laws and regulations and to the highest ethical and moral standards
- Ensure BCLC has a plan/policy to enable management and the Board to communicate effectively with Government, stakeholders and the public

Board Members

Chair
Bud Smith, Kamloops
Presiding Director, liaison between the Board and the Minister responsible for BCLC

Vice-Chair
Arthur Willms, Vancouver

Directors
Trudi Brown, Victoria
David W. Gillespie, Kamloops
Bob Holden, Kamloops
Moray Keith, Delta
Wendy Lisogar-Cocchia, Vancouver
Michael Riley, Surrey

Per the Code of Conduct and Conflict of Interest Guidelines, Directors act with prudent skill and diligence in the best interests of BCLC.

Board Committees
The Board assigns specific committees to fulfil responsibilities and Committee Chairs report performance and recommendations to the Board. The Chair of the Board and BCLC's President & CEO are ex-officio members of all committees.

Audit Committee

Acts to liaise with auditors of BCLC financial operations; presents approved financial statements and quarterly reports to the Board; reviews financial information submitted to Government and the public; and oversees information systems, risk management and internal controls.

Chair
Michael Riley

Members
Trudi Brown, Moray Keith; Bob Holden

Risk Committee

Assists the Board of Directors in fulfilling its oversight responsibilities by helping to identify and deal with potential operational, strategic and reputational risks.

Chair
Moray Keith

Members
Art Willms, David Gillespie, Wendy Lisogar-Cocchia

Governance and Corporate Social Responsibility Committee

Aligns governance focus to optimize overall performance; advances scope of social responsibility; evaluates Board effectiveness; and plans succession for future Board composition.

Chair
David W. Gillespie

Members
Wendy Lisogar-Cocchia, Bob Holden, Michael Riley

Human Resources and Compensation Committee

Aligns strategies, practices and succession with future goals; evaluates performance and compensation of the President & CEO; reviews employee compensation, benefits, resource allocation and training to drive performance.

Chair
Trudi Brown

Members
Art Willms, David Gillespie, Bud Smith

BCLC Senior Management and Executives

Interim President & CEO
Jim Lightbody

Vice-Presidents:

Peter Charlton	Human Resources
Brad Desmarais	Corporate Security and Compliance
Susan Dolinski	Communications and Social Responsibility
Rhonda Garvey	eGaming
Kevin Gass	Lottery Gaming
Lynette DuJohn, CIO	Business Technology
Monica Bohm	Interim Casino and Community Gaming
Jervis Rodrigues, CFO	Finance and Corporate Services

B.C. Lottotech International Inc. (Lottotech)

This wholly owned subsidiary leases BCLC capital assets which are budgeted and approved by our Board of Directors and included in our financial statements. Lottotech Officers are BCLC's President & CEO and Vice-Presidents.

SR Governance and Management

Government's letter of expectations

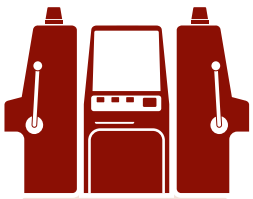
Government's letter of expectations is an annual letter to BCLC reinforcing the corporation's mandate, identifying strategic priorities and setting out performance expectations, which are the cornerstones of the corporation's governance framework. The letter articulates the responsibilities and expectations of both parties to reinforce our positive collaborative working relationship—a relationship that benefits all British Columbians.

A summary of BCLC's work to fulfil the Government of British Columbia's expectations for 2013/14 can be found below. Read the full letter outlining these expectations.

Government Direction	BCLC Actions
Operate the gambling 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.	We deliver gambling within the social policy framework established by Government in a manner that encourages responsible gambling and healthy choices. We continuously focus on enhancing our responsible gambling programs and raising awareness about how to access them. Our programs include Voluntary Self-Exclusion and GameSense. GameSense helps players make informed decisions about our gambling products. There are GameSense Information Centres in all BC casinos and community gaming centres. Information is also available online at *GameSense.ca*, *bclc.com* and *PlayNow.com*.
Continue to support the joint responsibility between the corporation and the regulatory agency, the Gaming Policy and Enforcement Branch (GPEB), for the delivery of the strategy.	We support the Province in its efforts to reduce the incidence and harmful impacts of problem gambling. We also support its efforts to educate players and to raise public awareness of responsible gambling and problem gambling information. BCLC works with other Canadian gaming jurisdictions to strengthen the industry's commitment to share responsible gambling best practices. We hosted our second annual international conference, New Horizons in Responsible Gambling, in January 2014. The conference featured responsible gambling experts discussing developments in best practices, problem gambling response and problem gambling prevention. BCLC also partnered with six communities and GPEB to deliver the third annual series of Responsible Gambling Awareness Weeks between January and March 2014. The objective: promoting responsible gambling practices and raising awareness of the resources available for problem gamblers. In 2013/14, the Government of British Columbia dedicated $2 million through BCLC for a new, independent Centre for Gambling Research at the University of British Columbia. The centre's research will help inform the Province's responsible and problem gambling programs. Following government goals and direction, BCLC is striving to reduce reportable greenhouse gas emissions from the 2007 baseline by 33 per cent by 2020.

Government Direction	BCLC Actions
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 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).
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 has implemented a number of cash alternative options for players and continues to educate players about these alternatives. BCLC is in the process of creating an Anti-Money Laundering Unit (AML), which will strengthen the anti-money laundering compliance programs and work with GPEB and other stakeholders in this delivery.
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.	Within the gambling framework established by the Province of British Columbia, in 2013/14 BCLC achieved a record $1.175 billion in net income, $2.6 million over budget and $49.4 million higher than last year. Net win was $60.4 million higher than the previous year. We were able to increase net income by diligently managing our costs. We are continuing to focus on our players and understanding what the consumer wants, so we can deliver on their expectations.
Optimize the performance, security, integrity and efficiency of the corporation through the modernization of infrastructure, process, and technology.	During 2013/14, BCLC continued to invest in the technology, systems and processes necessary to deliver optimal performance with efficiency, integrity and security. A primary focus for the year continued to be the replacement of the gaming management system.

How we work



BCLC service providers operate over

12,100

slot machines

17

Casinos

500

table games

19

Community Gaming Centres

$615.7M

In Prizes to Lottery and eGaming players

BCLC generates

$2.8B

in gambling revenues annually

(total)

7,000

Paper & Electronic Bingo games

37,000

People employed through BC's gambling industry

4,000

Lottery Retailers

$1,032M

Lottery Revenue

$871M

Casino & Community Gaming Net Income

$304.1M

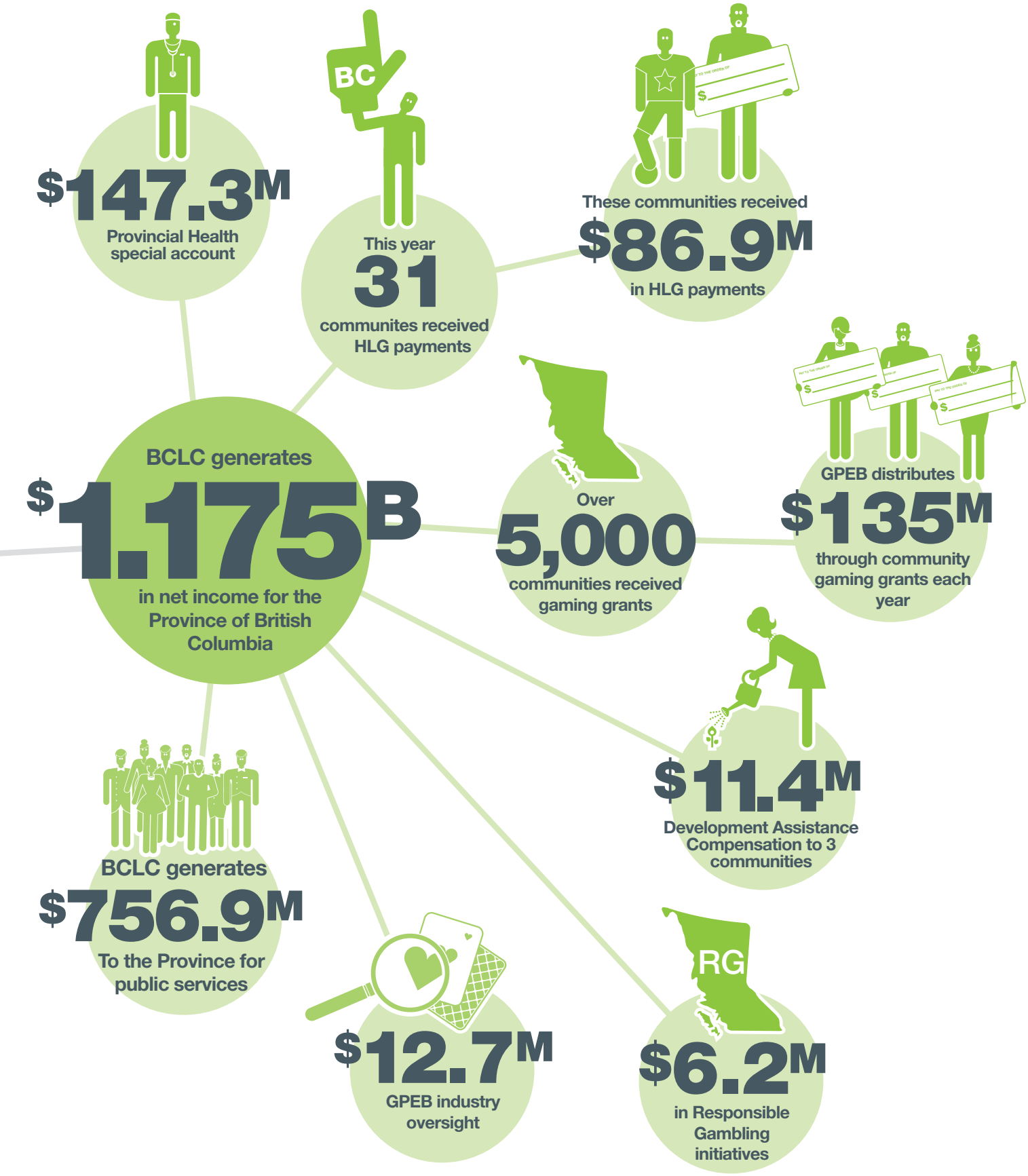
Lottery & eGaming Net Income

$230.7M

Scratch & Win Revenue

900

employed by BCLC in Kamloops & Vancouver


$147.3M
Provincial Health special account
BC
This year
31
communites received HLG payments
These communities received
$86.9M
in HLG payments
BCLC generates
$1.175B
in net income for the Province of British Columbia
Over
5,000
communities received gaming grants
GPEB distributes
$135M
through community gaming grants each year
$11.4M
Development Assistance Compensation to 3 communities
BCLC generates
$756.9M
To the Province for public services
$12.7M
GPEB industry oversight
RG
$6.2M
in Responsible Gambling initiatives

Our Performance

BCLC's Board of Directors and Senior Executive conduct an annual review of our performance framework. This includes our vision, mission, goals and objectives and our performance measures and associated targets. The review is to determine how successful we have been in achieving our goals. Our performance framework was identified in our 2013/14–2015/16 Revised Service Plan. Appendix 1 provides a comparison of our performance framework from the 2013/14–2015/16 Revised Service Plan to our new 2014/15–2016/17 Service Plan.

To assess our performance relative to comparable businesses, BCLC gathers benchmarking information from other gambling jurisdictions with similar operations. This benchmarking information is shown in Appendix 2 of this report.

This Annual Service Plan Report provides an overview of our performance results compared to our 2013/14 targets. It also gives an overview of BCLC's social responsibility (SR) performance framework outlining performance measures and related targets. BCLC uses a modified balanced scorecard to manage, measure and report on our business results, which includes Player, People Public and Profit aspects. These four perspectives are used to manage the short, medium and long-term views of our business in a cohesive manner. The three pillars of Social Responsibility—social, environment and economic—are integrated into BCLC's scorecard. BCLC's Social Responsibility Performance Framework contains the metrics we use to track progress towards our social responsibility strategies, in alignment with BCLC's business priorities.

In 2012/13, BCLC externally published our Social Responsibility Performance Framework for the first time, as part of our Annual Service Plan Report. In establishing measures for the Social Responsibility Framework, BCLC engaged a committee of leaders from across the business to tailor reporting to our industry and business. While still emerging, the framework is one of the ways BCLC is becoming more transparent about how we manage and report on our business. Detailed information for each of the SR performance measures, targets and results can be found in BCLC's Social Responsibility report.

How we measure our performance

We set our performance targets based on current performance trends; the expected impact of our programs to maintain or improve our performance; and the anticipated impact of external environment and market factors.

For the categories of Player Satisfaction, Player Participation, Player Awareness of Responsible Gambling Activities and Public Support for BCLC, we contract with independent third-party market research professionals who conduct surveys comparing our performance results against our targets. We assess these results on a quarterly basis and analyze the data to see if our plans are achieving the desired results.

BCLC Employee Engagement is also contracted to an independent third-party market research firm which conducts an annual survey with BCLC employees. The data and calculations for Employee Vacancy Rate are obtained from BCLC internal records.

Data for the Level of Greenhouse Gas Emissions (GHG) is obtained from reports provided by external suppliers for electricity, natural gas, fleet fuel, paper suppliers and from other internal reporting sources. This data is calculated by BCLC.

Net Win per Capita, Net Income and the Operating Cost Ratio is derived from BCLC's audited financial statements and from internal reporting. Population figures are sourced from B.C. Statistics, and from Statistics Canada.

To provide insight into our level of success relative to other gambling operations, we benchmark BCLC's performance against the national average and against other gambling jurisdictions. These are: Ontario Lottery and Gaming Corporation (OLG); Loto-Québec (LQ); the Swedish lottery Svenska Spel (Svenska); and the Canadian gambling average, exclusive of BCLC's results.

Benchmark results are obtained from the publicly available, audited financial results from these organizations and from the Canadian Gambling Digest. BCLC reviews the performance results published by other jurisdictions annually for additional benchmarking opportunities.

2013/14–2015/16 performance framework: goals, objectives, strategies and performance measures

Corporate Goals Where we want to be	Objectives What we need to achieve and why it is important	Strategies How we will achieve our objectives	Performance Measures How we will measure our success
Player			
We will put players first to create the entertainment experiences they enjoy	Delight 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	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	Player Satisfaction Player Participation Player Awareness of Responsible Gambling Activities Net Win per Capita
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	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	Employee Engagement Employee Vacancy Rate
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	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	Public Support for BCLC Level of Greenhouse Gas Emissions
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	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	Net Income Operating Costs as a % of Net Win

2013/14 social responsibility (SR) framework: strategies and performance measures

In 2013/14, we continued to build our framework shown in the table below. Our SR framework encompasses all of the corporate performance measures shown on the previous page as well as the following performance measures that are specific to BCLC's SR performance detailed in our SR report.

Corporate Goals Where we want to be	SR Strategies How we will achieve our objectives	SR Performance Measures How we will measure our success
Player		
We will put players first to create the entertainment experiences they enjoy	Maintain a world-class responsible gambling program Understand and improve the player experience Protect player privacy Support our service providers in developing effective responsible gambling practices	World Lottery Association Certification Level Achieved Casinos and Community Gaming Centers Certified by RG Check Number of Player Interactions at GameSense Info Centres (GSICs) Pass Rate in Lottery Retail Mystery Shop Program Substantiated PlayNow.com Player Complaints BCLC's Privacy Practices for PlayNow.com are TRUSTe Compliant New Service Provider Employees who Passed Appropriate Response Training (ART)
People		
We will think differently, work together and act fast	Create a workplace culture that supports employee mental, physical, social, and financial well-being Promote a community investment program that supports a workplace culture of social wellness and values both corporate and individual contributions Create a workplace that understands, supports and is engaged in SR	Average Hours of Training per Year per Employee Employees who Passed "Where's your GameSense" Course Employees who Understand what Social Responsibility Means to BCLC Employees who Agree that BCLC is a Good Corporate Citizen
Public		
We will build public trust and support for BCLC	Engage key stakeholders in an informative dialogue Integrate SR into governance and management systems Offer games and conduct business in a way that is fair, honest and trustworthy Reduce energy use, reportable greenhouse gas emissions, waste to landfill, water use and paper consumption Engage employees and service providers in reducing their environmental impacts	Number of Stakeholder Engagement Sessions Waste Diverted from Landfill—Vancouver Office Waste Diverted from Landfill—Kamloops Office Office Water Use (m^3/m^2)—Vancouver Office Office Water Use (m^3/m^2)—Kamloops Office Gambling Facilities That Use SR Reporting Tool Software
Profit		
We will grow net income and invest in the long-term health of our business	We do not have any SR strategies or SR performance measures in addition to the corporate strategies and performance measures listed on page 38	

2013/14–2015/16 performance measures: actual results, targets

The table below provides an overview of our corporate performance measures and social responsibility measures. The SR framework includes all of the corporate metrics highlighted in bold, which are reported in this Annual Service Plan Report, as well as the SR specific measures which are not highlighted in bold.

Performance Measures	2011/12 Actual	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target	2015/16 Target	2016/17 Target
Player							
Player Satisfaction	**83%**	**85%**	**83%**	**81%**	**83%**	**84%**	**85%**
Player Participation[1]	**62%**	**69%**	**62%**	**54%**	**57%**	**58%**	**59%**
Player Awareness of Responsible Gambling Activities	**80%**	**78%**	**80%**	**68%**	**68%**	**69%**	**70%**
Net Win per Capita	**$450**	**$450**	**$467**	**$468**	**$454**	**$457**	**$464**
World Lottery Association Certification Level Achieved	continuous improvement		re-certify level 4	re-certify level 4	continuous improvement		re-certify level 4
Casinos and Community Gaming Centres Certified by RG Check	25%	36%	72%	72%	97%	100%	100%
Number of player interactions at GameSense Info Centres (GSICs)	N/A	43,823	N/A	54,656	60,122	66,134	72,747
Pass Rate in Lottery Retail Mystery Shop Program[2]	82%	88%	N/A	86%	N/A	N/A	N/A
Substantiated PlayNow.com Player Complaints[2]	N/A	6%	N/A	16%	N/A	N/A	N/A
BCLC's Privacy Practices for PlayNow.com are TRUSTe Compliant	N/A	compliant	compliant	compliant	compliant	compliant	compliant
New Service Provider Employees who Passed Appropriate Response Training (ART)	N/A	97%	100%	96%	100%	100%	100%

1 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.

2 BCLC will need to collect several years of data to identify trends, hence targets for 2014/15 to 2016/17 have not yet been set.

Performance Measures	2011/12 Actual	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target	2015/16 Target	2016/17 Target
People							
Employee Engagement[3]	**81%**	**82%**	**80%**	**N/A**	**82%**	**82%**	**82%**
Employee Vacancy Rate[4]	**1.9%**	**4.4%**	**4.0%**	**2.7%**	**no longer used**		
Average Hours of Training per Year per Employee	N/A	15.3	N/A	19.2	25.0	25.0	25.0
Employees who Passed "Where's your GameSense" Course	99%	99%	N/A	100%	100%	100%	100%
Employees who Understand what Social Responsibility Means to BCLC[3]	N/A	91%	N/A	N/A	91%	91%	91%
Employees who Agree that BCLC is a Good Corporate Citizen[3]	N/A	89%	N/A	N/A	90%	90%	90%
Public							
Public Support for BCLC[5]	**77%**	**80%**	**80%**	**75%**	**no longer used**		
Level of Greenhouse Gas Emissions (CO_2e metric tonnes)	**2011: 1,506**	**2012: 1,403**	**2013: 1,439**	**2013: 1,374**	**2014: 1,382**	**2015: 1,326**	**2016: 1,273**
Number of Stakeholder Engagement Sessions	N/A	44	N/A	68	75	85	2016: 95
Waste Diverted from Landfill – Vancouver Office	2011: N/A	2012: 91%	2013: N/A	2013: 89%	2014: 91%	2015: 91%	2016: 91%
Waste Diverted from Landfill – Kamloops Office	2011: N/A	2012: 36%	2013: N/A	2013: N/A[6]	2014: 50%	2015: 60%	2016: 70%
Office Water Use (m^3/m^2) —Vancouver	2011: N/A	2012: N/A	2013: N/A	2013: 0.37	2014: 0.37	2015: 0.37	2016: 0.37
Office Water Use (m^3/m^2) —Kamloops	2011: N/A	2012: N/A	2013: N/A	2013: 0.25	2014: 0.25	2015: 0.25	2016: 0.25
Gambling Facilities That Use SR Reporting Tool Software	2011: N/A	2012: 0%	2013: N/A	2013: 14%	2014: 17%	2015: 20%	2016: 23%
Profit							
Net Income (millions)	**$ 1,107.4**	**$ 1,125.2**	**$ 1,172.0**	**$ 1,174.6**	**$ 1,193.0**	**$ 1,216.0**	**$ 1,256.6**
Operating Cost Ratio (% of Net Win)	**42.0%**	**41.2%**	**42.5%**	**43.4%**	**41.9%**	**41.8%**	**41.4%**

A more detailed explanation of BCLC's performance management system and benchmarks for each measure is contained in Appendix 2.

3 BCLC will conduct the survey to measure Employee Engagement in the spring 2014 and will make results for Employee Engagement available as soon as survey results are reported. This survey also measures Employees who Agree that BCLC is a Good Corporate Citizen, as well as Employees who Understand what SR Means to BCLC.

4 Starting Fiscal 2014/15, BCLC will transition from measuring Employee Vacancy Rate to measuring Employee Turnover Rate

5 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.

6 BCLC was unable to estimate a diversion rate from our Kamloops facility in 2013 as we did not carry out a waste audit. A pilot compost program will begin in 2014 and we aim to audit waste at the Kamloops facility later in 2014 to estimate the diversion.

SR Performance Measures Discontinued in 2013/14	Rationale
Recommendations Implemented to Increase Board Oversight of social responsibility	This metric is not a good measure of best practice in SR governance, as it does not show continuous improvement beyond a set of initial recommendations.
Products and Promotions Covered by a Social Responsibility Assessment	This metric is not a good measure of performance, as 100 per cent of our products and promotions are currently covered by a Social Responsibility Assessment.
Service Provider Employees who Rated ART as Good or Excellent	This metric is not a good measure of ART training quality, based on international best practices.
Employees who Entered BCLC Volunteers Storytelling Contest	This metric is not a good representation of participation in volunteerism, and we do not have an accurate way of measuring it at this time.
Average Number and Duration of Short-Term Disability Claims and the Number that Transition to Long-Term Disability Cases	This metric is not a good measure of our performance in creating a workplace culture that supports employee mental, physical, social, and financial well-being, including work-life balance and professional development. We are in the process of developing improved metrics in this area.
Agreement to the Statement “I have trust and confidence in the games offered by BCLC”	This metric is not a good measure of SR performance, as a reflection of BCLC’s public reputation. We are in the process of developing improved metrics in this area.
e-Waste Recycled	This metric is not a good measure of SR performance, as 100 per cent of e-waste is recycled at end-of-life.

Player

Player Satisfaction

Player Satisfaction measures the percentage of our players expressing satisfaction with their experience in each of BCLC's gambling channels.

How achieving the target will help demonstrate success
Our business is focused on our players. They have many entertainment options to choose where they will spend their discretionary time and dollars. Player Satisfaction measures BCLC's overall success in transforming to become more player-centric, to meet our players' expectations and to create outstanding entertainment experiences with our games and services.

Our performance
In 2013/14, 81 per cent of our players were satisfied with their experience. Although very positive, this result is slightly below our target due to lower satisfaction levels in the third quarter compared to other periods in 2013/14. While lottery players continue to express high satisfaction with their retail experience, one contributing factor to the lower overall satisfaction result may have been that PlayNow.com members were unable to purchase lottery games on our PlayNow.com website in December 2013 due to technical issues. Further, additional feedback from our facility customers indicates opportunities exist for BCLC to enhance the entertainment experience by enriching the play value of our games.

We will continue to listen to our players. Through active player engagement, we learn about their evolving needs and how to deliver the best player experience in the highly competitive entertainment market. This includes optimizing the player experience of PlayNow.com to deliver it through mobile devices. It also includes our new gaming management system in casinos, which is part-way through implementation. We are also exploring opportunities for growth through our casino loyalty program. In addition to these initiatives we are working with our service providers, with our retailers, and through our digital channels to enhance the player experience. We expect these enhancements will positively impact player satisfaction; increase player participation; and ultimately, help us grow our revenue.

Player satisfaction

Source: Research & Incite Consultants (2011/12 to 2012/13 Quarter 3) and Ipsos Reid Corporation (2012/13 Quarter 4 onwards).

Significant changes from previous service plan

There has been no change to the measure from our 2013/14 revised 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.

Player Participation

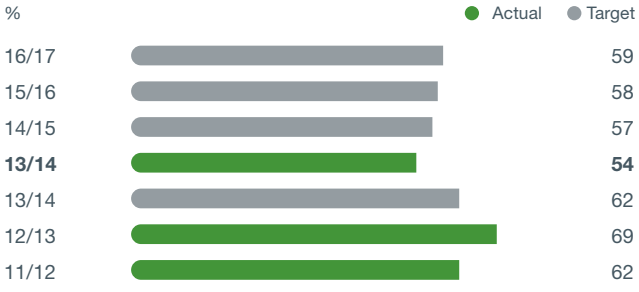
Player Participation measures the percentage of adult British Columbians who play a BCLC game in any of our gambling channels at least once a month.

How achieving the target will help demonstrate success
By measuring player participation, we gauge how successful we are in providing an exceptional player experience and in delighting our players. We do this to maintain existing play and to attract infrequent players to play our games.

Our performance
BCLC's 2013/14 result for Player Participation was below our target. While player participation via our PlayNow.com website has remained consistent compared to the previous year, there are a number of factors that may have contributed to lower than targeted participation results. In comparison to 2012/13, we experienced fewer high jackpot rolls on LOTTO MAX and Lotto 6/49 in the first three quarters of 2013/14. A reduction in our lottery marketing advertising budget compared to the previous year may also have negatively impacted participation results. Further, the Lotto 6/49 game was changed in the third quarter of 2013/14. While this game enhancement has positively impacted our revenue, the change may have resulted in lower participation rates as players are playing less, which may be due to the price increase.[7]

BCLC aspires to have one view of the player in all of our games and channels. We plan to enhance their entertainment experience by optimizing our marketing programs and delivering games across our distribution channels. The goal is to attract infrequent players to broaden and diversify our player base and achieve revenue growth.

Player participation



Source: Research & Incite Consultants (2011/12 to 2012/13 Quarter 3) and Ipsos Reid Corporation (2012/13 Quarter 4 onwards). 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.

Significant changes from previous service plan
Our targets for the next three years reflect our current lower than targeted results. They also reflect our plans to increase the entertainment value through new games and services to broaden our player base.

7 2013/14 player participation results for our casino and community gaming centres channels are not comparable to the previous year due to a change in survey questions.

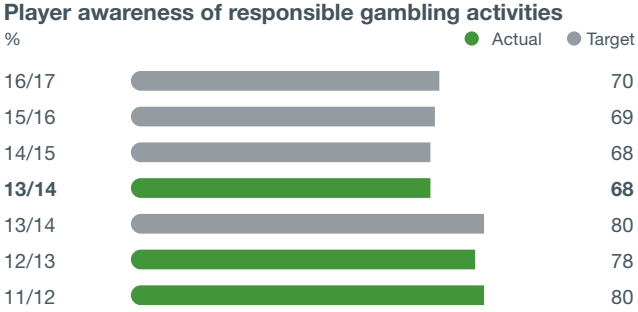
Player Awareness of Responsible Gambling Activities

Player Awareness of Responsible Gambling Activities measures the percentage of players in the past year who are aware of one or more of BCLC's five key responsible gambling activities. These are: a voluntary self-exclusion program which offers players the option to exclude themselves for a set period of time from entering any B.C. gambling venue that has slot machines or bingo, or accessing PlayNow.com; GameSense, a program that educates and reminds people about responsible gambling; the toll-free Problem Gambling Help Line; GameSense Information Centres in B.C. casinos and community gaming centres; and the ability to personally set a weekly wallet load limit for members of PlayNow.com.

How achieving the target will help demonstrate success
A key component of BCLC's gambling management is our commitment to strengthening responsible gambling programs and improving 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.

Our performance
Player Awareness of Responsible Gambling Activities is influenced by our ability to communicate and connect with our players through appropriate programming and messaging. In 2013/14, BCLC began to target its responsible gambling activities to selected player segments while decreasing our mass media advertising about responsible gambling. Although this change reflects our continuing refinements to effectively reach our players, it may have negatively impacted our overall results as the measurement methodology is based on evaluating player awareness on a mass level.

Player awareness of responsible gambling activities



Source: Research & Incite Consultants (2011/12 to 2012/13 Quarter 3) and Ipsos Reid Corporation (2012/13 Quarter 4 onwards).

Significant changes from previous service plan
BCLC has adjusted its targets downwards based on historical and forecast information and the change in focus to reach specific population segments. Over the coming year, we will examine the need to adjust this measure so that we understand how successful we are in creating player awareness for our key responsible gambling activities.

People

Net Win per Capita

Net win is the calculation of sales less prizes. For lottery and bingo games, net win is calculated by deducting prizes from total sales. Casino game prizes are paid during game play. This measure is indexed to the total population allowing BCLC to benchmark to other jurisdictions.

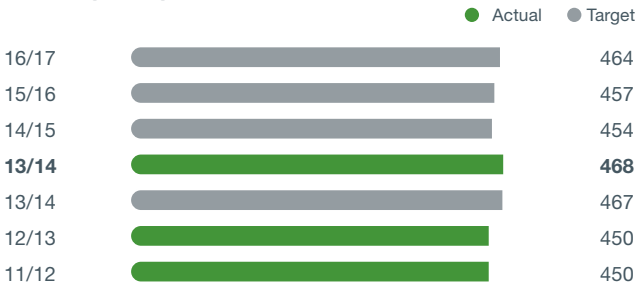
Net win is divided by publicly reported population figures to obtain the per capita metric. Since legal gambling age varies between jurisdictions, total population figures are used. Population projections are updated based on the most recent information available.

How achieving the target will help demonstrate success
Net win per capita provides a gauge of our success in growing net win related to the provincial population. Net win per capita will not grow if the rate of population growth is higher than the rate of net win growth.

The net win per capita measure is widely used in the gambling industry so that consistent benchmarking is possible. BCLC benchmarks to Loto-Québec, Ontario Lottery and Gaming Corporation, and the Canadian average (without BCLC data). The benchmarking data is presented in Appendix 2.

Our performance
In 2013/14, BCLC's net win per capita has increased compared to the previous year and we exceeded our target of $467 per capita. This is due to a higher rate of growth in net win compared to the rate of growth in population, increasing our results to $468 per capita for 2013/14. BCLC's Net Win per Capita has consistently been higher compared to the benchmark organizations (please refer to Appendix 2 for more detail).

Net win per capita



Source: Audited Financial Statements and Statistics Canada

Significant changes from previous service plan
There are no changes to 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 are set based on our forecast performance against projected population growth. Our financial forecast takes into account standard economic indicators used by the Province and the planned introduction of new games, services and facility developments.

Employee Engagement

This performance metric measures the percentage of BCLC employees that are engaged with their work. Employee engagement is defined as the intellectual and emotional commitment employees have in an organization.

How achieving the target will help demonstrate success
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 BCLC's business to deliver the great entertainment experiences our players expect.

Our performance
BCLC plans to conduct its 2013/14 Employee engagement survey in the spring of 2014, so results are not yet available. We will make the result for Employee engagement available once the survey results are reported.

Employee engagement

Source: Ipsos North America

Significant changes from previous service plan
There has been no change to the methodology used to measure Employee engagement. BCLC's employee engagement level has remained strong and we plan to maintain our strong engagement result over the next three years. Currently, BCLC is exploring the possibility of conducting its employee engagement survey every second year, which is becoming a standard industry practice for engagement surveys.

Public

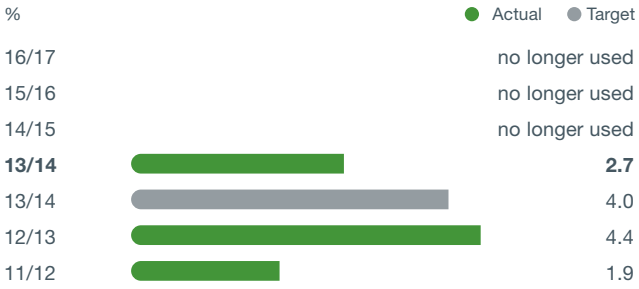
Employee Vacancy Rate

Employee vacancy rate measures the percentage of vacancies relative to BCLC's total headcount.

How achieving the target will help demonstrate success
As we continue to transform our business in a rapidly changing environment, our workforce needs to be able to adapt to change. Developing this capacity will require learning beyond traditional practices. Employee vacancy rate provides limited insights into how effective we are in attracting and retaining talent and developing a workforce that supports the transformation of our business. Starting in 2014/15, BCLC will use a new measure, employee turnover rate, to better gauge our competitiveness in the labour market and the effectiveness of our recruitment processes and retention programs.

Our performance
BCLC exceeded its target for employee vacancy rate in the last year by achieving a lower than targeted vacancy rate. This is due to a faster time to hire that is the result of our recruitment strategy in the market as well as fewer vacancies in the fourth quarter of 2013/14 due to cost containment measures.

Employee vacancy rate



Source: BCLC internal reporting.

Significant changes from previous service plan
There has been no change in the way we measure employee vacancy rate. Starting in 2014/15, BCLC will transition to using employee turnover rate measure as our corporate performance standard, replacing the employee vacancy rate measure.

Public Support for BCLC

Public support for BCLC measures the percentage of adult British Columbians who express support for BCLC.

How achieving the target will help demonstrate success
Public opinion has a significant influence on BCLC's social license to operate. As we continue to transform our business to achieve our vision that gambling is a widely embraced form of entertainment, it is important the public understands both our business and the benefits it brings to British Columbians. Public support for BCLC provides limited insight into public sentiments about our organization, and the associated level of support for gambling in B.C. Beginning 2014/15, BCLC will transition to two new measures to gauge public perceptions: these will measure public recognition of positive contributions and public perceptions of BCLC's transparency.

Our performance
Our 2013/14 result for public support for BCLC is high at 75 per cent but is below our target of 80 per cent. One key driver of support for BCLC is a widespread understanding by the public of BCLC's positive impact in B.C. communities and this level of understanding could be improved. This may have contributed to our results being below target. We will continue to be open and forthcoming about our business; we will work to communicate the benefits of our business to communities in B.C. and the province; and we will continue to deliver gambling entertainment choices with integrity, social responsibility and transparency.

Public support for BCLC

Source: Research & Incite Consultants (2010/11 to 2012/13 Quarter 3) and Ipsos Reid Corporation (2012/13 Quarter 4 onwards).

Significant changes from previous service plan
There has been no change in how we measure public support for BCLC. Starting in fiscal 2014/15, we will begin using two new measures for corporate performance metrics. Over the coming year we will also explore other, yet-to-be determined metrics to improve our insight into how the public feels about our organization; the benefits our business brings to British Columbians; and the level of trust that results.

Profit

Level of Greenhouse Gas Emissions

BCLC's reportable Greenhouse Gas Emissions (GHG) are emissions from our buildings, fleet vehicles and certain office paper supplies.

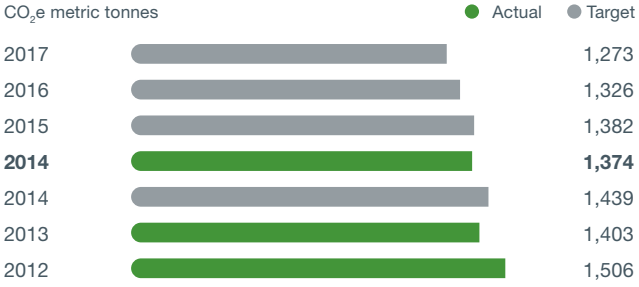
BCLC uses calculations provided by the Province to convert and report our greenhouse gas emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO_2e) by calendar year. Data is obtained from suppliers of electricity, natural gas, fleet fuel, paper suppliers and from internal reporting. To align with government's reporting cycle, our data for this metric covers the 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 to pursue actions which minimize GHG emissions to meet the prescribed goal of a 33 per cent reduction in reportable emissions by 2020, from a 2007 baseline.

How achieving the target will help demonstrate success
We view sustainability as a key component of our SR efforts and we advocate environmentally sustainable behaviours in our organization's culture as an integral component of business modernization.

Our performance
In 2013, BCLC's reportable GHG emissions were lower than in 2012 and below the target level we had set, a better than targeted result. The most appropriate approach for reducing emissions from our Kamloops office is being assessed and we will continue to act to meet our long-term goal of a 33 per cent reduction by 2020.

Level of greenhouse gas emissions



Source: External supplier reporting and BCLC internal reporting

Significant changes from previous service plan
There was no change to the way the Level of GHG Emissions is measured and reported or to our targets for this measure. As BCLC is phasing out fleet vehicles in 2014/15, we will evaluate how this affects the calculation for this measure and the targets we have set.

Net Income

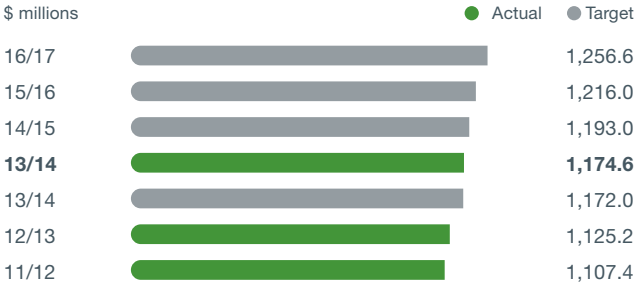
Net income is the total amount of income generated from BCLC gambling and is comprised of sales less: prizes, direct expenses, gaming support costs, general operating costs, amortization and taxes. It is calculated in accordance with International Financial Reporting Standards (IFRS).

BCLC's net income is delivered to the Province and used to benefit British Columbians through funding of public health care, education and charitable and community programs. Through an agreement between the federal and provincial governments, the Government of Canada receives a portion of the net income BCLC generates.

How achieving the target will help demonstrate success
This measure is a direct indicator of our success in meeting our mandate to generate income in a socially responsible way for the benefit of British Columbians.

Our performance
In 2013/14, BCLC exceeded its target and achieved a result of $1,174.6 million in net income. The growth in net income is higher than the previous year with a 4.4 per cent increase in 2013/14 compared to a 1.6 per cent increase in 2012/13. The increase in net income growth is due to several factors including a higher net win growth (sales after prizes have been paid), an internal change in our amortization policy for slot machines, and the move from HST back to GST beginning April 1, 2013. For more on BCLC's progress towards greenhouse gas emissions reductions, see our 2013 Carbon Neutral Action Report.

Net income



Source: BCLC Audited Financial Statements

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 targets are set taking into account the Province of B.C. forecasts for: population, Gross Domestic Product, and the short term interest rate.

Operating Cost Ratio

The Operating Cost Ratio is the sum of direct expenses (except prizes), gaming support costs, general operating costs and amortization, divided by BCLC's net win. We benchmark this metric to other comparable gambling jurisdictions.

How achieving the target will help demonstrate success
Our operating cost ratio 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.

Our performance
In 2013/14, BCLC's Operating Cost Ratio was 43.4 per cent. This is higher than the target of 42.5 per cent and this means BCLC did not meet its 2013/14 target. This is mainly due to BCLC undergoing a restructuring in the fourth quarter of 2013/14 which led to higher than targeted operating costs. BCLC's operating cost ratio remains below all our benchmark comparisons. For more details, see Appendix 2.

BCLC is investing in modernizing its business, replacing legacy systems and in particular, replacing the technology that supports casino and community gaming centre operations. This modernization in investment will continue. BCLC is also implementing plans to reduce the cost of operating the business in the coming year and we are committed to maintaining the operating cost ratio at a relatively constant level.

Operating cost ratio

Source: BCLC Audited Financial Statements

Significant changes from previous service plan
The operating cost ratio is updated based on a review of our latest financial performance, operational effectiveness and future growth opportunities. The forecasts take into account standard economic indicators used by the Province.

Risk and Capacity

BCLC has a formal enterprise risk management program, with ongoing evaluation of risks and quarterly reporting to the Executive and Board. All significant risks are reported and action plans are required and regularly monitored. Continuous monitoring of action plans ensures risks are adequately managed and mitigated. The risk management program is integrated into our strategic, business, and project planning processes.

Player

Risk	Impact/effect on results	Response/action to mitigate
BCLC may not understand or meet the needs and expectations of new and existing players for high-quality facilities, games, services and other touch points.	Player satisfaction or participation levels may decline over time. Existing or potential customers may seek alternative entertainment.	BCLC has continued to expand our Voice of the Customer program, which is focused on gathering and responding to customer insights. This year we have added Voice of the Customer touch points to GameSense, Encore, and Player Services. The program is a core part of BCLC's player-centric strategy and has been recognized as best practice.
The responsible gambling and Voluntary Self-Exclusion programs may not fully meet player needs and public expectations.	Players may not make informed choices about gambling. Problem gambling rates may increase.	BCLC's responsible gambling initiatives include our award winning GameSense awareness program; the provision of Appropriate Response Training to all front line staff; the expansion of Responsible Gambling month activities to six communities and the New Horizons Responsible Gambling conference, hosted by BCLC for the second year.
Opportunity		
Attract new players and increase play through making BCLC games and facilities an accessible and appealing entertainment option.	BCLC needs to engage players across gambling channels in a highly competitive and rapidly changing market in order to sustain and grow the business.	BCLC has been looking to increase the appeal of our casinos and community gaming centres to a broader audience, through diversifying our offerings. This year we opened Chances Maple Ridge and reopened the Coquitlam Boulevard Casino as the newly renovated and rebranded Hard Rock Casino Vancouver.

People

Risk	Impact/effect on results	Response/action to mitigate
BCLC may not be able to attract, recruit and retain sufficiently skilled staff or develop the skill sets and competencies required in time to meet future growth targets.	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.	BCLC has developed and implemented a compensation plan in response to government direction. Phase II rolled out in April 2014. A proactive recruitment strategy is in place including both traditional and non-traditional approaches, such as the use of social media and expansion of co-op programs.
Opportunity		
To develop a skilled, engaged and flexible workforce to drive organizational transformation and success.	To transform the business, BCLC needs inspired and able employees with the right skills.	Workforce planning exercises have been completed across the organization, with a focus on the identification of critical roles and the investment in employee development to meet skill and capability needs. Continued focus on leadership development with an emphasis on encouraging a collaborative environment to achieve collective goals.

Public

Risk	Impact/effect on results	Response/action to mitigate
The public may not feel that BCLC is demonstrating our values of integrity, social responsibility and respect.	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.	BCLC has put in place a proactive approach to communication. A longer-term reputation management strategy is in development.
BCLC systems and processes to support best practices and respond to internal and external challenges may not be optimized.	BCLC requires consistent, reliable business processes, practices and models with robust governance to adequately respond and minimize the risk of internal and external challenges.	Modernization initiatives are underway in a number of areas with a focus on process improvement and automation.
Information security could be threatened by malicious attack or sabotage.	Non-compliance with current and future regulations could result in a lack of assurance from the public and our stakeholders in BCLC demonstrating our values.	The information security and privacy teams have been consolidated into a single unit, and a new Information Security Policy produced. Mandatory training is now on an annual basis. A new anti-money laundering group has been established and investments made in greater systems support. A corporate social responsibility framework has been developed to monitor performance in a number of key areas.
Opportunity		
Greater engagement with the public, municipalities and local communities.	BCLC needs public support to pursue new initiatives that generate income for the Province and all British Columbians.	We have focused on developing closer relationships with municipalities this year including through the expansion of Responsible Gambling weeks from five to six communities.

Profit

Risk	Impact/effect on results	Response/action to mitigate
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.	Without continuing investment and innovation the net income contribution that BCLC makes to the Province may decline.	The GMS program continues its successful roll out across the Lower Mainland. Initiatives to strengthen back office functions are underway. The Finance and Corporate Services transformation program has been completed, with improved business planning and decision support functions established.
Technology or capacity limitations may restrict the development of the new or optimized-enterprise-level capabilities required for transformation and future innovation.	BCLC's ability to meet the expectations of existing and new players and private sector service providers may be constrained, affecting future revenue.	BCLC has worked closely with a number of our business partners and key vendors to optimize business relationships, provide greater value for money and develop new services and player experiences.
Opportunity		
Optimizing, streamlining and automating business processes to improve efficiency and provide the foundations for new growth opportunities.	BCLC needs to be ready to respond to external constraints and opportunities resulting from changes to the business environment.	We continue to explore new business models and growth opportunities.

Capacity

When it comes to human resources (HR) service delivery, there are many aspects that can impact our employee satisfaction, engagement, productivity, and overall business success. HR has made steady progress in its ability to support a transitioning business model and workforce and continue to face an evolving set of challenges. Positioning BCLC to attract and retain top talent remains a primary focus of our Human Resources team. Working closely with the organization to determine its needs and the continuation of a proactive recruitment strategy is just the beginning of a comprehensive and strategically driven process.

Helping our new employees engage with BCLC means positioning them for long-term success in the organization. Employee engagement can be impacted by the very first impressions they have of our organization, which is why efforts have been initiated to enhance the onboarding process and our orientation program to ensure new employees become productive faster and are able to make relevant contributions to our work culture more quickly.

The process of optimizing and developing our talent is continuous. The implementation of workforce planning and succession for employees is critical to this process. Employees however, remain responsible for developing a personal development plan that provides a framework for professional development, along with specific expectations and accountabilities.

Leadership development programs are one significant area critical to our success. The impact that leadership practices have on employee retention, well-being, and productivity means it continues to be a priority.

It also ensures our culture of continuous improvement, growth and competitiveness is sustained.

At the same time, BCLC continues to conduct targeted workforce optimization reviews to ensure effective use of its existing resources, creating greater organizational efficiency. All of these initiatives work to enhance our ability to support ongoing growth and innovation through a strong corporate culture.

This holistic approach to BCLC's people strategy is a key factor in ensuring that the organization maintained key capabilities in 2013/14 and is a focus for continued development.

Management's Discussion and Analysis

The Management's Discussion and Analysis reviews the financial condition and results of operation of British Columbia Lottery Corporation for the fiscal year ended March 31, 2014 and should be read in conjunction with the corporation's audited financial statements.

Financial Overview

	2009/10[1]	2010/11[2]	2011/12	2012/13[3]	2013/14	2013/14	2013/14 Variance from	2013/14 Variance from	2014/15	2015/16	2016/17
	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Prior Year	Target	Target	Target
Revenue											
Lottery & eGaming	$ 937.9	$ 1,062.4	$ 1,061.4	$ 1,093.8	$ 1,123.5	$ 1,158.2	$ (34.7)	$ 29.7	$ 1,123.1	$ 1,137.4	$ 1,156.7
Casino & community gaming	1,579.4	1,616.3	1,640.0	1,638.1	1,684.8	1,678.0	6.8	46.7	1,675.3	1,701.0	1,746.0
	2,517.3	2,678.7	2,701.4	2,731.9	2,808.3	2,836.2	(27.9)	76.4	2,798.4	2,838.4	2,902.7
Prizes	577.6	652.3	641.9	649.6	665.6	678.4	12.8	(16.0)	654.5	656.4	659.6
Net win	1,939.7	2,026.4	2,059.5	2,082.3	2,142.7	2,157.8	(15.1)	60.4	2,143.9	2,182.0	2,243.1
Expenditures[4]											
Lottery & eGaming	155.4	170.2	175.6	177.6	189.9	201.6	11.7	(12.3)	192.9	195.3	198.2
Casino & community gaming	667.6	668.9	689.6	682.7	740.1	716.2	(23.9)	(57.4)	705.0	715.7	731.3
	823.0	839.1	865.2	860.3	930.0	917.8	(12.2)	(69.7)	897.9	911.0	929.5
Net income before tax	1,116.7	1,187.3	1,194.3	1,222.0	1,212.7	1,240.0	(27.3)	(9.3)	1,246.0	1,271.0	1,313.6
GST/HST/PST	37.6	81.6	86.9	96.8	38.1	68.0	29.9	58.7	53.0	55.0	57.0
Net income											
Lottery & eGaming	266.7	289.4	278.9	297.4	304.1	309.0	(4.9)	6.7	301.9	308.2	318.2
Casino & community gaming	812.4	816.3	828.5	827.8	870.5	863.0	7.5	42.7	891.1	907.8	938.4
	$ 1,079.1	$ 1,105.7	$ 1,107.4	$ 1,125.2	$ 1,174.6	$ 1,172.0	$ 2.6	$ 49.4	$ 1,193.0	$ 1,216.0	$ 1,256.6
Profit margin	42.9%	41.3%	41.0%	41.2%	41.8%	41.3%	0.5%	0.6%	42.6%	42.8%	43.3%
Debt	$ 60.0	$ 85.0	$ 90.1	$ 131.7	$ 154.9	$ 173.1	($ 18.2)	$ 23.2	$ 181.7	$ 201.7	$ 238.7
Capital expenditures	$ 92.5	$ 81.3	$ 74.4	$ 96.6	$ 100.3	$ 120.0	($ 19.7)	$ 3.7	$ 90.0	$ 90.0	$ 110.0

In 2013/14, BCLC achieved a record $1.175 billion net income on record revenue of $2.808 billion, exceeding the previous records set last year by $49.4 million and $76.4 million, respectively.

This year, BCLC benefited most notably from growth in the lottery instant ticket, casino table game, and PlayNow.com product areas.

Each year, BCLC prepares a three-year Service Plan against which its results are measured. As part of this annual process, BCLC once again committed to the strategic cost management program that began in 2009/10. Careful spending management this year resulted in total operating costs that were $2.1 million less than budget, but which were $12.8 million more than in 2012/13.

In response to rising operating costs, and in order to maximize BCLC's contribution to provincial revenues, BCLC underwent a significant restructuring that it believes will position it to be more efficient and effective in the years to come. Part of this restructuring involved consolidating a number of business functions, renegotiating contracts, warranties and licensing, contracting suppliers for food and security services, and staff reductions. In total, BCLC incurred a one-time restructuring cost of $25.1 million, but expects the effort to generate significant cost savings over the next five years.

1 2009/10 and prior comparative results reflect Canadian GAAP.

2 2010/11 comparative results have been restated to comply with IFRS.

Total net income for the year (under Canadian GAAP)	$ 1,104.6
Reconciling Items:	
Amortization and depreciation	0.3
Employee costs	0.8
Total net income for the year (under IFRS)	$ 1,105.7

3 2012/13 comparative results have been restated to comply with amendments to IFRS.

Total net income for the year (as previously reported)	$ 1,127.6
Reconciling Items:	
Employee costs	(2.4)
Total net income for the year (restated)	$ 1,125.2

4 Please refer to page 61 for a detailed breakdown of 2012/13 actual expenditures.

Performance Measurement

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess our 2013/14 operational performance against the targets and budgets established in the Service Plan. BCLC also compares its performance to other gambling organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

International Financial Reporting Standards (IFRS)

The *Budget Transparency and Accountability Act* specifies that the government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior governments are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

Economic Outlook

Current economic indicators suggest that B.C.'s economy will continue to experience modest growth throughout 2014 and 2015.

Over the next three years, growing net income from our core businesses will continue to be a priority. In addition to product and service innovations, we are continuing a multi-year initiative to modernize our technology infrastructure, reviewing our relationships with our private sector service providers and third-party vendors, and exploring strategic cost management opportunities.

A more detailed discussion of initiatives and opportunities can be found in our three-year Service Plan and on our website, bclc.com.

Lottery and eGaming Operations

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	**2013/14 Actual**	2013/14 Budget	Variance from Budget	Variance from Prior Year
Revenue								
Retail network	$ 691.7	$ 807.5	$ 789.2	$ 825.5	**$ 842.0**	$ 828.7	$ 13.3	$ 16.5
Hospitality network	212.6	212.0	206.6	195.0	**190.5**	196.3	(5.8)	(4.5)
eGaming	33.6	42.9	65.6	73.3	**91.0**	133.2	(42.2)	17.7
	937.9	1,062.4	1,061.4	1,093.8	**1,123.5**	1,158.2	(34.7)	29.7
Prizes	505.3	581.5	580.8	594.2	**615.7**	626.9	11.2	(21.5)
Net win	432.6	480.9	480.6	499.6	**507.8**	531.3	(23.5)	8.2
Direct expenses	71.3	77.2	77.4	81.2	**84.7**	89.0	4.3	(3.5)
Gaming support costs & operating expenses	84.1	93.0	98.2	96.4	**105.2**	112.6	(7.4)	(8.8)
Net income before taxes	277.2	310.7	305.0	322.0	**317.9**	329.7	(11.8)	(4.1)
GST/HST	10.5	21.3	26.1	24.6	**13.8**	20.7	6.9	10.8
Net income	$ 266.7	$ 289.4	$ 278.9	$ 297.4	**$ 304.1**	$ 309.0	$ (4.9)	$ 6.7
Lottery retailers	4,044	3,994	3,853	3,805	**3,748**	3,983	(235)	(57)
Lottery terminals	4,002	3,962	3,866	3,765	**3,707**	3,752	(45)	(58)

$ millions

Lottery and eGaming net income $304.1 million exceeded the previous year by $6.7 million but fell short of budget by $4.9 million. Overall revenue was up $29.7 million over the previous year, setting a new record.

Profitability was up most notably in the Instant category, where continuing brand rejuvenation and pricing strategies drove revenue up $21.2 million over the previous year, exceeding budget by $24.7 million.

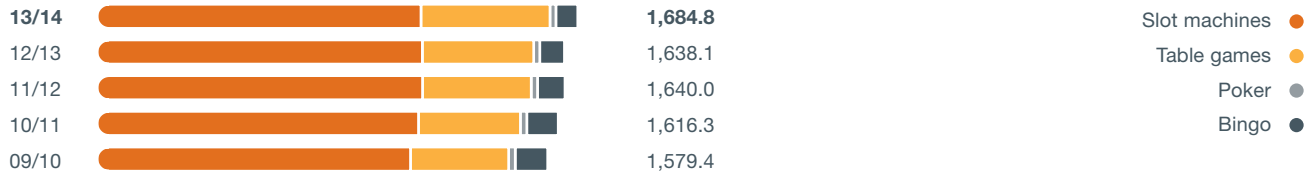
Sales in the lotto category were down $5.7 million, year-over-year ($5.0 million from budget), largely due to the pattern of jackpot rollovers which did not produce the record number of big jackpots seen in 2012/13.

In 2013/14, BCLC continued to invest in the PlayNow.com eGaming business, increasing the frequency with which new casino-style games were introduced, and making other product enhancements. Overall, eGaming revenues were up $17.7 million from 2012/13—an increase of 24 per cent.

Casino and Community Gaming Operations

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	**2013/14 Actual**	2013/14 Budget	Variance from Budget	Variance from Prior Year
Revenue								
Slot machines	$ 1,098.6	$ 1,126.6	$ 1,140.7	$ 1,140.1	**$ 1,135.3**	$ 1,174.0	$ (38.7)	$ (4.8)
Table games	343.9	357.1	380.9	390.2	**452.1**	403.0	49.1	61.9
Poker	23.1	22.5	22.1	21.3	**20.7**	20.0	0.7	(0.6)
Bingo	113.8	110.1	96.3	86.5	**76.7**	81.0	(4.3)	(9.8)
	1,579.4	1,616.3	1,640.0	1,638.1	**1,684.8**	1,678.0	6.8	46.7
Prizes	72.3	70.8	61.1	55.4	**49.9**	51.5	1.6	5.5
Net win	1,507.1	1,545.5	1,578.9	1,582.7	**1,634.9**	1,626.5	8.4	52.2
Direct expenses	535.5	542.7	552.9	556.0	**580.8**	575.3	(5.5)	(24.8)
Gaming support costs & operating expenses	132.1	126.2	136.7	126.7	**159.3**	140.9	(18.4)	(32.6)
Net income before taxes	839.5	876.6	889.3	900.0	**894.8**	910.3	(15.5)	(5.2)
GST/HST	27.1	60.3	60.8	72.2	**24.3**	47.3	23.0	47.9
Net income	$ 812.4	$ 816.3	$ 828.5	$ 827.8	**$ 870.5**	$ 863.0	$ 7.5	$ 42.7
Casinos	17	17	17	17	**17**			
Slot machines	9,438	9,476	9,727	9,740	**9,907**			
Tables	478	436	459	472	**476**			
Commercial halls	13	11	10	7	**7**			
Community gaming centres	15	16	17	19	**19**			
Community gaming slot machines	1,581	1,850	2,103	2,484	**2,803**			

$ millions

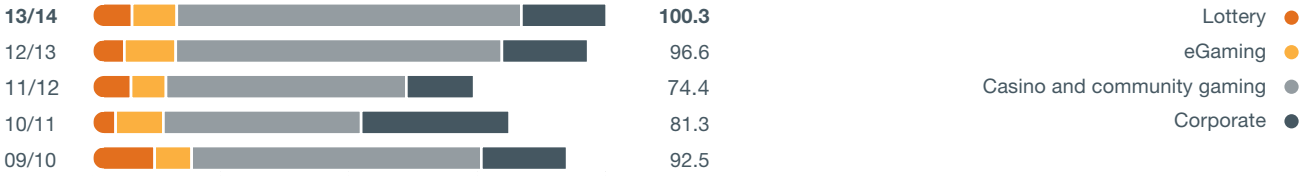


The Casino and Community Gaming business generated revenue of $1.685 billion in 2013/14, up $46.7 million from 2012/13, and $6.8 million more than planned. Revenue from slot machines slipped $4.8 million, but table games continued to build on last year's success, outpacing budget by $49.1 million and the previous year by $61.9 million.

Capital Spending

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	**2013/14 Actual**	2013/14 Budget	Variance from Budget
Lottery	$ 12.2	$ 4.6	$ 7.6	$ 6.3	**$ 7.8**	$ 8.8	$ 1.0
eGaming	7.2	9.3	6.8	10.0	**8.7**	6.8	(1.9)
Casino & community gaming	56.4	38.5	46.8	63.5	**67.2**	74.2	7.0
Corporate	16.7	28.9	13.2	16.8	**16.6**	30.2	13.6
Capital expenditures	$ 92.5	$ 81.3	$ 74.4	$ 96.6	**$ 100.3**	$ 120.0	$ 19.7

$ millions



From year to year, capital spending varies significantly in response to revenue and gambling facility initiatives. In 2013/14, capital spending of $100.3 million was $19.7 million less than budget, but $3.7 million more than in 2012/13. The increased year-over-year spending reflects the advancement of the GMS project; variances from budget are the result of careful cost management and some project delays.

BCLC is in the third year of a four-year project to replace the GMS which supports the annual generation of $1.7 billion in revenue and more than $870 million in net income. A broad group of partners both inside and outside BCLC are creating a whole new technology architecture and platform for the casino business-- configuring, testing, and rolling out a new system that will provide a foundation for modernization, growth, and enhanced player relations.

The entire GMS project is projected to cost $104 million to complete. Costs incurred to March 31, 2014 amount to $75.4 million.

B.C. Lottotech International, Inc.

The consolidated statements of British Columbia Lottery Corporation include B.C. Lottotech International, a wholly-owned subsidiary of the Corporation. The primary purpose of B.C. 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 B.C. Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

	2013/2014	2012/2013
Revenue ($ thousands)		
Lease revenue	**$ 55,870**	$ 49,827
Expenses		
Amortization	**55,730**	49,700
Other Expenses (Income)	**(405)**	(223)
	55,325	49,477
Net Income (Loss)	**$ 545**	$ 350

Management's responsibility for financial reporting

The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. These statements present fairly the consolidated financial position of BCLC as at March 31, 2014, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements.

Jervis Rodrigues
Chief Financial Officer
& Vice-President,
Finance and Corporate Services

Jim Lightbody
Interim President
& Chief Executive Officer

Independent Auditors' Report

To the Directors of and Minister Responsible for British Columbia Lottery Corporation:

We have audited the accompanying consolidated financial statements of British Columbia Lottery Corporation, which are comprised of the consolidated statement of financial position as at March 31, 2014, the consolidated statements of comprehensive income, changes in deficit and cash flows for the year then ended, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of British Columbia Lottery Corporation as at March 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Kamloops, Canada

May 8, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2014, with comparative information for 2013
(in thousands of Canadian dollars)

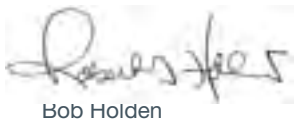
		2014		2013[1]
ASSETS				
Cash and cash equivalents (note 6)	**$**	**69,791**	$	63,512
Accounts receivable (note 7)		**38,159**		41,933
Receivable from the Interprovincial Lottery Corporation		**7,746**		7,154
Prepaid expenses		**6,869**		5,485
Inventories (note 8)		**7,241**		9,998
Total current assets		**129,806**		128,082
Employee future benefits (note 9)		**17,836**		2,296
Property and equipment (note 10)		**176,147**		141,192
Intangible assets (note 11)		**85,689**		82,652
Total non-current assets		**279,672**		226,140
Total assets	**$**	**409,478**	$	354,222
LIABILITIES				
Cheques issued in excess of funds on hand (note 6)	**$**	**1,695**	$	7,325
Prizes payable (note 12)		**31,032**		31,201
Accounts payable, accrued liabilities and other (note 13)		**86,106**		69,240
Short-term financing (note 14)		**154,926**		131,704
Due to the Government of British Columbia (note 16)		**100,506**		111,296
Deferred revenue		**8,362**		6,274
Total current liabilities		**382,627**		357,040
Employee future benefits (note 9)		**65,404**		57,064
Total non-current liabilities		**65,404**		57,064
Total liabilities		**448,031**		414,104
DEFICIT				
Accumulated deficit		**(17,144)**		(17,144)
Accumulated other comprehensive loss		**(21,409)**		(42,738)
Total deficit		**(38,553)**		(59,882)
Total liabilities and deficit	**$**	**409,478**	$	354,222

1 Certain 2013 figures have been restated—see note 3(G)

Commitments and contingencies (notes 19 and 20)
See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Bud Smith
Chair, Board of Directors



Bob Holden
Chair, Audit Committee

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2014, with comparative information for 2013
(in thousands of Canadian dollars)

		2014		2013[1]
Revenue	**$**	**2,808,399**	$	2,731,901
Prizes		**665,619**		649,558
		2,142,780		2,082,343
Commissions and fees		**631,055**		605,784
Systems, maintenance and ticket distribution		**36,519**		29,420
Gaming equipment, leases and licenses		**21,958**		19,545
Ticket printing		**12,469**		11,811
		702,001		666,560
Employee costs		**118,075**		86,734
Amortization and depreciation		**61,733**		54,709
Advertising, marketing and promotions		**24,687**		28,279
Professional fees and services		**7,697**		9,149
Cost of premises		**6,756**		6,384
Net financing costs (note 15)		**569**		350
Other		**8,573**		8,208
		228,090		193,813
Income before the undernoted		**1,212,689**		1,221,970
Indirect tax expense (note 22)		**38,106**		96,751
Net income		**1,174,583**		1,125,219
Other comprehensive income (loss)				
Item that will never be reclassified to net income				
Net defined benefit plan actuarial gains (losses) (note 9)		**21,329**		(9,368)
Total comprehensive income	**$**	**1,195,912**	$	1,115,851

1 Certain 2013 figures have been restated—see note 3 (G)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT

Year ended March 31, 2014, with comparative information for 2013
(in thousands of Canadian dollars)

	Accumulated Deficit[1]	AOCL[1, 2]	Total Deficit[1]
Balance, April 1, 2012	$ (14,758)	$ (33,370)	$ (48,128)
Net income	1,125,219	–	1,125,219
Net defined benefit plan actuarial losses (note 9)	–	(9,368)	(9,368)
Total comprehensive income	1,125,219	(9,368)	1,115,851
Distributions to the Government of British Columbia (note 16)	(1,118,394)	–	(1,118,394)
Distributions to the Government of Canada (note 17)	(9,211)	–	(9,211)
Balance, March 31, 2013	$ (17,144)	$ (42,738)	$ (59,882)
Net income	**1,174,583**	**–**	**1,174,583**
Net defined benefit plan actuarial gains (note 9)	**–**	**21,329**	**21,329**
Total comprehensive income	**1,174,583**	**21,329**	**1,195,912**
Distributions to the Government of British Columbia (note 16)	**(1,165,323)**	**–**	**(1,165,323)**
Distributions to the Government of Canada (note 17)	**(9,260)**	**–**	**(9,260)**
Balance, March 31, 2014	**$ (17,144)**	**$ (21,409)**	**$ (38,553)**

1 Certain 2012 and 2013 figures have been restated—see note 3

2 Accumulated Other Comprehensive Loss

See accompanying notes to consolidated financial statements.

	2014	2013[1]
Cash flows from operating activities:		
Net income	**$ 1,174,583**	$ 1,125,219
Items not involving cash:		
Depreciation of property and equipment	**45,506**	40,983
Amortization of intangible assets	**16,227**	13,726
Loss (gain) on disposal of property and equipment	**(84)**	130
Loss on disposal of intangible assets	**33**	3
Net benefit plan expense	**27,997**	11,256
Write-down of inventory to net realizable value	**5,330**	1,004
Net financing costs	**569**	350
	1,270,161	1,192,671
Changes in:		
Accounts receivable	**3,741**	(9,691)
Receivable from the Interprovincial Lottery Corporation	**(592)**	(7,154)
Prepaid expenses	**(1,384)**	(1,046)
Inventories	**(2,573)**	(1,183)
Employee future benefits	**(13,868)**	(14,213)
Prizes payable	**(169)**	(209)
Accounts payable, accrued liabilities and other	**12,339**	8,929
Payable to the Interprovincial Lottery Corporation	**–**	(714)
Deferred revenue	**2,088**	2,449
Interest received	**561**	564
Net cash from operating activities	**1,270,304**	1,170,403
Cash flows from financing activities:		
Increase in short-term financing	**23,278**	41,582
Interest paid	**(1,153)**	(843)
Distributions to the Government of British Columbia	**(1,176,113)**	(1,143,725)
Distributions to the Government of Canada	**(9,260)**	(9,211)
Net cash used in financing activities	**(1,163,248)**	(1,112,197)
Cash flows from investing activities:		
Additions to property and equipment	**(80,373)**	(42,589)
Additions to intangible assets	**(15,385)**	(41,428)
Proceeds on disposal of property and equipment	**611**	533
Net cash used in investing activities	**(95,147)**	(83,484)
Net increase (decrease) in cash and cash equivalents	**11,909**	(25,278)
Cash and cash equivalents, beginning of year	**56,187**	81,465
Cash and cash equivalents, end of year (note 6)	**$ 68,096**	$ 56,187

1 Certain 2013 figures have been restated—see note 3 (G)

See accompanying notes to consolidated financial statements.

1. Reporting entity:

British Columbia Lottery Corporation ("BCLC" or "the Corporation") is a Crown corporation of British Columbia (B.C.). BCLC was incorporated under the *Company Act* (B.C.) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC's registered office is 74 West Seymour Street in Kamloops, B.C., Canada. As an agent of the Crown, the Government of British Columbia has designated BCLC as the authority to conduct, manage and operate lottery schemes on behalf of the Government of British Columbia, including lottery, casino, bingo and internet gaming (eGaming) activities. BCLC is also the regional marketing organization for national lottery games which are collective undertakings by the provinces of Canada acting through the Interprovincial Lottery Corporation (ILC).

As BCLC is an agent of the Crown, it is not subject to federal or provincial corporate income taxes.

2. Basis of preparation:

A. STATEMENT OF COMPLIANCE:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 8, 2014.

B. BASIS OF MEASUREMENT:

The consolidated financial statements of the Corporation have been prepared on a historical cost basis except for employee future benefit plan assets, which are recognized as plan assets less the present value of the defined benefit obligation and are limited as explained in note 4(E).

C. FUNCTIONAL AND PRESENTATION CURRENCY:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information has been rounded to the nearest thousand dollars.

D. USE OF ESTIMATES AND JUDGMENTS:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Consolidation: determination of control over an investee (notes 3(B) and 4(A))

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in the following note:

- Measurement of defined benefit obligations: key actuarial assumptions (note 9)

3. Changes in accounting policies:

Except for the changes below, the Corporation has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements.

The Corporation has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, as at April 1, 2013.

- *Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* (IFRS 7)
- IFRS 10 *Consolidated Financial Statements* (2011) (IFRS 10)
- IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12)
- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)* (IAS 1)
- IFRS 13 *Fair Value Measurement* (IFRS 13)
- IAS 19 *Employee Benefits* (2011) (IAS 19 (2011))

3. Changes in accounting policies (continued):

The nature and effects of the changes are explained below.

A. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

As a result of the amendments to IFRS 7, the Corporation has expanded its disclosures about the offsetting of financial assets and financial liabilities (see note 5).

B. SUBSIDIARIES:

IFRS 10 introduces a new control model that focuses on whether the Corporation has power over an investee, exposure or rights to variable returns from its involvement with the investee, and ability to use its power to affect those returns.

As a result of IFRS 10, BCLC has changed its accounting policy for determining whether it has control over and consequently whether it consolidates an investee. The adoption of IFRS 10 had no impact on the amounts recorded in the consolidated financial statements as at April 1, 2013 or on the comparative periods.

C. DISCLOSURE OF INTERESTS IN OTHER ENTITIES:

As a result of IFRS 12, BCLC has reviewed its disclosures about its interests in its subsidiary (see note 4(A)) with no impact on the existing disclosures as a result.

D. PRESENTATION OF ITEMS IN OTHER COMPREHENSIVE INCOME (OCI):

As a result of the amendments to IAS 1, the Corporation has modified the presentation of items of OCI in its consolidated statement of comprehensive income, to present separately items that would be reclassified to net income from those that would never be. The presentation of comparative information has been revised accordingly.

E. FAIR VALUE MEASUREMENT:

As a result of IFRS 13, BCLC has reviewed its disclosures about fair values (see note 5) with no impact to the existing disclosures as a result. In accordance with the transitional provisions of IFRS 13, the Corporation has applied the new fair value measurement guidance prospectively. The change had no impact on the measurement of the Corporation's assets and liabilities.

F. EMPLOYEE BENEFITS:

As a result of IAS 19 (2011), the Corporation has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefits plans.

Under IAS 19 (2011), the Corporation immediately recognizes all unvested past service costs in income as employee costs. Also under the amended standard, the Corporation determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) is now comprised of interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Corporation determined interest income on plan assets based on their long-term rate of expected return. The Corporation continues to recognize actuarial gains and losses in OCI, consistent with previous presentation.

The quantitative impact of the changes, which have been applied retroactively with an initial date of application of April 1, 2012, are set out in (G) below.

3. Changes in accounting policies (continued):

G. SUMMARY OF QUANTITATIVE IMPACTS:

The following tables summarize the impacts of the adoption of IAS19 (2011) on the Corporation's financial position, comprehensive income and cash flows. The impacts relate to the changes to defined benefit plans (see (F)).

Consolidated statement of financial position

As at April 1, 2012

	As previously reported	Impact of changes in accounting policy	As restated
Employee future benefits liability	$ 59,436[1]	$ (2,970)	$ 56,466
Total liabilities	$ 369,828	$ (2,970)	$ 366,858
Accumulated deficit	$ (17,728)	$ 2,970	$ (14,758)
Accumulated other comprehensive loss	$ (33,370)	$ –	$ (33,370)
Total deficit	$ (51,098)	$ 2,970	$ (48,128)
Total liabilities and deficit	$ 318,730	$ –	$ 318,730

1 Amount previously reported on March 31, 2012 was $52,873. The difference is due to reclassification between employee future benefits liability and employee future benefits asset.

As at March 31, 2013

	As previously reported	Impact of changes in accounting policy	As restated
Employee future benefits liability	$ 59,671[1]	$ (2,607)	$ 57,064
Total liabilities	$ 416,711	$ (2,607)	$ 414,104
Accumulated deficit	$ (17,728)	$ 584	$ (17,144)
Accumulated other comprehensive loss	$ (44,761)	$ 2,023	$ (42,738)
Total deficit	$ (62,489)	$ 2,607	$ (59,882)
Total liabilities and deficit	$ 354,222	$ –	$ 354,222

1 Amount previously reported on March 31, 2013 was $57,375. The difference is due to reclassification between employee future benefits liability and employee future benefits asset.

Consolidated statement of comprehensive income

For the year ended March 31, 2013

	As previously reported	Impact of changes in accounting policy	As restated
Employee costs	$ 84,348	$ 2,386	$ 86,734
Net income	$ 1,127,605	$ (2,386)	$ 1,125,219
Other comprehensive income (loss)			
Net defined benefit plan actuarial losses	$ (11,391)	$ 2,023	$ (9,368)
Total comprehensive income	$ 1,116,214	$ (363)	$ 1,115,851

3. Changes in accounting policies (continued):

G. SUMMARY OF QUANTITATIVE IMPACTS (CONTINUED):

Consolidated statement of cash flows

For the year ended March 31, 2013

	As previously reported	Impact of changes in accounting policy	As restated
Net income	$ 1,127,605	$ (2,386)	$ 1,125,219
Net benefit plan expense	$ 8,870	$ 2,386	$ 11,256
Net decrease in cash and cash equivalents	$ (25,278)	$ –	$ (25,278)

4. Significant accounting policies:

Certain comparative amounts in the consolidated statement of comprehensive income have been re-presented as a result of a change in the accounting policy regarding the presentation of items of OCI (see note 3(D)) and with respect to defined benefit plans (see note 3(G)).

Except for the changes explained in note 3, the Corporation and its subsidiary have consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

A. BASIS OF CONSOLIDATION:

The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC. Intercompany transactions and balances are eliminated on consolidation.

B. CASH EQUIVALENTS:

Cash equivalents include Canadian money market funds (overnight deposits) with financial institutions having original maturity dates of three months or less from the acquisition date, which are subject to an insignificant risk of changes in their fair value, and are used by the Corporation in the management of its short-term commitments. Canadian money market funds are highly liquid and form an integral part of the Corporation's cash management.

C. FINANCIAL INSTRUMENTS:

The Corporation classifies its non-derivative financial instruments into the following categories: fair value through income, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments were acquired.

i. Non-derivative financial assets:

The Corporation initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or are settled.

The Corporation has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for doubtful debts and impairment losses (see note 4(H)). Amortized cost is determined with reference to any discounts or premiums on acquisition over the period to maturity.

Loans and receivables are comprised of cash and cash equivalents, accounts receivable and the receivable from the Interprovincial Lottery Corporation.

4. Significant accounting policies (continued):

C. FINANCIAL INSTRUMENTS (CONTINUED):

ii. Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade dates, which are the dates that the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged or cancelled.

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method with interest expense recognized in income as net financing costs in the period in which it is incurred.

The Corporation's non-derivative financial liabilities are comprised of cheques issued in excess of funds on hand, prizes payable, accounts payable, accrued liabilities and other, short-term financing, and due to the Government of British Columbia.

iii. Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

D. INVENTORIES:

Inventories are measured at the lower of cost, determined on a weighted average or first-in, first-out basis, and net realizable value.

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

E. EMPLOYEE FUTURE BENEFITS:

i. Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Termination benefits:

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. Benefits payable are discounted to their present value when the time value of money is material.

4. Significant accounting policies (continued):

E. EMPLOYEE FUTURE BENEFITS (CONTINUED):

iii. Defined benefit plans:

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of benefit payable in the future that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value and the fair value of any plan assets are deducted.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (asset), which are comprised of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. BCLC determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in income as employee costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in income. The Corporation recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

F. PROPERTY AND EQUIPMENT:

The Corporation's policy on capital purchases is that any major purchase which has a useful life of more than 12 months beyond the end of the current year will be capitalized.

The Corporation's property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of short-term employee benefits for employees working directly on the construction of the qualifying asset. The amount capitalized is based on the time spent on the construction of the asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

The cost of replacing part of an item of property and equipment is recognized within the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in income as incurred.

Land and assets under construction are not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and based on the following estimated useful lives:

Asset	Rate
Corporate facilities, systems and equipment	3 to 20 years
Lottery gaming systems and equipment	5 years
eGaming systems and equipment	3 to 5 years
Casino and community gaming systems and equipment	3 to 10 years

4. Significant accounting policies (continued):

F. PROPERTY AND EQUIPMENT (CONTINUED):

The residual values, depreciation methods and useful economic lives of property and equipment are reviewed annually and adjusted if appropriate.

Gains and losses realized on the disposition of items of property and equipment are determined by comparing net proceeds with carrying amounts. These gains and losses on disposal are included on a net basis within other expenses in the consolidated statement of comprehensive income.

G. INTANGIBLE ASSETS:

Expenditures incurred in the development or acquisition of computer software products or systems that will contribute to future economic benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Other development costs are recognized in income as incurred.

Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset.

The cost of computer software and systems that are acquired by the Corporation includes the purchase price and any expenditure directly attributable to preparing the asset for its intended use.

Capitalized direct labour is comprised of short-term employee benefits for employees working directly on development and is based on the time spent on the development of the asset. Borrowing costs related to the development of qualifying assets are capitalized.

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to 10 years). The residual values, amortization methods and useful economic lives of intangible assets are reviewed annually and adjusted if appropriate.

H. IMPAIRMENT:

i. Financial assets:

Financial assets not classified as at fair value through income are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through income.

ii. Non-financial assets:

The carrying amounts of non-financial assets, other than inventories and employee future benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset or cash generating unit's fair value less costs to sell, and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Impairment losses are recognized in income and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

I. PROVISIONS:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in income as financing cost.

Provisions are reviewed at each reporting date and adjusted to reflect current estimates.

4. Significant accounting policies (continued):

J. REVENUE RECOGNITION:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized for major business activities as follows:

i. Gaming revenue:

Revenue from lottery tickets is recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

Revenue, net of buybacks, for all instant ticket games is recognized at the time of the transfer of legal ownership to the retailer.

Revenue from slot machines, table games and eCasino is recognized, net of prizes paid, in the same period the game is played.

Revenue from the operation of bingo games is recognized in the same period the game is played.

ii. Customer loyalty programs:

The Corporation has several customer loyalty programs through which customers receive free or discounted goods or services (including free play). If a customer has the right to receive cash under a customer loyalty program, a financial liability is recognized under IAS 39—*Financial Instruments: Recognition and Measurement* (IAS 39). These customer loyalty programs are measured initially at fair value and are only derecognized when the derecognition criteria in IAS 39 are met. If the patron does not have the right to receive cash, if the promotion is part of a current gaming transaction, or if the patron can redeem the promotional item for free or discounted goods or services (including free play), the customer loyalty program is recognized as revenue. The revenue, as determined by the fair value of the undelivered goods and services related to the customer loyalty program taking into account the expected redemption rate when applicable, is deferred until the promotional consideration is provided under IFRIC 13—*Customer Loyalty Programs* or until the award expires.

iii. Net win:

Net win represents gaming revenue net of prizes paid.

K. PRIZES:

Lottery and bingo prize expenses are recorded based on the actual prize liability experienced for each game.

Instant ticket games prize expenses are recorded at the theoretical prize liabilities for each game. The actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense.

Unclaimed lottery prizes are recorded as prizes payable until the prizes are claimed, discontinued or expire. Expired prizes are recorded as reductions in prize expense and prize liability in the year of expiry.

Unclaimed prizes of national lottery games are administered by the ILC.

Progressive jackpots:

The Corporation has several progressive jackpot games, each of which may be comprised of a seed (or base) as well as an incremental portion which increases by allotting a portion of each player's wager to the pot. BCLC recognizes such amounts as a prize payable at the time the Corporation has the obligation to pay the jackpot.

L. COMMISSIONS:

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as revenue is earned.

Commissions paid to gaming facility service providers, including commissions for facility development, are based on net win generated in accordance with underlying agreements. BCLC recognizes commission expenses as net win is earned. Commissions for facility development are based on a commission structure employed by BCLC that enables gaming facility service providers to earn additional commission up to contractually determined limits.

4. Significant accounting policies (continued):

M. LEASES:

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as financing leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under financing leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases other than financing leases are classified as operating leases and are not recognized in the consolidated statement of financial position. Payments made under operating leases are recognized in income on a straight-line basis over the terms of the leases.

N. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED:

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after April 1, 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards early.

i. Amendment to IAS 32 *Financial Instruments: Presentation* (IAS 32):

The amendment to IAS 32 clarifies the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement.” The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014, with early application permitted. At the date of these consolidated financial statements, the impact of this amendment is unknown. The Corporation plans to adopt this amended standard for its fiscal year ending March 31, 2015.

ii. Amendment to IAS 19 *Employee Benefits* (IAS 19):

The amendment to IAS 19 simplifies the accounting for contributions from employees or third parties to defined benefit plans that are independent of the number of years of service. The amendment is effective for annual periods beginning on or after July 1, 2014, with early application permitted. At the date of these consolidated financial statements, the impact of this amendment is unknown. The Corporation plans to adopt this amended standard for its fiscal year ending March 31, 2016.

iii. IFRS 9 *Financial Instruments* (IFRS 9) and amendments to IFRS 7 *Financial Instruments: Disclosures* (IFRS 7):

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. Further IFRS 9 introduces changes relating to financial liabilities and includes guidance previously in IAS 39. Early application is permitted with limited exceptions.

The amendments to IFRS 7 provide additional disclosures about the initial adoption of IFRS 9, an entity’s risk management strategy and the effect of hedge accounting on the financial statements. The amendments also provide transitional relief on the application of the effective interest method to financial liabilities. At the date of these consolidated financial statements, the impact of these amendments is unknown. The Corporation plans to adopt these standards upon their mandatory effective date.

5. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

A. GENERAL:

BCLC's Board is responsible for the oversight of management including its policies related to financial and risk management issues and oversight of the overall risk profile. The Board uses BCLC's Audit Committee to assist in the review of financial risks, and the Executive Committee for monitoring the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

The Audit Committee also oversees and reports back to the Board on the review of the Corporation's information systems, risk management function and internal controls in order to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate, and timely management and financial information.

The Corporation has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems, and to adopt risk treatment plans when appropriate. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive Committee and the Board.

The Corporation also has a division focused on corporate security and compliance. Further, the Corporation has internal audit services and a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control, and compliance.

B. CREDIT RISK:

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, net win less commissions outstanding, gaming cash floats, and cash and cash equivalents.

Trade receivables, net win less commissions outstanding and gaming cash floats

The major third parties transacting with the Corporation, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC.

The Corporation is not materially exposed to any one individual lottery retailer. The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments may be completed for new retailers (with the exception of registered charities), retailers who have experienced insufficient fund occurrences or where there is a concern that a retailer might be experiencing financial difficulties.

Security is obtained from lottery retailers who are considered high financial risks or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees. The Corporation may secure trade receivables from lottery retailers and net win less commissions that would be outstanding from gaming facility service providers through security deposits or Irrevocable Standby Letters of Credit. This security also covers gaming cash floats owned by the Corporation and provided by the Corporation to certain gaming facility service providers. While the Corporation is materially exposed to two different gaming facility service providers, their letters of credit and daily cash sweeps made by the Corporation mitigate the risk of material default for financial assets owned by the Corporation. The Corporation's PlayNow.com sales are paid in advance through credit card, debit card, or online bill payment transactions.

As at March 31, 2014, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $8,685 (2013: $10,996) of the accounts receivable carrying amount.

The maximum exposure to credit risk for trade receivables, net win less commissions outstanding and gaming cash floats at the reporting date by type of debtor is represented by the carrying amounts less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

		2014		2013
Maximum exposure	**$**	**79,443**	$	83,759
Collateral		**(60,948)**		(60,057)
Net exposure	**$**	**18,495**	$	23,702

5. Financial risk management (continued):

Trade receivables, net win less commissions outstanding and gaming cash floats (continued)

B. CREDIT RISK (CONTINUED):

Normal credit terms of trade receivables or net win less commissions outstanding are within 30 days. As at March 31, 2014 and 2013, there were no trade receivables or net win less commissions outstanding more than 60 days.

Cash and cash equivalents

Cash and cash equivalents, excluding gaming cash floats, are held with banks and counterparties which have high credit ratings and minimal market risk. Cash equivalents are limited to short-term debt securities with minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meets its obligations.

The Corporation has a formal policy and guidelines in place for cash equivalents that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

A policy has been established that outlines various asset mix range percentages for low risk investments restricted to short-term pooled money market funds or bond investments.

The maximum exposure to credit risk for cash and cash equivalents, excluding gaming cash floats, is represented by the carrying amounts at the reporting date (note 6).

Concentrations

The Corporation has significant business arrangements with two gaming facility service providers which account for the majority of its casino and community gaming business. The Corporation also has arrangements with other gaming facility service providers and approximately 3,800 lottery retailers. Credit risk related to service providers or lottery retailers is mitigated through Irrevocable Standby Letters of Credit or security deposits, as well as the distribution of risk across a large number of lottery retailers.

The Corporation has a number of business relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a significant number of other relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gambling industry.

C. LIQUIDITY RISK:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of British Columbia under its Fiscal Agency Loan (FAL) program. Under this agreement, the Corporation may borrow up to $250 million. In making a loan to the Corporation, the Government of British Columbia uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of British Columbia. Loans are unsecured and there are no pre-established repayment terms. The terms are set by the Government of British Columbia each time a loan is requested under this agreement. To date the durations of the loans have not exceeded 90 days.

The Corporation also has a $10 million unused demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2013: prime rate).

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money and money from normal operations held in advance of its transfer to the Government of British Columbia (note 16). As a result of fluctuating cash flow requirements and to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of all financial liabilities as at March 31, 2014 and 2013 are three months or less.

D. MARKET RISK:

Market risk is the risk that changes in market prices will affect the fair value of or future cash flows from a financial instrument. Market risk includes currency risk, interest rate risk and other market price risk. BCLC is exposed to interest rate risk which is described below.

Interest rate risk

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Government of British Columbia. The terms are set by the Government of British Columbia each time a loan is requested under the FAL agreement. The terms are determined based on market conditions available at that time.

The Corporation mitigates this risk by borrowing the minimum amount necessary from the Government of British Columbia.

The Corporation's interest-bearing assets are typically invested for short periods due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

		2014		2013
Canadian money market fund (overnight deposit) (fixed-rate instruments)	**$**	**19,168**	$	14,754
Short-term financing (fixed-rate instruments)		**(154,926)**		(131,704)
	$	**(135,758)**	$	(116,950)

Sensitivity analysis

The Corporation does not account for any fixed-rate financial instruments at fair value through income; therefore, a change in interest rates at the reporting date would not affect net income. A change of one per cent in interest rates at the reporting date would have increased (decreased) the deficit by $1,358 (2013: $1,169).

E. FAIR VALUES:

The carrying amounts of financial assets and financial liabilities not classified as fair value through income approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

F. OFFSETTING:

The carrying amounts of recognized financial instruments that are set off in the consolidated statement of financial position are as follows:

As at March 31, 2014		**Gross financial assets set off**		**Gross financial liabilities set off**		**Net financial assets**		**Related financial assets not set off**		**Net amount**
Accounts receivable	**$**	**55,519**	**$**	**(18,953)**	**$**	**36,566**	**$**	**1,593**	**$**	**38,159**
Receivable from the Interprovincial Lottery Corporation	**$**	**8,415**	**$**	**(669)**	**$**	**7,746**	**$**	**–**	**$**	**7,746**

As at March 31, 2013		Gross financial assets set off		Gross financial liabilities set off		Net financial assets		Related financial assets not set off		Net amount
Accounts receivable	$	59,792	$	(20,056)	$	39,736	$	2,197	$	41,933
Receivable from the Interprovincial Lottery Corporation	$	8,710	$	(1,556)	$	7,154	$	–	$	7,154

6. Cash and cash equivalents:

		2014		2013
Gaming cash floats	$	**41,284**	$	41,826
Funds held for security deposits		**5,373**		3,511
Funds held for player accounts		**3,966**		3,421
Canadian money market fund (overnight deposit)		**19,168**		14,754
Cash and cash equivalents in the statement of financial position		**69,791**		63,512
Cheques issued in excess of funds on hand in the statement of financial position		**(1,695)**		(7,325)
Cash and cash equivalents in the statement of cash flows	$	**68,096**	$	56,187

Gaming cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gambling locations and are not available for other purposes.

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $5,373 (2013: $3,511) is included in accounts payable, accrued liabilities and other.

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player account liability in the amount of $3,966 (2013: $3,421) is included in accounts payable, accrued liabilities and other.

Select casino service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (the accounts). These gaming accounts are accounted for in a trust-like fashion by the casino service providers in accordance with the casino and community gaming centre standards, policies and procedures under the supervision of the Corporation, as well as in accordance with the regulations of GPEB. No amounts are recorded in the Corporation's financial statements for the accounts. The casino service providers are legally liable for these accounts that hold player funds.

7. Accounts receivable:

		2014		2013
Trade receivables and net win less commissions outstanding:				
Lottery retailers	$	**20,255**	$	22,597
Gaming facility service providers		**14,702**		17,072
		34,957		39,669
Other		**3,202**		2,264
	$	**38,159**	$	41,933

8. Inventories:

The major components of inventories are as follows:

		2014		2013
Slot machine spare parts	$	**1,794**	$	5,942
Instant tickets		**3,435**		2,730
Other		**2,012**		1,326
	$	**7,241**	$	9,998

For the year ended March 31, 2014, inventories recognized as an expense amounted to $17,020 (2013: $15,488) and the write-down of inventories to net realizable value amounted to $5,330 (2013: $1,004).

9. Employee future benefits:

		2014		2013[1]
Net defined benefit asset (Plan A)	**$**	**(17,836)**	$	(2,296)
Net defined benefit liabilities (Plans B and C)		**65,404**		57,064
Net employee future benefits	**$**	**47,568**	$	54,768

1 Certain 2013 figures have been restated—see note 3 (G)

The Corporation contributes to and controls the following post-employment defined benefit plans.

Registered Pension Plan (Plan A)

Plan A is a registered pension plan in the Province of B.C. under the *Pension Benefits Standards Act* (British Columbia) (PBSA). Plan A entitles a retired employee to receive an annual pension payment based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and covers substantially all of the Corporation's employees. The pension benefits are partially indexed for inflation after retirement.

Plan A exposes the Corporation to liquidity risk, foreign currency risk, interest rate risk, credit risk and other market price risk.

Supplementary Pension Plan (Plan B)

Plan B covers employees designated by the Corporation. The pension benefits under Plan B provide designated employees a top-up to Plan A benefits to the extent, if any, that they are limited by the *Income Tax Act* maximum pension rules.

Non-Pension Post-Employment Plan (Plan C)

Plan C covers substantially all of BCLC's employees for post-employment medical, dental and life insurance benefits.

A. FUNDING:

Plan A is funded by employee contributions, employer contributions and investment returns. The Corporation funds Plan A based on the advice of an actuary, in order to provide for the cost of the benefits accruing under the plan and for the proper amortization of any unfunded liability or solvency deficiency, both in accordance with the PBSA, after taking into account the assets of the plan, employee contributions and all other relevant factors. The actuarial assumptions used to determine funding requirements may differ from the assumptions herein.

If at any time the actuary certifies that the net assets available for benefits under Plan A exceed the actuarial present value of the accrued pension benefit obligation, such surplus, or any portion thereof, may be used by the Corporation at its discretion to reduce its contribution obligations, subject to PBSA restrictions.

The Corporation expects to pay $16,000 in contributions to Plan A in the year ending March 31, 2015.

Plans B and C are unfunded; as such, the Corporation pays all benefits thereunder as they fall due.

9. Employee future benefits (continued):

B. MOVEMENT IN NET DEFINED BENEFIT LIABILITY (ASSET):

A reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components is as follows:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2014	2013[1]	**2014**	2013	**2014**	2013[1]
Balance at April 1	**$ 220,499**	$ 191,329	**$ (165,731)**	$ (142,972)	**$ 54,768**	$ 48,357
Included in income						
Current service cost	**12,292**	8,919	**–**	–	**12,292**	8,919
Past service cost	**13,426**	–	**–**	–	**13,426**	–
Interest cost (income)	**9,543**	9,620	**(7,484)**	(7,586)	**2,059**	2,034
Administration cost	**–**	–	**220**	303	**220**	303
	35,261	18,539	**(7,264)**	(7,283)	**27,997**	11,256
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
– demographic assumptions	**19,540**	(11,776)	**–**	–	**19,540**	(11,776)
– financial assumptions	**(20,618)**	24,551	**–**	–	**(20,618)**	24,551
– experience adjustments	**(642)**	2,379	**–**	–	**(642)**	2,379
Return on plan assets excluding interest income	**–**	–	**(19,609)**	(5,786)	**(19,609)**	(5,786)
	(1,720)	15,154	**(19,609)**	(5,786)	**(21,329)**	9,368
Other						
Contributions paid by the employer	**–**	–	**(13,868)**	(14,213)	**(13,868)**	(14,213)
Contributions paid by the employee	**2,696**	2,490	**(2,696)**	(2,490)	**–**	–
Benefits paid	**(8,163)**	(7,013)	**8,163**	7,013	**–**	–
	(5,467)	(4,523)	**(8,401)**	(9,690)	**(13,868)**	(14,213)
Balance at March 31	**$ 248,573**	$ 220,499	**$ (201,005)**	$ (165,731)	**$ 47,568**	$ 54,768

Represented by:	**2014**	2013[1]
Net defined benefit asset (Plan A)	**$ (17,836)**	$ (2,296)
Net defined benefit liabilities (Plans B and C)	**65,404**	57,064
	$ 47,568	$ 54,768

1 Certain 2013 figures have been restated—see note 3 (G)

During 2014, the pension arrangements for a number of employees were adjusted. As a result of a plan amendment, the Corporation's defined benefit obligation increased by $13,426 (2013: $ nil). A corresponding past service cost was recognized in employee costs in the consolidated statement of comprehensive income during 2014.

9. Employee future benefits (continued):

C. PLAN ASSETS:

Plan assets are comprised of:

2014	Level 1[1]	Level 2[2]	Total	Asset Mix
Equity securities				
Canadian equity	**$ 64,537**	**$ –**	**$ 64,537**	**32%**
Global equity	**71,272**	**–**	**71,272**	**35%**
Investment funds				
Fixed income	**8,966**	**–**	**8,966**	**5%**
Debt securities				
Canada bonds	**35,032**	**–**	**35,032**	**17%**
Canada real return bonds	**–**	**20,503**	**20,503**	**10%**
Cash and cash equivalents	**695**	**–**	**695**	**1%**
	$ 180,502	**$ 20,503**	**$ 201,005**	**100%**

2013	Level 1[1]	Level 2[2]	Total	Asset Mix
Equity securities				
Canadian equity	$ 52,434	$ –	$ 52,434	32%
Global equity	52,547	–	52,547	32%
Investment funds				
Fixed income	9,074	–	9,074	5%
Debt securities				
Canada bonds	31,859	–	31,859	19%
Canada real return bonds	–	17,981	17,981	11%
Cash and cash equivalents	1,836	–	1,836	1%
	$ 147,750	$ 17,981	$ 165,731	100%

1 The fair value of Level 1 assets is determined based on quoted prices in active markets.

2 The fair value of Level 2 assets is determined using inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly.

At each reporting date, an Asset-Liability Matching study is performed by the pension fund's actuarial consultants in which the consequences of the strategic investment policies are analyzed. As a general policy, and in accordance with the relevant regulations, the Corporation has adopted the investment guidelines of the PBSA for defining permissible investment activities for money held in trust. Each investment manager is expected to actively manage Plan A's assets within the parameters of the strategic asset mix comprising 40–70 per cent equity securities, 30–50 per cent investment funds and debt securities and 0–10 per cent cash and cash equivalents.

9. Employee future benefits (continued):

D. DEFINED BENEFIT OBLIGATION:

i. Actuarial valuation and assumptions:

An actuarial valuation is required, at a minimum, every three years to assess the financial position of Plan A. The most recent actuarial valuation of Plan A for funding purposes was made as of December 31, 2010 by Mercer (Canada) Limited, a firm of consulting actuaries. The next required actuarial valuation will be made as of December 31, 2013, with results expected to be available in 2014 after the release of these consolidated financial statements. Although there is no statutory requirement, an actuarial valuation is completed every three years on Plan C. An actuarial valuation of Plan C was performed as of January 31, 2013.

The principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	Plans A and B		Plan C	
	2014	2013	**2014**	2013
Discount rate	**4.65%**	4.40%	**4.65%**	4.40%
Interest rate	**4.40%**	5.10%	**4.40%**	5.10%
Rate of compensation increase for the fiscal year	**2.06%**	2.67%	**–**	–
Future compensation increases	**2.25%**	2.25%	**–**	–
Inflation	**2.25%**	2.25%	**–**	–
Initial weighted-average health care trend rate	**–**	–	**5.93%**	6.15%
Ultimate weighted-average health care trend rate	**–**	–	**4.50%**	4.50%
Year ultimate reached	**–**	–	**2029**	2029
Assumed life expectations on retirement at age 65				
Retiring today				
Male	**22.9**	19.8	**22.9**	19.8
Female	**24.8**	22.1	**24.8**	22.1
Retiring in 20 years				
Male	**24.0**	21.2	**24.0**	21.2
Female	**25.8**	22.9	**25.8**	22.9

ii. Sensitivity analysis:

Changes at March 31, 2014 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts as follows:

	Defined benefit obligation	
	Increase	Decrease
Discount rate (1% movement)	$ (40,573)	$ 52,908
Future compensation increase (1% movement)	$ 4,450	$ (3,759)
Inflation (1% movement)	$ 12,485	$ (11,401)
Healthcare cost trend rate (1% movement)	$ 12,428	$ (9,537)
Future mortality (10% movement)	$ (4,392)	$ 4,774

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

10. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost							
Balance at April 1, 2012	$ 700	$ 77,217	$ 108,219	$ 6,065	$ 316,837	$ 2,132	$ 511,170
Additions	–	6,177	3,063	529	29,933	4,426	44,128
Transferred to systems and equipment	–	–	841	–	75	(916)	–
Disposals and retirements	–	(2,929)	(7,790)	(46)	(11,616)	–	(22,381)
Balance at March 31, 2013	700	80,465	104,333	6,548	335,229	5,642	532,917
Additions	**–**	**5,519**	**2,072**	**877**	**61,608**	**10,912**	**80,988**
Transferred to systems and equipment	**–**	**128**	**2,158**	**–**	**2,470**	**(4,756)**	**–**
Disposals and retirements	**–**	**(2,216)**	**(2,375)**	**(4)**	**(16,214)**	**–**	**(20,809)**
Balance at March 31, 2014	**$ 700**	**$ 83,896**	**$ 106,188**	**$ 7,421**	**$ 383,093**	**$ 11,798**	**$ 593,096**
Depreciation							
Balance at April 1, 2012	$ –	$ 50,282	$ 93,056	$ 3,839	$ 225,283	$ –	$ 372,460
Depreciation for the year	–	9,394	7,495	769	23,325	–	40,983
Disposals and retirements	–	(2,826)	(7,517)	(40)	(11,335)	–	(21,718)
Balance at March 31, 2013	–	56,850	93,034	4,568	237,273	–	391,725
Depreciation for the year	**–**	**9,120**	**6,084**	**975**	**29,327**	**–**	**45,506**
Disposals and retirements	**–**	**(2,077)**	**(2,317)**	**(4)**	**(15,884)**	**–**	**(20,282)**
Balance at March 31, 2014	**$ –**	**$ 63,893**	**$ 96,801**	**$ 5,539**	**$ 250,716**	**$ –**	**$ 416,949**
Carrying amounts							
At March 31, 2013	$ 700	$ 23,615	$ 11,299	$ 1,980	$ 97,956	$ 5,642	$ 141,192
At March 31, 2014	**$ 700**	**$ 20,003**	**$ 9,387**	**$ 1,882**	**$ 132,377**	**$ 11,798**	**$ 176,147**

11. Intangible assets:

The intangible assets balance represents software purchased and internally-generated software assets.

	Software	Assets under development	Total
Cost			
Balance at April 1, 2012	$ 70,642	$ 20,015	$ 90,657
Acquisitions—separately acquired	10,707	33,685	44,392
Acquisitions—internally generated	3,081	4,806	7,887
Borrowing costs capitalized	18	206	224
Transferred to software	8,971	(8,971)	–
Disposals and retirements	(4,397)	–	(4,397)
Balance at March 31, 2013	89,022	49,741	138,763
Acquisitions—separately acquired	**11,018**	**403**	**11,421**
Acquisitions—internally generated	**2,952**	**4,729**	**7,681**
Borrowing costs capitalized	**–**	**195**	**195**
Transferred to software	**28,997**	**(28,997)**	**–**
Disposals and retirements	**(73)**	**–**	**(73)**
Balance at March 31, 2014	**$ 131,916**	**$ 26,071**	**$ 157,987**
Amortization			
Balance at April 1, 2012	$ 46,779	$ –	$ 46,779
Amortization for the year	13,726	–	13,726
Disposals and retirements	(4,394)	–	(4,394)
Balance at March 31, 2013	56,111	–	56,111
Amortization for the year	**16,227**	**–**	**16,227**
Disposals and retirements	**(40)**	**–**	**(40)**
Balance at March 31, 2014	**$ 72,298**	**$ –**	**$ 72,298**
Carrying amounts			
At March 31, 2013	$ 32,911	$ 49,741	$ 82,652
At March 31, 2014	**$ 59,618**	**$ 26,071**	**$ 85,689**

12. Prizes payable:

	2014	2013
Lottery	**$ 24,904**	$ 24,941
Casino and community gaming	**6,128**	6,260
	$ 31,032	$ 31,201

13. Accounts payable, accrued liabilities and other:

		2014		2013
Trade payables	$	**14,424**	$	8,866
Accrued expenses		**57,119**		49,443
Indirect tax payable		**4,470**		3,641
Other		**10,093**		7,290
	$	**86,106**	$	69,240

14. Short-term financing:

		2014		2013
Government of British Columbia, loans, payable in single instalments including interest ranging from $12 to $85 at rates ranging from 0.86% to 0.93%, unsecured, due between April 8, 2014 and May 2, 2014	$	**154,926**	$	–
Government of British Columbia, loans, payable in single instalments including interest ranging from $17 to $35 at rates ranging from 0.88% to 0.94%, unsecured, due between April 3, 2013 and May 7, 2013		**–**		131,704
	$	**154,926**	$	**131,704**

15. Net financing costs:

		2014		2013
Financing income	$	**(554)**	$	(492)
Interest expense		**1,097**		846
Foreign exchange (gain) loss		**26**		(4)
	$	**569**	$	350

16. Distributions to the Government of British Columbia:

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 17), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of British Columbia occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings.

17. Distributions to the Government of Canada:

ILC makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

18. Interprovincial Lottery Corporation:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized in prize expense and ticket printing expense, respectively, in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses in the consolidated statement of comprehensive income.

19. Commitments:

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises and vehicles are as follows:

2015	$ 5,148
2016	4,464
2017	3,979
2018	3,579
2019	3,262
Thereafter	21,748

19. Commitments (continued):

The Corporation leases its Vancouver office and warehouse space under operating leases. The leases commenced May, 2011 and have a term of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay contingent location fees that are reviewed, negotiated and adjusted as necessary.

The Corporation leases a fleet of vehicles under operating lease agreements. These leases have terms that range from two to six years.

During the year ended March 31, 2014, $19,075 (2013: $21,436) was recognized as an expense in the consolidated statement of comprehensive income in respect of operating leases. Included in this amount were contingent rents totaling $263 (2013: $292). The Corporation recognized income of $2,727 (2013: $2,693) in respect of rent under cancellable operating agreements with lottery retailers.

20. Contingencies:

The Corporation has been named as a defendant in several lawsuits as well as other disputes in the ordinary course of business. A provision is recognized only when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These indemnifications are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements for these indemnifications.

21. Related party transactions:

BCLC is a wholly-owned Crown corporation of the Government of British Columbia.

All transactions with the Government of British Columbia ministries, agencies and Crown corporations occurred in the normal course of operations and are at arm's length, which is representative of fair value.

Key management personnel have been defined as the members of the Board of Directors, the President & CEO, and the Corporation's Vice-Presidents. The compensation for key management personnel is shown below:

		2014		2013
Short-term employee benefits	**$**	**2,982**	$	3,187
Pension and post-employment benefits		**403**		412
Termination benefits		**–**		1,102
Other		**48**		–
	$	**3,433**	$	4,701

The Corporation contributes to defined benefit plans. Transactions with these plans are disclosed in note 9. Other related party transactions have been disclosed in note 16.

22. Indirect tax expense:

As a provincial gaming authority, BCLC is a prescribed registrant under the *Games of Chance Goods and Services Tax (GST)/Harmonized Sales Tax (HST) Regulations* of the *Excise Tax Act* (the Regulations). The Corporation makes GST remittances to the Government of Canada pursuant to the Regulations. The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations resulting in the direct payment of additional GST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to other GST registrants.

Provincial Sales Tax is calculated and remitted to the Province of British Columbia pursuant to the *Provincial Sales Tax Act* which was reintroduced in B.C. on April 1, 2013.

Prior to April 1, 2013, BCLC was a prescribed HST registrant making remittances to the Government of Canada pursuant to the Regulations.

Appendix 1:

What we plan to do differently and why

This year, we reworded our corporate goals and objectives as we continue to transform our business and move towards becoming a player-centric organization.

The following table compares the goals in our 2013/14 Revised Service Plan Goals to the current 2014/15 Service Plan.

Perspective	2013/14 to 2015/16 Revised Service Plan Goals	2014/15 to 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 for 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.	No change.

The following table compares the performance measures in our 2013/14 Revised Service Plan to the current 2014/15 Service Plan.

Perspective	2013/14 to 2015/16 Revised Service Plan Performance Measures	2014/15 to 2016/17 Service Plan Performance Measures	Comments
Player	Player Satisfaction	Player Satisfaction	No changes.
	Player Participation	Player Participation	
	Player Awareness of Responsible Gambling Activities	Player Awareness of Responsible Gambling Activities	
	Net Win per Capita	Net Win per Capita	
People	Employee Engagement	Employee Engagement	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.
	Employee Vacancy Rate	Employee Turnover Rate	
Public	Public Support for BCLC	Public Recognition of Positive Contributions	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 insights into how the public feels about our business and the economic benefits it creates.
	Level of Greenhouse Gas Emissions	Public Perception of BCLC's Transparency	
		Level of Greenhouse Gas Emissions	
Profit	Net Income	Net Income	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 calculation.
	Operating Costs (% of Net Win)	Comprehensive Cost Ratio (% of Net Win)	

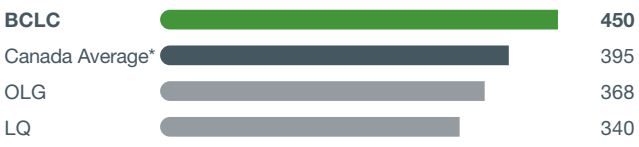
Appendix 2:

Performance management systems and benchmarks

Details of how we use each measure and the targets for the next three years are in the "Our Performance" section of this report.

The table below summarizes how we measure each metric, our benchmarks and what we do to check that the data is reliable.

Performance Measure	How We Measure and Benchmark	Data Reliability
Player Satisfaction	A third-party research professional conducts a continuous tracking study to measure Player Satisfaction on our behalf. The survey is conducted online among a random sample of B.C. adults aged 19 and older. The sample 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. Players who played in one of BCLC's gambling channels at least once every three to five months are asked to rate their level of 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. Player responses in the top five box scores are then aggregated and expressed as a percentage to get the aggregate satisfaction. 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.	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.'s population figures available from Statistics Canada's Census.
Player Participation	A third-party research professional conducts a continuous tracking study to measure Player Participation on our behalf. The survey is conducted online among a random sample of B.C. adults aged 19 and older. The sample 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. 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 in any of our channels. 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.	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 from Statistics Canada's Census.

Performance Measure	How We Measure and Benchmark	Data Reliability
Player Awareness of Responsible Gambling Activities	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 among a random sample of B.C. adults aged 19 and older. The sample 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. 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. Over the coming year, we will examine the need to adjust this measure so that we understand how successful we are in creating player awareness for our key responsible gambling activities. 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.	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.
Net Win per Capita	Net Win per Capita is widely used in the gambling industry. As the age at which legal gambling is permitted varies between jurisdictions, BCLC's calculation is indexed to the total population rather than specifically to B.C.'s adult population, allowing us to benchmark consistently to other jurisdictions. For our benchmark comparisons, net win figures are taken from the most recent audited statement 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 data is removed. Video lottery terminal (VLT) revenue is included in benchmarking results from Loto-Québec (LQ) and where applicable, the Canada Average comparisons, to give a complete picture of total spending on gambling. The provinces of B.C. and Ontario Lottery and Gaming Corporation do not permit VLTs. 2011/12 Net Win per Capita $  * BC removed	Net Win figures are taken from our audited financial statements published in our Annual Service Plan Report. Population figures are from Statistics Canada figures published in July each year and used as the baseline for our calculations for each of the years included in the Service Plan. Forecasts and targets are calculated by BCLC and are reviewed with Treasury Board prior to inclusion in the Service Plan.

Performance Measure	How We Measure and Benchmark	Data Reliability
Employee Engagement	Employee Engagement is measured by an annual anonymous online survey amongst BCLC' employees, conducted by a third-party research professional on our behalf. The survey asks employees to rank on a six-point scale their agreement with a broad range of statements that span aspects of the workplace such as work conditions, career and development opportunities, and BCLC's goals and programs. 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. 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.	The survey to measure Employee Engagement is independently conducted a third-party research firm, using market research industry standard techniques.
Employee Vacancy Rate	This metric provides the 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 vacancy rates. 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.	Employee Vacancy Rate is internally 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.
Public Support for BCLC	A third-party research professional conducts a continuous tracking study to measure Public Support for BCLC on our behalf. The survey is conducted online among 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. 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 reported as the aggregate percentage of support for BCLC. 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.	The survey to measure Public Support for BCLC 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.
Level of Greenhouse Gas Emissions	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. BCLC obtains the required data from our suppliers of electricity, natural gas, fleet vehicle fuel and paper, and 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.	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. Fleet vehicle fuel consumption is verified from fuel consumption reporting from our fleet vehicle management company. Paper consumption for all types of reportable paper is measured internally each month.

Performance Measure	How We Measure and Benchmark	Data Reliability
Net Income	Net Income is the calculation of total sales after prizes, direct expenses, gaming support costs, general operating costs, amortization and taxes have been deducted and is reported using financial information from BCLC's publicly reported financial statements. BCLC's net income is analyzed on a time series basis and is not benchmarked with other jurisdictions due to differences in the types of gambling offered by the jurisdiction, differing gaming models and population levels.	Net income figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Forecasts and targets are calculated by BCLC in accordance with International Financial Reporting Standards (IFRS) and are reviewed with the Treasury Board prior to inclusion in BCLC's Service Plan.
Operating Cost Ratio	Our Operating Cost Ratio is the sum of our direct expenses (except prizes), including BCLC private sector service provider commissions and ticket printing, gaming support costs, general operating costs and amortization, divided by our consolidated net win and expressed as a percentage. Including private sector service provider commissions in our direct expenses normalizes BCLC to the different operating models of other jurisdictions (i.e., instead of operating our gambling facilities directly, BCLC pays commissions to private sector service providers). Ticket printing is also included, as many other gambling jurisdictions do not separate this cost from their consolidated operating costs. In some instances restatement of financial information by benchmark organizations has caused changes to prior reported figures. BCLC's operating costs ratio remains below our benchmark comparisons. Swedish lottery 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 facilities-based casino gambling, from which BCLC derives the majority of its net win. 2011/12 Operating Costs Ratio % of net win **BCLC** **42.0** LQ 44.8 Svenska Spel 48.0 OLG 54.0	Direct expenses, gaming support costs, general operating costs and amortization are taken from our audited statement of accounts as published in our Annual Service Plan Report. All figures are determined in accordance with International Financial Reporting Standards. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan. Benchmark comparisons net win and comprehensive operating cost figures are taken from the audited statements of accounts, as published in the annual reports of the comparator organizations.

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BCLC's Service Plan is available at
bclc.com/service-plan

Use your GameSense
GameSense.ca

bclc
playing it right

BRITISH
COLUMBIA
The Best Place on Earth

Appendix CC – 2014/15:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2014-2015,* (Kamloops: British Columbia Lottery Corporation, 2015).

2014/15
ANNUAL SERVICE PLAN REPORT

APPENDIX CC

For more information on BC Lottery Corporation (BCLC) contact:

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Board Chair's Message and Accountability Statement

BCLC had an extraordinary financial year. We achieved our highest net income to date, $1.25 billion, which is $61.5 million over budget and $79.9 million over last fiscal.

Exceptional performance in high-limit table games in casinos offset lower than expected lottery sales. This has contributed positively to the delivery of net income. However, since commissions paid on table games are significantly higher than those paid on lottery sales, the shift in revenue negatively impacts our comprehensive costs ratio (the measure of total business costs, excluding prizes and taxes, as a percentage of total net win). We met our current target ratio this year; however, this ratio will be higher in future years. Additionally, there is risk in this revenue stream as it is heavily dependent on a relatively small international player base. We know we cannot rely on this business segment for sustainable long-term growth. As such, we continue to invest and innovate to strengthen our business: creating fresh entertainment experiences and delivering them in ways that British Columbians want.

Speaking of innovation, BCLC completed the installation of our new gaming management system – the most intensive infrastructure project in BCLC history – on time and under the $104 million capital budget. This IT system underpins $1.7 billion in revenue from our gaming facilities. On the social responsibility front, we are proud of our contribution to the Province's investment in the UBC Centre for Gambling Research which opened this past November, and our enhanced anti-money laundering program.

Last June, we adopted Government's Taxpayer Accountability Principles (TAP), implementing new Standards of Ethical Business Conduct to better define the expectations of all BCLC employees as they relate to TAP.

Despite a record year financially, it has been challenging for our people as we responded to Government's Internal Audit and Advisory Services "Review of the British Columbia Lottery Corporation" and adjusted to outcomes of our cost containment measures, which together resulted in change to 25 per cent of our workforce. I commend our people for an outstanding year in the face of extraordinary challenges. We cut costs, increased efficiencies, and had landmark accomplishments. Our employees remained resilient and engaged in delivering on our goals.

More than $18 billion has been delivered to the Province of B.C. during our 30-year history. Building on that strong foundation, applying innovation in all we do, BCLC will continue to strengthen and benefit British Columbia.

The 2014/15 BCLC Annual Service Plan Report compares actual results to the expected results identified in the 2014/15 – 2016/17 Service Plan. I am accountable for these results as reported.

Respectfully,

Bud Smith
Board Chair

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Purpose of the Organization

BCLC conducts and manages gambling in B.C. including casino, lottery, bingo and sports betting through multiple channels of distribution. Our slot machines and table games are operated through contracts with private sector service providers at 15 casinos, two racecourse casinos, 18 community gaming centres and seven commercial bingo venues. Our national and provincial lottery products are sold at over 3,900 retail locations, operated by private sector retailers who earn a standard commission based on product sales. PlayNow.com is BCLC's secure, regulated online and mobile channel with a growing diversity of lottery games, sports betting, eCasino, ePoker and eBingo entertainment for over 360,000 registrants. PlayNow.com also provides online gambling services as well as web-based and smartphone platforms to Manitoba Lotteries.

BCLC is a Crown corporation, established on April 1, 1985, and is governed by B.C.'s *Gaming Control Act* (2002). We manage and conduct gaming and grow net income in a socially responsible way, adhering to the Taxpayer Accountability Principles, for the benefit of British Columbians.

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.

Strategic Direction and Context

Strategic Direction

Specific direction from Government to BCLC was provided in the 2014/15 Government Letter of Expectations: operate gaming in a socially responsible manner and within the Province's legislative and regulatory framework; support responsible gambling research, education and awareness; enhance anti-money laundering programs; optimize performance by seeking new revenue opportunities; and create efficiencies through the modernization of infrastructure, process and technology. Read the full letter outlining these expectations here:
http://corporate.bclc.com/content/dam/bclc/corporate/documents/terms-of-reference/governments-letter-of-expectation-2014-2015.pdf

In addition, as per the Taxpayer Accountability Principles (TAP) Addendum of June 2014, BCLC adopted principles of cost consciousness (efficiency), accountability, appropriate compensation, service, respect and integrity into our business operations. Read the full addendum letter here:
http://corporate.bclc.com/content/dam/bclc/corporate/documents/transition-letter-tax-payer-accountability-sept-2014.pdf

See the Report on Performance section for our progress on these initiatives.

Strategic Context

In fiscal 2014/15, a number of significant factors, both internal and external, challenged our business and performance.

Foremost, we underwent an Internal Audit and Advisory Services Review by Government, which required response by dedicated resources throughout the organization. BCLC accepted all 25 recommendations, which included making improvements to gaming operations, player and public protection, and internal operations to help strengthen BCLC. The entire review can be found here: http://www.fin.gov.bc.ca/ocg/ias/pdf_docs/Review%20of%20BCLC.pdf and BCLC's response to the review can be found here: http://corporate.bclc.com/content/dam/bclc/corporate/documents/bclc-response-to-audit-dec17.pdf

We also made strategic workforce cuts, reducing the number of positions by 67, to better manage costs. A voluntary termination program (VTP) was offered to employees, resulting in higher than budgeted costs. With increased uncertainty in the organization, we also experienced higher than anticipated turnover of nearly 25 per cent of our workforce. Attracting and retaining employees has been challenging, and a number of key leadership roles were filled with interim appointments.

In 2014/15, BCLC experienced a significant shift in its operating environment due to increasingly mature markets and rapidly evolving player preferences.

Our two major business lines (lottery and casino) are mature and facing market saturation. Revenues are flattening and margins are sensitive to shifts in player preferences. Lottery revenues are heavily dependent on large jackpots, resulting in lottery revenue volatility. Casino revenues are increasingly dependent on international players who come to play high-limit table games. While our online gambling business continues to experience growth, its ability to significantly influence overall business performance is limited due to its current net income contribution in proportion to the rest of the business.

While performance in our high-limit table casino games category compensated for below budget lottery sales, success in these games has increased our direct costs because much higher commissions are paid on table games revenue, as compared to lottery sales. Additionally, we currently benefit from an international player base that chooses to spend its discretionary dollars in our local casinos, and specifically on high-limit table games. As a result, we are exposed to the risk that these players may choose to spend their time and money outside B.C., or on activities other than gaming. While the current state of the Canadian dollar is favourable for attracting international players to B.C., this remains a risk that is tied to factors outside of our control, and associated revenue could be highly sensitive to these factors.

Our facility distribution strategy is also nearing completion, with 90 per cent of B.C. adults living within a 30-minute drive from a casino or community gaming facility. This means that increased net income growth in casino gaming will result from product changes or facility enhancements. Our focus now is working with our service providers to enhance these properties, so that they have broader appeal among consumers within existing markets as an entertainment choice.

We must also continue to support and enhance our core products (slots, tables, LOTTO MAX, Lotto 6/49, Keno and Scratch & Win) to retain core players and sustain these revenue streams. Additionally we are focused on delivering new and innovative content and experiences to broaden our player base and engage moderate and light players.

Report on Performance

Our mandate is to grow net income responsibly for the benefit of British Columbians, while applying the Taxpayer Accountability Principles (TAP). The 2014/15 Government Letter of Expectations (GLE) provides specific direction to BCLC. Below is a brief summary of our work to fulfill these stipulations:

- We operated our business within the legislative and regulatory framework established by the Province and complied with all policies, directives and standards issued by the Minister and the Gaming Policy and Enforcement Branch (GPEB).
- We conducted gaming within the social policy framework established by Government and in alignment with our social responsibility objectives by:
  - Maintaining an efficient and effective responsible gambling program, focused on research, player education and public awareness;
  - Working to reduce reportable greenhouse gas emissions;
  - Collaborating with GPEB, the Ministry of Finance, the Ministry of Health and the Ministry of Education to help inform the development of the Province's Plan for Public Health and Gambling, released in February 2015; and
  - Investing in a new, independent Centre for Gambling Research at the University of British Columbia, which opened in November 2014. (In 2013/14, the Government of British Columbia dedicated $2 million through BCLC for the Centre. In its first year, the Centre was granted $1 million, with $250,000 allocated for each of the following four years.)
- We enhanced existing anti-money laundering (AML) programs to ensure compliance with new federal AML regulations released in February 2014 including "Know Your Customer[1]" and are focused on promoting and enhancing cash alternative options in our facilities.
- We optimized our financial performance:
  - Early in 2014/15, BCLC management undertook a detailed review to identify cost reduction opportunities which resulted in operational savings; and
  - We explored new revenue potential within the Province's legal and policy frameworks.
- As part of BCLC's cost management review, projects were prioritized to ensure alignment with long-term BCLC goals to optimize overall performance, security, integrity and efficiency.

A detailed summary of BCLC's work to fulfill the 2014/15 GLE appears in Appendix B.

In the Addendum to the 2014/15 Government Letter of Expectations (GLE), BCLC was directed to take specific actions and, in accordance with Government policy and directives, implement the TAP. BCLC has taken the necessary steps to adopt and integrate all principles within our strategic direction for business along with economic, market and consumer trends.

This is reflected in BCLC's performance framework and in our revised Standards of Ethical Business Conduct (SOEBC) for employees, which includes and makes publicly available all principles (except 'service'). Also our SOEBC for contractors has recently been updated and will be made public in Summer 2015. In addition to TAP discussions at Executive and Board meetings, principles have been

[1] Due diligence measures to identify and verify customers, as well as ongoing monitoring of customer transactions

communicated to employees in person, via email and as part of a mandatory online course to solidify knowledge and understanding.

BCLC is committed to working with the Ministry to develop an Evaluation Plan with specific efficiency and performance measures as determinants of the organization's health and performance, against the Taxpayer Accountability Principles (TAP). We are currently assessing our performance framework, including measures, strategy and Government's direction in relation to the GLE/Mandate Letter, TAP and the Internal Audit and Advisory Services Review. BCLC has developed a Strategic Engagement Plan, which includes regular meetings with the Associate Deputy Minister and the Minister of Finance to ensure effective communication of performance against TAP. As part of the transitional phase, our Report on Performance references all relevant TAP initiatives.

Our 2014/15 BCLC Annual Service Plan Report compares actual results to the expected results identified in the 2014/15 – 2016/17 Service Plan. The following pages summarize how BCLC measures and reports performance through four corporate goals.

Goal 1: Player – We are creating an integrated player-focused entertainment company.

BCLC positively impacts the citizens of British Columbia by delivering exciting, cost-effective and engaging entertainment offerings, in order to sustain and grow net income for the Province.

This past year, we completed the installation of our new gaming management system in all casino and community gaming centres, launched B.C.'s first live venue sports betting pilot and extended Encore Rewards to table games players. Novelty entertainment betting was launched on PlayNow.com and we introduced 19 new eCasino slot and ePoker games for smartphone and tablet users. Lottery distribution expanded through a new retail agreement with Costco and the rollout of Lotto Express to Buy-Low Foods, Quality Foods and Nesters Market.

Strategies:

- **Create fun, relevant player experiences within and across games, channels and touchpoints.** Players today have more entertainment options than ever competing for discretionary spending. Using tools and technology, BCLC is listening to our players and learning what they want so that we can deliver fun, relevant products and experiences that meet expectations and provide great value for money.

- **Grow and diversify the player base to strengthen our business.** We are focusing on increasing the number of players by enhancing the entertainment value of our products and amenities and integrating new content. This will attract infrequent players and build our business so that we continue to achieve positive outcomes for British Columbians by providing exceptional entertainment options and benefits to communities.

- **Encourage healthy gambling choices.**
  We are committed to conducting and managing gambling in a socially-responsible manner for the benefit of British Columbians. This is the heart of our business. We want our players to enjoy themselves and keep gambling safe and fun, so BCLC consistently delivers effective responsible gambling programs. In line with the Province's strategy, BCLC promotes awareness and understanding of healthy gambling choices, and provides tools to encourage positive behaviours, as well as resources to help problem gamblers. We embrace leading global practices and research to refine our programs, and work to support our service providers in developing effective responsible gambling practices.

Performance Measure: Player Satisfaction

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Player Satisfaction	83%	85%	81%	83%	78%	80%	81%

Data Source and Data Reliability: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ±1.92 at the 95% confidence level (19 times out of 20).
Benchmark Data: Player Satisfaction is internally benchmarked on a time series basis.

Discussion:

- Player Satisfaction gauges BCLC's success in offering products and amenities that provide great value for money so that we achieve positive outcomes for British Columbians.
- In 2014/15, player satisfaction was very positive, but below our target. This is due to players providing softer satisfaction ratings and based on player feedback, opportunities exist to enhance the player experience of games and distribution channels. Our goal is to increase player satisfaction in the coming years by:
  - Ensuring that players who visit PlayNow.com from mobile devices have an experience which is optimized for their device;
  - Leveraging the benefits of the new gaming management system that supports our casino business and providing entertaining products in all gaming facilities; and
  - Working with our retailers to deliver enhanced experiences and new distribution points for lottery players.

Performance Measure: Player Participation

Performance Measure	2011/12 Actual	2012/13 Actual[2]	2013/14 Actual	2014/15 Target[3]	2014/15 Actual	2015/16 Target	2016/17 Target
Player Participation	62%	69%	54%	57%	51%	54%	55%

Data Source and Data Reliability: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.55 at the 95% confidence level (19 times out of 20).
Benchmark Data: Player Participation is internally benchmarked on a time series basis.

Discussion:

- 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.
- In 2014/15, player participation was below target. Fewer high lottery jackpots, particularly in the first three quarters of 2014/15, may have contributed to lower-than-targeted results.
- We plan to grow player participation by appealing to infrequent players while retaining our current player base. We will:
  - Listen to our players to gain insight and learn preferences in order to deliver relevant products and experiences that provide great value for money;
  - Refine our marketing programs to enhance the entertainment experiences within and across player touchpoints; and
  - Leverage PlayNow.com across multiple channels and devices to deliver effective and relevant products and services with optimal player convenience.

Performance Measure: Player Awareness of Responsible Gambling Activities

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual[4]	2015/16 Target	2016/17 Target
Player Awareness of Responsible Gambling Activities	80%	78%	68%	68%	79%	79%	80%

Data Source and Data Reliability: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.55 at the 95% confidence level (19 times out of 20).
Benchmark Data: Player Awareness of Responsible Gambling Activities is internally benchmarked on a time series basis.

[2] 2012/13 Player Participation results are based on survey results for the first three quarters, excluding fourth quarter results due to a change in survey questions.
[3] In 2014/15, we slightly revised the 'player' definition; this revision has not impacted previous year's results.
[4] In 2014/15, we revised the survey statements for Player Awareness of Responsible Gambling Activities to better reflect our responsible gambling priorities; 2014/15 results are not comparable to previous years.

Discussion:

- Player Awareness of Responsible Gambling Activities gauges our effectiveness at reaching players with our initiatives and messages so that players can make informed gambling choices.
  - In 2014/15, player awareness of responsible gambling activities exceeded our target. More players being aware of BCLC's responsible gambling activities such as our GameSense program may have contributed to higher than targeted results.
- Our goal is to enhance our responsible gambling programs and delivery in the coming years so that we continue to generate net income for the Province in a socially-responsible way:
  - We continue to expand and provide responsible gambling information and offer resources to help problem gamblers;
  - We will offer time and money budgeting tools for facility players, and additional responsible gambling tools for PlayNow.com;
  - Together with the Gaming Policy and Enforcement Branch and B.C. communities, we will continue hosting Responsible Gambling Awareness Weeks to raise awareness and connect people to resources and services;
  - BCLC and the Government of British Columbia have dedicated $2 million over five years to the independent Centre for Gambling Research at the University of British Columbia, which will help inform the Province's responsible and problem gambling programs; and
  - We are working to address the recommendation by Government's Internal Audit and Advisory Services Review to develop outcome based performance measures for responsible gambling:
    - BCLC continues to research best practices in outcome based responsible gambling measures in advance of wider stakeholder consultation. External researchers have been engaged in an ongoing study to scientifically assess the needs of players. Those findings, expected in Fall 2015, will be used to help guide the selection of outcome measures.
    - A second external research team has been hired in conjunction with the Manitoba Gambling Research Program to assess better ways of communicating with players. This research will also create capabilities within BCLC to measure the effectiveness of new responsible gambling communication strategies. This research is expected to take 14 months.

Performance Measure: Net Win per Capita ($)

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Net Win per Capita	$450	$450	$468	$454	$482	$477	$482

Data Source and Data Reliability: Net Win is from BCLC Audited Financial Statements. B.C. population projections are from Statistics Canada.

Benchmarking Data: Net Win is internally benchmarked on a time series basis; current data from benchmark comparators is not available. Historically, BCLC outperformed benchmark organizations Loto-Québec (LQ) and Ontario Lottery and Gaming Corporation (OLG).

Discussion:

- Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial population.
- In 2014/15, BCLC's net win per capita increased over the previous year and exceeded our target. This is due to a higher rate of growth in net win compared to population growth. 2014/15 net win increase was generated primarily through high-limit table play. This category is heavily dependent on an international player base and is directly tied to the tourism industry. The recent slowdown in some national economies and international currency restrictions present business risks.
- 2015/16 targets project high-limit table net win will stabilize after two years of significant growth.

Goal 2: People – We will think differently, work together and act fast.

BCLC employees are a valuable resource. Embracing change and innovation. Caring for communities. Keeping one eye on seamless entertainment experiences and the other on bottom line growth for B.C.

We comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation consistent with Government's Taxpayer Accountability Principles (TAP) and other B.C. Crown corporations.

Strategies:

- **Make BCLC a great place to work so that we are inspired to do our best work and maintain BCLC's stature as a sought-after employer.**
  For nine consecutive years, BCLC has been designated as a top employer in British Columbia. We continue to pursue excellence in the programs, services and experiences we offer to employees.

- **Define our future workforce needs so we have the right people with the right skills at the right time.**
  Our human resources programs will continue to foster a culture and environment supportive of BCLC's business strategy through leadership and employee development.

  BCLC embeds accountability into all leadership roles, including the current salary holdback program. Our Standards of Ethical Business Conduct document has been revised to include TAP definitions and augment conflict of interest provisions and post-employment restrictions.

  BCLC reinforces a culture of accountability and efficiency at all levels, and strengthens cost management as per the Government Letter of Expectations. We employ zero-based budgeting and continuous improvement in business planning processes, such as quarterly review and approval of business cases, with emphasis on benefits realization.

Performance Measure: Employee Engagement

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual[5]	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Employee Engagement	81%	82%	n/a	82%	78%	80%	82%

Data Source and Data Reliability: Annual anonymous online survey of BCLC employees conducted by an independent third-party professional. The margin of error is ± 1.72 at the 95% confidence level (19 times out of 20).
Benchmark Data: Employee Engagement is internally benchmarked on a time series basis.

Discussion:

- Employee Engagement is defined as the intellectual and emotional commitment employees have in an organization. Engaged employees help drive our success to deliver great value for money for our players and to sustain and grow net income for the Province. This performance metric measures the percentage of BCLC employees that are engaged.
- In 2014/15, BCLC's employee engagement level was very high, but below target. Cost management activities, including organizational restructuring, and uncertainty due to Government's Internal Audit and Advisory Services Review, may have contributed to lower results.
- Our goal is to increase our employee engagement level in coming years by listening to feedback from annual surveys and acting upon results to help attract and retain the right talent.

Performance Measure: Employee Turnover Rate

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Employee Turnover Rate	15.0%	10.6%	12.4%	14.0%	24.7%	14.0%%	12.0%

Data Source and Data Reliability: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging monthly rates.
Benchmark Data: Employee Turnover Rate is internally benchmarked on a time series basis.

Discussion:

- Employee Turnover Rate helps determine our success in attracting and retaining a workforce that drives the continuous transformation of our business in an ever-changing marketplace. It measures our competitiveness in the labour market as well as the effectiveness of our training, development and retention programs.
- In 2014/15 we did not meet our target. Cost management activities, including organizational restructuring, and uncertainty due to Government's Internal Audit and Advisory Services Review, may have contributed to these results.
- Our goal is to lower employee turnover rates in upcoming years by providing effective human resources programs that help attract and retain the right talent, skills and abilities to meet business needs.

5 In 2013/14, BCLC did not conduct the Employee Engagement survey; hence no results are available.

Goal 3: Public – Our business and the benefits it creates are understood and supported by British Columbians.

From innovative responsible gambling programs, research and conferences, to community outreach and participation, BCLC is earning public support and in turn, the Province provides social, economic and environmental benefits for British Columbians.

We strive to engage in respectful and effective communications that inform or consult stakeholders on BCLC's actions, decisions and initiatives. BCLC has established standards of ethical conduct for all employees, which respects public trust and taxpayer money. We manage our responsibilities with integrity, transparency and use the Taxpayer Accountability Principles to serve the best interests of citizens and generate net income for the Province.

Strategies:

- **Our contributions to economic growth and communities are recognized by the public as a good thing.**
  Our licence to operate stems from public trust and support. Building on this is critical for long-term success. BCLC will continue to strike the right balance between delivering a healthy bottom line and encouraging healthy gambling choices.

- **The gambling entertainment choices we offer are delivered with integrity and transparency.**
  BCLC delivers more than $1 billion each year to the Province of British Columbia, which uses it for health care, education, community initiatives and other programs. Sustaining this net income relies on enhancing public understanding and support. BCLC does this through good corporate citizenship, demonstrating integrity in our products and facilities, and managing and conducting business with transparency.

Performance Measure: Public Recognition of Positive Contributions

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Public Recognition of Positive Contributions	54%	60%	61%	60%	68%	64%	65%

Data Source and Data Reliability: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.55 at the 95% confidence level (19 times out of 20).
Benchmark Data: Public Recognition of Positive Contributions is internally benchmarked on a time series basis.

Discussion:

- Public Recognition of Positive Contributions helps us gauge success in building public understanding and recognition of the positive contributions we make to the Province of B.C.
- In 2014/15, we exceeded our target, yet opportunities exist to further strengthen recognition.
- In the coming years, we will continue to communicate BCLC's positive contributions to economic growth and communities across B.C., so that our business is better understood and welcomed by British Columbians.

Performance Measure: Public Perception of BCLC's Transparency

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Public Perception of BCLC's Transparency	45%	51%	52%	50%	57%	52%	55%

Data Source and Data Reliability: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.55 at the 95% confidence level (19 times out of 20).
Benchmark Data: Public Perception of BCLC's Transparency is internally benchmarked on a time series basis.

Discussion:

- Public Perception of BCLC's Transparency measures our success in being open with the public so that our business and its benefits are understood and recognized by British Columbians.
- In 2014/15, we exceeded our target and while this is positive, opportunities exist to strengthen our reputation.
- Our goal is to enhance public perceptions of BCLC's delivery of gambling entertainment with integrity and transparency. We plan to be open about our business plans and the impact of those plans, so that BCLC is better understood and welcomed by British Columbians.

Performance Measure: Level of Greenhouse Gas Emissions

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Level of Greenhouse Gas Emissions (CO_2e metric tonnes by calendar year)	2011:1,506	2012:1,403	2013:1,374	2014:1,382	2014:1,315	2015:1,142	2016:1,119

Data Source and Data Reliability: Data is obtained via suppliers of electricity, natural gas, fleet vehicle and paper from internal procurement reporting. BCLC uses calculations provided by the Province to convert and report our GHG emissions in a standard format. Data for electricity and natural gas consumption is verifiable from utility company billings. Offsite facility data is calculated from meter readings. Fleet consumption is verified from our vehicle management company reporting. Paper consumption of all reportable types is measured internally each month.
Benchmark Data: Level of Greenhouse Gas Emissions is internally benchmarked on a time series basis.

Discussion:

- Sustainability is a key component of our social responsibility mandate. This measure gauges our success in reducing the level of reportable greenhouse gas (GHG) emissions over time.
- Since 2010, BCLC has strived to meet carbon neutrality requirements set out in Government's *Greenhouse Gas Reductions Act* and acted to minimize GHG.
- In 2014, our reportable GHG emissions decreased by 59 tonnes compared to 2013. This four per cent decrease is primarily due to two factors. First, the B.C. Climate Action Secretariat reduced the GHG conversion factor for electricity that all public sector organizations use in their emissions calculations. Second, we dramatically reduced our fleet size in Q4 2014 from 94 vehicles to eight.
- Over the coming years, we will continue to minimize our level of reportable GHG emissions by:
  - Advancing environmentally-sustainable behaviours in our organizational culture; and
  - Continuing programs across our business, from reducing energy consumption and travel, to improved waste management and sustainable procurement practices, and supporting service providers in lowering their energy use.
- Although we are currently on track to meet our target of reducing emissions by 33 per cent by 2020, future reductions are likely to become more challenging and costly. We will continue to pursue emissions reductions to meet the Government of B.C.'s expectations.

Goal 4: Profit – We will grow net income through investing to sustain the long-term health of our business.

We maximize net income through innovation and investments for sustainable success. From new games and high-tech ways to play, to prominent retailers and destination venues, BCLC consistently ranks as a top revenue contributor for the good of everyone, across B.C.

Looking back on the past 12 months, our renewed focus on growth succeeded. We secured major sales and distribution retailers, and delivered on market demand for facilities, amenities and higher limits. Our Lottery Central System that supports our lottery business creates efficiency and agility, while cost controls continue to maximize benefits to B.C.

BCLC aims to strengthen cost management capabilities and foster our 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.

Strategies:

Define and integrate the innovative experiences our players want, delivered by our strategic partners.

BCLC monitors consumer trends and listens to what our players want, so that we can deliver relevant products and experiences that meet expectations and provide value for money. With player understanding as our basis, and best-in-class vendors to work with, we will invest in innovative products and services for engaging gambling experiences and grow net income for the Province.

Get to market faster with innovations so our games and services are more relevant.
We consistently improve processes, technology and skills to streamline IT, finance and procurement activities that support business operations. We work quickly to deliver cost-effective services and bring our product and innovations to market faster, which is key to providing engaging entertainment, growing our player base, and sustaining net income for the Province.

Performance Measure: Net Income

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Net Income (millions)	$1,107.4	$1,125.2	$1,174.6	$1,193.0	$1,254.5	$1,216.0	$1,242.8

Data Source and Data Reliability: Net Income is from BCLC Audited Financial Statements and is calculated in accordance with International Financial Reporting Standards (IFRS).
Benchmark Data: Net Income is benchmarked on a time series basis.

Discussion:

- Net Income is the total amount generated by BCLC gambling and delivered to the Province, which uses it to benefit British Columbians via funding for public health care, education, and charitable and community programs.
- In 2014/15, BCLC exceeded its target and achieved a result of $1,254.5 million in net income. The growth in net income represents a 6.8 per cent increase over 2013/14. This growth is due primarily to higher than budgeted revenue in our high-limit tables category, and lower than budgeted costs. This is due to ongoing cost management, lower staff costs resulting from a higher vacancy rate than budgeted, and a one-time amortization adjustment.
- In 2015/16, we aim to deliver our committed net income for the Province and the benefit of British Columbians. We anticipate higher gaming support, operational and amortization costs due to a growing technology asset base, stabilizing staffing levels and marketing initiatives to sustain revenue.

Performance Measure: Comprehensive Costs Ratio (% of Net Win)

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Comprehensive Costs Ratio (% of Net Win)	42.0%	41.3%	43.4%	41.9%	41.9%	43.3%	43.3%

Data Source and Data Reliability: Comprehensive Costs Ratio is from BCLC Audited Financial Statements.
Benchmark Data: Comprehensive Costs Ratio is benchmarked on a time series basis.

Discussion:

- 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. It is intended to gauge operational efficiency.
- In 2014/15, BCLC's comprehensive costs ratio of 41.9 per cent met our target, with a direct cost increase of one per cent offset by lower gaming support and operating expenses.
- In future years, this ratio will reflect higher direct costs due to a shift towards popular table games that are more labour intensive to deliver. Also, operating, gaming support and amortization in coming years are expected to rise due to normalizing the employee vacancy rate and investing in marketing and technology.

Financial Report

Management Discussion and Analysis

Financial Results	2010/11[1]	2011/12	2012/13[1]	2013/14	2014/15				2015/16	2016/17	2017/18
($ in millions)	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR	TARGET	TARGET	TARGET
REVENUES											
Lottery & eGaming	$ 1,062.4	$ 1,061.4	$ 1,093.8	$ 1,123.5	$ 1,103.4	$ 1,123.1	$ (19.7)	$ (20.1)	$ 1,109.7	$ 1,116.5	$ 1,117.7
Casino & Community Gaming	1,616.3	1,640.0	1,638.1	1,684.8	1,800.9	1,675.3	125.6	116.1	1,780.1	1,821.6	1,856.2
	2,678.7	**2,701.4**	**2,731.9**	**2,808.3**	**2,904.3**	**2,798.4**	**105.9**	**96.0**	**2,889.8**	**2,938.1**	**2,973.9**
Prizes	652.3	641.9	649.6	665.6	659.5	654.5	(5.0)	6.1	650.3	650.7	648.2
NET WIN	**2,026.4**	**2,059.5**	**2,082.3**	**2,142.7**	**2,244.8**	**2,143.9**	**100.9**	**102.1**	**2,239.5**	**2,287.4**	**2,325.7**
EXPENDITURES[2]											
Lottery & eGaming	170.2	175.6	177.6	189.9	175.4	181.3	5.9	14.5	196.9	196.4	196.0
Casino & Community Gaming	668.9	689.6	682.7	740.1	765.2	716.6	(48.6)	(25.1)	773.6	793.2	812.6
	839.1	**865.2**	**860.3**	**930.0**	**940.6**	**897.9**	**(42.7)**	**(10.6)**	**970.5**	**989.6**	**1,008.6**
Income before the undernoted	1,187.3	1,194.3	1,222.0	1,212.7	1,304.2	1,246.0	58.2	91.5	1,269.0	1,297.8	1,317.1
Indirect tax expense	81.6	86.9	96.8	38.1	49.7	53.0	3.3	(11.6)	53.0	55.0	57.0
NET INCOME											
Lottery & eGaming	289.4	278.9	297.4	304.1	304.2	311.7	(7.5)	0.1	292.2	296.4	298.0
Casino & Community Gaming	816.3	828.5	827.8	870.5	950.3	881.3	69.0	79.8	923.8	946.4	962.1
	$ 1,105.7	**$ 1,107.4**	**$ 1,125.2**	**$ 1,174.6**	**$ 1,254.5**	**$ 1,193.0**	**$ 61.5**	**$ 79.9**	**$ 1,216.0**	**$ 1,242.8**	**$ 1,260.1**
Profit Margin	41.3%	41.0%	41.2%	41.8%	43.2%	42.6%	0.6%	1.4%	42.1%	42.3%	42.4%
Debt	$85.0	$90.1	$131.7	$154.9	$140.1	$154.9	(14.8)	(14.8)	$154.9	$179.9	$206.4
Capital Expenditures	$81.3	$74.4	$96.6	$100.3	$69.5	$90.0	(20.5)	(30.8)	$90.0	$110.0	$110.0

Footnotes:

1. Comparative results have been restated to comply with International Financial Reporting Standards (IFRS).
2. Please refer to page 28 for a detailed breakdown of 2014/15 actual expenditures.

In 2014/15, BCLC achieved our highest ever net income: $1.25 billion on $2.90 billion revenue, exceeding last year's record by $79.9 million.

The increase reflects notable growth in high-limit table game play.

Every year, BCLC prepares a three-year Service Plan against which results are measured. As part of this process, and in response to specific direction from Government, in 2013/14 BCLC committed to a focused cost-containment initiative. It began with organizational restructuring to enhance efficiency and effectiveness in the years to come; however, this restructuring significantly impacted staff turnover and BCLC experienced a higher than expected vacancy rate throughout 2014/15. Employee vacancies reduced capacity to execute planned business initiatives, which contributed to a favourable variance in operating costs of $10.9 million less than budget. Combined, these factors resulted in lower operating expenses in 2014/15, totaling $42.4 million less than 2013/14. However, overall expenditures have increased from the prior year and are above budget due to the rise in direct costs associated with the favourable revenue performance.

Performance Measurement:

BCLC's performance measurement framework is updated annually as part of the business planning process. It guides decision-making at all levels of the organization and has been used to assess 2014/15 operational performance against targets and budgets established in the Service Plan (http://corporate.bclc.com/content/dam/bclc/corporate/documents/corporate-reports/service-plan-2014-15-2016-17.pdf). BCLC also compares performance to other gambling entities that publicly share results. These organizations were selected from across Canada and internationally, based on relevance of operations comparative to BCLC.

International Financial Reporting Standards (IFRS):

The *Budget Transparency and Accountability Act* specifies that Government and Government organizations conform to set standards and guidelines that comprise generally-accepted accounting principles in Canada, unless otherwise directed by the Treasury Board. Accounting standards are understood to mean those established by the Public Sector Accounting Board, which directs Government Business Enterprises to adhere to IFRS, including BCLC.

Economic Outlook:

Current indicators suggest that B.C.'s economy will continue to experience modest growth throughout 2015 and 2016; however, this may not translate directly into increased revenue or net income for BCLC. The segment of our business that contributed most to our net income this year – high-limit table games – is heavily dependent on an international player base and the tourism industry. Consequently, the recent slowdown of some national economies and currency restrictions present risks for our business.

Over the next three years, our priorities remain as net income growth from our core businesses, as well as expanding and diversifying our player base. In addition to product and service innovations, we are progressing on a multi-year initiative to modernize technological infrastructure, enhance relationships with our private sector service providers and third-party vendors, and explore strategic cost management opportunities.

BCLC has factored product performance, market trends, demographics and general economic conditions into the targets of our 2015/16 – 2017/18 Service Plan (http://corporate.bclc.com/content/dam/bclc/corporate/documents/service-plan-complete-document-2015-16.pdf).

Lottery and eGaming Operations:

FINANCIAL RESULTS ($ IN MILLIONS)	2010/11	2011/12	2012/13	2013/14	2014/15			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Revenue								
Lottery	$ 1,019.5	$ 995.8	$ 1,020.5	$ 1,032.5	$ 994.3	$ 1,026.0	$ (31.7)	$ (38.2)
eGaming	42.9	65.6	73.3	91.0	109.1	97.1	12.0	18.1
	1,062.4	1,061.4	1,093.8	1,123.5	1,103.4	1,123.1	(19.7)	(20.1)
Prizes	581.5	580.8	594.2	615.7	610.5	615.1	4.6	5.2
Net win	480.9	480.6	499.6	507.8	492.9	508.0	(15.1)	(14.9)
Direct expenses	77.2	77.4	81.2	84.7	85.3	87.0	1.7	(0.6)
Gaming support costs & operating expenses	93.0	98.2	96.4	105.2	90.1	94.3	4.2	15.1
Income before the undernoted	310.7	305.0	322.0	317.9	317.5	326.7	(9.2)	(0.4)
Indirect tax expense	21.3	26.1	24.6	13.8	13.3	15.0	1.7	0.5
Net income	$ 289.4	$ 278.9	$ 297.4	$ 304.1	$ 304.2	$ 311.7	$ (7.5)	$ 0.1
Lottery retailers	3,994	3,853	3,805	3,748	3,928			
Lottery terminals	3,962	3,866	3,765	3,707	3,691			

Lottery and eGaming net income of $304.2 million exceeded 2013/14 by $0.1 million, but fell short of budget by $7.5 million. Overall revenue of $1,103.4 million was down $20.1 million (1.8 per cent) from 2013/14 and $19.7 million from the target (1.8 per cent).

Profitability was up most notably in the Social category (which includes Poker Lotto, Keno, BC50/50, and Sports Action), driven by strong Keno performance. Overall, sales in the Social category were up $11.9 million over the previous year and exceeded budget by $13.1 million. Lotto sales however fell $48.1 million from the previous year and $57.5 million below budget, largely due to a lack of jackpot rollovers, resulting in smaller jackpots than previous years.

Throughout 2014/15, BCLC continued to invest in PlayNow.com, increasing the frequency of new casino-style game launches and product enhancements. Overall, eGaming revenues rose $18.1 million over 2013/14 – a 19.9 per cent increase.

Casino and Community Gaming Operations:

FINANCIAL RESULTS ($ IN MILLIONS)	2010/11	2011/12	2012/13	2013/14	2014/15			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Revenue								
Slot Machines	$ 1,126.6	$ 1,140.7	$ 1,140.1	$ 1,135.3	$ 1,149.4	$ 1,160.1	$ (10.7)	$ 14.1
Table Games	357.1	380.9	390.2	452.1	555.1	434.0	121.1	103.0
Poker	22.5	22.1	21.3	20.7	21.1	19.3	1.8	0.4
Bingo	110.1	96.3	86.5	76.7	75.3	61.9	13.4	(1.4)
	1,616.3	1,640.0	1,638.1	1,684.8	1,800.9	1,675.3	125.6	116.1
Prizes	70.8	61.1	55.4	49.9	49.0	39.4	(9.6)	0.9
Net win	1,545.5	1,578.9	1,582.7	1,634.9	1,751.9	1,635.9	116.0	117.0
Direct expenses	542.7	552.9	556.0	580.8	633.3	577.6	(55.7)	(52.5)
Gaming support costs & operating expenses	126.2	136.7	126.7	159.3	131.9	139.0	7.1	27.4
Income before the undernoted	876.6	889.3	900.0	894.8	986.7	919.3	67.4	91.9
Income tax expense	60.3	60.8	72.2	24.3	36.4	38.0	1.6	(12.1)
Net income	$ 816.3	$ 828.5	$ 827.8	$ 870.5	$ 950.3	$ 881.3	$ 69.0	$ 79.8
Casinos	17	17	17	17	17			
Slot machines	9,476	9,727	9,740	9,907	9,797			
Tables	436	459	472	476	505			
Commercial halls	11	10	7	7	7			
Community gaming centers	16	17	19	19	18			
Community gaming slot machines	1,850	2,103	2,484	2,803	2,508			

Casino and community gaming operations generated revenue of $1.80 billion in 2014/15, up $116.1 million from the previous year and $125.6 million over target. Slot machine revenue increased from the previous year by $14.1 million, however it was below budget by $10.7 million. Table games (including poker) continued to build on last year's success, surpassing budget by $122.9 million and $103.4 million over 2013/14.

Capital Spending:

FINANCIAL RESULTS ($ IN MILLIONS)	2010/11	2011/12	2012/13	2013/14	2014/15			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Lottery	$ 4.6	$ 7.6	$ 6.3	$ 7.8	$ 4.8	$ 10.2	$ 5.4	$ 3.0
eGaming	9.3	6.8	10.0	8.7	1.7	5.9	4.2	7.0
Casino & Community Gaming	38.5	46.8	63.5	67.2	47.2	54.7	7.5	20.0
Corporate	28.9	13.2	16.8	16.6	15.8	19.2	3.4	0.8
Capital Expenditures	$ 81.3	$ 74.4	$ 96.6	$ 100.3	$ 69.5	$ 90.0	$ 20.5	$ 30.8

From year to year, capital spending varies significantly in response to revenue generation and facility initiatives. In 2014/15, capital spending of $69.5 million was $20.5 million lower than budget and $30.8 million less than 2013/14. The decrease year-over-year reflects the completed installation of our gaming management system (GMS) and project delays due to reduced workforce capacity to execute business initiatives.

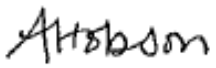
Budgeted at $104.4 million, the cost of our GMS to date stands at $93.2 million. While the GMS has now been installed in all gaming facilities, we are still working to fully refine the system. Once fully refined, projections are expected to be under budget by approximately $10.8 million.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

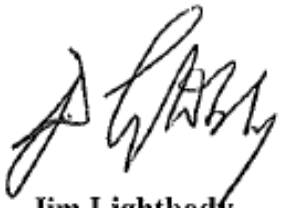
The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements present fairly the consolidated financial position of BCLC as at March 31, 2015, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements of BCLC.



Amanda Hobson
CFO & Vice-President
Finance and Corporate Services



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President & CEO

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INDEPENDENT AUDITORS' REPORT

To the Directors of and Minister Responsible for British Columbia Lottery Corporation

We have audited the accompanying consolidated financial statements of British Columbia Lottery Corporation, which are comprised of the consolidated statement of financial position as at March 31, 2015, the consolidated statements of comprehensive income, changes in deficit and cash flows for the year then ended, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of British Columbia Lottery Corporation as at March 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

Kamloops, Canada
May 14, 2015

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British Columbia Lottery Corporation
Consolidated Statement of Financial Position

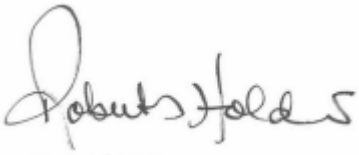
March 31, 2015, with comparative information for 2014
(in thousands of Canadian dollars)

		2015		2014
ASSETS				
Cash and cash equivalents (note 6)	**$**	**75,850**	$	69,791
Accounts receivable (note 7)		**39,915**		38,159
Receivable from the Interprovincial Lottery Corporation		**15,128**		7,746
Prepaid expenses		**5,152**		6,869
Inventories (note 8)		**9,043**		7,241
Current assets		**145,088**		129,806
Employee future benefits (note 9)		**2,645**		17,836
Property and equipment (note 10)		**180,988**		176,147
Intangible assets (note 11)		**83,720**		85,689
Non-current assets		**267,353**		279,672
Total assets	**$**	**412,441**	$	409,478
LIABILITIES				
Cheques issued in excess of funds on hand (note 6)	**$**	**1,239**	$	1,695
Prizes payable (note 12)		**28,751**		31,032
Accounts payable, accrued liabilities and other (note 13)		**80,596**		86,106
Short-term financing (note 14)		**140,080**		154,926
Due to the Government of British Columbia (note 15)		**143,686**		100,506
Deferred revenue		**11,105**		8,362
Current liabilities		**405,457**		382,627
Employee future benefits (note 9)		**81,994**		65,404
Non-current liabilities		**81,994**		65,404
Total liabilities		**487,451**		448,031
DEFICIT				
Accumulated deficit		**(17,144)**		(17,144)
Accumulated other comprehensive loss		**(57,866)**		(21,409)
Total deficit		**(75,010)**		(38,553)
Total liabilities and deficit	**$**	**412,441**	$	409,478

Commitments and contingencies (notes 18 and 19)
See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Bud Smith
Chair, Board of Directors



Bob Holden
Chair, Audit Committee

British Columbia Lottery Corporation
Consolidated Statement of Comprehensive Income

Year ended March 31, 2015, with comparative information for 2014
(in thousands of Canadian dollars)

		2015		2014
Revenue	**$**	**2,904,303**	$	2,808,399
Prizes		**659,508**		665,619
		2,244,795		2,142,780
Commissions and fees		**680,323**		631,055
Systems, maintenance and ticket distribution		**35,654**		36,519
Gaming equipment, leases and licenses		**26,282**		21,958
Ticket printing		**11,987**		12,469
		754,246		702,001
Employee costs		**82,099**		118,075
Amortization and depreciation		**65,367**		61,733
Advertising, marketing and promotions		**18,814**		24,687
Professional fees and services		**5,935**		7,697
Cost of premises		**7,393**		6,756
Other		**6,695**		9,142
		186,303		228,090
Income before the undernoted		**1,304,246**		1,212,689
Indirect tax expense (note 21)		**49,739**		38,106
Net income		**1,254,507**		1,174,583
Other comprehensive income (loss)				
Item that will never be reclassified to net income				
Net defined benefit plan actuarial gains (losses) (note 9)		**(36,457)**		21,329
Total comprehensive income	**$**	**1,218,050**	$	1,195,912

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation
Consolidated Statement of Changes in Deficit

Year ended March 31, 2015, with comparative information for 2014
(in thousands of Canadian dollars)

	Accumulated Deficit	AOCL [1]	Total Deficit
Balance, April 1, 2013	$ (17,144)	$ (42,738)	$ (59,882)
Net income	1,174,583	–	1,174,583
Net defined benefit plan actuarial gains (note 9)	–	21,329	21,329
Total comprehensive income	1,174,583	21,329	1,195,912
Distributions to the Government of British Columbia (note 15)	(1,165,323)	–	(1,165,323)
Distributions to the Government of Canada (note 16)	(9,260)	–	(9,260)
Balance, March 31, 2014	$ (17,144)	$ (21,409)	$ (38,553)
Net income	**1,254,507**	**–**	**1,254,507**
Net defined benefit plan actuarial losses (note 9)	**–**	**(36,457)**	**(36,457)**
Total comprehensive income	**1,254,507**	**(36,457)**	**1,218,050**
Distributions to the Government of British Columbia (note 15)	**(1,245,175)**	**–**	**(1,245,175)**
Distributions to the Government of Canada (note 16)	**(9,332)**	**–**	**(9,332)**
Balance, March 31, 2015	**$ (17,144)**	**$ (57,866)**	**$ (75,010)**

[1] Accumulated Other Comprehensive Loss

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation
Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014
(in thousands of Canadian dollars)

		2015		2014
Cash flows from operating activities:				
Net income	**$**	**1,254,507**	$	1,174,583
Items not involving cash:				
Depreciation of property and equipment		**45,048**		45,506
Amortization of intangible assets		**20,319**		16,227
Gain on disposal of property and equipment		**(252)**		(84)
Loss on disposal of intangible assets		**-**		33
Net benefit plan expense		**12,737**		27,997
Write-down of inventory to net realizable value		**1,832**		5,330
		1,334,191		1,269,592
Changes in:				
Accounts receivable		**(1,756)**		3,774
Receivable from the Interprovincial Lottery Corporation		**(7,382)**		(592)
Prepaid expenses		**1,717**		(1,384)
Inventories		**(3,634)**		(2,573)
Employee future benefits		**(17,413)**		(13,868)
Prizes payable		**(2,281)**		(169)
Accounts payable, accrued liabilities and other		**2,213**		13,436
Deferred revenue		**2,743**		2,088
Net cash from operating activities		**1,308,398**		1,270,304
Cash flows from financing activities:				
Increase (decrease) in short-term financing		**(14,771)**		23,278
Interest paid		**(933)**		(1,153)
Distributions to the Government of British Columbia		**(1,201,995)**		(1,176,113)
Distributions to the Government of Canada		**(9,332)**		(9,260)
Net cash used in financing activities		**(1,227,031)**		(1,163,248)
Cash flows from investing activities:				
Additions to property and equipment		**(47,945)**		(80,373)
Additions to intangible assets		**(28,404)**		(15,385)
Proceeds on disposal of property and equipment		**1,497**		611
Net cash used in investing activities		**(74,852)**		(95,147)
Net increase in cash and cash equivalents		**6,515**		11,909
Cash and cash equivalents, beginning of year		**68,096**		56,187
Cash and cash equivalents, end of year (note 6)	**$**	**74,611**	$	68,096

See accompanying notes to consolidated financial statements.

1. Reporting entity:

British Columbia Lottery Corporation (BCLC or the Corporation) is a Crown corporation of British Columbia (B.C.). BCLC was incorporated under the *Company Act* (B.C.) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC's registered office is 74 West Seymour Street in Kamloops, B.C., Canada. As an agent of the Crown, the Government of British Columbia has designated BCLC as the authority to conduct, manage and operate lottery schemes on behalf of the Government of British Columbia, including lottery, casino, bingo and internet gaming (eGaming) activities. BCLC is also the regional marketing organization of B.C. for national lottery games which are collective undertakings by the provinces of Canada acting through the Interprovincial Lottery Corporation (ILC).

As BCLC is an agent of the Crown, it is not subject to federal or provincial corporate income taxes.

2. Basis of preparation:

A. STATEMENT OF COMPLIANCE:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 14, 2015.

B. BASIS OF MEASUREMENT:

The consolidated financial statements of the Corporation have been prepared on a historical cost basis except for employee future benefit plan assets, which are recognized as the fair value of plan assets less the present value of the defined benefit obligation and are limited as explained in note 4(E)(iii).

C. FUNCTIONAL AND PRESENTATION CURRENCY:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information has been rounded to the nearest thousand dollars.

D. USE OF ESTIMATES AND JUDGMENTS:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of preparation (continued):

D. USE OF ESTIMATES AND JUDGMENTS (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following note:

- Consolidation: determination of control over an investee (note 4(A))

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in the following note:

- Measurement of defined benefit obligations: key actuarial assumptions (note 9)

3. Changes in accounting policies:

Except for the changes below, the Corporation has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements.

The Corporation has adopted the following amendments to a standard with a date of initial application of April 1, 2014.

- Amendments to IAS 32 *Financial Instruments: Presentation* (IAS 32).

The nature and effects of the changes are explained below.

The amendments to IAS 32 clarify:

- the meaning of 'currently has a legally enforceable right of set-off;' and
- that some gross settlement systems may be considered equivalent to net settlement.

As a result of the amendments to IAS 32, the Corporation has reviewed its presentation of offsetting its financial assets and financial liabilities and there is no significant impact to the existing presentation as a result.

4. Significant accounting policies:

Except for the changes explained in note 3, the Corporation and its subsidiary have consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

A. BASIS OF CONSOLIDATION:

The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC. Intercompany transactions and balances are eliminated on consolidation.

B. CASH EQUIVALENTS:

Cash equivalents include Canadian money market funds (overnight deposits) with financial institutions having original maturity dates of three months or less from the acquisition date, which are subject to an insignificant risk of changes in their fair value, and are used by the Corporation in the management of its short-term commitments. Canadian money market funds are highly liquid and form an integral part of the Corporation's cash management.

C. FINANCIAL INSTRUMENTS:

The Corporation classifies its non-derivative financial instruments into the following categories: fair value through income, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments were acquired.

i. Non-derivative financial assets:

The Corporation initially recognizes loans and receivables on the dates that they originate.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or are settled.

The Corporation has the following non-derivative financial assets: loans and receivables.

4. Significant accounting policies (continued):

C. FINANCIAL INSTRUMENTS (continued):

i. Non-derivative financial assets (continued):

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for doubtful debts and impairment losses (see note 4(H)). Amortized cost is determined with reference to any discounts or premiums on acquisition over the period to maturity.

Loans and receivables are comprised of cash and cash equivalents, accounts receivable and the receivable from the Interprovincial Lottery Corporation.

ii. Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade dates, which are the dates that the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged or are cancelled.

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method with interest expense recognized in income in the period in which it is incurred. The Corporation’s non-derivative financial liabilities are comprised of cheques issued in excess of funds on hand, prizes payable, accounts payable, accrued liabilities and other, short-term financing and due to the Government of British Columbia.

4. Significant accounting policies (continued):

C. FINANCIAL INSTRUMENTS (continued):

iii. Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

D. INVENTORIES:

Inventories are measured at the lower of cost, determined on a weighted average or first-in, first-out basis and net realizable value.

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

E. EMPLOYEE FUTURE BENEFITS:

i. Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Termination benefits:

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. Benefits payable are discounted to their present value.

4. Significant accounting policies (continued):

E. EMPLOYEE FUTURE BENEFITS (continued):

iii. Defined benefit plans:

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of benefit payable in the future that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value and the fair value of any plan assets are deducted.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability (asset), which are comprised of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (OCI). BCLC determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in income as employee costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in income. The Corporation recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4. Significant accounting policies (continued):

F. PROPERTY AND EQUIPMENT:

The Corporation's property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of short-term employee benefits for employees working directly on the construction of the qualifying asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Land and assets under construction are not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and based on the following estimated useful lives:

Asset	Rate
Corporate facilities, systems and equipment	3 to 20 years
Lottery gaming systems and equipment	5 years
eGaming systems and equipment	3 to 5 years
Casino and community gaming systems and equipment	3 to 10 years

The residual values, depreciation methods and useful economic lives of property and equipment are reviewed annually and adjusted if appropriate.

G. INTANGIBLE ASSETS:

Expenditures incurred in the development or acquisition of computer software products or systems that will contribute to future economic benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Other development costs are recognized in income as incurred.

Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset.

4. Significant accounting policies (continued):

G. INTANGIBLE ASSETS (continued):

The cost of computer software and systems that are acquired by the Corporation includes the purchase price and any expenditure directly attributable to preparing the asset for its intended use.

Capitalized direct labour is comprised of short-term employee benefits for employees working directly on development. Borrowing costs related to the development of qualifying assets are capitalized.

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to 10 years). The residual values, amortization methods and useful economic lives of intangible assets are reviewed annually and adjusted if appropriate.

H. IMPAIRMENT:

i. Financial assets:

Financial assets not classified as at fair value through income are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through income.

ii. Non-financial assets:

The carrying amounts of non-financial assets, other than inventories and employee future benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets under development are tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset or cash generating unit's carrying amount exceeds its recoverable amount.

4. Significant accounting policies (continued):

H. IMPAIRMENT (continued):

ii. Non-financial assets (continued):

The recoverable amount is the greater of an asset or cash generating unit's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Impairment losses are recognized in income and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

I. PROVISIONS:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in income as financing cost in other expenses.

J. REVENUE:

Revenue is measured at the fair value of the consideration received or receivable.

The Corporation's revenue recognition policies are as follows:

i. Revenue:

Revenue from lottery tickets is recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

Revenue, net of buybacks, for all instant ticket games is recognized at the time of the transfer of legal ownership to the retailer.

Revenue from slot machines, table games and eCasino is recognized, net of prizes paid, in the same period the game is played. Revenue is net of the change in liabilities under customer loyalty programs.

4. Significant accounting policies (continued):

J. REVENUE (continued):

i. Revenue (continued):

Revenue from the operation of bingo games is recognized in the same period the game is played.

ii. Customer loyalty programs:

The Corporation has several customer loyalty incentive programs whereby patrons can receive free or discounted goods and services, and in some cases the right to receive cash. Some of the customer loyalty incentive programs allow customers to earn points based on the volume of play during gaming transactions. These points are recorded as a separate deliverable in the revenue transaction.

For programs that provide patrons the right to receive free or discounted goods or services (including free play), the revenue, as determined by the fair value of the undelivered goods and services, is deferred until the promotional consideration is provided.

For programs that provide the patron a right to receive cash, a financial liability is recognized initially at fair value, with the corresponding amount equal to the cash value, recorded as a reduction of revenue.

iii. Net win:

Net win represents gaming revenue net of prizes paid.

K. PRIZES:

Lottery and bingo prize expenses are recorded based on the actual prize liability experienced for each game.

Instant ticket games prize expenses are recorded at the theoretical prize liabilities for each game concurrently with the recognition of revenue. The actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense.

Unclaimed lottery prizes are recorded as prizes payable until the prizes are claimed, discontinued or expire. Expired prizes are recorded as reductions in prize expense and prize liability in the year of expiry.

4. Significant accounting policies (continued):

K. PRIZES (continued):

Unclaimed prizes of national lottery games are administered by the Interprovincial Lottery Corporation.

Progressive jackpots:

The Corporation has several progressive jackpot games, each of which may be comprised of a seed (or base) as well as an incremental portion which increases by allotting a portion of each player's wager to the pot. BCLC recognizes such amounts as a prize payable at the time the Corporation has an obligation with regard to the jackpot funds.

L. COMMISSIONS:

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as revenue is earned.

Commissions paid to gaming facility service providers, including commissions for facility development, are based on net win generated in accordance with underlying operating service agreements. BCLC recognizes commission expenses as net win is earned. Commissions for facility development are based on a commission structure employed by BCLC that enables gaming facility service providers to earn additional commission up to contractually determined limits.

M. LEASES:

At inception of an arrangement, the Corporation determines whether the arrangement is or contains a lease. Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as financing leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under financing leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases other than financing leases are classified as operating leases and are not recognized in the consolidated statement of financial position. Payments made under operating leases are recognized in income on a straight-line basis over the terms of the leases.

4. Significant accounting policies (continued):

N. NEW STANDARDS ISSUED BUT NOT YET ADOPTED:

A number of new standards and amendments to standards are not yet effective and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards early.

i. IFRS 9 *Financial Instruments* (IFRS 9):

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. At the date of these consolidated financial statements, the impact of this new standard is unknown. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2019.

ii. IFRS 15 *Revenue from Contracts with Customers* (IFRS 15):

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.* IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted. At the date of these consolidated financial statements, the impact of this new standard is unknown. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2018.

The following new or amended standards are not expected to have a significant impact on the Corporation's consolidated financial statements.

- *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).*
- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38).*
- *Disclosure Initiative: Amendments to IAS 1.*

5. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk and market risk.

This note presents information on how the Corporation manages those financial risks.

A. GENERAL:

BCLC's Board is responsible for the oversight of management including its policies related to financial and risk management issues and oversight of the overall risk profile.

The Board uses BCLC's Audit Committee to assist in the review of financial risks. The Audit Committee oversees and reports back to the Board on the review of the Corporation's information systems, risk management function and internal controls in order to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

The Board uses BCLC's Risk Committee for monitoring the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes. The Risk Committee oversees and reports back to the Board on the Corporation's risk management functions.

The Corporation has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems and to adopt risk treatment plans when appropriate. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive Committee and the Risk Committee.

The Corporation also has a division focused on corporate security and compliance. Further, the Corporation has internal audit services and a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control and compliance.

5. Financial risk management (continued):

B. CREDIT RISK:

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, net win less commissions outstanding, gaming cash floats and cash and cash equivalents.

Trade receivables, net win less commissions outstanding and gaming cash floats

The major third parties transacting with the Corporation, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC.

The Corporation is not materially exposed to any one individual lottery retailer. The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments may be completed for new retailers (with the exception of registered charities), retailers who have experienced insufficient fund occurrences or where there is a concern that a retailer might be experiencing financial difficulties.

Security is obtained from lottery retailers who are considered high financial risks or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees. The Corporation may secure net win less commissions that would be outstanding from gaming facility service providers through security deposits or Irrevocable Standby Letters of Credit. This security also covers gaming cash floats owned by the Corporation and provided by the Corporation to certain gaming facility service providers. While the Corporation is materially exposed to two different gaming facility service providers, their letters of credit and daily cash sweeps made by the Corporation mitigate the risk of material default for financial assets owned by the Corporation.

The Corporation's PlayNow.com sales are paid in advance through credit card, debit card, or online bill payment transactions.

As at March 31, 2015, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $8,255 (2014: $8,685) of the accounts receivable carrying amount.

5. Financial risk management (continued):

B. CREDIT RISK (continued):

Trade receivables, net win less commissions outstanding and gaming cash floats (continued)

The maximum exposure to credit risk for trade receivables, net win less commissions outstanding and gaming cash floats at the reporting date by type of debtor is represented by the carrying amounts less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

		2015		2014
Maximum exposure	**$**	**82,303**	$	79,443
Collateral		**(64,698)**		(60,948)
Net exposure	**$**	**17,605**	$	18,495

Normal credit terms for trade receivables or net win less commissions outstanding are within 30 days. As at March 31, 2015 and 2014, there were no trade receivables or net win less commissions outstanding more than 60 days.

Cash and cash equivalents

Cash and cash equivalents, excluding gaming cash floats, are held with banks and counterparties which have high credit ratings and minimal market risk. Cash equivalents are limited to short-term debt securities with minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Corporation has a formal policy and guidelines in place for cash equivalents that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

A policy has been established that outlines various asset mix range percentages for low risk investments restricted to short-term pooled money market funds or bond investments.

The maximum exposure to credit risk for cash and cash equivalents, excluding gaming cash floats, is represented by the carrying amounts at the reporting date (note 6).

5. Financial risk management (continued):

B. CREDIT RISK (continued):

Concentrations

The Corporation has significant business arrangements with two gaming facility service providers which account for the majority of its casino and community gaming business. The Corporation also has arrangements with other gaming facility service providers and approximately 3,900 lottery retailers. Credit risk related to service providers or lottery retailers is mitigated through Irrevocable Standby Letters of Credit or security deposits, as well as by the distribution of risk across a large number of lottery retailers.

The Corporation has a number of business relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a significant number of other relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gambling industry.

C. LIQUIDITY RISK:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of British Columbia under its Fiscal Agency Loan (FAL) program. Under this agreement, the Corporation may borrow up to $250 million. In making a loan to the Corporation, the Government of British Columbia uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of British Columbia. Loans are unsecured and there are no pre-established repayment terms. The terms are set by the Government of British Columbia each time a loan is requested under this agreement. To date the durations of the loans have not exceeded 90 days.

The Corporation also has a $10 million unused demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2014: prime rate).

5. Financial risk management (continued):

C. LIQUIDITY RISK (continued):

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money and money from normal operations held in advance of its transfer to the Government of British Columbia (note 15). As a result of fluctuating cash flow requirements and to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of all financial liabilities as at March 31, 2015 and 2014 are three months or less, except for $21,400 (2014 - $22,800) which matures greater than three months but less than twelve.

D. MARKET RISK:

Market risk is the risk that changes in market prices will affect the fair value of or future cash flows from a financial instrument. Market risk includes currency risk, interest rate risk and other market price risk. BCLC is exposed to interest rate risk which is described below.

Interest rate risk

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Government of British Columbia. The terms are set by the Government of British Columbia each time a loan is requested under the FAL agreement. The terms are determined based on market conditions available at that time.

The Corporation mitigates this risk by borrowing the minimum amount necessary from the Government of British Columbia.

The Corporation's interest-bearing assets are typically invested for short periods due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

5. Financial risk management (continued):

D. MARKET RISK (continued):

Interest rate risk (continued)

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

		2015		2014
Canadian money market fund (overnight deposit) (fixed-rate instruments)	**$**	**23,686**	$	19,168
Short-term financing (fixed-rate instruments)		**(140,080)**		(154,926)
	$	**(116,394)**	$	(135,758)

Sensitivity analysis

The Corporation does not account for any fixed-rate financial instruments at fair value through income; therefore, a change in interest rates at the reporting date would not affect net income. A change of one per cent in interest rates at the reporting date would have increased (decreased) the deficit by $1,164 (2014: $1,358).

E. FAIR VALUES:

The carrying amounts of financial assets and financial liabilities not classified as fair value through income approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

5. Financial risk management (continued):

F. OFFSETTING:

The carrying amounts of recognized financial instruments that are set off in the consolidated statement of financial position are as follows:

As at March 31, 2015	**Gross financial assets set off**	**Gross financial liabilities set off**	**Net financial assets**	**Related financial assets not set off**	**Net amount**
Accounts receivable					
- Lottery retailers	**$ 30,878**	**$ (10,546)**	**$ 20,332**	**$ –**	**$ 20,332**
- Gaming facility service providers	**34,871**	**(18,115)**	**16,756**	**–**	**16,756**
- Other	**–**	**–**	**–**	**2,827**	**2,827**
	$ 65,749	**$ (28,661)**	**$ 37,088**	**$ 2,827**	**$ 39,915**

As at March 31, 2015	**Gross financial assets set off**	**Gross financial liabilities set off**	**Net financial liabilities**	**Related financial liabilities not set off**	**Net amount**
Accounts payable, accrued liabilities and other	**$ 672**	**$ (1,657)**	**$ (985)**	**$ (79,611)**	**$ (80,596)**

As at March 31, 2014	Gross financial assets set off	Gross financial liabilities set off	Net financial assets	Related financial assets not set off	Net amount
Accounts receivable					
- Lottery retailers	$ 21,315	$ (1,060)	$ 20,255	$ –	$ 20,255
- Gaming facility service providers	31,958	(17,256)	14,702	–	14,702
- Other	2,246	(637)	1,609	1,593	3,202
	$ 55,519	$ (18,953)	$ 36,566	$ 1,593	$ 38,159

6. Cash and cash equivalents:

		2015		2014
Gaming cash floats	**$**	**42,388**	$	41,284
Funds held for security deposits		**5,503**		5,373
Funds held for player accounts		**4,273**		3,966
Canadian money market fund (overnight deposit)		**23,686**		19,168
Cash and cash equivalents in the statement of financial position		**75,850**		69,791
Cheques issued in excess of funds on hand in the statement of financial position		**(1,239)**		(1,695)
Cash and cash equivalents in the statement of cash flows	**$**	**74,611**	$	68,096

Gaming cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gambling locations and are not available for other purposes.

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $5,503 (2014: $5,373) is included in accounts payable, accrued liabilities and other.

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player account liability in the amount of $4,273 (2014: $3,966) is included in accounts payable, accrued liabilities and other.

Select casino service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (gaming accounts). These gaming accounts are accounted for in accordance with the casino and community gaming centre standards, policies and procedures under the supervision of the Corporation, as well as in accordance with the regulations of GPEB. No amounts are recorded in the Corporation's financial statements for these gaming accounts. The casino service providers are legally liable for these gaming accounts that hold player funds.

7. Accounts receivable

		2015		2014
Trade receivables and net win less commissions outstanding:				
Lottery retailers	**$**	**20,332**	$	20,255
Gaming facility service providers		**16,756**		14,702
		37,088		34,957
Other		**2,827**		3,202
	$	**39,915**	$	38,159

8. Inventories:

The major components of inventories are as follows:

		2015		2014
Slot machine spare parts	**$**	**3,360**	$	1,794
Instant tickets		**4,442**		3,435
Other		**1,241**		2,012
	$	**9,043**	$	7,241

For the year ended March 31, 2015, inventories recognized as an expense amounted to $15,446 (2014: $21,005) which includes write-downs of inventories to net realizable value of $1,832 (2014: $5,330).

9. Employee future benefits:

		2015		2014
Net defined benefit asset (Plan A)	**$**	**(2,645)**	$	(17,836)
Net defined benefit liabilities (Plans B and C)		**81,994**		65,404
Net employee future benefits	**$**	**79,349**	$	47,568

The Corporation contributes to and controls the following post-employment defined benefit plans:

Registered Pension Plan (Plan A)

Plan A is a registered pension plan in the Province of B.C. under the *Pension Benefits Standards Act (British Columbia)* (PBSA). Plan A entitles an employee to receive an annual pension payment after retirement based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and covers substantially all of the Corporation's employees. The pension benefits are partially indexed for inflation after retirement.

Supplementary Pension Plan (Plan B)

Plan B covers employees designated by the Corporation. The pension benefits under Plan B provide designated employees a top-up to Plan A benefits to the extent, if any, that they are limited by the *Income Tax Act* maximum pension rules.

Non-Pension Post-Employment Plan (Plan C)

Plan C covers substantially all of BCLC's employees for post-employment medical, dental and life insurance benefits.

The Pension Committee has been established by the Corporation to have primary responsibility for the administration and oversight of the plans, and to perform certain delegated responsibilities of the Corporation as plan sponsor in relation to the plans.

These plans expose the Corporation to foreign currency risk, interest rate risk, longevity risk, inflation risk and other market price risk.

9. Employee future benefits (continued):

A. FUNDING:

Plan A is funded by employee contributions, employer contributions and investment returns. The Corporation funds Plan A based on the advice of an actuary, in order to provide for the cost of the benefits accruing under the plan and for the proper amortization of any unfunded liability or solvency deficiency, both in accordance with the PBSA, after taking into account the assets of the plan, employee contributions and all other relevant factors. The actuarial assumptions used to determine funding requirements may differ from the assumptions herein.

If at any time the actuary certifies that the net assets available for benefits under Plan A exceed the actuarially-determined present value of the accrued pension benefit obligation, such surplus, or any portion thereof, may be used by the Corporation at its discretion to reduce its contribution obligations, subject to PBSA restrictions.

The Corporation expects to contribute $14,200 to Plan A in the year ending March 31, 2016.

Plans B and C are unfunded; as such, the Corporation pays all benefits thereunder as they fall due.

9. Employee future benefits (continued):

B. MOVEMENT IN NET DEFINED BENEFIT LIABILITY (ASSET):

A reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components is as follows:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2015	2014	**2015**	2014	**2015**	2014
Balance at April 1	**$ 248,573**	$ 220,499	**$ (201,005)**	$ (165,731)	**$ 47,568**	$ 54,768
Included in income						
Current service cost	**10,062**	12,292	–	–	**10,062**	12,292
Past service cost	**–**	13,426	–	–	–	13,426
Interest cost (income)	**11,899**	9,543	**(9,524)**	(7,484)	**2,375**	2,059
Administration cost	–	–	**300**	220	**300**	220
	21,961	35,261	**(9,224)**	(7,264)	**12,737**	27,997
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
- demographic assumptions	**4,924**	19,540	–	–	**4,924**	19,540
- financial assumptions	**44,753**	(20,618)	–	–	**44,753**	(20,618)
- experience adjustments	**6,243**	(642)	–	–	**6,243**	(642)
Return on plan assets excluding interest income	–	–	**(19,463)**	(19,609)	**(19,463)**	(19,609)
	55,920	(1,720)	**(19,463)**	(19,609)	**36,457**	(21,329)
Other						
Contributions paid by the employer	–	–	**(17,413)**	(13,868)	**(17,413)**	(13,868)
Contributions paid by the employee	**2,600**	2,696	**(2,600)**	(2,696)	–	–
Benefits paid	**(9,748)**	(8,163)	**9,748**	8,163	–	–
	(7,148)	(5,467)	**(10,265)**	(8,401)	**(17,413)**	(13,868)
Balance at March 31	**$ 319,306**	$ 248,573	**$ (239,957)**	$ (201,005)	**$ 79,349**	$ 47,568

Represented by:	**2015**	2014
Net defined benefit asset (Plan A)	**$ (2,645)**	$ (17,836)
Net defined benefit liabilities (Plans B and C)	**81,994**	65,404
	$ 79,349	$ 47,568

9. Employee future benefits (continued):

C. PLAN ASSETS:

Plan assets are comprised of:

2015	Level 1[1]	Level 2[2]	Total	Asset Mix
Equity securities				
Canadian equity	**$ 71,047**	**$ –**	**$ 71,047**	**29%**
Global equity	**82,853**	**–**	**82,853**	**34%**
Investment funds				
Fixed income	**11,050**	**–**	**11,050**	**5%**
Debt securities				
Canada bonds	**51,837**	**–**	**51,837**	**22%**
Canada real return bonds	**–**	**23,170**	**23,170**	**10%**
	$ 216,787	**$ 23,170**	**$ 239,957**	**100%**

2014	Level 1[1]	Level 2[2]	Total	Asset Mix
Equity securities				
Canadian equity	$ 64,537	$ –	$ 64,537	32%
Global equity	71,272	–	71,272	35%
Investment funds				
Fixed income	8,966	–	8,966	5%
Debt securities				
Canada bonds	35,032	–	35,032	17%
Canada real return bonds	–	20,503	20,503	10%
Cash and cash equivalents	695	–	695	1%
	$ 180,502	$ 20,503	$ 201,005	100%

[1] The fair value of Level 1 assets is determined based on quoted prices in active markets.

[2] The fair values of Government of Canada real return bonds are determined based on price quotations. However, as the underlying market in which these instruments are traded is not considered active, the bonds are classified as Level 2 in the fair value hierarchy.

Plan contributions are invested in equities and bonds. With consideration to the long-term nature of the plan liabilities, and the shorter-term liquidity needs for payments to retirees, the Corporation has a general target allocation of 60 per cent equities and 40 per cent bonds. As a general policy, and in accordance with the relevant regulations, the Corporation has adopted the investment guidelines of the PBSA for defining permissible investment activities for money held in trust. Each investment manager is expected to actively manage Plan A's assets within the parameters of the strategic asset mix comprising 40 to 70 per cent equity securities, 30 to 50 per cent investment funds and debt securities and 0 to 10 per cent cash and cash equivalents.

9. Employee future benefits (continued):

D. DEFINED BENEFIT OBLIGATION:

i. Actuarial valuation and assumptions:

An actuarial valuation is required, at a minimum, every three years to assess the financial position of Plan A. The most recent actuarial valuation of Plan A for funding purposes was made by Mercer (Canada) Limited, an independent firm of consulting actuaries, as of December 31, 2013. The next required actuarial valuation will be made as of December 31, 2016. There is no statutory actuarial valuation requirement for Plan B and C; however, an actuarial valuation is completed every three years on Plan C. An actuarial valuation of Plan C was performed as of January 31, 2013.

The principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	Plans A and B		Plan C	
	2015	2014	**2015**	2014
Discount rate:				
Defined benefit obligation	**3.75%**	4.65%	**3.75%**	4.65%
Benefit cost	**4.65%**	4.40%	**4.65%**	4.40%
Rate of compensation increase for the fiscal year	**0.00%**	2.06%	**-**	**-**
Future compensation increases	**2.00%**	2.25%	**-**	**-**
Inflation	**2.00%**	2.25%	**-**	**-**
Initial weighted-average health care trend rate	**-**	-	**5.82%**	5.93%
Ultimate weighted-average health care trend rate	**-**	-	**4.50%**	4.50%
Year ultimate reached	**-**	-	**2029**	2029
Assumed life expectations on retirement at age 65				
Current pensioners				
Male	**23.0**	22.9	**23.0**	22.9
Female	**24.9**	24.8	**24.9**	24.8
Retiring in 20 years				
Male	**24.0**	24.0	**24.0**	24.0
Female	**25.9**	25.8	**25.9**	25.8

9. Employee future benefits (continued):

D. DEFINED BENEFIT OBLIGATION (continued):

ii. Sensitivity analysis:

Changes at March 31, 2015 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts as follows:

	Effect on the defined benefit obligation			
	2015		2014	
	Increase in rate	**Decrease in rate**	Increase in rate	Decrease in rate
Discount rate (1% movement)	**$ (51,606)**	**$ 67,620**	$ (40,573)	$ 52,908
Future compensation increase (1% movement)	**8,092**	**(6,253)**	4,450	(3,759)
Inflation (1% movement)	**16,633**	**(15,103)**	12,485	(11,401)
Health care cost trend rate (1% movement)	**11,319**	**(9,050)**	12,428	(9,537)
Future mortality (10% movement)	**(5,968)**	**6,595**	(4,392)	4,774

In practice, it is unlikely that one assumption would change, with all other assumptions remaining constant, since changes in some of the assumptions may be interdependent; however, this analysis does provide an approximation of the sensitivity of the assumptions shown.

iii. Maturity profile of plan membership:

The breakdown of the defined benefit obligation at March 31, 2015 (as a percentage of the total) in respect of active employees, former employees who have not yet started receiving a pension (deferred vested), and former employees and other beneficiaries receiving a pension (retirees), is as follows:

	Defined benefit obligation	
	2015	2014
Active members	**49%**	65%
Deferred vested members	**5%**	3%
Retirees	**46%**	32%
Total	**100%**	100%

At March 31, 2015, the weighted-average duration of the defined benefit obligation was 19.2 years (2014: 19.3 years).

10. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost							
Balance at April 1, 2013	$ 700	$ 80,465	$ 104,333	$ 6,548	$ 335,229	$ 5,642	$ 532,917
Additions	–	5,519	2,072	877	61,608	10,912	80,988
Transferred to systems and equipment	–	128	2,158	–	2,470	(4,756)	–
Disposals and retirements	–	(2,216)	(2,375)	(4)	(16,214)	–	(20,809)
Balance at March 31, 2014	700	83,896	106,188	7,421	383,093	11,798	593,096
Additions	**355**	**4,213**	**1,687**	**228**	**36,167**	**8,484**	**51,134**
Transferred to systems and equipment	**–**	**1,252**	**2,379**	**18**	**5,271**	**(8,920)**	**–**
Disposals and retirements	**–**	**(1,036)**	**(4,488)**	**(16)**	**(19,849)**	**–**	**(25,389)**
Balance at March 31, 2015	**$ 1,055**	**$ 88,325**	**$ 105,766**	**$ 7,651**	**$ 404,682**	**$ 11,362**	**$ 618,841**
Depreciation							
Balance at April 1, 2013	$ –	$ 56,850	$ 93,034	$ 4,568	$ 237,273	$ –	$ 391,725
Depreciation for the year	–	9,120	6,084	975	29,327	–	45,506
Disposals and retirements	–	(2,077)	(2,317)	(4)	(15,884)	–	(20,282)
Balance at March 31, 2014	–	63,893	96,801	5,539	250,716	–	416,949
Depreciation for the year	**–**	**7,091**	**3,544**	**947**	**33,466**	**–**	**45,048**
Disposals and retirements	**–**	**(1,012)**	**(4,474)**	**(16)**	**(18,642)**	**–**	**(24,144)**
Balance at March 31, 2015	**$ –**	**$ 69,972**	**$ 95,871**	**$ 6,470**	**$ 265,540**	**$ –**	**$ 437,853**
Carrying amounts							
At March 31, 2014	$ 700	$ 20,003	$ 9,387	$ 1,882	$ 132,377	$ 11,798	$ 176,147
At March 31, 2015	**$ 1,055**	**$ 18,353**	**$ 9,895**	**$ 1,181**	**$ 139,142**	**$ 11,362**	**$ 180,988**

Change in estimate

The Corporation reviews the estimated lives of its long-lived assets and related depreciation periods on an annual basis. During the year ended March 31, 2015, this review indicated the estimated depreciation periods of the Corporation's corporate information systems (included in corporate facilities, systems and equipment) were deemed to be longer than the previously assigned depreciation periods. As a result, effective April 1, 2014, the Corporation changed its estimate of the expected useful lives of these assets. The effect of this change in estimate is a decrease of $5,182 in depreciation expense for the year ended March 31, 2015.

11. Intangible assets:

The intangible assets balance represents purchased and internally-generated software assets.

	Software	Assets under development	Total
Cost			
Balance at April 1, 2013	$ 89,022	$ 49,741	$ 138,763
Acquisitions - separately acquired	11,018	403	11,421
Acquisitions - internally generated	2,952	4,729	7,681
Borrowing costs capitalized	–	195	195
Transferred to software	28,997	(28,997)	–
Disposals and retirements	(73)	–	(73)
Balance at March 31, 2014	131,916	26,071	157,987
Acquisitions – separately acquired	**8,803**	**6,468**	**15,271**
Acquisitions – internally generated	**1,940**	**763**	**2,703**
Borrowing costs capitalized	**–**	**376**	**376**
Transferred to software	**16,692**	**(16,692)**	**–**
Disposals and retirements	**(4,255)**	**–**	**(4,255)**
Balance at March 31, 2015	**$ 155,096**	**$ 16,986**	**$ 172,082**
Amortization			
Balance at April 1, 2013	$ 56,111	$ –	$ 56,111
Amortization for the year	16,227	–	16,227
Disposals and retirements	(40)	–	(40)
Balance at March 31, 2014	72,298	–	72,298
Amortization for the year	**20,319**	**–**	**20,319**
Disposals and retirements	**(4,255)**	**–**	**(4,255)**
Balance at March 31, 2015	**$ 88,362**	**$ –**	**$ 88,362**
Carrying amounts			
At March 31, 2014	$ 59,618	$ 26,071	$ 85,689
At March 31, 2015	**$ 66,734**	**$ 16,986**	**$ 83,720**

12. Prizes payable:

		2015		2014
Lottery	**$**	**24,050**	$	24,904
Casino and community gaming		**4,701**		6,128
	$	**28,751**	$	31,032

13. Accounts payable, accrued liabilities and other:

		2015		2014
Trade payables	**$**	**18,192**	$	14,424
Accrued expenses		**47,443**		57,119
Indirect tax payable		**4,074**		4,470
Other		**10,887**		10,093
	$	**80,596**	$	86,106

14. Short-term financing:

		2015		2014
Government of British Columbia, loans, payable in single instalments including interest ranging from $4 to $25 at rates ranging from 0.50% to 0.63%, unsecured, due between April 7, 2015 and April 16, 2015	**$**	**140,080**	$	–
Government of British Columbia, loans, payable in single instalments including interest ranging from $12 to $85 at rates ranging from 0.86% to 0.93%, unsecured, due between April 8, 2014 and May 2, 2014		**–**		154,926
	$	**140,080**	$	154,926

15. Distributions to the Government of British Columbia:

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 16), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of British Columbia occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings.

16. Distributions to the Government of Canada:

The ILC makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the ILC.

17. Interprovincial Lottery Corporation:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized in prize expense and ticket printing expense, respectively, in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses in the consolidated statement of comprehensive income.

18. Commitments:

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises and vehicles are as follows:

2016	$4,529
2017	4,264
2018	3,831
2019	3,504
2020	3,116
Thereafter	18,807

The Corporation leases its Vancouver office and warehouse space under operating leases. The leases commenced May, 2011 and have a term of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

18. Commitments (continued):

Operating leases (continued)

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay contingent location fees that are reviewed, negotiated and adjusted as necessary.

The Corporation leases a fleet of vehicles under operating lease agreements. These leases generally have five year terms.

During the year ended March 31, 2015, $20,043 (2014: $19,075) was recognized as an expense in the consolidated statement of comprehensive income in respect of operating leases. The Corporation recognized income of $2,643 (2014: $2,727) in respect of rent under cancellable operating agreements with lottery retailers.

Capital commitments

As of March 31, 2015, the Corporation is committed to incur capital expenditures relating to property and equipment and intangible assets of $22,016. These commitments are expected to be settled in the following year.

19. Contingencies:

The Corporation has been named as a defendant in several lawsuits as well as other disputes in the ordinary course of business. A provision is recognized only when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

19. Contingencies (continued):

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. BCLC is required to have all indemnification obligations approved by the B.C. Government Risk Management Branch. These indemnifications are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third-party claims. The nature of these agreements prevents the Corporation from making reasonable estimates of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements for these indemnifications.

20. Related party transactions:

BCLC is a wholly-owned Crown corporation of the Government of British Columbia.

All transactions with the Government of British Columbia ministries, agencies and Crown corporations occurred in the normal course of operations and are at arm's length, which is representative of fair value.

Key management personnel have been defined as the members of the Board of Directors, the President & CEO, and the Corporation's Vice-Presidents. The compensation for key management personnel is shown below:

		2015		2014
Short-term employee benefits	**$**	**2,209**	$	2,982
Pension and post-employment benefits		**186**		403
Termination benefits		**194**		–
Other		**(48)**		48
	$	**2,541**	$	3,433

The Corporation contributes to defined benefit plans. Transactions with these plans are disclosed in note 9. Other related party transactions have been disclosed in note 15.

21. Indirect tax expense:

As a provincial gaming authority, BCLC is a prescribed registrant under the *Games of Chance Goods and Services Tax (GST)/Harmonized Sales Tax (HST) Regulations* of the *Excise Tax Act* (the Regulations). The Corporation makes GST remittances to the Government of Canada pursuant to the Regulations. The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations resulting in the direct payment of additional GST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to other GST registrants.

Provincial Sales Tax is calculated and remitted to the Province of British Columbia pursuant to the *Provincial Sales Tax Act*.

Appendix A: Subsidiaries and Operating Segments

B.C. Lottotech International, Inc.

	2014/15	2013/14
Revenue ($ thousands)		
Lease revenue	$ 58,184	$ 55,870
Expenses		
Amortization	58,039	55,730
Other Income	(404)	(405)
	57,635	55,325
Net income	$ 549	$ 545

The consolidated statements of BCLC include B.C. Lottotech International Inc. ("Lottotech"), a wholly-owned subsidiary with a primary purpose to purchase capital assets which are leased back to BCLC. The major expense is amortization on these acquisitions. Management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital budgets through the annual business planning process.

Appendix B: Additional Information

For more information about BCLC's:

Vision, mission, values	http://corporate.bclc.com/who-we-are/our-mission-and-values.html
Organizational Overview	http://corporate.bclc.com/who-we-are.html http://corporate.bclc.com/what-we-do.html http://corporate.bclc.com/social-responsibility.html
Corporate Governance	http://corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html

BCLC's actions to fulfill government direction

The Government Letter of Expectations is an annual letter of direction to BCLC that reinforces our mandate, identifies strategic priorities, and sets forth performance measures. The letter outlines the responsibilities and expectations of both parties to support our collaborative working relationship.

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 (GPEB), for delivery of the Strategy, specifically in the areas of research, education and awareness.	BCLC is committed to social responsibility and operating an efficient and effective responsible gambling program. BCLC manages 22 staffed GameSense Info Centres across the province, which provide information and services to about 4,500 players monthly. In 2013/14, BCLC received re-certification at Level 4 of the World Lottery Association Responsible Gambling framework. This is the highest level that an organization can achieve. To maintain this rating, BCLC continues to focus on research, player education and creating awareness of responsible gambling. Programs such as the third annual New Horizons in Responsible Gambling conference, which took place in February 2015, and the Responsible Gambling Awareness Week program, which took place in five communities across the province, demonstrate BCLC's social responsibility commitment. BCLC will continue to offer both of these initiatives. We work to continuously improve our responsible gambling programs. For example, the Voluntary-Self Exclusion Program is currently in the midst of a

	four-year longitudinal study being conducted by the University of the Fraser Valley to evaluate the effectiveness of the program from the perspective of participants. BCLC is also committed to social responsibility in how we operate our business. We are working 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.	BCLC is committed to operating our business within the legislative and regulatory framework established by the Province of British Columbia. We continue to comply with all policy directives and standards issued by the Minister and by GPEB. BCLC and GPEB are currently developing key principles to inform the roles and responsibilities of each organization, as outlined in the 2015/16 Mandate Letter.
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.	BCLC collaborated with GPEB, the Ministry of Finance, the Ministry of Health and Ministry of Education to help inform the development of the Province's Plan for Public Health and Gambling, which was released in February 2015. Fourteen of the 22 action items in the Plan involve BCLC, and we are committed to acting on all items. Three items are complete. Others are partially complete, and of those, some require other resources to progress further and others are longer-term research projects.
Ensure that the B.C. 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.	The UBC Centre for Gambling Research opened on November 12, 2014. In its first year, the Centre has already been granted $1 million, with $250,000 allocated for each of the following four years.
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. Specifically, the corporation will:	BCLC is working to enhance existing anti-money laundering (AML) programs to ensure compliance with new Federal AML regulations, released in February 2014. Enhancements to the program include: o Investing in new analytical tools that help BCLC better understand our players' behaviour, and

o Develop, obtain approval, and deliver alternatives that allow patrons access to funds inside gaming facilities, o Actively promote the cash alternative options to patrons, through a targeted marketing program, o Lead the industry Anti-Money Laundering (AML) working group, which consists of BCLC, GPEB and service providers, o Establish capacity, within the BCLC Corporate Security & Compliance Division, to better inform the AML initiative through analysis of cash usage and trends, o Develop and deliver enhanced customer due diligence (CDD) as required by new Federal AML Regulations, which take effect February 2014.	also help identify the players who should be scrutinized more closely or banned; o An AML Operational Analysis Unit is fully operational. The unit applies an analytical lens to cash usage, trends and business rules as they apply to compliance and player risk analysis. This group works closely with internal stakeholders and GPEB to implement new cash alternatives in facilities and to oversee AML activities across BCLC; and o BCLC has entered into information-sharing agreements with local police units to ensure high-risk individuals are proactively banned from BCLC facilities. To date, 92 individuals have been banned as a result of information obtained through these agreements. In addition, BCLC is focused on continued promotion and enhancement of cash alternative options in our facilities, with ongoing marketing efforts to move patrons into cash free options in place. A working group is being created comprised of BCLC, GPEB and other stakeholders such as police, the Financial Transaction and Reporting Analysis Centre of Canada (FINTRAC), government officials, gaming service providers, and private sector financial institutions. The intent is to develop a collaborative and coordinated approach for addressing money laundering in casinos, which will include options for reducing cash.
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.	BCLC management undertook a detailed review to identify operating cost savings in early 2014 by: o Prioritizing projects to align with BCLC business objectives; o Reducing overall advertising and marketing budgets; o Revisiting travel and general expense budgets; o Renegotiating contracts; and o Consolidating teams and eliminating roles where possible. BCLC continues to explore 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.	As a part of BCLC's cost management review conducted in early 2014, projects were prioritized to ensure alignment with long-term BCLC goals to optimize the performance, security, integrity and efficiency of the corporation. Of these priority projects, the final rollout of the casino gaming management system (GMS) was completed on February 13, 2015. Implementation of other new features of GMS, including the Elite Bonus Suite, continues. BCLC has worked with the Province on developing detailed plans for the areas of the business that are to be optimized, and have committed to several deliverables related to Casino Optimization, as outlined in the 2015/16 Mandate Letter.

Appendix DD – 2015/16:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2015-2016,* (Kamloops: British Columbia Lottery Corporation, 2016).

2015/16
ANNUAL SERVICE PLAN REPORT

APPENDIX DD

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's Accountability Statement

On behalf of the Board of Directors, management and our employees, I'm pleased to present BCLC's 2015/16 Annual Service Plan Report, for the twelve months ended March 31, 2016. The Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*.

The Board is responsible for all content and reporting methods, as well as ensuring appropriate internal controls are in place to measure information accurately and report it in a timely fashion. The Board is also responsible for ensuring the information contained within the report is consistent with the mandate and goals of the organization.

Significant decisions and changes to BCLC's strategies, measures, targets or data, as of March 31, 2016, are identified in the report. All significant assumptions, events and identified risks have been considered in the preparation of this report. Estimates and interpreted information represent the best judgement of management.

The BCLC 2015/16 Annual Service Plan Report outlines how BCLC is meeting the objectives as set out in the 2015/16 Mandate Letter and how we are aligning our business with the Taxpayer Accountability Principles. It compares the corporation's actual results to the expected results identified in the 2015/16 – 2017/18 Service Plan. I am accountable for those results as reported.

Respectfully,

Bud Smith
Board Chair

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Chair/CEO Report Letter

Fiscal 2015/16 was BCLC's 30th anniversary and we were extremely pleased to mark the occasion by delivering very strong financial results to the Province of British Columbia and ultimately, to the people of British Columbia. The Corporation outperformed all Canadian gaming jurisdictions by achieving growth in all lines of business and generating more than $1.3 billion in net income for the Province of British Columbia, which is $97.5 million over budget and $59.0 million ahead of last year.

Strong financial results were achieved through innovation and capitalizing on opportunities to make strategic investments primarily in marketing and operations that successfully drove revenue growth in lottery, casino and eGaming. BCLC's diverse portfolio of products combined with our ability to be responsive to changing consumer demands and evolving market conditions were key to surpassing budget.

While growth is strong, the dynamic nature of the gambling business continues to put pressure on operating costs as international accounting treatments require increasing investments in technology to be recognized as expenses. Despite this, BCLC achieved a comprehensive cost ratio (the measure of total business costs, excluding prizes and taxes, as a percentage of total net win) of 42.0%. This result was below the target of 43.3% primarily because lower cost/higher margin products accounted for most of BCLC's revenue growth this year.

With great results comes great responsibility. Along with our commitment to growing our business prudently including a new enhanced responsible gambling strategy, BCLC remains committed to managing our business in the best interests of the people in our Province. We have taken actions to ensure that BCLC's Board of Directors and Executive team have received appropriate orientation and training regarding the accountability framework and their respective roles and expectations. The Taxpayer Accountability Principles also have been communicated to all staff.

BCLC and the Ministry of Finance have jointly developed a Strategic Engagement Plan, and will continue to ensure effective communication of performance against the Taxpayer Accountability Principles. The detailed plan can be found in Appendix D. BCLC is also committed to delivering on the strategic priority items outlined by Government in the 2015/16 Mandate Letter. A list of actions to fulfill this direction can be found in Appendix C.

We're very proud that our business can be a catalyst for economic growth for the Province of B.C. With responsible strategic planning and prudent investment, BCLC will strive to continue to benefit the people of British Columbia.

Bud Smith
Board Chair

Jim Lightbody
President & CEO

Purpose of the Organization

BCLC conducts and manages gambling in B.C. including casino, lottery, bingo and sports betting through multiple channels of distribution. Our slot machines, table games and bingo are operated through operational service contracts with private sector service providers at 15 casinos, two racecourse casinos, 18 community gaming centres and seven commercial bingo venues. Our national and provincial lottery products are sold at over 3,800 retail locations, operated by private sector retailers who earn a standard commission based on product sales. PlayNow.com is BCLC's secure, regulated online and mobile channel with a growing diversity of lottery games, sports betting, eCasino, ePoker and eBingo entertainment for over 329,000 registrants. PlayNow.com also provides online gambling services and web-based and smartphone platforms to the Province of Manitoba through a contract with Manitoba Liquor & Lotteries.

BCLC is a Crown corporation, established on April 1, 1985, and is governed by B.C.'s *Gaming Control Act* (2002). We manage and conduct gaming and grow net income in a socially responsible manner, adhering to the Taxpayer Accountability Principles, for the benefit of British Columbians. BCLC is regulated by the Gaming Policy Enforcement Branch, who is responsible for regulating all gaming in B.C., including horse racing and charitable gaming. BCLC also adheres to the federal financial regulator, FINTRAC, when it comes to its anti-money laundering practices.

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.

Strategic Direction and Context

Specific direction from government to BCLC was provided in the Government's 2015/16 Mandate Letter directing BCLC to take actions in accordance with the best interests of the Province and the taxpayer.

The Mandate Letter outlined specific actions to deliver high quality services and products within the Taxpayer Accountability Principles framework that strengthens accountability, promotes controlled spending and optimizes the corporation's financial performance.

Read the full letter outlining BCLC's Mandate
here: http://www.bclc.com/content/dam/bclc/corporate/documents/service-plan-2015-16.pdf

In fiscal 2015/16, a number of significant factors, both internal and external, challenged our business and performance.

Foremost, we stabilized our executive team; Jim Lightbody was named as President and CEO and we permanently filled five interim executive leadership appointments. Although BCLC experienced high

employee turnover in 2014/15 due to uncertainty, the turnover rate stabilized in 2015/16. Competition for talent continues to be challenging for key skills.

Our two major business units (lottery and casino) are mature and facing market saturation. The supply gap has been largely filled and the Canadian gaming industry has seen a shift from a supply driven to a demand driven environment. B.C. is the only province in Canada which has not experienced a year-over-year revenue decline while operating in this demand driven environment. With fewer new distribution opportunities, we focus more on marketing, product development, and improving the gaming facilities and services for our customers. In 2015/16, we benefited from a statistically significant number of large lottery jackpot rollovers and our slot revenues have rebounded with more British Columbians visiting casinos within B.C., helping to drive record growth. Our eGaming business through PlayNow.com was our fastest growing line of business and continues to provide incremental revenue with mobile services driving growth. This mitigated the anticipated decline in high limit table game revenue. Jackpot rolls in the lottery business are volatile and present risks for the growth of the business. We believe that the low Canadian dollar has contributed to B.C. players staying in the province; however, as the dollar rebounds we expect that competition from Nevada and Washington state casinos will increase. Moving forward we intend to achieve growth through innovation and strategic investment that better serve the customer.

In conjunction with the maturing market, the entertainment environment in which BCLC competes has evolved and player expectations have changed significantly. While each of our business units experiences unique conditions, some similarities exist. Our current product mix is less relevant to casual or light playing customers while we are encountering competition from other entertainment options such as professional sports leagues, online gaming, fantasy sports, social gaming, restaurants and bars.

Going forward, net income growth will result from facility enhancements and innovative product changes. We are working with our casino operational service providers and with the support of our municipal partners; we can enhance casino properties so they have broader appeal among customers within existing markets as an entertainment choice.

Legacy systems supporting our lottery business are nearing end-of-life and hamper our ability to serve new content to players. To address this strategic challenge, we are leveraging the opportunity to plan a multi-year year program that will transform the way players engage with our products in the retail setting.

BCLC depends on maintaining and growing its “social license” to operate gambling on behalf of British Columbians. Low public awareness of how gaming revenues benefit communities impacts perceptions of our business. Research supports the need to communicate how provincial gaming revenues benefit communities. We also strive to engage with and involve communities early in decisions that may impact them.

Report on Performance

Our mandate is to grow net income responsibly for the benefit of British Columbians. The 2015/16 Mandate Letter provides specific actions for BCLC to ensure alignment with government goals and objectives.

BCLC has made significant progress on each of the priority actions set out by government. As outlined in the letter, we have taken action on items that pertain to BCLC in the Province's Plan for Public Health and Gambling in the areas of health prevention, protection and research to address problem gambling. BCLC has also worked with GPEB to clarify roles and responsibilities of each organization, and we remain focused on evolving our business and exploring new revenue opportunities to optimize our financial performance and net return to the province. Over the past year we have been committed to fulfilling the direction set out in the Crown Review and have substantially completed 18 out of the 25 recommendations. Additionally, BCLC worked closely with GPEB and Law Enforcement to identify strategies and solutions to prevent money laundering in gaming facilities.

A detailed summary of BCLC's work to fulfill the 2015/16 Mandate Letter directions appears in Appendix C.

In the 2015/16 Mandate Letter, BCLC was directed to take specific actions and, in accordance with Government policy and directive, implement the Taxpayer Accountability Principles. BCLC has taken the necessary steps to adopt and integrate all principles within our strategic direction for business, market and consumer trends, and these principles inform the business choices we make.

This is reflected in BCLC's performance framework and in our revised Standards of Ethical Business Conduct (SOEBC) for employees, which includes and makes publicly available all principles (except 'service'). Also our SOEBC for contractors has recently been updated and was made public in summer 2015. In addition to Taxpayer Accountability Principles discussions at Executive and Board meetings, principles have been communicated to employees in person, via email and as part of a mandatory online course to solidify knowledge and understanding.

With annual feedback from Government during the Service Plan process, BCLC developed performance measures related to player, people, public and profit. These measures reference all relevant Taxpayer Accountability Principles initiatives.

BCLC has developed a Strategic Engagement Plan, and will continue to meet regularly with Ministry of Finance officials and the Minister of Finance to ensure effective communication of performance against the Taxpayer Accountability Principles.

Our 2015/16 BCLC Annual Service Plan Report compares actual results to the expected results identified in the 2015/16 – 2017/18 Service Plan. The following pages summarize how BCLC measures and reports performance through four corporate goals.

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 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.

Goal 1: Player – We are creating an integrated player-focused entertainment company

BCLC achieves positive outcomes for the citizens of British Columbia by maintaining a player centric approach.

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.

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.

In 2015/16 we once again offered 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 have dedicated $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 1.1: **Player Satisfaction**

Performance Measures	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Player Satisfaction[1]	85%	81%	78%	80%	77%	79%	80%

Data Source: Continuous online survey independently conducted by third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures as per Statistics Canada's Census. The margin of error is ± 1.92 at the 95% confidence level (19 times out of 20).
Benchmark Data: Player Satisfaction is internally benchmarked on a time series basis.
[1] Starting 2014/15, BCLC slightly revised the definition of 'player;' this revision has not had any impact on previous years' results.

Discussion

- Player satisfaction gauges BCLC's success in offering products and amenities that provide great value for money so that we achieve positive outcomes for British Columbians.
- In 2015/16, player satisfaction was very positive, but below our target. Based on player feedback, opportunities exist to enhance the player experience of our games and distribution channels, whether it is online, in gaming facilities or at retail locations.
- We plan to grow player satisfaction in the coming years by introducing new content and experiences for our games, channels and touch points.

Performance Measure 1.2: Player Participation (per cent at least monthly)

Performance Measure	2012/13 Actual[2]	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Player Participation	69%	54%	51%	54%	52%	50%	51%

Data Source and Data Reliability: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.55 at the 95% confidence level (19 times out of 20).
Benchmark Data: Player Participation is internally benchmarked on a time series basis.
[2] Results from 2012/13 are not comparable to results from 2013/14 onwards due to a change in survey questions.The change occurred in Q4 of 2012/13.

Discussion

- Player participation measures the percentage of adult British Columbians who play a BCLC game in any of our gambling channels at least once a month. It gauges BCLC's success in creating entertaining and relevant experiences so players purchase our games.
- In 2015/16, player participation was below target due to a decrease in participation from our core and moderate players which occurred predominantly in the first quarter of the year. This decline was influenced by low jackpots in Q4 of 2014/15, which affected the participation in Q1 of 2015/16. The lag was based on decreased player motivation as research suggests that jackpots are a main trigger for participation from of our lottery player base. In fact, the final quarter of 2015/16 saw player participation reach 57%. While we cannot attribute the increase to specific events, the

final quarter saw high jackpots on Lotto Max compared to earlier in the year which may have contributed to the increase in participation.

- We will continue to learn about our players' expectations and introduce new content, games and experiences to appeal to light and casual players while delivering consistent entertainment experiences to our core player base.

Performance Measure 1.3: **Player Awareness of Responsible Gambling Activities**

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15[3] Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Player Awareness of Responsible Gambling Activities	78%	68%	79%	79%	77%	74%	73%

Data Source and Data Reliability: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.55 at the 95% confidence level (19 times out of 20).

Benchmark Data: Player Awareness of Responsible Gambling Activities is internally benchmarked on a time series basis.

[3] In 2014/15, we revised the survey statements for Player Awareness of Responsible Gambling Activities to better reflect our responsible gambling priorities; 2014/15 results are not comparable to previous years.

Discussion:

- Player Awareness of Responsible Gambling Activities measures the percentage of players who are aware of at least one of five responsible gambling activities. This measure determines how effective we are at educating our players about responsible gambling, so that players can make informed and healthy gambling choices.
- In 2015/16, player awareness of responsible gambling activities was below target.
- Based on recommendations made in 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. We are also shifting from developing and measuring awareness to evaluating the outcomes of responsible gambling programs on harm-reduction. For example, we are planning to implement new technology on slot machines to enable money and time budgeting tools for players. In future years, we will develop measures to determine the effectiveness of our responsible gambling programs in changing player behavior.

Performance Measure 1.4: Net Win Per Capita

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Net Win Per Capita	$450	$468	$482	$477	$501	$482	$484

Discussion:

- Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial population.
- In 2015/16, BCLC's net win per capita increased over the previous year and exceeded our target. This is due to a higher rate of growth in net win compared to the population growth. 2015/16 net win increase was generated primarily through lottery and slots play which offset an expected decline in our high-limit table net win.

- Lottery revenues surpassed targets as a record number of large jackpots in national lottery offerings (led by the LottoMax brand) exceeded budget assumptions.
- Slots revenues grew due to increase in distribution and facility improvements while benefitting from a weakening Canadian dollar as our players search for local entertainment opportunities versus travelling to the U.S.
- High limit table net win declined. This category is heavily dependent on an international player base and is directly tied to the tourism industry. Slowdowns in some national economies and enforcement of international currency restrictions continue to present business risks to the category.
- 2016/17 targets project lottery net win will normalize as a record number of jackpot sizes in national lottery games (LottoMax and 6/49) is not likely to repeat.

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 ten 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. An engaged workforce is a more productive 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 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 2.1: Employee Engagement

Performance Measure	2012/13 Actual	2013/14 Actual[4]	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Employee Engagement	82%	n/a	78%	80%	83%	83%	83%

Data Source and Data Reliability: Annual anonymous online survey of BCLC employees conducted by an independent third-party professional. The margin of error is ± 1.72 at the 95% confidence level (19 times out of 20).
Benchmark Data: Employee Engagement is internally benchmarked on a time series basis.
[4] In 2013/14, BCLC did not conduct the Employee Engagement survey, hence no results are available.

Discussion:

- Employee Engagement is defined as the intellectual and emotional commitment employees have in an organization. A passionate and engaged workforce will help to drive the success of our business, delivering the great entertainment experiences our players expect.
- In 2015/16, BCLC's employee engagement level exceeded our target and has increased compared to the previous year.
- We are planning to maintain this positive level among our workforce in the coming years.

Performance Measure 2.2: Employee Turnover Rate

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual[5]	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Employee Turnover Rate	10.6%	12.4%	24.7%	14.0%	9.6%	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.
Benchmark Data: Employee Turnover Rate is internally benchmarked on a time series basis.
[5] Cost management activities, including organizational restructuring, and uncertainty due to Government's Internal Audit and Advisory Services Review contributed to the higher results in 2014/15.

Discussion:

- 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 a workforce to drive the continuous optimization of our business and gauges our competitiveness in the labour market. It also evaluates the effectiveness of our training, development and retention programs.
- In 2015/16, BCLC's employee turnover rate was below the target, which is a positive result.
- We are planning to maintain this positive level among our workforce in the coming years and will continue to invest in leadership and employee development, focusing on building talent from within our workforce.

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 3.1: Public Recognition of Positive Contributions

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Public Recognition of Positive Contributions	60%	61%	68%	64%	68%	68%	68%

Data Source and Data Reliability: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.55 at the 95% confidence level (19 times out of 20).

Benchmark Data: Public Recognition of Positive Contributions is internally benchmarked on a time series basis.

Discussion:

- Public Recognition of Positive Contributions measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to the Province of British Columbia. This measure helps us gauge our success in building public understanding and recognition of the positive contributions we make.
- In 2015/16, Public Recognition of Positive Contributions exceeded target.
- We are planning to maintain this positive level in the coming years and will continue to use social and traditional media as well as engage with stakeholders to inform them about our business and the benefits and impacts on communities and the Province.

Performance Measure 3.2: Public Perceptions of BCLC's Transparency

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Public Perceptions of BCLC's Transparency	51%	52%	57%	52%	60%	60%	60%

Data Source and Data Reliability: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.55 at the 95% confidence level (19 times out of 20).
Benchmark Data: Public Perceptions of BCLC's Transparency is internally benchmarked on a time series basis.

Discussion:

- Public Perceptions of BCLC's Transparency measures the percentage of adult British Columbians who view BCLC as forthcoming and open with the public. This measure helps us gauge our success in becoming increasingly transparent so that our business and its benefits are understood and supported by British Columbians.
- In 2015/16, results for Public Perceptions of BCLC's Transparency increased compared to the previous year and exceeded our target. This is a significant achievement when compared to just three years ago and is testimony to our new approach to communications.
- In the coming years, we are planning to maintain this positive level and will continue to act with integrity and transparency regarding our work and changes to gaming facilities so that our business and its benefits are understood and supported by British Columbians.

Performance Measure 3.3: Level of Greenhouse Gas Emissions

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Level of Greenhouse Gas Emissions (CO_2e metric tonnes by calendar year)	2012: 1,204	2013: 1,374	2014: 1,315	2015: 1,142	2015: 906	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.

Discussion:

- Sustainability is a key component of our social responsibility mandate. This measure gauges our success in reducing the level of reportable greenhouse gas emissions (GHG) over time.
- 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.
- In 2015, our reportable GHG emissions decreased by 31 percent from 2014. Factors that have contributed to this reduction include a reduction in natural gas consumption in both offices (we

had no fugitive emissions to report in 2015, as there were in 2014) and the reduction in fleet vehicles for which the 2015 was the first full year that BCLC operated with a significantly smaller fleet. This has allowed us to surpass our 2020 emission target five years earlier than planned.

- This is an accomplishment to be proud of; however, we acknowledge that the reduction in fleet only impacted our reportable emissions, as personal vehicles are now being used for business travel. Buildings now account for 93 per cent of our total emissions profile and thus we remain committed to limiting electricity and natural gas in our offices. As a low emitter, external factors such as weather and fugitive sources will have all the more impact on our emissions from year to year. Consequently, we have decided not to adjust our future targets based on this year's results.

Goal 4: Profit – we will optimize net income through investing to sustain the long-term health of our business

We maximize net income through a focus on our customers through innovation and investments to grow our net win revenue and the popularity of our games. From new games to new ways to play, to prominent retailers and destination venues, BCLC consistently ranks as a top revenue contributor for the good of everyone across B.C.

In 2015/16 we had strong financial results achieved through innovation and capitalizing on strategic investments primarily. Our lottery business grew 15.8% over last year which ranked BCLC as the leading province or state for growth in North America. Our slot business growth outpaced every other province in Canada and our eGaming business grew 24% over last year and remains the most profitable regulated online business in Canada.

BCLC continues to use cost management processes to identify areas for operational improvement. We foster a culture of cost-consciousness and remain committed to continual improvement of operational efficiencies and effectiveness. Our very strong profit margins keep us focused on driving revenue to deliver incremental net income for the Province.

Strategies:

Define and integrate the innovative experiences our players want, delivered with our strategic partners.

BCLC monitors consumer trends and listens to what our players want, so that we can deliver relevant products and experiences that meet expectations and provide value for money. With player understanding as our basis, and best-in-class vendors to work with, we will invest in innovative products and services for engaging gambling experiences and grow net income for the Province. In 2015/16 we structured a new team to focus on content innovation to attract light and casual players. This team is looking to partner with new types of vendors, including universities and start-ups, to develop new games and experiences.

Get to market faster with innovations so our games and services are more relevant.

We consistently improve processes, technology and skills to streamline IT, finance and procurement activities that support business operations. We work quickly 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.

Performance Measure 4.1: Net Income (millions)

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Net Income (millions)	$1,125.2	$1,174.6	$1,254.5	$1,216.0	$1,313.5	$1,242.8	$1,260.1

Data Source: Net win is from BCLC Audited Financial Statements and is calculated in accordance with International Financial Reporting Standards.
Benchmark Data: Net Income is benchmarked on a time series basis.

Discussion:

- Net Income is the total amount of money generated by BCLC and delivered to the Province, which uses it to benefit British Columbians via funding for health care, education and charitable and community programs.
- Through continued investment in our games and service offerings, we have built a diversified portfolio that has delivered engaging gambling experiences to our players and resulted in record revenues this past year.
- In 2015/16, BCLC exceeded its target and achieved a result of $1,313.5 million in net income. The growth in net income represents 4.7 per cent increase over 2014/15. This growth is due primarily to higher than budgeted revenue in our lottery, slots and eGaming businesses offsetting a predicted decline in our high-limit table game revenue.
- LottoMax led growth following the successful implementation of the increased jackpot cap to $60 million which, combined with the highest number of jackpots ever recorded for the brand, contributed to British Columbia recording the highest growth in lottery sales in North America at 15.8 per cent. Enhancements in other lottery game categories also contributed to growth.
- BCLC's 2016/17 net income target and the underlying budget is reasonable. It reflects that BCLC will be challenged to repeat the record revenue performance of 2015/16. In 2015/16 lottery revenues were driven by a record number of jackpots. The statistical likelihood of such jackpot sizes occurring again is less than 2 per cent. As well, while slots revenues grew in 2015/16 through increased distribution and facility improvements, we believe the category also benefited by the weakening Canadian dollar as players searched for local entertainment opportunities versus travelling to the U.S. BCLC's 2016/17 and 2017/18 net income forecast figures consider such factors to produce reasonable and prudent plans.

Performance Measure 4.2: Comprehensive Cost Ratio (% of Net Win)

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Comprehensive Cost Ratio (% of Net Win)	41.3%	43.4%	41.9%	43.3%	42.0%	43.4%	43.6%

Data Source: Comprehensive Cost Ratio is from BCLC Audited Financial Statements.
Benchmark Data: Comprehensive Cost Ratio is benchmarked on a time series basis.

Discussion:

- The Comprehensive Cost Ratio is the sum of direct, gaming support, operating, amortization and other costs (excluding taxes), divided by net win and expressed as a percentage. It is intended to gauge operational efficiency.
- The dynamic nature of the gambling business has continued to put pressure on operating costs. BCLC achieved a Comprehensive Cost Ratio of 42.0% which was below the budget of 43.3% primarily because lower cost products accounted for more of BCLC's revenue this year.
- The dynamic nature of the gambling business is expected to continue to put pressure on operating costs in future years. Targets reflect that:
    - Industry trends in technology related to infrastructure, platforms and software are moving towards internet-based 'software as a service' or hosted-service solutions versus in-house, customized technologies. The accounting standards are shifting in response to this trend toward classifying more of these types of expenditures as operating versus capital costs.
    - While BCLC's total portfolio of games provides some protection against variability in total revenue through diversification, BCLC's operating cost structure must be built to withstand year-over-year fluctuations in the business.
    - Operating cost targets now include funding for external policing costs associated with the new Joint Illegal Gaming Investigation Team. BCLC's role with the new Joint Illegal Gaming Investigation Team is limited to funding only.

Financial Report

Discussion of Results

In 2015/16, BCLC achieved a record $1.3 billion net income on record revenue of $3.1 billion, exceeding the previous records set last year by $59.0 million and $197.5 million, respectively.

This year, BCLC benefited most notably from a significant number of large lottery jackpots; and while an anticipated decline in high limit table game revenue materialized, this was more than offset by strong performance in the slots business which kept our casino business ahead of budget and last year. In addition, our eGaming business continues to be our fastest growing line of business.

Commensurate with the increase in sales volume, prizes, commissions, and related operating costs were higher this year. Each year, BCLC prepares a three-year Service Plan against which its results are measured. As part of this annual process, and in response to specific direction from government, BCLC committed to a focused cost containment initiative that began in 2013/14; however, many of BCLC's costs are tightly correlated with sales performance. Thus, while total revenue exceeded budget by $212.0 million, the operating costs supporting that increase exceeded budget by only $19.9 million, primarily from increased commissions associated with the increased volume experienced. On a year-over-year basis, a $197.5 million increase in revenue was correlated with total operating costs that were $49.8 million higher than the previous year, also primarily from increased commissions.

Financial Results	2011/12	2012/13[1]	2013/14	2014/15	2015/16			
($ in millions)	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
REVENUES								
Lottery & eGaming	$ 1,061.4	$ 1,093.8	$ 1,123.5	$ 1,103.4	$ 1,287.1	$ 1,109.7	$ 177.4	$ 183.7
Casino & Community Gaming	1,640.0	1,638.1	1,684.8	1,800.9	1,814.7	1,780.1	34.6	13.8
	2,701.4	**2,731.9**	**2,808.3**	**2,904.3**	**3,101.8**	**2,889.8**	**212.0**	**197.5**
Prizes	641.9	649.6	665.6	659.5	744.8	650.3	(94.5)	(85.3)
NET WIN	**2,059.5**	**2,082.3**	**2,142.7**	**2,244.8**	**2,357.0**	**2,239.5**	**117.5**	**112.2**
EXPENDITURES[2]								
Lottery & eGaming	175.6	177.6	189.9	175.4	204.7	196.9	(7.8)	(29.3)
Casino & Community Gaming	689.6	682.7	740.1	765.2	785.7	773.6	(12.1)	(20.5)
	865.2	**860.3**	**930.0**	**940.6**	**990.4**	**970.5**	**(19.9)**	**(49.8)**
Income before the undernoted	1,194.3	1,222.0	1,212.7	1,304.2	1,366.6	1,269.0	97.6	62.4
Indirect tax expense	86.9	96.8	38.1	49.7	53.1	53.0	(0.1)	(3.4)
NET INCOME								
Lottery & eGaming	278.9	297.4	304.1	304.2	369.1	292.2	76.9	64.9
Casino & Community Gaming	828.5	827.8	870.5	950.3	944.4	923.8	20.6	(5.9)
	$ 1,107.4	**$ 1,125.2**	**$ 1,174.6**	**$ 1,254.5**	**$ 1,313.5**	**$ 1,216.0**	**$ 97.5**	**$ 59.0**
Profit Margin	41.0%	41.2%	41.8%	43.2%	42.3%	42.1%	0.2%	-0.9%
Debt	$90.1	$131.7	$154.9	$140.1	$150.1	$154.9	4.8	(10.0)
Capital Expenditures	$74.4	$96.6	$100.3	$69.5	$68.2	$90.0	21.8	1.3

[1] 2012/13 comparative results have been restated to comply with amendments to IFRS.

Total net income for the year (as previously reported)	$ 1,127.6
Reconciling Items:	
Employee costs	(2.4)
Total net income for the year (restated)	$ 1,125.2

[2] Please refer to page 27 for a detailed breakdown of 2015/16 actual expenditures.

Performance Measurement:

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess 2015/16 operational performance against the targets and budgets established in the Service Plan (http://corporate.bclc.com/content/dam/bclc/corporate/documents/service-plan-complete-document-2015-16.pdf).

International Financial Reporting Standards (IFRS):

The *Budget Transparency and Accountability Act* specifies that the government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior governments are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

Lottery and eGaming Operations:

FINANCIAL RESULTS ($ IN MILLIONS)	2011/12	2012/13	2013/14	2014/15	2015/16			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Revenue								
Lottery	$ 995.8	$ 1,020.5	$ 1,032.5	$ 994.3	$ 1,151.6	$ 993.9	$ 157.7	$ 157.3
eGaming	65.6	73.3	91.0	109.1	135.5	115.8	19.7	26.4
	1,061.4	1,093.8	1,123.5	1,103.4	1,287.1	1,109.7	177.4	183.7
Prizes	580.8	594.2	615.7	610.5	698.1	605.1	(93.0)	(87.6)
Net win	480.6	499.6	507.8	492.9	589.0	504.6	84.4	96.1
Direct expenses [1]	77.4	81.2	84.7	85.3	98.9	88.7	(10.2)	(13.6)
Gaming support costs & operating expenses	98.2	96.4	105.2	90.1	105.8	108.2	2.4	(15.7)
Income before the undernoted	305.0	322.0	317.9	317.5	384.3	307.7	76.6	66.8
Indirect tax expense	26.1	24.6	13.8	13.3	15.2	15.5	0.3	(1.9)
Net income	$ 278.9	$ 297.4	$ 304.1	$ 304.2	$ 369.1	$ 292.2	$ 76.9	$ 64.9
Lottery retailers	3,853	3,805	3,748	3,928	3,873			
Lottery terminals	3,866	3,765	3,707	3,691	3,632			

[1] Direct expenses include commissions, direct supplies and ticket printing, and equipment leases and licenses.

Lottery and eGaming net income of $369.1 million exceeded the previous year by $64.9 million and budget by $76.9 million. Overall revenue of $1.287 billion was up $177.4 million from budget and $183.7 million, or 16.6 per cent, over the previous year.

Year-over-year revenue was up most notably in the Lotto category, driven by the strong jackpot performance of the national lottery games. Sales in the Lotto category were up $104.3 million over budget and $132.6 million over the previous year.

This year there were 30 LottoMax jackpots of $50 million or more—13 more than the previous record set in 2013/14, and compared with only 9 comparable jackpots last year. Similarly, there were 21 Lotto 6/49 jackpots of $20 million or more (including an all-time record jackpot of $64 million on October 17, 2015) compared with only 11 comparable jackpots in last year.

During 2015/16, BCLC continued to invest in the PlayNow.com eGaming business, increasing the frequency with which new casino-style games were introduced, and making other product enhancements. Overall, eGaming revenue was up $26.4 million from 2014/15—an increase of 24 per cent.

Casino and Community Gaming Operations:

FINANCIAL RESULTS ($ IN MILLIONS)	2011/12	2012/13	2013/14	2014/15	2015/16			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Revenue								
Slot Machines	$ 1,140.7	$ 1,140.1	$ 1,135.3	$ 1,149.4	$ 1,206.6	$ 1,120.6	$ 86.0	$ 57.2
Table Games	380.9	390.2	452.1	555.1	516.5	571.9	(55.4)	(38.6)
Poker	22.1	21.3	20.7	21.1	19.8	18.3	1.5	(1.3)
Bingo	96.3	86.5	76.7	75.3	71.8	69.3	2.5	(3.5)
	1,640.0	1,638.1	1,684.8	1,800.9	1,814.7	1,780.1	34.6	13.8
Prizes	61.1	55.4	49.9	49.0	46.7	45.2	(1.5)	2.3
Net win	1,578.9	1,582.7	1,634.9	1,751.9	1,768.0	1,734.9	33.1	16.1
Direct expenses	552.9	556.0	580.8	633.3	635.7	631.8	(3.9)	(2.4)
Gaming support costs & operating expenses [1]	136.7	126.7	159.3	131.9	150.0	141.8	(8.2)	(18.1)
Income before the undernoted	889.3	900.0	894.8	986.7	982.3	961.3	21.0	(4.4)
Income tax expense	60.8	72.2	24.3	36.4	37.9	37.5	(0.4)	(1.5)
Net income	$ 828.5	$ 827.8	$ 870.5	$ 950.3	$ 944.4	$ 923.8	$ 20.6	$ (5.9)
Casinos	17	17	17	17	17			
Casino slot machines	9,727	9,740	9,907	9,811	9,637			
Tables	459	472	476	505	518			
Commercial halls	10	7	7	7	7			
Community gaming centers	17	19	19	18	19			
Community gaming slot machines	2,103	2,484	2,803	2,535	2,683			

[1] In 2015/16 the biggest components were salaries and benefits ($0.6M), equipment ($0.8M), equipment ($0.8M), advertising and marketing ($1.7M), amortization ($7.2M), corporate allocations to the business unit ($6.2M), and miscellaneous smaller variances ($1.6M).

The Casino and Community Gaming business generated revenue of $1.815 billion in 2015/16, up $13.8 million from 2014/15, and $34.6 million over budget. Revenue from slot machines grew $57.2 million from the previous year, while table games fell short of budget by $55.4 million – a decline of $38.6 million from the previous year.

Capital Spending:

FINANCIAL RESULTS ($ IN MILLIONS)	2011/12	2012/13	2013/14	2014/15	2015/16			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Lottery	$ 7.6	$ 6.3	$ 7.8	$ 4.8	$ 7.7	$ 12.8	$ 5.1	$ (2.9)
eGaming	6.8	10.0	8.7	1.7	3.4	3.9	0.5	(1.7)
Casino & Community Gaming	46.8	63.5	67.2	47.2	45.0	52.3	7.3	2.2
Corporate	13.2	16.8	16.6	15.8	12.1	21.0	8.9	3.7
Capital Expenditures [1]	$ 74.4	$ 96.6	$ 100.3	$ 69.5	$ 68.2	$ 90.0	$ 21.8	$ 1.3

[1] Capital expenditures for Lottery, eGaming and Casino and Community Gaming were for gaming systems and equipment; corporate capital expenditures were for physical and information technology infrastructure.

From year to year, capital spending varies significantly in response to revenue-generating and gambling facility initiatives. In 2015/16, capital spending of $68.2 million was $21.8 million less than budget and $1.3 million less than in 2014/15. The small decrease in year-over-year spending reflects project delays due to a reduced capacity to execute on business initiatives as well as a focus on active portfolio management.

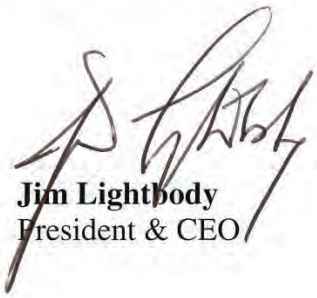
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements present fairly the consolidated financial position of BCLC as at March 31, 2016, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements of BCLC.

Amanda Hobson
CFO & Vice-President
Finance and Corporate Services



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INDEPENDENT AUDITORS' REPORT

To the Directors of and Minister Responsible for British Columbia Lottery Corporation

We have audited the accompanying consolidated financial statements of British Columbia Lottery Corporation, which are comprised of the consolidated statement of financial position as at March 31, 2016, the consolidated statements of comprehensive income, changes in deficit and cash flows for the year then ended, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of British Columbia Lottery Corporation as at March 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

Kamloops, Canada
May 12, 2016

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KPMG Confidential

British Columbia Lottery Corporation

Consolidated Statement of Financial Position

March 31, 2016, with comparative information for 2015
(in thousands of Canadian dollars)

		2016		2015
ASSETS				
Cash and cash equivalents (note 5)	**$**	**73,651**	$	75,850
Accounts receivable (note 6)		**36,401**		39,915
Receivable from the Interprovincial Lottery Corporation		**17,894**		15,128
Prepaid and deferred expenses		**10,916**		5,152
Inventories (note 7)		**9,000**		9,043
Current assets		**147,862**		145,088
Employee benefits (note 8)		**–**		2,645
Property and equipment (note 9)		**188,366**		180,988
Intangible assets (note 10)		**69,685**		83,720
Non-current assets		**258,051**		267,353
Total assets	**$**	**405,913**	$	412,441
LIABILITIES				
Cheques issued in excess of funds on hand (note 5)	**$**	**4,418**	$	1,239
Prizes payable (note 11)		**33,124**		28,751
Accounts payable, accrued and other liabilities (note 12)		**67,538**		80,596
Short-term financing (note 13)		**150,095**		140,080
Due to the Government of British Columbia (note 14)		**129,820**		143,686
Deferred revenue		**13,293**		11,105
Current liabilities		**398,288**		405,457
Employee benefits (note 8)		**81,322**		81,994
Non-current liabilities		**81,322**		81,994
Total liabilities		**479,610**		487,451
DEFICIT				
Accumulated deficit		**(17,144)**		(17,144)
Accumulated other comprehensive loss		**(56,553)**		(57,866)
Total deficit		**(73,697)**		(75,010)
Total liabilities and deficit	**$**	**405,913**	$	412,441

Commitments and contingencies (notes 17 and 18)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Bud Smith
Chair, Board of Directors

Robert Holden
Chair, Audit Committee

British Columbia Lottery Corporation

Consolidated Statement of Comprehensive Income

Year ended March 31, 2016, with comparative information for 2015
(in thousands of Canadian dollars)

		2016		2015
Revenue	**$**	**3,101,782**	$	2,904,303
Prizes		**744,841**		659,508
		2,356,941		2,244,795
Commissions and fees		**689,381**		680,323
Systems, maintenance and ticket distribution		**37,300**		35,654
Gaming equipment, leases and licenses		**32,708**		26,282
Ticket printing		**12,618**		11,987
		772,007		754,246
Employee costs		**91,038**		82,099
Amortization and depreciation (notes 9 and 10)		**73,659**		65,367
Advertising, marketing and promotions		**25,932**		18,814
Professional fees and services		**7,859**		5,935
Cost of premises		**7,849**		7,393
Other		**11,994**		6,695
		218,331		186,303
Income before the undernoted		**1,366,603**		1,304,246
Indirect tax expense (note 20)		**53,112**		49,739
Net income		**1,313,491**		1,254,507
Other comprehensive income				
Item that will never be reclassified to net income				
Net defined benefit plan actuarial gains (losses) (note 8)		**1,313**		(36,457)
Total comprehensive income	**$**	**1,314,804**	$	1,218,050

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Changes in Deficit

Year ended March 31, 2016, with comparative information for 2015
(in thousands of Canadian dollars)

	Accumulated Deficit	AOCL [1]	Total Deficit
Balance, April 1, 2014	$ (17,144)	$ (21,409)	$ (38,553)
Net income	1,254,507	–	1,254,507
Net defined benefit plan actuarial losses (note 8)	–	(36,457)	(36,457)
Total comprehensive income	1,254,507	(36,457)	1,218,050
Distributions to the Government of British Columbia (note 14)	(1,245,175)	–	(1,245,175)
Distributions to the Government of Canada (note 15)	(9,332)	–	(9,332)
Balance, March 31, 2015	$ (17,144)	$ (57,866)	$ (75,010)
Net income	**1,313,491**	**–**	**1,313,491**
Net defined benefit plan actuarial gains (note 8)	**–**	**1,313**	**1,313**
Total comprehensive income	**1,313,491**	**1,313**	**1,314,804**
Distributions to the Government of British Columbia (note 14)	**(1,303,996)**	**–**	**(1,303,996)**
Distributions to the Government of Canada (note 15)	**(9,495)**	**–**	**(9,495)**
Balance, March 31, 2016	**$ (17,144)**	**$ (56,553)**	**$ (73,697)**

[1] Accumulated Other Comprehensive Loss

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015
(in thousands of Canadian dollars)

		2016		2015
Cash flows from operating activities:				
Net income	**$**	**1,313,491**	$	1,254,507
Items not involving cash:				
Depreciation of property and equipment (note 9)		**51,519**		45,048
Amortization of intangible assets (note 10)		**22,140**		20,319
Loss (gain) on disposal of property and equipment (note 9)		**1,479**		(252)
Net benefit plan expense (note 8)		**17,960**		12,737
		1,406,589		1,332,359
Changes in:				
Accounts receivable		**3,514**		(1,756)
Receivable from the Interprovincial Lottery Corporation		**(2,766)**		(7,382)
Prepaid and deferred expenses		**(5,764)**		1,717
Inventories		**43**		(1,802)
Employee benefits		**(14,674)**		(17,413)
Prizes payable		**4,373**		(2,281)
Accounts payable, accrued and other liabilities		**(4,315)**		2,213
Deferred revenue		**2,188**		2,743
Net cash from operating activities		**1,389,188**		1,308,398
Cash flows from financing activities:				
Increase (decrease) in short-term financing (note 13)		**10,023**		(14,771)
Interest paid (note 13)		**(699)**		(933)
Distributions to the Government of British Columbia (note 14)		**(1,317,862)**		(1,201,995)
Distributions to the Government of Canada (note 15)		**(9,495)**		(9,332)
Net cash used in financing activities		**(1,318,033)**		(1,227,031)
Cash flows from investing activities:				
Additions to property and equipment (note 9)		**(64,262)**		(47,945)
Additions to intangible assets (note 10)		**(12,032)**		(28,404)
Net proceeds (costs) on disposal of property and equipment (note 9)		**(239)**		1,497
Net cash used in investing activities		**(76,533)**		(74,852)
Net (decrease) increase in cash and cash equivalents		**(5,378)**		6,515
Cash and cash equivalents, beginning of year		**74,611**		68,096
Cash and cash equivalents, end of year (note 5)	**$**	**69,233**	$	74,611

See accompanying notes to consolidated financial statements.

1. Reporting entity:

British Columbia Lottery Corporation (BCLC or the Corporation) is a Crown corporation of British Columbia (B.C.). BCLC was incorporated under the *Company Act* (B.C.) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC's registered office is 74 West Seymour Street in Kamloops, B.C., Canada. As an agent of the Crown, the Government of British Columbia has designated BCLC as the authority to conduct, manage and operate lottery schemes on behalf of the Government of British Columbia, including lottery, casino, bingo and internet gaming (eGaming) activities. BCLC is also the B.C. regional marketing organization for national lottery games, which are collective undertakings by the provinces of Canada acting through the Interprovincial Lottery Corporation (ILC).

As BCLC is an agent of the Crown, it is not subject to federal or provincial corporate income taxes.

2. Basis of preparation:

A. STATEMENT OF COMPLIANCE:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 12, 2016.

B. BASIS OF MEASUREMENT:

These consolidated financial statements of the Corporation have been prepared on a historical cost basis except for employee benefit plan assets, which are recognized as the fair value of plan assets less the present value of the defined benefit obligation and are limited as explained in note 3(F)(iii).

C. FUNCTIONAL AND PRESENTATION CURRENCY:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information has been rounded to the nearest thousand dollars.

2. Basis of preparation (continued):

D. USE OF ESTIMATES AND JUDGMENTS:

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements includes the determination of control over an investee (note 3(A)).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year includes key actuarial assumptions used in the measurement of defined benefit obligations (note 8(D)(i)).

3. Significant accounting policies:

The Corporation and its subsidiary have consistently applied the following accounting policies to all periods presented in these consolidated financial statements:

A. BASIS OF CONSOLIDATION:

The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These consolidated financial statements include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC. Intercompany transactions and balances are eliminated on consolidation.

3. Significant accounting policies (continued):

B. FOREIGN CURRENCY TRANSACTIONS:

Transactions in foreign currencies are translated to Canadian dollars at the exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the reporting date. Non-monetary assets denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the date of the transaction. Foreign currency exchange differences are recorded in income in the period incurred.

C. CASH AND CASH EQUIVALENTS:

Cash equivalents include Canadian money market funds (overnight deposits) with financial institutions having original maturity dates of three months or less from the acquisition date, which are subject to an insignificant risk of changes in their fair value, and are used by the Corporation in the management of its short-term commitments. Canadian money market funds are highly liquid and form an integral part of the Corporation's cash management.

D. FINANCIAL INSTRUMENTS:

The Corporation classifies its non-derivative financial instruments into the following categories: fair value through income, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments were acquired.

i. Non-derivative financial assets:

The Corporation initially recognizes loans and receivables on the dates that they originate. All other financial assets are initially recognized on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

3. Significant accounting policies (continued):

D. FINANCIAL INSTRUMENTS (continued):

i. Non-derivative financial assets (continued):

The Corporation has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are measured initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for doubtful debts and impairment losses (see note 3(I)). The effective interest method is used to recognize the total costs of, or income from, a financial instrument over the life of the instrument.

Loans and receivables are comprised of cash and cash equivalents, accounts receivable, and the receivable from the Interprovincial Lottery Corporation.

ii. Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged, or are cancelled.

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are measured initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method with interest expense recognized in income in the period in which it is incurred.

The Corporation's non-derivative financial liabilities are comprised of cheques issued in excess of funds on hand, prizes payable, accounts payable, accrued and other liabilities, short-term financing and due to the Government of British Columbia.

3. Significant accounting policies (continued):

D. FINANCIAL INSTRUMENTS (continued):

iii. Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a current, legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

E. INVENTORIES:

Inventories are measured at the lower of cost, determined on a weighted average or first-in, first-out basis, and net realizable value.

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

F. EMPLOYEE BENEFITS:

i. Short-term employee benefits:

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the reporting period in which the benefit is earned. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by an employee and the obligation can be estimated reliably.

ii. Termination benefits:

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. Benefits payable are discounted to their present value when they are not expected to be settled wholly within 12 months of the reporting date.

3. Significant accounting policies (continued):

F. EMPLOYEE BENEFITS (continued):

iii. Defined benefit plans:

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of benefit payable in the future that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value and the fair value of any plan assets are deducted.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability (asset), which are comprised of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (OCI). BCLC determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in income as employee costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in income. The Corporation recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Significant accounting policies (continued):

G. PROPERTY AND EQUIPMENT:

The Corporation's property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of short-term employee benefits for employees working directly on the construction of the qualifying asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Land and assets under construction are not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and based on the following estimated useful lives:

Asset	Rate
Corporate facilities, systems and equipment	3 to 20 years
Lottery gaming systems and equipment	5 years
eGaming systems and equipment	3 to 5 years
Casino and community gaming systems and equipment	3 to 10 years

The residual values, depreciation methods and useful economic lives of property and equipment are reviewed annually and adjusted if appropriate.

3. Significant accounting policies (continued):

H. INTANGIBLE ASSETS:

Expenditures incurred in the development or acquisition of computer software products or systems that will contribute to future economic benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Other development costs are recognized in income as incurred.

Development expenditures are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Corporation intends to, and has sufficient resources to, complete development and to use or sell the asset.

The cost of computer software and systems that are acquired by the Corporation includes the purchase price and any expenditures directly attributable to preparing the asset for its intended use.

Capitalized direct labour is comprised of short-term employee benefits for employees working directly on development. Borrowing costs related to the development of qualifying assets are capitalized.

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Assets under development are not amortized. The cost of other assets is amortized using the straight-line method over the estimated useful lives of the assets (three to ten years). The residual values, amortization methods and useful economic lives of intangible assets are reviewed annually and adjusted if appropriate.

I. IMPAIRMENT:

i. Financial assets:

Financial assets not classified as at fair value through income are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through income.

3. Significant accounting policies (continued):

I. IMPAIRMENT (continued):

ii. Non-financial assets:

The carrying amounts of non-financial assets, other than inventories and employee benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets under development are tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the greater of an asset's or cash generating unit's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Impairment losses are recognized in income and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

J. PROVISIONS:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in income as a financing cost in other expenses.

3. Significant accounting policies (continued):

K. REVENUE:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is earned through various distribution channels.

The Corporation's revenue recognition policies are as follows:

i. Revenue:

Revenue from lottery tickets is recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

Revenue, net of buybacks, for all instant ticket games is recognized at the time of the transfer of legal ownership to a retailer.

Revenue from slot machines and table games is recognized, net of prizes paid and deferrals under customer loyalty programs, in the same period in which the games are played.

Revenue from the operation of bingo games is recognized in the same period in which the games are played.

Revenue from sports betting is recognized in the period in which the bets settle. Receipts for bets that are received before March 31 for sporting events that occur subsequent to that date are recorded as deferred revenue.

ii. Customer loyalty programs:

The Corporation has several customer loyalty incentive programs whereby patrons can receive free or discounted goods and services. Some of the customer loyalty incentive programs allow customers to earn points based on the volume of play during gaming sessions. These points are recorded as a deliverable separate from current play in the revenue transaction.

For programs that provide patrons the right to receive free or discounted goods or services (including free play), the revenue, as determined by the fair value of the undelivered goods and services, is deferred until the promotional consideration is provided to the customer or expires.

iii. Net win:

Net win represents gaming revenue net of prizes paid.

3. Significant accounting policies (continued):

L. PRIZES:

Lottery and bingo prize expenses are recorded based on the actual prize liability experienced for each game.

Instant ticket games prize expenses are recorded at the theoretical prize liabilities for each game concurrently with the recognition of revenue. The actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense.

Unclaimed lottery prizes are recorded as prizes payable until the prizes are claimed, discontinued or expire. Expired prizes are recorded as reductions in prize expense and prize liability in the year of expiry.

Unclaimed prizes of national lottery games are administered by the Interprovincial Lottery Corporation.

Sports betting prize expenses are recorded based on the actual prizes paid for each bet.

Progressive jackpots:

The Corporation has several progressive jackpot games, each of which may be comprised of a seed (or base) as well as an incremental portion which increases by allotting a portion of each player's wager to the pot. BCLC recognizes such amounts as a prize payable at the time the Corporation has an obligation with regard to the jackpot funds.

M. COMMISSIONS:

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as revenue is earned.

Commissions paid to gaming facility service providers, including commissions for facility development, are based on net win generated in accordance with underlying operating service agreements. BCLC recognizes commission expenses as net win is earned. Commissions for facility development are based on a commission structure employed by BCLC that enables gaming facility service providers to earn additional commission up to contractually determined limits.

3. Significant accounting policies (continued):

N. LEASES:

At inception of an arrangement, the Corporation determines whether the arrangement is or contains a lease.

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as financing leases. Upon initial recognition, a leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under financing leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases other than financing leases are classified as operating leases and are not recognized in the consolidated statement of financial position. Payments made under operating leases are recognized in income on a straight-line basis over the terms of the leases.

O. NEW STANDARDS ISSUED BUT NOT YET ADOPTED:

A number of new standards and amendments to standards are not yet effective and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards early.

i. IFRS 9 *Financial Instruments* (IFRS 9):

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 and includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. At the date of these consolidated financial statements, the impact of this new standard is unknown. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2019.

3. Significant accounting policies (continued):

O. NEW STANDARDS ISSUED BUT NOT YET ADOPTED (continued):

ii. IFRS 15 *Revenue from Contracts with Customers* (IFRS 15):

IFRS 15, published in May 2014, establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. At the date of these consolidated financial statements, the impact of this new standard is unknown. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2019.

iii. IFRS 16 *Leases* (IFRS 16):

IFRS 16, published in January 2016, establishes principles for the recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. It replaces existing lease guidance, including IAS 17 *Leases,* IFRIC 4 *Determining whether an arrangement contains a lease,* SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted only if IFRS 15 is also adopted. At the date of these consolidated financial statements, the impact of this new standard is unknown. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2020.

The following amended standards are not expected to have a significant impact on the Corporation's consolidated financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38).*
- *Disclosure Initiative (Amendments to IAS 1and IAS 7).*

4. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk and market risk.

This note presents information on how the Corporation manages those financial risks.

A. GENERAL:

BCLC's Board is responsible for the oversight of management including its policies related to financial and risk management issues and oversight of the overall risk profile.

The Board uses BCLC's Risk Committee for monitoring the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes. The Risk Committee oversees and reports back to the Board on the Corporation's risk management functions.

The Board uses BCLC's Audit Committee to assist in the review of financial risks. The Audit Committee oversees and reports back to the Board on the review of the Corporation's information systems, risk management function and internal controls in order to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

The Corporation has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems and to adopt risk treatment plans when appropriate. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive Committee and the Risk Committee.

The Corporation also has a division focused on corporate security and compliance. Further, the Corporation has internal audit services and a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control and compliance.

B. CREDIT RISK:

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, net win less commissions outstanding, gaming cash floats, and cash and cash equivalents.

4. Financial risk management (continued):

B. CREDIT RISK (continued):

Trade receivables, net win less commissions outstanding and gaming cash floats

The major third parties transacting with the Corporation, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC.

The Corporation is not materially exposed to any one individual lottery retailer. The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments may be completed for new retailers (with the exception of registered charities), retailers who have experienced insufficient fund occurrences or where there is a concern that a retailer might be experiencing financial difficulties.

Security is obtained from lottery retailers who are considered high financial risks or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees. The Corporation may secure net win less commissions that would be outstanding from gaming facility service providers through security deposits or Irrevocable Standby Letters of Credit. This security also covers gaming cash floats owned by the Corporation and provided by the Corporation to certain gaming facility service providers. While the Corporation is materially exposed to two different gaming facility service providers, their letters of credit and daily cash sweeps made by the Corporation mitigate the risk of material default for financial assets owned by the Corporation.

The Corporation’s PlayNow.com sales are paid in advance through credit card, debit card, or online bill payment transactions.

As at March 31, 2016, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $11,449 (2015: $8,255) of the accounts receivable carrying amount.

4. Financial risk management (continued):

B. CREDIT RISK (continued):

Trade receivables, net win less commissions outstanding and gaming cash floats (continued)

The maximum exposure to credit risk for trade receivables, net win less commissions outstanding and gaming cash floats at the reporting date by type of debtor is represented by the carrying amounts less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

		2016		2015
Maximum exposure	**$**	**79,444**	$	82,303
Collateral		**(65,215)**		(64,698)
Net exposure	**$**	**14,229**	$	17,605

Normal credit terms for trade receivables or net win less commissions outstanding are payment within 30 days. As at March 31, 2016 and 2015, there were no trade receivables or net win less commissions outstanding for more than 60 days.

Cash and cash equivalents

Cash and cash equivalents, excluding gaming cash floats, are held with banks and counterparties which have high credit ratings and minimal market risk. Cash equivalents are limited to short-term debt securities with minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Corporation has a formal policy and guidelines in place for cash equivalents that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

A policy has been established that outlines various asset mix range percentages for low-risk investments restricted to short-term pooled money market funds or bond investments.

The maximum exposure to credit risk for cash and cash equivalents, excluding gaming cash floats, is represented by the carrying amounts at the reporting date (note 5).

4. Financial risk management (continued):

B. CREDIT RISK (continued):

Concentrations

The Corporation has significant business arrangements with two gaming facility service providers which account for the majority of its casino and community gaming business. The Corporation also has arrangements with other gaming facility service providers and approximately 3,900 lottery retailers. Credit risk related to service providers or lottery retailers is mitigated through Irrevocable Standby Letters of Credit or security deposits, as well as by the distribution of risk across a large number of lottery retailers.

The Corporation has a number of business relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a significant number of other relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gambling industry.

C. LIQUIDITY RISK:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of British Columbia under its Fiscal Agency Loan (FAL) program. Under this agreement, the Corporation may borrow up to $250 million. In making a loan to the Corporation, the Government of British Columbia uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of British Columbia. Loans are unsecured and there are no pre-established repayment terms. The terms are set by the Government of British Columbia each time a loan is requested under this agreement. To date the durations of the loans have not exceeded 90 days.

The Corporation also has a $10 million unused demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2015: prime rate).

4. Financial risk management (continued):

C. LIQUIDITY RISK (continued):

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money and money from normal operations held in advance of its transfer to the Government of British Columbia (note 14). As a result of fluctuating cash flow requirements and to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of all financial liabilities as at March 31, 2016 and 2015 are three months or less, except for $816 (2015: $21,400) which matures in more than three months but fewer than twelve.

D. MARKET RISK:

Market risk is the risk that changes in market prices will affect the fair value of or future cash flows from a financial instrument. Market risk includes currency risk, interest rate risk and other price risk. BCLC is exposed to interest rate risk which is described below.

Interest rate risk

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Government of British Columbia. The terms are set by the Government of British Columbia each time a loan is requested under the FAL agreement. The terms are determined based on market conditions available at that time.

The Corporation mitigates this risk by borrowing the minimum amount necessary over the minimum time period from the Government of British Columbia.

The Corporation's interest-bearing assets are typically invested for short periods due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

4. Financial risk management (continued):

D. MARKET RISK (continued):

Interest rate risk (continued)

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

		2016		2015
Canadian money market funds (overnight deposit) (fixed-rate instruments)	**$**	**20,034**	$	23,686
Short-term financing (fixed-rate instruments)		**(150,095)**		(140,080)
	$	**(130,061)**	$	(116,394)

Sensitivity analysis

The Corporation does not account for any fixed-rate financial instruments at fair value through income; therefore, a change in interest rates at the reporting date would not affect net income. A change of one per cent in interest rates at the reporting date would have impacted the deficit by $1,301 (2015: $1,164).

E. FAIR VALUES:

The carrying amounts of financial assets and financial liabilities not classified as fair value through income approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

4. Financial risk management (continued):

F. OFFSETTING:

The carrying amounts of recognized financial instruments that are set off in the consolidated statement of financial position are as follows:

As at March 31, 2016	**Gross financial assets set off**	**Gross financial liabilities set off**	**Net financial assets**	**Related financial assets not set off**	**Net amount**
Accounts receivable					
Lottery retailers	**$ 30,084**	**$ (10,304)**	**$ 19,780**	**$ –**	**$ 19,780**
Gaming facility service providers	**30,488**	**(15,188)**	**15,300**	**–**	**15,300**
Other	**–**	**–**	**–**	**1,321**	**1,321**
	$ 60,572	**$ (25,492)**	**$ 35,080**	**$ 1,321**	**$ 36,401**

As at March 31, 2016	**Gross financial assets set off**	**Gross financial liabilities set off**	**Net financial liabilities**	**Related financial liabilities not set off**	**Net amount**
Accounts payable, accrued and other liabilities	**$ 482**	**$ (1,329)**	**$ (847)**	**$ (66,691)**	**$ (67,538)**

As at March 31, 2015	Gross financial assets set off	Gross financial liabilities set off	Net financial assets	Related financial assets not set off	Net amount
Accounts receivable					
Lottery retailers	$ 30,878	$ (10,546)	$ 20,332	$ –	$ 20,332
Gaming facility service providers	34,871	(18,115)	16,756	–	16,756
Other	–	–	–	2,827	2,827
	$ 65,749	$ (28,661)	$ 37,088	$ 2,827	$ 39,915

As at March 31, 2015	Gross financial assets set off	Gross financial liabilities set off	Net financial liabilities	Related financial liabilities not set off	Net amount
Accounts payable, accrued and other liabilities	$ 672	$ (1,657)	$ (985)	$ (79,611)	$ (80,596)

5. Cash and cash equivalents:

		2016		2015
Gaming cash floats	**$**	**43,043**	$	42,388
Funds held for security deposits		**5,685**		5,503
Funds held for player accounts		**4,889**		4,273
Canadian money market funds (overnight deposit)		**20,034**		23,686
Cash and cash equivalents in the statement of financial position		**73,651**		75,850
Cheques issued in excess of funds on hand in the statement of financial position		**(4,418)**		(1,239)
Cash and cash equivalents in the statement of cash flows	**$**	**69,233**	$	74,611

Gaming cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gambling locations and are not available for other purposes.

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $5,685 (2015: $5,503) is included in accounts payable, accrued and other liabilities.

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player account liability in the amount of $4,889 (2015: $4,273) is included in accounts payable, accrued and other liabilities.

Select casino service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (gaming accounts). These gaming accounts are accounted for in accordance with the casino and community gaming centre standards, policies and procedures under the supervision of the Corporation, as well as in accordance with the regulations of GPEB. No amounts are recorded in the Corporation's financial statements for these gaming accounts. The casino service providers are legally liable for the player funds held in these accounts.

For the year ended March 31, 2016 interest income of $494 (2015: $730) was earned.

6. Accounts receivable:

		2016		2015
Trade receivables and net win less commissions outstanding:				
Lottery retailers	**$**	**19,780**	$	20,332
Gaming facility service providers		**15,300**		16,756
		35,080		37,088
Other		**1,321**		2,827
	$	**36,401**	$	39,915

7. Inventories:

The major components of inventories are as follows:

		2016		2015
Slot machine spare parts	**$**	**4,743**	$	3,360
Instant tickets		**2,890**		4,442
Other		**1,367**		1,241
	$	**9,000**	$	9,043

For the year ended March 31, 2016, inventories recognized as an expense amounted to $17,702 (2015: $15,446).

8. Employee benefits:

		2016		2015
Net defined benefit liability (asset) (Plan A)	**$**	**4,316**	$	(2,645)
Net defined benefit liability (Plans B and C)		**77,006**		81,994
Net employee benefits	**$**	**81,322**	$	79,349

The Corporation contributes to and controls the following post-employment defined benefit plans:

Registered Pension Plan (Plan A)

Plan A is a registered pension plan in the Province of B.C. under the *Pension Benefits Standards Act (British Columbia)* (PBSA). Plan A entitles an employee to receive an annual pension payment after retirement based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and covers substantially all of the Corporation's employees. The pension benefits are partially indexed for inflation after retirement.

Supplementary Pension Plan (Plan B)

Plan B covers employees designated by the Corporation. The pension benefits under Plan B provide designated employees a top-up to Plan A benefits to the extent, if any, that they are limited by the *Income Tax Act* maximum pension rules.

Non-Pension Post-Employment Plan (Plan C)

Plan C covers substantially all of BCLC's employees for post-employment medical, dental and life insurance benefits.

The Corporation, as the plan sponsor and plan administrator, has established the Pension Committee to have primary responsibility for the administration and oversight of the plans and to perform certain delegated responsibilities.

These plans expose the Corporation to foreign currency risk, interest rate risk, longevity risk, inflation risk and other market price risk.

8. Employee benefits (continued):

A. FUNDING:

Plan A is funded by employee contributions, employer contributions and investment returns. The Corporation funds Plan A based on the advice of an actuary, in order to provide for the cost of the benefits accruing under the plan and for the proper amortization of any unfunded liability or solvency deficiency, both in accordance with the PBSA, after taking into account the assets of the plan, employee contributions and all other relevant factors. The actuarial assumptions used to determine funding requirements may differ from the assumptions herein.

If at any time the actuary certifies that the net assets available for benefits under Plan A exceed the actuarially-determined present value of the accrued pension benefit obligation, such surplus, or any portion thereof, may be used by the Corporation at its discretion, to reduce its contribution obligations, subject to PBSA restrictions.

The Corporation expects to contribute $9,541 to Plan A in the year ending March 31, 2017.

Plans B and C are unfunded; as such, the Corporation pays all benefits thereunder as they fall due.

8. Employee benefits (continued):

B. MOVEMENT IN NET DEFINED BENEFIT LIABILITY (ASSET):

A reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components is as follows:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2016	2015	**2016**	2015	**2016**	2015
Balance at April 1	**$ 319,306**	$ 248,573	**$ (239,957)**	$ (201,005)	**$ 79,349**	$ 47,568
Included in income						
Current service cost	**13,864**	10,062	**–**	–	**13,864**	10,062
Past service cost	**1,054**	–	**–**	–	**1,054**	–
Interest cost (income)	**11,901**	11,899	**(9,159)**	(9,524)	**2,742**	2,375
Administration cost	**–**	–	**300**	300	**300**	300
	26,819	21,961	**(8,859)**	(9,224)	**17,960**	12,737
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	**(3,662)**	4,924	**–**	–	**(3,662)**	4,924
Financial assumptions	**(16,475)**	44,753	**–**	–	**(16,475)**	44,753
Experience adjustments	**4,375**	6,243	**–**	–	**4,375**	6,243
Return on plan assets excluding interest income	**–**	–	**14,449**	(19,463)	**14,449**	(19,463)
	(15,762)	55,920	**14,449**	(19,463)	**(1,313)**	36,457
Other						
Contributions paid by the employer	**–**	–	**(14,674)**	(17,413)	**(14,674)**	(17,413)
Contributions paid by the employee	**2,546**	2,600	**(2,546)**	(2,600)	**–**	–
Benefits paid	**(10,317)**	(9,748)	**10,317**	9,748	**–**	–
	(7,771)	(7,148)	**(6,903)**	(10,265)	**(14,674)**	(17,413)
Balance at March 31	**$ 322,592**	$ 319,306	**$ (241,270)**	$ (239,957)	**$ 81,322**	$ 79,349

Represented by:	**2016**	2015
Net defined benefit liability (asset) (Plan A)	**$ 4,316**	$ (2,645)
Net defined benefit liability (Plans B and C)	**77,006**	81,994
	$ 81,322	$ 79,349

8. Employee benefits (continued):

C. PLAN ASSETS:

Plan assets are comprised of:

2016	Level 1[1]	Level 2[2]	Total	Asset Mix
Pooled funds				
Canadian equity funds	**$ 71,604**	**$ –**	**$ 71,604**	**30%**
Global equity funds	**84,202**	**–**	**84,202**	**35%**
Fixed income funds	**61,091**	**–**	**61,091**	**25%**
Debt securities				
Canada real return bonds	**–**	**24,373**	**24,373**	**10%**
	$ 216,897	**$ 24,373**	**$ 241,270**	**100%**

2015	Level 1[1]	Level 2[2]	Total	Asset Mix
Pooled funds				
Canadian equity funds	$ 71,047	$ –	$ 71,047	29%
Global equity funds	82,853	–	82,853	34%
Fixed income funds	62,887	–	62,887	27%
Debt securities				
Canada real return bonds	–	23,170	23,170	10%
	$ 216,787	$ 23,170	$ 239,957	100%

[1] The fair values of Level 1 assets are determined based on quoted prices in active markets.

[2] The fair values of Government of Canada real return bonds are determined based on price quotations. However, as the underlying market in which these instruments are traded is not considered active, the bonds are classified as Level 2 in the fair value hierarchy.

Plan contributions are invested in equities and bonds. With consideration to the long-term nature of the plan liabilities, and the shorter-term liquidity needs for payments to retirees, the Corporation has a general target allocation of 60 per cent equities and 40 per cent bonds. As a general policy, and in accordance with the relevant regulations, the Corporation has adopted the investment guidelines of the PBSA for defining permissible investment activities for money held in trust. Each investment manager is expected to actively manage Plan A's assets within the parameters of the strategic asset mix comprising 40 to 70 per cent equity securities, 30 to 50 per cent investment funds and debt securities and 0 to 10 per cent cash and cash equivalents.

8. Employee benefits (continued):

D. DEFINED BENEFIT OBLIGATION:

i. Actuarial valuation and assumptions:

An actuarial valuation is required, at a minimum, every three years to assess the financial position of Plan A. The most recent actuarial valuation of Plan A for funding purposes was made by Mercer (Canada) Limited, an independent firm of consulting actuaries, as of December 31, 2013. The defined benefit obligation for Plan A has been based on this valuation, with adjustments made for cash flows and material events since this date. The next required actuarial valuation will be made as of December 31, 2016.

There is no statutory actuarial valuation requirement for Plan B. The defined benefit obligation for Plan B is based on data collected for those members as of March 31, 2016.

There is no statutory actuarial valuation requirement for Plan C; however, an actuarial valuation is completed every three years on Plan C. An actuarial valuation of Plan C was performed by Morneau Shepell Ltd., an independent firm of consulting actuaries, as of December 31, 2015. The defined benefit obligation for Plan C has been based on this valuation.

The principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	Plans A and B		Plan C	
	2016	2015	**2016**	2015
Discount rate:				
Defined benefit obligation	**3.80%**	3.75%	**3.80%**	3.75%
Benefit cost	**3.75%**	4.65%	**3.75%**	4.65%
Rate of compensation increase for the fiscal year	**2.00%**	0.00%	**-**	-
Future compensation increases	**2.00%**	2.00%	**-**	-
Inflation	**1.75%**	2.00%	**-**	-
Initial weighted-average health care trend rate	**-**	-	**5.25%**	5.82%
Ultimate weighted-average health care trend rate	**-**	-	**4.21%**	4.50%
Year ultimate reached	**-**	-	**2026**	2029
Assumed life expectations on retirement at age 65				
Current pensioners				
Male	**23.1**	23.0	**23.1**	23.0
Female	**25.0**	24.9	**25.0**	24.9
Retiring in 20 years				
Male	**24.1**	24.0	**24.1**	24.0
Female	**25.9**	25.9	**25.9**	25.9

8. Employee benefits (continued):

D. DEFINED BENEFIT OBLIGATION (continued):

i. Actuarial valuation and assumptions (continued):

Change in estimate

During the year, the Corporation engaged a new independent actuary. As a result of this change, the Corporation adopted the new independent actuary's single-rate yield curve for determining the discount rate used in the measurement of its defined benefit plans. The new single-rate yield curve is substantially consistent with the guidance issued by the Canadian Institute of Actuaries. The change in estimate has been accounted for in the current year without restatement of prior periods. The effect of this change in estimate is an increase of approximately $10,800 in the defined benefit obligation as at March 31, 2016. The effect of this change in future years is impracticable to estimate.

ii. Sensitivity analysis:

Changes at March 31, 2016 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts as follows:

	Effect on the defined benefit obligation			
	2016		2015	
	Increase in rate	**Decrease in rate**	Increase in rate	Decrease in rate
Discount rate (1% movement)	**$ (47,053)**	**$ 60,815**	$ (51,606)	$ 67,620
Future compensation increase (1% movement)	**6,991**	**(5,890)**	8,092	(6,253)
Inflation (1% movement)	**13,764**	**(11,910)**	16,633	(15,103)
Health care cost trend rate (1% movement)	**9,792**	**(8,297)**	11,319	(9,050)
Future mortality (10% movement)	**(5,430)**	**5,895**	(5,968)	6,595

In practice, it is unlikely that one assumption would change, with all other assumptions remaining constant, since changes in some of the assumptions may be interdependent; however, this analysis does provide an approximation of the sensitivity of the assumptions shown.

8. Employee benefits (continued):

D. DEFINED BENEFIT OBLIGATION (continued):

iii. Maturity profile of plan membership:

The breakdown of the defined benefit obligation at March 31, 2016 (as a percentage of the total) in respect of active employees, former employees who have not yet started receiving a pension (deferred vested), and former employees and other beneficiaries receiving a pension (retirees), is as follows:

	Defined benefit obligation	
	2016	2015
Active members	**46%**	49%
Deferred vested members	**5%**	5%
Retirees	**49%**	46%
Total	**100%**	100%

At March 31, 2016, the weighted-average duration of the defined benefit obligation was 18.2 years (2015: 19.2 years).

9. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost							
Balance at April 1, 2014	$ 700	$ 83,896	$ 106,188	$ 7,421	$ 383,093	$ 11,798	$ 593,096
Additions	355	4,213	1,687	228	36,167	8,484	51,134
Transferred to systems and equipment	–	1,252	2,379	18	5,271	(8,920)	–
Disposals and retirements	–	(1,036)	(4,488)	(16)	(19,849)	–	(25,389)
Balance at March 31, 2015	1,055	88,325	105,766	7,651	404,682	11,362	618,841
Additions	**1,634**	**8,334**	**5,033**	**–**	**36,125**	**8,813**	**59,939**
Transferred to systems and equipment	**–**	**3,577**	**1,420**	**–**	**4,730**	**(9,727)**	**–**
Disposals and retirements	**–**	**(2,024)**	**(1,784)**	**–**	**(12,600)**	**–**	**(16,408)**
Balance at March 31, 2016	**$ 2,689**	**$ 98,212**	**$ 110,435**	**$ 7,651**	**$ 432,937**	**$ 10,448**	**$ 662,372**
Accumulated depreciation							
Balance at April 1, 2014	$ –	$ 63,893	$ 96,801	$ 5,539	$ 250,716	$ –	$ 416,949
Depreciation for the year	–	7,091	3,544	947	33,466	–	45,048
Disposals and retirements	–	(1,012)	(4,474)	(16)	(18,642)	–	(24,144)
Balance at March 31, 2015	–	69,972	95,871	6,470	265,540	–	437,853
Depreciation for the year	**–**	**6,705**	**4,486**	**501**	**39,827**	–	**51,519**
Disposals and retirements	**–**	**(1,981)**	**(1,747)**	**-**	**(11,638)**	–	**(15,366)**
Balance at March 31, 2016	**$ –**	**$ 74,696**	**$ 98,610**	**$ 6,971**	**$ 293,729**	**$ –**	**$ 474,006**
Carrying amounts							
At March 31, 2015	$ 1,055	$ 18,353	$ 9,895	$ 1,181	$ 139,142	$ 11,362	$ 180,988
At March 31, 2016	**$ 2,689**	**$ 23,516**	**$ 11,825**	**$ 680**	**$ 139,208**	**$ 10,448**	**$ 188,366**

10. Intangible assets:

The intangible assets balance represents purchased and internally-generated software assets.

	Software	Assets under development	Total
Cost			
Balance at April 1, 2014	$ 131,916	$ 26,071	$ 157,987
Acquisitions - separately acquired	8,803	6,468	15,271
Acquisitions - internally generated	1,940	763	2,703
Borrowing costs capitalized	–	376	376
Transferred to software	16,692	(16,692)	–
Disposals and retirements	(4,255)	–	(4,255)
Balance at March 31, 2015	155,096	16,986	172,082
Acquisitions – separately acquired	**3,276**	**2,660**	**5,936**
Acquisitions – internally generated	**1,934**	**411**	**2,345**
Borrowing costs capitalized	**2**	**25**	**27**
Transferred to software	**7,202**	**(7,202)**	–
Disposals and retirements	**(3,389)**	–	**(3,389)**
Balance at March 31, 2016	**$ 164,121**	**$ 12,880**	**$ 177,001**
Accumulated amortization			
Balance at April 1, 2014	$ 72,298	$ –	$ 72,298
Amortization for the year	20,319	–	20,319
Disposals and retirements	(4,255)	–	(4,255)
Balance at March 31, 2015	88,362	–	88,362
Amortization for the year	**22,140**	–	**22,140**
Disposals and retirements	**(3,186)**	–	**(3,186)**
Balance at March 31, 2016	**$ 107,316**	**$ –**	**$ 107,316**
Carrying amounts			
At March 31, 2015	$ 66,734	$ 16,986	$ 83,720
At March 31, 2016	**$ 56,805**	**$ 12,880**	**$ 69,685**

11. Prizes payable:

		2016		2015
Lottery	**$**	**28,123**	$	24,050
Casino and community gaming		**5,001**		4,701
	$	**33,124**	$	28,751

12. Accounts payable, accrued and other liabilities:

		2016		2015
Trade payables	**$**	**17,862**	$	18,192
Accrued expenses		**30,361**		47,443
Indirect tax payable		**5,747**		4,074
Other		**13,568**		10,887
	$	**67,538**	$	80,596

13. Short-term financing:

		2016		2015
Government of British Columbia, loans, payable in single instalments including interest ranging from $10 to $26 at rates ranging from 0.35% to 0.42%, unsecured, due between April 14, 2016 and May 13, 2016	**$**	**150,095**	$	–
Government of British Columbia, loans, payable in single instalments including interest ranging from $4 to $25 at rates ranging from 0.50% to 0.63%, unsecured, due between April 7, 2015 and April 16, 2015		–		140,080
	$	**150,095**	$	140,080

For the year ended March 31, 2016 interest on short-term financing of $691 (2015: $856) was recognized as an expense.

14. Distributions to the Government of British Columbia:

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 15), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of British Columbia occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings.

15. Distributions to the Government of Canada:

The ILC makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the ILC.

16. Interprovincial Lottery Corporation:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized in prize expense and ticket printing expense, respectively, in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses in the consolidated statement of comprehensive income.

17. Commitments:

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises, vehicles and office equipment are as follows:

2017	$4,861
2018	4,444
2019	3,914
2020	3,344
2021	3,070
Thereafter	16,067

The Corporation leases its Vancouver office and warehouse space under operating leases. The leases commenced May, 2011 and have a term of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

17. Commitments (continued):

Operating leases (continued)

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay contingent location fees that are reviewed, negotiated and adjusted as necessary.

The Corporation leases a fleet of vehicles and office equipment under operating lease agreements. These leases generally have five year terms.

During the year ended March 31, 2016, $21,259 (2015: $20,043) was recognized as an expense in the consolidated statement of comprehensive income in respect of non-cancellable and cancellable operating leases. The Corporation recognized income of $3,115 (2015: $2,643) in respect of rent under cancellable operating agreements with lottery retailers.

Capital commitments

As of March 31, 2016, the Corporation is committed to incur capital expenditures relating to property and equipment and intangible assets of $9,350 (2015: $22,016). These commitments are expected to be settled in the following year.

Joint Illegal Gaming Investigation Team

BCLC is committed to funding the new Joint Illegal Gaming Investigation Team, in combination with funding from the federal government through the Provincial Police Service Agreement. BCLC will provide funding for the external policing costs related to this team located within the Combined Forces Special Enforcement Unit of B.C. This funding commitment is estimated to be $1,800 in the fiscal year ended March 31, 2017 and $3,000 annually in subsequent years.

18. Contingencies:

The Corporation has been named as a defendant in several lawsuits as well as other disputes in the ordinary course of business. A provision is recognized only when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. BCLC is required to have all indemnification obligations approved by the B.C. Government Risk Management Branch. These indemnifications are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third-party claims. The nature of these agreements prevents the Corporation from making reasonable estimates of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements for these indemnifications.

19. Related party transactions:

BCLC is a wholly-owned Crown corporation of the Government of British Columbia.

All transactions with the Government of British Columbia ministries, agencies and Crown corporations occurred in the normal course of operations and are on terms comparable to those with other entities that are not government-related.

Key management personnel have been defined as the members of the Board of Directors, the President & CEO, and the Corporation's Vice-Presidents. The compensation for key management personnel is shown below:

		2016		2015
Short-term employee benefits	**$**	**2,269**	$	2,209
Pension and post-employment benefits		**155**		186
Termination benefits		**306**		194
Other		**-**		(48)
	$	**2,730**	$	2,541

The Corporation contributes to defined benefit plans. Transactions with these plans are disclosed in note 8. Other related party transactions have been disclosed in note 14.

20. Indirect tax expense:

As a provincial gaming authority, BCLC is a prescribed registrant under the *Games of Chance Goods and Services Tax (GST)/Harmonized Sales Tax (HST) Regulations* of the *Excise Tax Act* (the Regulations). The Corporation makes GST remittances to the Government of Canada pursuant to the Regulations. The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations resulting in the direct payment of additional GST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to other GST registrants.

Provincial Sales Tax is calculated and remitted to the Province of British Columbia pursuant to the *Provincial Sales Tax Act*.

Appendix A: Subsidiaries and Operating Segments

BC Lottotech International, Inc.

The consolidated statements of the British Columbia Lottery Corporation include BC Lottotech International, a wholly-owned subsidiary of the Corporation. The primary purpose of BC 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 BC Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

	2015/16	2014/15
Revenue ($ thousands)		
Lease revenue	$ 65,642	$ 58,184
Expenses		
Depreciation and amortization	65,475	58,039
Other Expense (Income)	1,231	(404)
	66,706	57,635
Net income (loss)	$ (1,064)	$ 549

Appendix B: Additional Information

Vision, mission, values	http://corporate.bclc.com/who-we-are/our-mission-and-values.html
Organizational Overview	http://corporate.bclc.com/who-we-are.html http://corporate.bclc.com/what-we-do.html http://corporate.bclc.com/social-responsibility.html
Corporate Governance	http://corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html

Appendix C – Crown Corporations Mandate and Actions Summary

In the 2015/16 Mandate Letter from the Minister of Finance, BCLC received direction on strategic priorities for the 2015/16 fiscal year. These priorities and BCLC's resulting actions are summarized below:

Mandate Letter Direction	BCLC's Action
1. BCLC will implement action items that pertain to the Corporation as part of government initiatives in the areas of health prevention, protection and research to address problem gambling. These action items and their timelines for the implementation are being developed by government in consultation with BCLC taking into consideration the Provinces' 2014 Problem Gambling Prevalence Study, the 2013 Public Health Officer's (PHO) Report, entitled *Lowering the Stakes: A Public Health Approach to Gambling in British Columbia*, as well as other research on problem gambling in youth and problem gambling treatment programs.	• Thirteen of the 21 action items in the Plan involve BCLC. • Three action items have been completed and seven items are partially complete.
2. The Gaming Policy Enforcement Branch (GPEB) and BCLC will jointly develop key principles that will inform respective roles and responsibilities. These principles will outline expectations, obligations, and related business impacts to provide role clarity and maximize accountability. These principles will be devised by June 30, 2015 and implemented by December 31, 2015.	• BCLC and GPEB jointly developed key principles to inform roles and responsibilities of each organization. This work was completed by December 31, 2015.
3. Optimize the Corporation's financial performance, in accordance with government policy and directives under the *Gaming Control Act* and Treasury Board direction. BCLC will sustain the organizations net return to the province, by responding to customer and marketplace demands for products and services and seeking new revenue opportunities that are consistent with the	• BCLC continues to optimize our financial performance and sustain net return to the province by seeking new revenue opportunities and responding to marketplace demands. • 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,

approved framework. Consistent with previous direction the corporation will present Treasury Board with a detailed business case for casino optimization by November 30, 2014, and a detailed business case and risk assessment for business optimization by February 28, 2015.	accessible entertainment experiences. • BCLC presented its final submission on Casino Optimization on November 30, 2014. BCLC prepared a briefing document regarding Business Optimization revenue projections on October 31, 2014, which indicated that BCLC's revised business strategy and Service Plan will account for only the viable initiatives that were previously identified under the Business Optimization program. BCLC's 2015/16-2017/18 Service Plan was ratified by Government on January 28, 2015. The revised business strategy document was delivered on April 30, 2015.
4. At the conclusion of the Crown Review BCLC, the Corporation will work to address, as appropriate, the recommendations made by Internal Audit & Advisory Services.	• BCLC has substantially completed 18 of the 25 Crown recommendations.
5. As part of the Corporation's continued mandate, BCLC will use information provided by law enforcement to create actions and solutions to prevent money laundering in BC gaming facilities. GPEB will develop anti-money laundering standards, to which BCLC will respond. Additionally, BCLC will identify and implement strategies to increase the use of cash alternatives and measure and demonstrate this progress.	• In 2015, BCLC met regularly with Law Enforcement and GPEB to discuss anti-money laundering trends including mitigating suspicious cash. • In July 2015 GPEB provided approval in principle to two cash alternative proposals (delimiting convenience cheques and allowing international electronic fund transfers). BCLC has worked collaboratively with the GPEB Policy Division to further these proposals. • A major contributor to improving BCLC's ability to prevent money laundering in facilities is the implementation of a new system, identical to those used by the banking industry to monitor, detect and report on suspicious persons, transactions and other activity. BCLC is the first gambling jurisdiction to adopt this software. While there have been delays in modifying the solution to the unique needs of the gambling industry, the system is currently in the test phase. • An anti-money laundering (AML) course was developed and released in May 2015. Every

	employee in the organization is required to complete this course. • GPEB and BCLC sponsored an AML summit on June 4, 2015, which brought together representatives from three levels of policing, the financial services industry, the banking industry and various government representatives. The recommendations from this summit continue to inform the next steps between GPEB and BCLC on the direction of AML and cash alternatives in casinos. • BCLC has an Information Sharing Agreement with law enforcement that provides BCLC the ability to proactively ban those with known links to criminal organizations, who pose a threat to public safety, or who are involved in criminal conduct likely to generate proceeds of crime.

Appendix D – Strategic Engagement Plan

The Taxpayer Accountability Principles place a heavy focus on strengthening two-way communication between government and provincial public sector entities, as various reviews have identified this as an area that could be improved. The principles increase opportunities for ministers and ministries to engage the public sector organizations for which they are responsible.

The development of a ministry / Crown engagement plan is intended to support the commitment for two-way communication, effective working relationships, and enhanced governance oversight.

Engagement Plan
In order to successfully implement the ministry accountabilities under the Taxpayer Accountability Principles, it is imperative the ministry and the Crown Agencies it is responsible for develop, working relationships that result in effective Crown governance and increased public sector accountability to taxpayers.

Goals

- Support strong, positive working relationships between the Ministry of Finance and the Crowns for which they are responsible.
- Develop a working relationship based on 'no surprises', and open, candid and respectful discussion focused on the successful achievement of government's direction.
- Enhance governance oversight by ensuring these entities are aligned with government priorities and that government's expectations are effectively and consistently communicated by the Ministry and acted upon by these Crowns.

Key Principles

BCLC and the Gaming Policy and Enforcement Branch have developed the following Key Principles to guide and frame their respective roles and responsibilities.

1) Respect for Role
2) Transparency and Communications
3) Customer/Client Focus
4) Innovation
5) Senior Management Responsibility
6) Risk-based Approach
7) Results/Outcomes focused
8) Solutions-oriented
9) Responsiveness

Ministry and Crown meetings

Reflecting both the direction in the Taxpayer Accountability Principles and the anticipated needs of the Ministry and Crowns, the Ministry has identified that two types of meetings – more formalized meetings and ad-hoc meetings / communications – are required.

This proposal deals with the more formalized meetings, recognizing that ad-hoc meetings and communications via email, telephone, etc., that currently occur between the Ministry and Crowns at various levels of these organizations will continue and, in fact, if working relationships are strengthened, will occur more frequently.

Formalized meetings are not intended to interfere with the ongoing operational relationship of the Ministry and Crown or delay the Ministry and Crown addressing time-sensitive issues, emerging issues or financials pressures, or discussing, in a timely manner, operational or financial performance targets that will not be met. These types of issues should be identified by the Crown and discussed with the Ministry as soon as possible and not deferred until the next scheduled, formal meeting.

The plan is based on formalized meetings occurring at various levels of the Ministry and Crown organization:

- Minister meetings with the Crown Board Chair;
- Deputy Minister / Associate Deputy Minister meetings with the Crown Chief Executive Officer; and
- Assistant Deputy Ministry, Corporate Services Division meeting with the Crown Chief Financial Officer.

Appendix EE – 2016/17:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2016-2017,* (Kamloops: British Columbia Lottery Corporation, 2017).

2016/17
ANNUAL SERVICE PLAN REPORT

APPENDIX EE

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

or visit our website at
www.bclc.com

Board Chair's Accountability Statement

On behalf of the Board of Directors, management and our employees, I'm pleased to present BCLC's 2016/17 Annual Service Plan Report for the twelve months ended March 31, 2017. The Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*.

The Board is responsible for all content and reporting methods, as well as ensuring appropriate internal controls are in place to measure information accurately and report it in a timely fashion. The Board is also responsible for ensuring the information contained within the report is consistent with the mandate and goals of the organization.

Significant decisions and changes to BCLC's strategies, measures, targets or data, as of March 31, 2017, are identified in the report. All significant assumptions, events and identified risks have been considered in the preparation of this report. Estimates and interpreted information represent the best judgement of management.

The BCLC 2016/17 Annual Service Plan Report outlines how BCLC has met the objectives as set out in the 2016/17 Mandate Letter and how we are aligning our business with the Taxpayer Accountability Principles. It compares the corporation's actual results to the expected results identified in the 2016/17 – 2018/19 Service Plan. I am accountable for those results as reported.

Respectfully,

Bud Smith
Board Chair

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Chair/CEO Report Letter

In fiscal 2016/17, BCLC generated more than $1.3 billion in net income for the Province of British Columbia, which is $96 million over budget and $26 million ahead of last year, marking another outstanding year of financial performance.

These strong financial results were achieved through innovation and capitalizing on strategic investments primarily in the slots category in both our bricks-and-mortar and online casinos. This successfully offset the volatility experienced in casino high-limit table game revenue and the expected normalization of lottery jackpot rolls from the prior year.

BCLC's diverse portfolio of products, combined with the ability to be flexible and responsive to changing consumer demands and dynamic market conditions, have been the key drivers of achieving stronger than expected financial results. While our results are strong, the dynamic nature of the gambling business has continued to put pressure on operating costs as our reliance on technology increases and related accounting standards shift expenditures from capital to operating costs. Despite this, BCLC achieved a comprehensive cost ratio (the measure of total business costs, excluding prizes and taxes, as a percentage of total net win) of 42.0%. This result was below the target of 43.4% primarily due to success in high-margin products and a continued focus on operational efficiency.

Along with our focus on growing our business in a responsible manner, including a new player health strategy, we remain committed to managing our business in the best interests of British Columbians. To that end, we continue to deliver on the strategic priority items outlined by Government in the 2016/17 Mandate Letter. A list of actions to fulfill this direction can be found in Appendix C.

Through a strategic engagement plan, we continue to have meaningful dialogue with the Ministry of Finance regarding our implementation of the Taxpayer Accountability Principles. Our Board of Directors and Executive team have become proficient in the accountability framework and their respective roles and responsibilities. Additionally, through our Standards of Ethical Business Conduct and other means of internal communication, we have outlined the principles for our employees and explained how they are expected to apply these values to their daily work.

We're proud of our performance this year and confident that our people will continue to strike the right balance between creating great entertainment experiences, upholding our social responsibility promise, and meeting our financial targets, to deliver on our commitments to the Province of British Columbia.

Bud Smith
Board Chair

Jim Lightbody
President & CEO

Purpose of the Organization

BCLC conducts and manages gambling in B.C. including casino, lottery, bingo and sports betting through multiple channels of distribution. Our slot machines, table games and bingo are operated through operational service contracts with private sector service providers at 15 casinos, two racecourse casinos, 18 community gaming centres and six commercial bingo venues. Our national and provincial lottery and sports betting products are sold at approximately 3,500 retail locations, operated by private sector retailers who earn a commission based on product sales. PlayNow.com is BCLC's secure, regulated online and mobile channel, with a growing selection of lottery games, sports betting, slots, table games and bingo entertainment for approximately 370,000 registrants. PlayNow.com also provides online gambling services and web-based and smartphone platforms to the Province of Manitoba through an operating contract with Manitoba Liquor & Lotteries.

BCLC is a Crown corporation, established on April 1, 1985, and is governed by B.C.'s *Gaming Control Act* (2002). We manage and conduct gaming and grow net income in a socially responsible manner, adhering to the Taxpayer Accountability Principles, for the benefit of British Columbians. The Gaming Policy and Enforcement Branch (GPEB) has regulatory oversight of gambling in B.C., including all commercial gaming operated by BCLC, as well as horse racing and charitable gaming. BCLC adheres to requirements set out in federal anti-money laundering legislation, and is monitored by the Financial Transactions and Reports Analysis Centre of Canada for compliance with those requirements.

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. Lottotech's budget is renewed and approved through our annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations.

Strategic Direction and Context

Specific direction from Government to BCLC was provided in the Government's 2016/17 Mandate Letter directing BCLC to take actions in accordance with the best interest of the Province and taxpayers.

The Mandate Letter outlined specific actions to deliver high quality services within the Taxpayer Accountability Principles Framework (TAP). TAP is designed to strengthen accountability and promote controlled spending in an environmentally sustainable manner.

Read the full letter outlining BCLC's mandate here:
http://corporate.bclc.com/content/dam/bclc/corporate/documents/service-plan-2016-17.pdf

B.C.'s gambling market is nearing a mature stage. BCLC's traditional distribution channels such as our retail network, casinos and community gaming facilities are close to meeting existing market demand. There are few options remaining to expand our distribution footprint. Overall, there has been a shift from a supply-driven to a demand-driven environment. In addition, our gaming product portfolio is facing relevance challenges with certain demographics and their expectations for entertainment. Our current product mix is less relevant to younger generations while we are

encountering competition from other entertainment options such as professional sports leagues, online gaming, fantasy sports, social gaming, and high-end restaurants. Consumer expectations for entertainment and services is driven by their experiences across all entertainment options. This requires BCLC to meet the preferences of customers who have a wide range of entertainment and gambling options from which to choose. This shift has created a critical need to challenge the status quo through investments in innovation, especially in new products and services.

In conjunction with the maturing market, the convergence of physical and digital experiences continues to occur at a pace and magnitude that is disrupting traditional ways of doing business. Businesses across all consumer product sectors are improving the digital experience for their customers and leveraging their bricks-and-mortar presences to enhance the overall experience. In order to continue to grow revenue and remain relevant, BCLC must adopt new ways of delivering our products in order to meet customer 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. Additionally, we are working with our casino service providers to build or redevelop casino properties and attract a broader customer base through wider and better customer experiences.

We continue to address aging infrastructure that places our ability to sustain current revenues at risk. After completing the replacement of our legacy casino management system infrastructure in fiscal 2014/15, we have planned a multi-year program to replace our aging lottery infrastructure and introduce new capabilities that will allow for new product content delivery in our retail setting.

As predicted, in 2016/17, there were fewer high lottery jackpot rollovers in our national lottery games compared to the prior year, which impacted lottery revenue; however, BCLC exceeded its total lottery revenue budget through strong performance in other lottery categories. Strategic investment in refreshing our slot product in our casinos successfully offset the volatility experienced in high-limit table game revenue, resulting in our casino business exceeding budget and the previous year's revenue. Our eGaming business performance was also very strong, exceeding budget, and seeing double digit growth over previous year's revenue, due primarily to popularity in the casino and sports betting categories.

BCLC depends on maintaining and growing our social license to operate gambling on behalf of British Columbians. This year, BCLC has embarked on new community engagement initiatives, including working with Public Health officials, to engage with communities where we may be opening a new casino. A healthy customer base is an important component in improving the overall customer experience. We are evolving our approach to responsible gambling by changing our strategic focus from awareness to reducing gambling related harm.

Report on Performance

The 2016/17 Mandate Letter provides specific actions for BCLC to ensure alignment with government goals and objectives.

BCLC has made significant progress on each of the strategic actions set out by Government and continues to optimize financial performance and sustain net income to the province by seeking new revenue opportunities and responding to marketplace demands. BCLC has completed implementation of the recommendations from the Review of the British Columbia Lottery Corporation (December 2014) and continues to make progress to implement the commitments it made in the Plan for Public Health and Gambling (February 2015). In addition, BCLC has contributed to and supported implementing the government's Anti-Money Laundering (AML) strategy.

A detailed summary of BCLC's work to fulfill the 2016/17 Mandate Letter appears in Appendix C.

In 2016/17, BCLC achieved strong growth across all lines of business through a diverse portfolio of products and the ability to be flexible and responsive to changing consumer demands and dynamic market conditions. BCLC continues to evolve the business by offering relevant, accessible entertainment experiences and leveraging PlayNow.com in order to attract a broader player base.

The 2016/17 BCLC Annual Service Plan Report compares actual results to the expected results identified in the 2016/17 – 2018/19 Service Plan. The following section summarizes how BCLC measures and reports performance through four corporate goals.

Goals, Strategies, Measures and Targets

BCLC's mandate is to conduct and manage gaming in B.C. on behalf of government. BCLC grows net income responsibly for the benefit of British Columbians while applying the Taxpayer Accountability Principles. BCLC aims to build public understanding of our business through transparency and to manage costs efficiently and effectively, investing wisely in order to sustain long-term business health.

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 our responsible gambling programs that enables evidence-based decision-making to better support reducing harm and outcomes for our players. We will continue to provide tools for players to make healthy decisions through our GameSense program and provide gaming workers with enhanced training to support referring players to appropriate support services.

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. We will continue to enhance our ability to leverage customer insights to create the experiences players are seeking whether they are online, in gambling facilities, or at lottery retail locations.

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 in order 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 casino facility redevelopments and improvements to create destinations with broader appeal.

Performance Measure 1.1: Player Satisfaction

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Player Satisfaction [1]	81%	78%	77%	79%	80%	80%	80%

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures as per Statistics Canada's Census. The margin of error is ± 2.22% at the 95% confidence level (19 times out of 20).
Benchmark Data: Player Satisfaction is internally benchmarked on a time series basis.
[1] Starting 2014/15, BCLC slightly revised the definition of 'player;' this revision has not had any impact on previous years' results.

Discussion:

- Player satisfaction gauges our success in offering products and amenities that provide great value for money so that we achieve positive outcomes for British Columbians.
- In 2016/17, player satisfaction saw growth from 2015/16 and we managed to achieve our target. We have worked to increase player satisfaction by:
    - Using technology to improve our players' purchasing and gambling experience, by introducing initiatives such as mobile-optimized player experiences on PlayNow.com, easier and more convenient lottery prize payout options for retail, and refreshed EncoreRewards.ca to offer a more user-friendly experience;
    - Diversifying product offerings online and offline to better engage with our new and existing players; and
    - Using targeted marketing initiatives to deliver relevant and engaging content for players across all channels.
- We will remain focused on growing player satisfaction through understanding player expectations and by developing and utilizing technology, people and processes to deliver enhanced entertainment experience across all products and distribution channels.

Performance Measure 1.2: Player Participation (percent at least monthly)

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Player Participation	54%	51%	52%	50%	53%	51%	51%

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures as per Statistics Canada's Census. The margin of error is ± 1.79% at the 95% confidence level (19 times out of 20).

Discussion:

- 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 products and visit our properties.
- In 2016/17, player participation increased slightly from 2015/16 and exceeded target. This result may be attributed to our efforts in the following:
    - Introducing new games to complement our existing product lines in all channels and marketing campaigns to engage with our players;
    - Promoting cross-play through multichannel products to provide players with the option to engage across different channels; and
    - Our ability to market lottery jackpots in a year with substantially fewer jackpots than the previous year.
- We plan to continue to manage player participation by researching and responding to player feedback in order to deliver new products that are relevant and entertaining and refine our existing product line.

Performance Measure 1.3: Player Awareness of Responsible Gambling activities

Performance Measure	2013/14 Actual	2014/15[2] Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Player Awareness of Responsible Gambling Activities	68%	79%	77%	74%	79%	76%	76%

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 2.07% at the 95% confidence level (19 times out of 20).
Benchmark Data: Player Awareness of Responsible Gambling Activities is internally benchmarked on a time series basis.
[2] In 2014/15, we revised the survey statements for Player Awareness of Responsible Gambling Activities to better reflect our responsible gambling priorities; 2014/15 results are not comparable to previous years.

Discussion:

- Player Awareness of Responsible Gambling (RG) Activities measures the percentage of players who are aware of at least one of the following responsible gambling activities: Voluntary Self-Exclusion, GameSense brand, GameSense Info Centres, RG messaging in retail locations and RG messaging on PlayNow.com. This measure determines how effective we are at educating our players about responsible gambling, so that players can make informed and healthy gambling choices.
- In 2016/17, player awareness of responsible gambling activities was above target and above the prior year.
- BCLC is currently planning the implementation of our new responsible gambling strategy that will adopt a harm reduction approach that has been used in program development for other types of addictions. The Player Health Strategy includes the following aspects:
    - Positive Play: Encouraging players to adopt positive playing behaviours and attitude that can reduce risk of developing gambling problems, such as pre-commitment and honesty with friends and family.
    - Informed decision-making: Providing the tools and information to enable players to make informed playing decisions and to be aware of the risks associated with gambling and the resources available to support healthy play behaviours.
    - Reduced problem gambling prevalence with BCLC products: Making appropriate business decisions in terms of products offered, approaches to advertising/marketing, and markets served, to reduce the incidence of players with gambling problems using BCLC products.
    - Effective referral to treatment and support: Ensuring that responsible and problem gambling support is viewed as a key component of the customer service model, enabling players to receive effective referral to the right resources at the right time.
- This strategy and its implementation is aligned with BCLC's commitment to the Plan for Public Health and Gambling. In future years, we will further develop a harm reduction evaluation framework based on research and outcomes, to determine the effectiveness of our responsible gambling programs in changing player behaviour.

Performance Measure 1.4: Net Win Per Capita

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Net Win Per Capita	$468	$482	$501	$482	$503	$496	$497

Data Source and Data Reliability: Net Win is from BCLC Audited Financial Statements. B.C. population projections are from Statistics Canada.

Discussion:

- Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial population. 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 2016/17, BCLC's net win per capita increased over the previous year and exceeded our target. This is due to a higher rate of growth in net win compared to the population growth.
- 2016/17 net win increase was achieved 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.
- Slots in the bricks-and-mortar channel grew due to continued success of facility enhancements, strategic investments in slot product variety and improved speed to market with new slot products.
- Slots available on our online channel, Playnow.com, achieved its growth primarily due to content innovation through the continuous introduction of new content while optimizing game mix.

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 preparing our staff for future roles. We have implemented 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, productive 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 and retailers to enrich the player experience.

Performance Measure 2.1: **Employee Engagement**

Performance Measure	2013/14[3] Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Employee Engagement	n/a	78%	83%	83%	87%	83%	83%

Data Source: Annual anonymous online survey of BCLC employees conducted by an independent a third-party professional. The margin of error is ± 2.88% at the 95% confidence level (19 times out of 20).
Benchmark Data: Employee Engagement is internally benchmarked on a time series basis.
[3] In 2013/14, BCLC did not conduct the Employee Engagement survey, hence no results are available.

Discussion:

- Employee Engagement is defined as the intellectual and emotional commitment employees have to an organization. A passionate, productive and engaged workforce will help to drive the success of our business, delivering the great entertainment experiences our players expect.
- In 2016/17, BCLC's employee engagement level exceeded our target and has increased compared to the previous year. This increase in engagement can be attributed to employees feeling more inspired and motivated to go above and beyond.
- While fluctuations in engagement results occur from year to year, BCLC is committed to maintaining a consistently high level of employee engagement moving forward.

Performance Measure 2.2: Employee Turnover Rate

Performance Measure	2013/14 Actual	2014/15 Actual[4]	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Employee Turnover Rate	12.4%	24.7%	9.6%	10.0%	5.5%	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.
Benchmark Data: Employee Turnover Rate is internally benchmarked on a time series basis.
[4] Cost management activities, including organizational restructuring, contributed to the higher results in 2014/15.

Discussion:

- Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount. This measure determines how successful we are in attracting and retaining a workforce to drive the continuous optimization of our business and gauges our competitiveness in the labour market. It also evaluates the effectiveness of our training, development and retention programs.
- In 2016/17, BCLC's employee turnover rate falls comfortably below target, which is a very positive result that reflects the high employee engagement levels within our workforce. Low turnover reduces recruiting and development costs to orient new employees.
- We plan to maintain this positive level by continuing to enhance employee experience and programs, building talent from within our workforce and implementing initiatives to sustain a strong company culture. Our future targets are based on the historical average turnover rate.

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.

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 gambling facilities.

As part of our mandate, we will continue to participate in a coordinated approach with the Gaming Policy and Enforcement Branch and law enforcement to prevent money laundering in B.C. gambling facilities by focusing on compliance best practices.

Performance Measure 3.1: Public Recognition of Positive Contributions

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Public Recognition of Positive Contributions	61%	68%	68%	68%	73%	71%	72%

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.69% at the 95% confidence level (19 times out of 20).
Benchmark Data: Public Recognition of Positive Contributions is internally benchmarked on a time series basis.

Discussion:

- Public Recognition of Positive Contribution measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to the Province of British Columbia. This measure helps us gauge our success in building public understanding and recognition of the public contributions we make.
- In 2016/17, results for this measure increased compared to the previous year and exceeded our target.
- In the coming year, we plan to maintain this positive level and continue to communicate BCLC's positive contributions both on a province-wide level as well as on a community-specific level through various mediums, such as sponsorship of events and engagement with stakeholders.
- BCLC launched a new Online Sponsorship Application program to provide an efficient communication channel for community organizations seeking sponsorship.
- Province wide, BCLC supports local communities through events and sponsorships, in fiscal 2016/17 BCLC sponsored over 40 organizations.

Performance Measure 3.2: Public Perception of BCLC's Transparency

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Public Perception of BCLC's Transparency	52%	57%	60%	60%	64%	62%	63%

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.74% at the 95% confidence level (19 times out of 20).
Benchmark Data: Public Perceptions of BCLC's Transparency is internally benchmarked on a time series basis.

Discussion:

- Public Perception of BCLC's Transparency measures the percentage of adult British Columbians who view BCLC as forthcoming and open with the public. This measure helps us gauge our success in becoming increasingly transparent so that our business and its benefits are understood and supported by British Columbians.
- In 2016/17, Public Perception of BCLC's Transparency exceeded target and increased compared to the year before.
- We plan to continue to speak to communities about what they feel is most important. We will continue to create new opportunities to connect in every community we do business with information that is relevant and specific to each community and with transparency and integrity regarding our business operations and plans.
- We will continue to enhance the information available on our website, providing easier access to details about our business.

Performance Measure 3.3: Level of Greenhouse Gas Emissions (GHG)

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Level of Greenhouse Gas Emissions	2013: 1,374	2014: 1,315	2015: 906	2016: 1,119	2016: 833	2017: 900	2018: 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.

Discussion:

- In 2016/17, our emissions dropped by 8% from 906 to 833 tonnes of carbon dioxide equivalent (tCO2e).
- This decrease in GHG emissions is the result of an 11% reduction in natural gas consumption compared to the previous year, due to warmer March and November temperatures in Kamloops.
- Natural gas consumption in our Kamloops office building is our biggest GHG emissions source. We have begun to address these emissions through our commitment to upgrading our Kamloops facility to an energy efficient LEED-certified building.
- Since we have already exceeded our original reduction targets, we have revised our annual targets to reflect our current GHG emissions levels.

Goal 4: Profit – We will optimize net income through investing to sustain the long-term health of our business.

We maximize net income through a focus on our customers through a strategy of innovation and investment designed to grow our net win revenue and the popularity of our games. From new games to new ways to play, to prominent retailers and destination venues, BCLC consistently ranks as a top revenue contributor for the Province of B.C.

BCLC continues to use cost management processes to identify areas for operational improvement. We foster a culture of cost-consciousness and remain committed to the continual improvement of operational efficiencies and effectiveness. Our strong profit margins keep us focused on driving revenue to deliver incremental net income for the Province.

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 in order 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.

Performance Measure 4.1: Net Income (millions)

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Net Income (millions)	$1,174.6	$1,254.5	$1,313.5	$1,242.8	$1,339.0	$1,294.3	$1,311.3

Data Source: Net Income is from BCLC Audited Financial Statements and is calculated in accordance with International Financial Reporting Standards.
Benchmark Data: Net Income is benchmarked on a time series basis.

Discussion:

- Net Income is the total amount of money generated by BCLC and delivered to the Province, which uses it to benefit British Columbians via funding for health care, education and charitable and community programs.
- Through continued investment in our games and service offerings, we have built a diversified portfolio that has delivered engaging gambling experiences to our players and resulted in record revenues this past year.
- In 2016/17, BCLC exceeded its target and achieved a result of $1,339.0 million in net income. The growth in net income represents $25.5 million increase over 2015/16. BCLC's strong financial results were achieved through innovation and capitalizing on strategic investments in our slots offerings in casinos and online. The value of BCLC's diversified portfolio of games allowed us to 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.
- BCLC's 2017/18 net income target and the underlying budget reflects a responsible goal. BCLC has had incredible success in the last two years with record-breaking net income; however, we continue to see uncertainty in the market environment for slots and high-limit tables. In addition, we are undertaking significant stabilization efforts in our lottery business. BCLC's 2017/18 and 2018/19 net income forecasts are responsible and prudent plans that consider such factors. One outstanding risk that has not been recognized in the 2017/18 and 2018/19 net income forecasts is the potential for a decrease in net income as BCLC transitions to a new commission structure in its Casino and Community Gaming division.

Performance Measure 4.2: Comprehensive Cost Ratio (% of Net Win)

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Comprehensive Cost Ratio (% of Net Win)	43.4%	41.9%	42.0%	43.4%	42.0%	43.4%	43.5%

Data Source: Comprehensive Cost Ratio is from BCLC Audited Financial Statements.
Benchmark Data: Comprehensive Cost Ratio is benchmarked on a time series basis.

Discussion:

- The Comprehensive Cost Ratio (CCR) is the sum of direct, gaming support, operating, amortization and other costs (excluding taxes), divided by net win and expressed as a percentage. It is intended 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.
- BCLC achieved a CCR of 42.0% which was below the budget of 43.4% primarily driven by success in high-margin products and a continued focus on operational efficiency.
- The dynamic nature of the gambling business is expected to continue to put pressure on operating costs in future years. Targets reflect increased strategic capital investments, a commitment to focus on innovation. Future investment, and its attendant amortization cost reflect player preference shifting to more expensive products. There is an expectation that future targets will be impacted as BCLC transitions to a new commission structure in its Casino and Community Gaming division.

Financial Report

Discussion of Results

Financial Overview:

In 2016/17, BCLC achieved a record $1.339 billion net income on record revenue of $3.144 billion, exceeding the previous records set last year by $25.5 million and $42.1 million, respectively.

This year, BCLC benefited most notably from strong performance in the Casino business, led by increased revenue from slot machines, which more than offset continuing declines in casino table games. While the Lottery business did not experience the same record-breaking number of high-dollar-value jackpots as last year, sales of all categories of lottery products did exceed expectations.

Commensurate with sales volume, prizes, commissions, and related operating costs were higher this year. While total revenue exceeded budget by $173.6 million, the operating costs supporting that increase exceeded budget by only $15.9 million, primarily from increased commissions associated with the increased sales volume experienced. On a year-over-year basis, a $42.1 million increase in revenue correlated with total operating costs that were $19.1 million higher than the previous year, primarily from direct gaming expenses, including commissions.

Financial Overview

Financial Results	2012/13[1]	2013/14	2014/15	2015/16	2016/17			
($ in millions)	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
REVENUES								
Lottery & eGaming	$ 1,093.8	$ 1,123.5	$ 1,103.4	$ 1,287.1	$ 1,285.5	$ 1,174.5	$ 111.0	$ (1.6)
Casino & Community Gaming	1,638.1	1,684.8	1,800.9	1,814.7	1,858.4	1,795.8	62.6	43.7
	2,731.9	**2,808.3**	**2,904.3**	**3,101.8**	**3,143.9**	**2,970.3**	**173.6**	**42.1**
Prizes	649.6	665.6	659.5	744.8	741.3	681.9	(59.4)	3.5
NET WIN	**2,082.3**	**2,142.7**	**2,244.8**	**2,357.0**	**2,402.6**	**2,288.4**	**114.2**	**45.6**
EXPENDITURES[2]								
Lottery & eGaming	177.6	189.9	175.4	204.7	197.6	198.5	0.9	7.1
Casino & Community Gaming	682.7	740.1	765.2	785.7	811.9	795.1	(16.8)	(26.2)
	860.3	**930.0**	**940.6**	**990.4**	**1,009.5**	**993.6**	**(15.9)**	**(19.1)**
Income before the undernoted	1,222.0	1,212.7	1,304.2	1,366.6	1,393.1	1,294.8	98.3	26.5
Indirect tax expense	96.8	38.1	49.7	53.1	54.1	52.0	(2.1)	(1.0)
NET INCOME								
Lottery & eGaming	297.4	304.1	304.2	369.1	377.8	322.0	55.8	8.7
Casino & Community Gaming	827.8	870.5	950.3	944.4	961.2	920.8	40.4	16.8
	$ 1,125.2	**$ 1,174.6**	**$ 1,254.5**	**$ 1,313.5**	**$ 1,339.0**	**$ 1,242.8**	**$ 96.2**	**$ 25.5**
Profit Margin	41.2%	41.8%	43.2%	42.3%	42.6%	41.8%	0.8%	0.3%
Debt	$131.7	$154.9	$140.1	$150.1	$145.1	$156.1	11.0	5.0
Capital Expenditures	$96.6	$100.3	$69.5	$68.2	$ 86.2	$ 90.0	$ 3.8	(18.0)

[1] 2012/13 comparative results have been restated to comply with amendments to IFRS.

Total net income for the year (as previously reported)	$ 1,127.6
Reconciling Items:	
Employee costs	(2.4)
Total net income for the year (restated)	$ 1,125.2

[2] Please refer to page 33 for a detailed breakdown of 2016/17 actual expenditures.

Performance Measurement:

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess 2016/17 operational performance against the targets and budgets established in the Service Plan (bclc.com/service-plan). BCLC also compares its performance to other gambling organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

International Financial Reporting Standards (IFRS):

The Budget Transparency and Accountability Act specifies that the government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior governments are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

Economic Outlook:

Current economic indicators suggest that B.C.'s economy will continue to experience modest growth throughout 2017 and 2018; however, continued general economic growth in the province might not translate fully or directly into increased future revenue or net income for the corporation. The segment of our business that contributed most to our net income this year—casino slot machines—is dependent upon the players' disposable income, product availability and variety, facility improvements, demographics, and general economic conditions at home and abroad.

Over the next three years, growing net income from our core businesses as well as expanding and diversifying our player base will continue to be priorities. In addition to product and service innovations, we are continuing a multi-year initiative to modernize our technology infrastructure, reviewing our relationships with our private sector service providers and third-party vendors, and exploring strategic cost management opportunities.

BCLC has factored product performance and market trends, demographic factors, and general economic conditions into the targets set in its current, three-year service plan. A more detailed discussion of initiatives and opportunities can be found in the Service Plan and on BCLC's website, bclc.com.

LOTTERY & eGAMING OPERATIONS:

FINANCIAL RESULTS ($ IN MILLIONS)	2012/13	2013/14	2014/15	2015/16	2016/17			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Revenue								
Lottery	$ 1,020.5	$ 1,032.5	$ 994.3	$ 1,151.6	$ 1,127.9	$ 1,039.2	$ 88.7	$ (23.7)
eGaming	73.3	91.0	109.1	135.5	157.6	135.3	22.3	22.1
	1,093.8	1,123.5	1,103.4	1,287.1	1,285.5	1,174.5	111.0	(1.6)
Prizes	594.2	615.7	610.5	698.1	694.9	639.0	(55.9)	3.2
Net win	499.6	507.8	492.9	589.0	590.6	535.5	55.1	1.6
Direct expenses [1]	81.2	84.7	85.3	98.9	101.5	96.3	(5.2)	(2.6)
Gaming support costs & operating expenses	96.4	105.2	90.1	105.8	96.1	102.2	6.1	9.7
Income before the undernoted	322.0	317.9	317.5	384.3	393.0	337.0	56.0	8.7
Indirect tax expense	24.6	13.8	13.3	15.2	15.2	15.0	(0.2)	0.0
Net income	$ 297.4	$ 304.1	$ 304.2	$ 369.1	$ 377.8	$ 322.0	$ 55.8	$ 8.7
Lottery retailers	3,805	3,748	3,928	3,873	3,496			
Lottery terminals	3,765	3,707	3,691	3,632	3,530			

[1] Direct expenses include commissions, direct supplies and ticket printing, and equipment leases and licenses.

Lottery and eGaming net income of $ 377.8 million exceeded the previous year by $8.7 million and budget by $55.8 million. Overall revenue of $1.286 billion was up $111.0 million from budget, but was down $1.6 million, or 0.1 percent, from the previous year.

Year-over-year revenue was down in the Lotto category because there were fewer major jackpots for the national lottery games than in the prior year. Sales in the Lotto category were up $17.1 million over budget but were $49.6 million lower than the previous year.

This year there were 22 LottoMax jackpots of $50 million or more—8 fewer than the record set in 2015/16, but 5 more than the statistical projection for the year. Similarly, there were 12 Lotto 6/49 jackpots of $20 million or more, compared with 21 comparable jackpots in last year.

During 2016/17, BCLC continued to invest in the PlayNow.com eGaming business, maintaining the frequency with which new casino-style games were introduced, and making product enhancements. Overall, eGaming revenue was up $22.1 million from 2015/16—an increase of 16 percent.

CASINO & COMMUNITY GAMING OPERATIONS

FINANCIAL RESULTS ($ IN MILLIONS)	2012/13	2013/14	2014/15	2015/16	2016/17			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Revenue								
Slot Machines	$ 1,140.1	$ 1,135.3	$ 1,149.4	$ 1,206.6	$ 1,277.9	$ 1,184.9	$ 93.0	$ 71.3
Table Games	390.2	452.1	555.1	516.5	488.1	526.6	(38.5)	$ (28.4)
Poker	21.3	20.7	21.1	19.8	21.3	18.6	2.7	$ 1.5
Bingo	86.5	76.7	75.3	71.8	71.1	65.7	5.4	$ (0.7)
	1,638.1	1,684.8	1,800.9	1,814.7	1,858.4	1,795.8	62.6	43.7
Prizes	55.4	49.9	49.0	46.7	46.4	42.9	(3.5)	0.3
Net win	1,582.7	1,634.9	1,751.9	1,768.0	1,812.0	1,752.9	59.1	44.0
Direct expenses	556.0	580.8	633.3	635.7	648.3	631.9	(16.4)	(12.6)
Gaming support costs & operating expenses [1]	126.7	159.3	131.9	150.0	163.6	163.2	(0.4)	(13.6)
Income before the undernoted	900.0	894.8	986.7	982.3	1,000.1	957.8	42.3	17.8
Income tax expense	72.2	24.3	36.4	37.9	38.9	37.0	(1.9)	(1.0)
Net income	$ 827.8	$ 870.5	$ 950.3	$ 944.4	$ 961.2	$ 920.8	$ 40.4	$ 16.8
Casinos	17	17	17	17	17			
Casino slot machines	9,740	9,907	9,811	9,637	9,949			
Tables	472	476	505	518	513			
Commercial halls	7	7	7	7	7			
Community gaming centers	19	19	18	19	18			
Community gaming slot machines	2,484	2,803	2,535	2,683	2,776			

The Casino and Community Gaming business generated revenue of $1.858 billion in 2016/17, up $43.7 million from 2015/16, and $62.6 million over budget. Revenue from slot machines grew $71.3 million from the previous year driven by innovation and strategic investments in slot capital, while table games and poker fell short of budget by $35.8 million – a decline of $26.9 million from the previous year primarily due to the inherent volatility in high limit games.

CAPITAL SPENDING

FINANCIAL RESULTS ($ IN MILLIONS)	2012/13	2013/14	2014/15	2015/16	2016/17			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Lottery	$ 6.3	$ 7.8	$ 4.8	$ 7.7	$ 11.5	$ 20.7	$ 9.2	$ (3.8)
eGaming	10.0	8.7	1.7	3.4	1.6	4.5	2.9	$ 1.8
Casino & Community Gaming	63.5	67.2	47.2	45.0	64.0	49.5	(14.5)	$ (19.0)
Corporate	16.8	16.6	15.8	12.1	9.1	15.3	6.2	$ 3.0
Capital Expenditures [1]	$ 96.6	$ 100.3	$ 69.5	$ 68.2	$ 86.2	$ 90.0	$ 3.8	$ (18.0)

[1] Capital expenditures for Lottery, eGaming and Casino and Community Gaming were for gaming systems and equipment; corporate capital expenditures were for physical and information technology infrastructure.

From year to year, capital spending varies significantly in response to revenue-generating and gambling facility initiatives. In 2016/17, capital spending of $86.2 million was $3.8 million less than budget but was $18.0 million more than in 2015/16. The small variance from budget reflects improved planning and a focus on active portfolio management.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements present fairly the consolidated financial position of BCLC as at March 31, 2017, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements of BCLC.

Amanda Hobson
CFO & Vice-President
Finance and Corporate Services

Jim Lightbody
President & CEO

KPMG LLP
200-206 Seymour Street
Kamloops BC V2C 6P5
Canada
Telephone (250) 372-5581
Fax (250) 828-2928

INDEPENDENT AUDITORS' REPORT

To the Directors of and Minister Responsible for British Columbia Lottery Corporation

We have audited the accompanying consolidated financial statements of British Columbia Lottery Corporation, which are comprised of the consolidated statement of financial position as at March 31, 2017, the consolidated statements of comprehensive income, changes in deficit and cash flows for the year then ended, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of British Columbia Lottery Corporation as at March 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

Kamloops, Canada
May 11, 2017

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

British Columbia Lottery Corporation

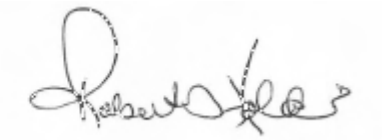
Consolidated Statement of Financial Position
March 31, 2017, with comparative information for 2016
(in thousands of Canadian dollars)

		2017		2016
ASSETS				
Cash and cash equivalents (note 5)	**$**	**83,127**	$	73,651
Accounts receivable (note 6)		**41,053**		36,401
Receivable from the Interprovincial Lottery Corporation		**13,221**		17,894
Prepaid and deferred expenses		**12,928**		10,916
Inventories (note 7)		**9,055**		9,000
Current assets		**159,384**		147,862
Employee benefits (note 8)		**23,994**		–
Property and equipment (note 9)		**213,416**		188,366
Intangible assets (note 10)		**62,834**		69,685
Non-current assets		**300,244**		258,051
Total assets	**$**	**459,628**	$	405,913
LIABILITIES				
Cheques issued in excess of funds on hand (note 5)	**$**	**3,814**	$	4,418
Prizes payable (note 11)		**32,460**		33,124
Accounts payable, accrued and other liabilities (note 12)		**83,994**		67,538
Short-term financing (note 13)		**145,130**		150,095
Due to the Government of British Columbia (note 14)		**148,101**		129,820
Deferred revenue		**9,328**		13,293
Current liabilities		**422,827**		398,288
Employee benefits (note 8)		**77,270**		81,322
Non-current liabilities		**77,270**		81,322
Total liabilities		**500,097**		479,610
DEFICIT				
Accumulated deficit		**(17,144)**		(17,144)
Accumulated other comprehensive loss		**(23,325)**		(56,553)
Total deficit		**(40,469)**		(73,697)
Total liabilities and deficit	**$**	**459,628**	$	405,913

Commitments and contingencies (notes 17, 18 and 21)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:



Bud Smith
Chair, Board of Directors

Robert Holden
Chair, Audit Committee

British Columbia Lottery Corporation

Consolidated Statement of Comprehensive Income
Year ended March 31, 2017, with comparative information for 2016
(in thousands of Canadian dollars)

		2017		2016
Revenue	**$**	**3,143,877**	$	3,101,782
Prizes		**741,276**		744,841
Net win		**2,402,601**		2,356,941
Expenses				
Commissions and fees		**698,095**		689,381
Employee costs		**95,838**		91,038
Amortization and depreciation (notes 9 and 10)		**64,933**		73,659
Systems, maintenance and ticket distribution		**41,644**		37,300
Gaming equipment, leases and licenses		**39,353**		32,708
Advertising, marketing and promotions		**23,922**		25,932
Ticket printing		**12,390**		12,618
Professional fees and services		**12,248**		7,859
Cost of premises		**7,896**		7,849
Other		**11,369**		11,994
		1,007,688		990,338
Income from operations before the undernoted		**1,394,913**		1,366,603
Indirect tax expense (note 20)		**54,078**		53,112
Funding of Joint Illegal Gaming Investigation Team (note 21)		**1,800**		**–**
Net income		**1,339,035**		1,313,491
Other comprehensive income				
Item that will never be reclassified to net income				
Net defined benefit plan actuarial gains (note 8)		**33,228**		1,313
Total comprehensive income	**$**	**1,372,263**	$	1,314,804

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Changes in Deficit
Year ended March 31, 2017, with comparative information for 2016
(in thousands of Canadian dollars)

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Deficit
Balance, April 1, 2015	$ (17,144)	$ (57,866)	$ (75,010)
Net income	1,313,491	–	1,313,491
Net defined benefit plan actuarial gains (note 8)	–	1,313	1,313
Total comprehensive income	1,313,491	1,313	1,314,804
Distributions to the Government of British Columbia (note 14)	(1,303,996)	–	(1,303,996)
Distributions to the Government of Canada (note 15)	(9,495)	–	(9,495)
Balance, March 31, 2016	$ (17,144)	$ (56,553)	$ (73,697)
Net income	**1,339,035**	**–**	**1,339,035**
Net defined benefit plan actuarial gains (note 8)	**–**	**33,228**	**33,228**
Total comprehensive income	**1,339,035**	**33,228**	**1,372,263**
Distributions to the Government of British Columbia (note 14)	**(1,329,392)**	**–**	**(1,329,392)**
Distributions to the Government of Canada (note 15)	**(9,643)**	**–**	**(9,643)**
Balance, March 31, 2017	**$ (17,144)**	**$ (23,325)**	**$ (40,469)**

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Cash Flows
Year ended March 31, 2017, with comparative information for 2016
(in thousands of Canadian dollars)

		2017		2016
Cash flows from operating activities:				
Net income	**$**	**1,339,035**	$	1,313,491
Items not involving cash:				
Depreciation of property and equipment (note 9)		**48,998**		51,519
Amortization of intangible assets (note 10)		**15,935**		22,140
Loss on disposal of property and equipment		**748**		1,479
Loss on disposal of intangible assets		**1,356**		–
Net benefit plan expense (note 8)		**17,051**		17,960
		1,423,123		1,406,589
Changes in:				
Accounts receivable		**(4,652)**		3,514
Receivable from the Interprovincial Lottery Corporation		**4,673**		(2,766)
Prepaid and deferred expenses		**(2,012)**		(5,764)
Inventories		**(55)**		43
Employee benefits		**(11,869)**		(14,674)
Prizes payable		**(664)**		4,373
Accounts payable, accrued and other liabilities		**10,609**		(4,315)
Deferred revenue		**(3,965)**		2,188
Net cash from operating activities		**1,415,188**		1,389,188
Cash flows from financing activities:				
Increase (decrease) in short-term financing (note 13)		**(4,961)**		10,023
Interest paid (note 13)		**(490)**		(699)
Distributions to the Government of British Columbia (note 14)		**(1,311,111)**		(1,317,862)
Distributions to the Government of Canada (note 15)		**(9,643)**		(9,495)
Net cash used in financing activities		**(1,326,205)**		(1,318,033)
Cash flows from investing activities:				
Additions to property and equipment		**(70,369)**		(64,262)
Additions to intangible assets		**(9,079)**		(12,032)
Net proceeds (costs) on disposal of property and equipment		**545**		(239)
Net cash used in investing activities		**(78,903)**		(76,533)
Net increase (decrease) in cash and cash equivalents		**10,080**		(5,378)
Cash and cash equivalents, beginning of year		**69,233**		74,611
Cash and cash equivalents, end of year (note 5)	**$**	**79,313**	$	69,233

See accompanying notes to consolidated financial statements.

1. Reporting entity:

British Columbia Lottery Corporation (BCLC or the Corporation) is a Crown corporation of British Columbia (B.C.). BCLC was incorporated under the *Company Act* (B.C.) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC's registered office is 74 West Seymour Street in Kamloops, B.C., Canada. As an agent of the Crown, the Government of British Columbia has designated BCLC as the authority to conduct, manage and operate lottery schemes on behalf of the Government of British Columbia, including lottery, casino, bingo and internet gaming (eGaming) activities. BCLC is also the B.C. regional marketing organization for national lottery games, which are collective undertakings by the provinces of Canada acting through the Interprovincial Lottery Corporation (ILC).

As BCLC is an agent of the Crown, it is not subject to federal or provincial corporate income taxes.

2. Basis of preparation:

A. STATEMENT OF COMPLIANCE:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 11, 2017.

B. BASIS OF MEASUREMENT:

These consolidated financial statements have been prepared on a historical cost basis except for employee benefit plan assets, which are measured at the fair value of plan assets less the present value of the defined benefit obligation, and are limited as explained in note 3(E)(iii).

C. FUNCTIONAL AND PRESENTATION CURRENCY:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information has been rounded to the nearest thousand dollars.

2. Basis of preparation (continued):

D. USE OF ESTIMATES AND JUDGMENTS:

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements includes the determination of the ability to exercise control over gaming facility service providers and lottery retailers (note 3(A)).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year includes key actuarial assumptions used in the measurement of defined benefit obligations (note 8(D)(i)).

3. Significant accounting policies:

The Corporation and its subsidiary have consistently applied the following accounting policies to all periods presented in these consolidated financial statements:

A. BASIS OF CONSOLIDATION:

The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These consolidated financial statements include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC. Intercompany transactions and balances are eliminated on consolidation.

3. Significant accounting policies (continued):

B. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include demand deposits, Canadian high interest savings deposits (overnight deposits) and Canadian money market funds (overnight deposits) held with financial institutions. Canadian money market funds, having original maturity dates of three months or less from the acquisition date, are subject to an insignificant risk of changes in their fair value, and are used by the Corporation in the management of its short-term commitments. Canadian high interest savings deposits and Canadian money market funds are highly liquid and form an integral part of the Corporation's cash management.

C. FINANCIAL INSTRUMENTS:

The Corporation classifies its non-derivative financial instruments into the following categories: fair value through income, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments were acquired.

i. Non-derivative financial assets:

The Corporation initially recognizes loans and receivables on the dates that they originate. All other financial assets are initially recognized on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

3. Significant accounting policies (continued):

C. FINANCIAL INSTRUMENTS (continued):

i. Non-derivative financial assets (continued):

The Corporation has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are measured initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for doubtful debts and impairment losses (see note 3(H)). The effective interest method is used to recognize the total costs of, or income from, a financial instrument over the life of the instrument.

Loans and receivables are comprised of cash and cash equivalents, accounts receivable, and the receivable from the Interprovincial Lottery Corporation.

ii. Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged or are cancelled.

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are measured initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method with interest expense recognized in income in the period in which it is incurred.

The Corporation’s non-derivative financial liabilities are comprised of cheques issued in excess of funds on hand, prizes payable, accounts payable, accrued and other liabilities, short-term financing and amounts due to the Government of British Columbia.

iii. Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a current, legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies (continued):

D. INVENTORIES:

Inventories are measured at the lower of cost, determined on a weighted average or first-in, first-out basis, and net realizable value.

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

E. EMPLOYEE BENEFITS:

i. Short-term employee benefits:

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the reporting period in which the benefit is earned. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Corporation has a present legal or constructive obligation to pay this amount, as a result of past service provided by an employee, and the obligation can be estimated reliably.

ii. Termination benefits:

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. Benefits payable are discounted to their present value when they are not expected to be settled wholly within 12 months of the reporting date.

3. Significant accounting policies (continued):

E. EMPLOYEE BENEFITS (continued):

iii. Defined benefit plans:

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of benefit payable in the future that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value and the fair value of any plan assets are deducted.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability (asset), which are comprised of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. BCLC determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in income as employee costs.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain, or loss on curtailment, is recognized immediately in income. The Corporation recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Significant accounting policies (continued):

F. PROPERTY AND EQUIPMENT:

The Corporation's property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of short-term employee benefits for employees working directly on the construction of the qualifying asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Land and assets under construction are not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and based on the following estimated useful lives:

Asset	Rate
Corporate facilities, systems and equipment	3 to 20 years
Lottery gaming systems and equipment	5 to 10 years
eGaming systems and equipment	3 to 5 years
Casino and community gaming systems and equipment	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies (continued):

G. INTANGIBLE ASSETS:

Expenditures incurred in the development or acquisition of computer software products or systems that will contribute to future economic benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Other development costs are recognized in income as incurred.

Development expenditures are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Corporation intends to, and has sufficient resources to, complete development and to use or sell the asset.

The cost of computer software and systems that are acquired by the Corporation includes the purchase price and any expenditures directly attributable to preparing the asset for its intended use.

Capitalized direct labour is comprised of short-term employee benefits for employees working directly on development. Borrowing costs related to the development of qualifying assets are capitalized.

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Assets under development are not amortized. The cost of other assets is amortized using the straight-line method over the estimated useful lives of the assets (three to ten years). Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

H. IMPAIRMENT:

i. Financial assets:

Financial assets not classified as at fair value through income are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through income.

3. Significant accounting policies (continued):

H. IMPAIRMENT (continued):

ii. Non-financial assets:

The carrying amounts of non-financial assets, other than inventories and employee benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets under development are tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the greater of an asset's or cash generating unit's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Impairment losses are recognized in income and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

I. PROVISIONS:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in income as a financing cost in other expenses.

3. Significant accounting policies (continued):

J. REVENUE:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is earned through various distribution channels.

The Corporation's revenue recognition policies are as follows:

i. Revenue:

Revenue from lottery tickets is recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

Revenue, net of an allowance for buybacks, for all instant ticket games is recognized at the time of the transfer to a retailer.

Revenue from slot machines and table games is recognized, net of prizes paid and deferrals under customer loyalty programs, in the same period in which the games are played.

Revenue from the operation of bingo games is recognized in the same period in which the games are played.

Revenue from sports betting is recognized in the period in which the bets settle. Receipts for bets that are received before March 31 for sporting events that occur subsequent to that date are recorded as deferred revenue.

ii. Customer loyalty programs:

The Corporation has customer loyalty programs whereby players can receive free or discounted goods and services. Certain loyalty programs allow players to earn points based on the volume of play during gaming sessions. Revenue is allocated between the loyalty program and the other components of the transaction based on the fair value of the undelivered goods and services. The amount allocated to the loyalty program is deferred, and is recognized as revenue when the Corporation has fulfilled its obligation to supply the free or discounted goods and services or when the points expire.

iii. Net win:

Net win is defined as gaming revenue net of prizes paid.

3. Significant accounting policies (continued):

K. PRIZES:

Lottery and bingo prize expenses are recorded based on the actual prize liability experienced for each game.

Instant ticket games prize expenses are recorded at the theoretical prize liabilities for each game concurrently with the recognition of revenue. The actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense.

Unclaimed lottery prizes are recorded as prizes payable until the prizes are claimed, discontinued or expire. Expired prizes are recorded as reductions in prize expense and prize liability in the year of expiry.

Unclaimed prizes of national lottery games are administered by the Interprovincial Lottery Corporation.

Sports betting prize expenses are recorded based on the actual prizes paid for each bet.

The Corporation has several progressive jackpot games, each of which may be comprised of a seed (or base) as well as an incremental portion, which increases by allotting a portion of each player's wager to the pot. BCLC recognizes such amounts as a prize payable at the time the Corporation has an obligation with regard to the jackpot funds.

L. COMMISSIONS:

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as revenue is earned.

Commissions paid to gaming facility service providers, including commissions for facility development, are based on net win generated in accordance with underlying operating service agreements. BCLC recognizes commission expenses as net win is earned. Commissions for facility development are based on a commission structure employed by BCLC that enables gaming facility service providers to earn additional commission up to contractually determined limits.

3. Significant accounting policies (continued):

M. LEASES:

At inception of an arrangement, the Corporation determines whether the arrangement is or contains a lease.

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as financing leases. Upon initial recognition, a leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under financing leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases other than financing leases are classified as operating leases and are not recognized in the consolidated statement of financial position. Payments made under operating leases are recognized in income on a straight-line basis over the terms of the leases.

N. NEW STANDARDS ISSUED BUT NOT YET ADOPTED:

A number of new standards and amendments to standards are not yet effective and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards early.

i. IFRS 9 *Financial Instruments* (IFRS 9):

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2019.

The actual impact of adopting IFRS 9 on the consolidated financial statements is not known and cannot be reliably estimated because it will be dependent on the financial instruments the Corporation holds and economic conditions at that time, as well as accounting elections and judgments that will be made in the future. The Corporation is currently assessing the potential classification impacts on the financial assets and financial liabilities on its consolidated financial statements.

3. Significant accounting policies (continued):

N. NEW STANDARDS ISSUED BUT NOT YET ADOPTED (continued):

ii. IFRS 15 *Revenue from Contracts with Customers* (IFRS 15):

IFRS 15, published in May 2014, establishes a comprehensive framework for revenue recognition from contracts with customers. It replaces existing revenue recognition guidance, including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2019. The Corporation is currently assessing the potential impact of the adoption of IFRS 15 on its consolidated financial statements and available transition options. The Corporation has an implementation plan in place, which includes monitoring relevant gaming industry application guidance for IFRS 15 if and when it becomes available.

iii. IFRS 16 *Leases* (IFRS 16):

IFRS 16, published in January 2016, establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing lease guidance, including IAS 17 *Leases,* IFRIC 4 *Determining whether an arrangement contains a lease,* SIC-15 *Operating Leases – Incentives,* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted only if IFRS 15 is applied at or before the date of initial application of IFRS 16. At the date of these consolidated financial statements, the impact of this new standard is unknown. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2020.

4. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

A. GENERAL:

The Corporation's Board of Directors has the responsibility to oversee the conduct of the Corporation's business and to supervise management, which is responsible for the day-to-day operation of the Corporation.

The Board's role includes oversight of the Corporation's enterprise risk management program, and the integrity of the Corporation's internal control and management systems. The Board, with the support of its Risk Committee, monitors the Corporation's risk appetite and tolerance levels and considers strategic risks as part of the annual strategic planning process. The Board's Audit Committee supports the Board in its oversight of the effectiveness of the Corporation's systems of internal control over financial information.

The Corporation has a corporate security and compliance division, as well as an internal audit services department. Further, the Corporation has a dedicated risk advisory services department (RAS) to support the enterprise risk management program for the identification, assessment and management of strategic and operational risks. RAS reports quarterly on its activities and on the Corporation's risk profile for the review of the Executive Committee, the Risk Committee, and the Board as a whole.

B. CREDIT RISK:

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, net win less commissions outstanding, gaming cash floats, and cash and cash equivalents.

Trade receivables, net win less commissions outstanding and gaming cash floats

The major third parties transacting with the Corporation, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC.

4. Financial risk management (continued):

B. CREDIT RISK (continued):

Trade receivables, net win less commissions outstanding and gaming cash floats (continued)

The Corporation has arrangements with approximately 3,500 lottery retailers. The Corporation is not materially exposed to any individual lottery retailer. The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments may be completed for new retailers (with the exception of registered charities), retailers who have experienced insufficient fund occurrences or where there are concerns that retailers might be experiencing financial difficulties. Security is obtained from lottery retailers who are considered high financial risks, or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees.

The Corporation has arrangements with 18 gaming facility service providers. The Corporation may secure net win less commissions that would be outstanding from gaming facility service providers through security deposits or Irrevocable Standby Letters of Credit. This security also covers gaming cash floats owned by the Corporation and provided by the Corporation to certain gaming facility service providers. The Corporation has credit risk exposure primarily in relation to two gaming facility service providers that has been mitigated by letters of credit and daily cash sweeps made by the Corporation.

As at March 31, 2017, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $7,844 (2016: $11,449) of the accounts receivable carrying amount.

The Corporation’s exposure to credit risk for accounts receivable and gaming cash floats at the reporting date, by type of debtor, is represented by the carrying amounts less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

		2017		2016
Maximum exposure	**$**	**85,188**	$	79,444
Collateral		**(62,702)**		(65,215)
Net exposure	**$**	**22,486**	$	14,229

Normal credit terms for trade receivables or net win less commissions outstanding are payment within 30 days. As at March 31, 2017 and 2016, there were no trade receivables or net win less commissions outstanding for more than 60 days.

4. Financial risk management (continued):

B. CREDIT RISK (continued):

Cash and cash equivalents

Cash and cash equivalents, excluding gaming cash floats, are held with banks and counterparties which have high credit ratings and minimal market risk. Cash equivalents are limited to short-term debt securities with minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Corporation has a formal policy and guidelines in place for cash equivalents that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

A policy has been established that outlines various asset mix range percentages for low-risk investments restricted to short-term pooled money market funds or bond investments.

The maximum exposure to credit risk for cash and cash equivalents, excluding gaming cash floats, is represented by the carrying amounts at the reporting date (note 5).

C. LIQUIDITY RISK:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of British Columbia under its Fiscal Agency Loan (FAL) program. Under this agreement, the Corporation may borrow up to $250 million. In making a loan to the Corporation, the Government of British Columbia uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of British Columbia. Loans are unsecured and there are no pre-established repayment terms. The terms are set by the Government of British Columbia each time a loan is requested under this agreement. To date the durations of the loans have not exceeded 90 days.

The Corporation also has an unused $10 million demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2016: prime rate).

4. Financial risk management (continued):

C. LIQUIDITY RISK (continued):

The Corporation manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary surplus cash balances resulting from unclaimed prize money and money from normal operations, held in advance of its transfer to the Government of British Columbia (note 14). As a result of fluctuating cash flow requirements and to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of all financial liabilities as at March 31, 2017 and 2016 are three months or less.

D. MARKET RISK:

Market risk, including interest rate risk, is the risk that changes in market prices will affect the fair value of or future cash flows from a financial instrument. The Corporation is not exposed to interest rate risk as all of its interest-bearing financial instruments are held in fixed-rate instruments.

E. FAIR VALUES:

The carrying amounts of financial assets and financial liabilities not classified as fair value through income approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

4. Financial risk management (continued):

F. OFFSETTING:

The carrying amounts of recognized financial instruments that are set off in the consolidated statement of financial position are as follows:

As at March 31, 2017	**Gross financial assets set off**	**Gross financial liabilities set off**	**Net financial assets**	**Related financial assets not set off**	**Net amount**
Accounts receivable					
Lottery retailers	**$ 33,460**	**$ (11,706)**	**$ 21,754**	**$ –**	**$ 21,754**
Gaming facility service providers	**36,020**	**(23,993)**	**12,027**	**–**	**12,027**
Other	**–**	**–**	**–**	**7,272**	**7,272**
	$ 69,480	**$ (35,699)**	**$ 33,781**	**$ 7,272**	**$ 41,053**

As at March 31, 2017	**Gross financial assets set off**	**Gross financial liabilities set off**	**Net financial liabilities**	**Related financial liabilities not set off**	**Net amount**
Accounts payable, accrued and other liabilities	**$ 578**	**$ (1,668)**	**$ (1,090)**	**$ (82,904)**	**$ (83,994)**

As at March 31, 2016	Gross financial assets set off	Gross financial liabilities set off	Net financial assets	Related financial assets not set off	Net amount
Accounts receivable					
Lottery retailers	$ 30,084	$ (10,304)	$ 19,780	$ –	$ 19,780
Gaming facility service providers	30,488	(15,188)	15,300	–	15,300
Other	–	–	–	1,321	1,321
	$ 60,572	$ (25,492)	$ 35,080	$ 1,321	$ 36,401

As at March 31, 2016	Gross financial assets set off	Gross financial liabilities set off	Net financial liabilities	Related financial liabilities not set off	Net amount
Accounts payable, accrued and other liabilities	$ 482	$ (1,329)	$ (847)	$ (66,691)	$ (67,538)

5. Cash and cash equivalents:

		2017		2016
Gaming cash floats	**$**	**44,135**	$	43,043
Funds held for security deposits		**5,833**		5,685
Funds held for player accounts		**5,892**		4,889
Canadian high interest savings account (overnight deposits)		**24,099**		–
Canadian money market funds (overnight deposits)		**3,168**		20,034
Cash and cash equivalents in the statement of financial position		**83,127**		73,651
Cheques issued in excess of funds on hand in the statement of financial position		**(3,814)**		(4,418)
Cash and cash equivalents in the statement of cash flows	**$**	**79,313**	$	69,233

Gaming cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gambling locations and are not available for other purposes.

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $5,833 (2016: $5,685) is included in accounts payable, accrued and other liabilities.

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player account liability in the amount of $5,892 (2016: $4,889) is included in accounts payable, accrued and other liabilities.

Select casino service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (gaming accounts). These gaming accounts are accounted for in accordance with the casino and community gaming centre standards, policies and procedures under the supervision of the Corporation, as well as in accordance with the regulations of GPEB. No amounts are recorded in the Corporation's consolidated financial statements for these gaming accounts. The casino service providers are legally liable for the player funds held in these accounts.

6. Accounts receivable:

		2017		2016
Trade receivables and net win less commissions outstanding:				
Lottery retailers	**$**	**21,754**	$	19,780
Gaming facility service providers		**12,027**		15,300
		33,781		35,080
Other		**7,272**		1,321
	$	**41,053**	$	36,401

7. Inventories:

The major components of inventories are as follows:

		2017		2016
Slot machine spare parts	**$**	**4,685**	$	4,743
Instant tickets		**2,512**		2,890
Other		**1,858**		1,367
	$	**9,055**	$	9,000

For the year ended March 31, 2017, inventories recognized as an expense amounted to $19,736 (2016: $17,702).

8. Employee benefits:

The Corporation contributes to and controls the following post-employment defined benefit plans:

Registered Pension Plan (Plan A)

Plan A is a registered pension plan in the Province of B.C. under the *Pension Benefits Standards Act (British Columbia)* (PBSA). Plan A entitles an employee to receive an annual pension payment after retirement based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and covers substantially all of the Corporation's employees. The pension benefits are partially indexed for inflation after retirement.

Supplementary Pension Plan (Plan B)

Plan B covers employees designated by the Corporation. The pension benefits under Plan B provide designated employees a top-up to Plan A benefits to the extent, if any, that they are limited by the *Income Tax Act* maximum pension rules.

Non-Pension Post-Employment Plan (Plan C)

Plan C covers substantially all of BCLC's employees for post-employment medical, dental and life insurance benefits.

The Corporation, as the plan sponsor and plan administrator, has established the Pension Committee to have primary responsibility for the administration and oversight of the plans and to perform certain delegated responsibilities.

These plans expose the Corporation to foreign currency risk, interest rate risk, longevity risk, inflation risk and other market price risk.

8. Employee benefits (continued):

A. FUNDING:

Plan A is funded by employee contributions, employer contributions, and investment returns. The Corporation funds Plan A based on the advice of an actuary, in order to provide for the cost of the benefits accruing under the plan and for the proper amortization of any unfunded liability or solvency deficiency, both in accordance with the PBSA, after taking into account the assets of the plan, employee contributions and all other relevant factors. The actuarial assumptions used to determine funding requirements may differ from the assumptions herein.

If at any time the actuary certifies that the net assets available for benefits under Plan A exceed the actuarially-determined present value of the accrued pension benefit obligation, such surplus, or any portion thereof, may be used by the Corporation at its discretion, to reduce its contribution obligations, subject to PBSA restrictions.

The Corporation expects to contribute $9,726 to Plan A in the year ending March 31, 2018.

Plans B and C are unfunded. As such, the Corporation pays all benefits thereunder as they fall due.

8. Employee benefits (continued):

B. MOVEMENT IN NET DEFINED BENEFIT LIABILITY (ASSET):

A reconciliation from the opening balances to the closing balances for the net defined benefit liability (asset) and its components is as follows:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2017	2016	**2017**	2016	**2017**	2016
Balance at April 1	**$ 322,592**	$ 319,306	**$ (241,270)**	$ (239,957)	**$ 81,322**	$ 79,349
Included in income						
Current service cost	**13,174**	13,864	**–**	–	**13,174**	13,864
Past service cost	**–**	1,054	**–**	–	**–**	1,054
Interest cost (income)	**12,658**	11,901	**(9,231)**	(9,159)	**3,427**	2,742
Administration cost	**–**	–	**450**	300	**450**	300
	25,832	26,819	**(8,781)**	(8,859)	**17,051**	17,960
Included in other comprehensive income						
Re-measurements loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	**–**	(3,662)	**–**	–	**–**	(3,662)
Financial assumptions	**(12,475)**	(16,475)	**–**	–	**(12,475)**	(16,475)
Experience adjustments	**(298)**	4,375	**–**	–	**(298)**	4,375
Return on plan assets excluding interest income	**–**	–	**(20,455)**	14,449	**(20,455)**	14,449
	(12,773)	(15,762)	**(20,455)**	14,449	**(33,228)**	(1,313)
Other						
Contributions paid by the employer	**–**	–	**(11,869)**	(14,674)	**(11,869)**	(14,674)
Contributions paid by the employee	**2,763**	2,546	**(2,763)**	(2,546)	**–**	–
Benefits paid	**(12,835)**	(10,317)	**12,835**	10,317	**–**	–
	(10,072)	(7,771)	**(1,797)**	(6,903)	**(11,869)**	(14,674)
Balance at March 31	**$ 325,579**	$ 322,592	**$ (272,303)**	$ (241,270)	**$ 53,276**	$ 81,322

Represented by:	**2017**	2016
Net defined benefit (asset) liability (Plan A)	**$ (23,994)**	$ 4,316
Net defined benefit liability (Plans B and C)	**77,270**	77,006
	$ 53,276	$ 81,322

8. Employee benefits (continued):

C. PLAN ASSETS:

Plan assets are comprised of:

2017		**Level 1[1]**		**Level 2[2]**		**Total**	**Asset Mix**
Pooled funds							
Canadian equity funds	**$**	**82,874**	**$**	**–**	**$**	**82,874**	**30%**
Global equity funds		**97,034**		**–**		**97,034**	**36%**
Fixed income funds		**64,421**		**–**		**64,421**	**24%**
Debt securities							
Canada real return bonds		**–**		**27,974**		**27,974**	**10%**
	$	**244,329**	**$**	**27,974**	**$**	**272,303**	**100%**

2016		Level 1[1]		Level 2[2]		Total	Asset Mix
Pooled funds							
Canadian equity funds	$	71,604	$	–	$	71,604	30%
Global equity funds		84,202		–		84,202	35%
Fixed income funds		61,091		–		61,091	25%
Debt securities							
Canada real return bonds		–		24,373		24,373	10%
	$	216,897	$	24,373	$	241,270	100%

[1] The fair values of Level 1 assets are determined based on quoted prices in active markets.

[2] The fair values of Government of Canada real return bonds are determined based on price quotations. However, as the underlying market in which these instruments are traded is not considered active, the bonds are classified as Level 2 in the fair value hierarchy.

Plan contributions are invested in equities and bonds. With consideration to the long-term nature of the plan liabilities, and the shorter-term liquidity needs for payments to retirees, the Corporation has a general target allocation of 60% equities and 40% bonds. As a general policy, and in accordance with the relevant regulations, the Corporation has adopted the investment guidelines of the PBSA for defining permissible investment activities for money held in trust. Each investment manager is expected to actively manage Plan A's assets within the parameters of the strategic asset mix comprising 40 to 70% equity securities, 30 to 50% investment funds and debt securities and up to 10% cash and cash equivalents.

8. Employee benefits (continued):

D. DEFINED BENEFIT OBLIGATION:

i. Actuarial valuation and assumptions:

An actuarial valuation is required, at a minimum, every three years to assess the financial position of Plan A. The most recent actuarial valuation of Plan A for funding purposes was made by Mercer (Canada) Limited, an independent firm of consulting actuaries, as of December 31, 2013. The defined benefit obligation for Plan A has been based on this valuation, with adjustments made for cash flows and material events since this date. The next required actuarial valuation will be made as of December 31, 2016 by Morneau Shepell Ltd. (Morneau), an independent firm of consulting actuaries, with a determination of the funded status of the pension plan available in mid-2017.

There is no statutory actuarial valuation requirement for Plan B. The defined benefit obligation for Plan B is based on data collected for those members as of March 31, 2017.

There is no statutory actuarial valuation requirement for Plan C; however, an actuarial valuation is completed every three years on Plan C. An actuarial valuation of Plan C was performed by Morneau as of December 31, 2015. The defined benefit obligation for Plan C has been based on this valuation, with adjustments made for cash flows and material events since this date.

The principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	Plans A and B		Plan C	
	2017	2016	**2017**	2016
Discount rate:				
Defined benefit obligation	**4.00%**	3.80%	**4.00%**	3.80%
Benefit cost	**3.80%**	3.75%	**3.80%**	3.75%
Rate of compensation increase for the fiscal year	**2.00%**	2.00%	**-**	-
Future compensation increases	**2.00%**	2.00%	**-**	-
Inflation	**1.75%**	1.75%	**-**	-
Initial weighted-average health care trend rate	**-**	-	**5.25%**	5.25%
Ultimate weighted-average health care trend rate	**-**	-	**4.21%**	4.21%
Year ultimate reached	**-**	-	**2026**	2026
Assumed life expectations on retirement at age 65				
Current pensioners				
Male	**23.2**	23.1	**23.2**	23.1
Female	**25.0**	25.0	**25.0**	25.0
Retiring in 20 years				
Male	**24.2**	24.1	**24.2**	24.1
Female	**26.0**	25.9	**26.0**	25.9

8. Employee benefits (continued):

D. DEFINED BENEFIT OBLIGATION (continued):

i. Actuarial valuation and assumptions (continued):

A change in discount rate resulted in a decrease of approximately $11,000 to the defined benefit obligation which has been treated as a change in estimate. The adjustment has been reflected in other comprehensive income.

ii. Sensitivity analysis:

Changes at March 31, 2017 to one of the relevant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation by the following amounts:

	Effect on the defined benefit obligation			
	2017		2016	
	Increase in rate	**Decrease in rate**	Increase in rate	Decrease in rate
Discount rate (1% movement)	**$ (46,170)**	**$ 59,965**	$ (47,053)	$ 60,815
Future compensation increase (1% movement)	**6,083**	**(5,244)**	6,991	(5,890)
Inflation (1% movement)	**13,656**	**(12,028)**	13,764	(11,910)
Health care cost trend rate (1% movement)	**9,825**	**(8,367)**	9,792	(8,297)
Future mortality (10% movement)	**(5,372)**	**5,823**	(5,430)	5,895

In practice, it is unlikely that one assumption would change, while all other assumptions remained constant, since changes in some of the assumptions may be interdependent; however, this analysis does provide an approximation of the sensitivity of the assumptions shown.

8. Employee benefits (continued):

D. DEFINED BENEFIT OBLIGATION (continued):

iii. Maturity profile of plan membership:

The breakdown of the defined benefit obligation at March 31, 2017 (as a percentage of the total) in respect of active employees, former employees who have not yet started receiving a pension (deferred vested), and former employees and other beneficiaries receiving a pension (retirees), is as follows:

	Defined benefit obligation	
	2017	2016
Active members	**46%**	46%
Deferred vested members	**5%**	5%
Retirees	**49%**	49%
Total	**100%**	100%

At March 31, 2017, the weighted-average duration of the defined benefit obligation was 18.0 years (2016: 18.2 years).

9. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost							
Balance at April 1, 2015	$ 1,055	$ 88,325	$ 105,766	$ 7,651	$ 404,682	$ 11,362	$ 618,841
Additions	1,634	8,334	5,033	–	36,125	8,813	59,939
Transferred to systems and equipment	–	3,577	1,420	–	4,730	(9,727)	–
Disposals and retirements	–	(2,024)	(1,784)	–	(12,600)	–	(16,408)
Balance at March 31, 2016	2,689	98,212	110,435	7,651	432,937	10,448	662,372
Additions	**90**	**4,322**	**5,581**	–	**43,457**	**22,260**	**75,710**
Transferred to systems and equipment	**–**	**1,705**	**1,583**	–	**6,489**	**(9,777)**	**–**
Disposals and retirements	**–**	**(3,724)**	**(1,120)**	–	**(46,374)**	**–**	**(51,218)**
Balance at March 31, 2017	**$ 2,779**	**$ 100,515**	**$ 116,479**	**$ 7,651**	**$ 436,509**	**$ 22,931**	**$ 686,864**
Accumulated depreciation							
Balance at April 1, 2015	$ –	$ 69,972	$ 95,871	$ 6,470	$ 265,540	$ –	$ 437,853
Depreciation for the year	–	6,705	4,486	501	39,827	–	51,519
Disposals and retirements	–	(1,981)	(1,747)	-	(11,638)	–	(15,366)
Balance at March 31, 2016	–	74,696	98,610	6,971	293,729	–	474,006
Depreciation for the year	**–**	**6,513**	**4,035**	**292**	**38,158**	–	**48,998**
Disposals and retirements	**–**	**(3,340)**	**(1,117)**	**-**	**(45,099)**	–	**(49,556)**
Balance at March 31, 2017	**$ –**	**$ 77,869**	**$ 101,528**	**$ 7,263**	**$ 286,788**	**$ –**	**$ 473,448**
Carrying amounts							
At March 31, 2016	$ 2,689	$ 23,516	$ 11,825	$ 680	$ 139,208	$ 10,448	$ 188,366
At March 31, 2017	**$ 2,779**	**$ 22,646**	**$ 14,951**	**$ 388**	**$ 149,721**	**$ 22,931**	**$ 213,416**

10. Intangible assets:

	Software	Assets under development	Total
Cost			
Balance at April 1, 2015	$ 155,096	$ 16,986	$ 172,082
Acquisitions - separately acquired	3,276	2,660	5,936
Acquisitions - internally generated	1,934	411	2,345
Borrowing costs capitalized	2	25	27
Transferred to software	7,202	(7,202)	–
Disposals and retirements	(3,389)	–	(3,389)
Balance at March 31, 2016	164,121	12,880	177,001
Acquisitions – separately acquired	**3,396**	**6,129**	**9,525**
Acquisitions – internally generated	**500**	**371**	**871**
Borrowing costs capitalized	**–**	**45**	**45**
Transferred to software	**2,079**	**(2,079)**	**–**
Disposals and retirements	**(9,607)**	**–**	**(9,607)**
Balance at March 31, 2017	**$ 160,489**	**$ 17,346**	**$ 177,835**
Accumulated amortization			
Balance at April 1, 2015	$ 88,362	$ –	$ 88,362
Amortization for the year	22,140	–	22,140
Disposals and retirements	(3,186)	–	(3,186)
Balance at March 31, 2016	107,316	–	107,316
Amortization for the year	**15,935**	–	**15,935**
Disposals and retirements	**(8,250)**	–	**(8,250)**
Balance at March 31, 2017	**$ 115,001**	**$ –**	**$ 115,001**
Carrying amounts			
At March 31, 2016	$ 56,805	$ 12,880	$ 69,685
At March 31, 2017	**$ 45,488**	**$ 17,346**	**$ 62,834**

The intangible assets balance represents purchased and internally-generated software assets.

11. Prizes payable:

		2017		2016
Lottery	**$**	**27,015**	$	28,123
Casino and community gaming		**5,445**		5,001
	$	**32,460**	$	33,124

12. Accounts payable, accrued and other liabilities:

		2017		2016
Trade payables	**$**	**22,947**	$	17,862
Accrued expenses		**33,313**		30,361
Indirect tax payable		**4,862**		5,747
Other		**22,872**		13,568
	$	**83,994**	$	67,538

13. Short-term financing:

		2017		2016
Government of British Columbia, loans, payable in single instalments including interest ranging from $6 to $27 at rates ranging from 0.31% to 0.45%, unsecured, due between April 5, 2017 and May 19, 2017	**$**	**145,130**	$	**–**
Government of British Columbia, loans, payable in single instalments including interest ranging from $10 to $26 at rates ranging from 0.35% to 0.42%, unsecured, due between April 14, 2016 and May 13, 2016		**–**		150,095
	$	**145,130**	$	150,095

For the year ended March 31, 2017, interest on short-term financing of $487 (2016: $691) was recognized as an expense.

14. Distributions to the Government of British Columbia:

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 15), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of British Columbia occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings.

15. Distributions to the Government of Canada:

The ILC makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the ILC.

16. Interprovincial Lottery Corporation:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized in prize expense and ticket printing expense, respectively, in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses in the consolidated statement of comprehensive income.

17. Commitments:

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises, vehicles, and office equipment are as follows:

2018	$4,763
2019	4,197
2020	3,551
2021	3,211
2022	3,154
Thereafter	12,197

The Corporation leases its Vancouver office and warehouse space under non-cancellable operating leases. The leases commenced May, 2011 and have a term of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

17. Commitments (continued):

Operating leases (continued)

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay contingent location fees that are reviewed, negotiated and adjusted as necessary.

The Corporation leases a fleet of vehicles and office equipment under non-cancellable operating lease agreements. These leases generally have five-year terms.

The Corporation leases casino and community gaming equipment under cancellable operating leases. These leases typically run for a period of three years.

During the year ended March 31, 2017, $23,262 (2016: $21,259) was recognized as an expense in the consolidated statement of comprehensive income in respect of non-cancellable and cancellable operating leases. The Corporation recognized income of $3,057 (2016: $3,115) in respect of rent under cancellable operating agreements with lottery retailers.

Capital commitments

As of March 31, 2017, the Corporation is committed to incur capital expenditures relating to property and equipment and intangible assets of $11,412 (2016: $9,350). These commitments are expected to be settled in the following year.

18. Contingencies:

From time to time, the Corporation is party to legal proceedings and claims that arise in the ordinary course of business. A provision would only be recognized for these contingencies when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. BCLC is required to have all indemnification obligations approved by the B.C. Government Risk Management Branch. These indemnifications are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third-party claims. The nature of these agreements prevents the Corporation from making reasonable estimates of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements for these indemnifications.

19. Related party transactions:

BCLC, as a wholly-owned Crown corporation, is controlled by the Government of British Columbia. Included in these consolidated financial statements are transactions with various Government of British Columbia ministries, agencies, and Crown corporations related to the Corporation by virtue of common control.

All transactions with the Government of British Columbia ministries, agencies and Crown corporations occurred in the normal course of operations and are on terms comparable to those with other entities that are not government-related. Transactions that are considered to be individually or collectively significant include loan agreements (note 13) and distributions to the Government of British Columbia (note 14). The Corporation pays Provincial Sales Tax on its taxable purchases and also collects and remits Provincial Sales Tax to the Government of British Columbia on its taxable sales (note 20).

Key management personnel have been defined as the members of the Board of Directors, the President & CEO, and the Corporation's Vice-Presidents. The compensation for key management personnel is shown below:

		2017		2016
Short-term employee benefits	**$**	**2,538**	$	2,269
Pension and post-employment benefits		**179**		155
Termination benefits		**(18)**		306
	$	**2,699**	$	2,730

The Corporation is also related to the post-employment defined benefit plans. Transactions with these plans are disclosed in note 8.

20. Indirect tax expense:

As a provincial gaming authority, BCLC is a prescribed registrant under the *Games of Chance Goods and Services Tax (GST)/Harmonized Sales Tax (HST) Regulations* of the *Excise Tax Act* (the Regulations). The Corporation makes GST remittances to the Government of Canada pursuant to the Regulations. The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations, resulting in the direct payment of additional GST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similarly to that for other GST registrants.

Provincial Sales Tax is calculated and remitted to the Province of British Columbia pursuant to the *Provincial Sales Tax Act.*

21. Joint Illegal Gaming Investigation Team:

The Corporation is committed to funding the Joint Illegal Gaming Investigation Team over its five-year mandate, in combination with funding from the federal government through the Provincial Police Service Agreement. The Corporation will provide funding, beginning in the 2017 fiscal year, for the external policing costs related to this team located within the Combined Forces Special Enforcement Unit of B.C. The Corporation is committed to fund $3,000 annually for the fiscal years ended March 31, 2018 and 2019. Funding for the remaining two years of the mandate is estimated to be $3,000 annually.

Appendix A – Subsidiaries and Operating Segments

BC Lottotech International, Inc.

The consolidated statements of the British Columbia Lottery Corporation include BC Lottotech International, a wholly-owned subsidiary of the Corporation. The primary purpose of BC 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 BC Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

	2016/17	2015/16	2014/15
Revenue ($ thousands)			
Lease revenue	$ 59,153	$ 65,642	$ 58,184
Expenses			
Depreciation and amortization	59,005	65,475	58,039
Other Expense	1,698	1,231	(404)
	60,703	66,706	57,635
Net loss	$ (1,550)	$ (1,064)	$ 549

Appendix B – Additional Information

Vision, mission, values	http://corporate.bclc.com/who-we-are/our-mission-and-values.html
Organizational Overview	http://corporate.bclc.com/who-we-are.html http://corporate.bclc.com/what-we-do.html http://corporate.bclc.com/social-responsibility.html
Corporate Governance	http://corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html

Appendix C – Crown Corporations Mandate and Actions Summary

In the 2016/17 Mandate Letter from the Minister of Finance, BCLC received direction on strategic priorities for the 2016/17 fiscal year. These priorities and BCLC's resulting actions are summarized below:

Mandate Letter Direction	BCLC's Action
1. BCLC will optimize the Corporation'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, and in alignment with the Taxpayer Accountability Principles by: a) Responding to customer and marketplace demands seeking new business opportunities that are consistent with the approved framework. b) Each quarter, BCLC will provide reports to the Ministry of Finance staff that provide financial forecasts, and discuss and identify issues and risks. c) BCLC, in consultation with the Ministry of Finance, will complete the development of an implementation plan based on the direction provided by government resulting from the comprehensive cost containment and commission structure reviews, and market strategy work to address customer and marketplace demands. BCLC will submit the implementation plan for approval by the Minister of Finance by September 30, 2016. d) BCLC will provide a revised comprehensive cost containment ratio framework to the Ministry	1. BCLC continues to optimize our financial performance and sustain net return to the province by seeking new revenue opportunities and responding to marketplace demands in alignment with Taxpayer Accountability Principles. a) 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. b) Each quarter, we submit Board approved financial forecasts to the Treasury Board and the Ministry of Finance. c) BCLC has consulted with service providers and is drafting the new Operational Service Agreement (OSA), which defines the service and operating responsibilities of service providers and overall compensation structure. BCLC will present the finalized OSA to service providers in FY 17/18 and will continue to report to government on this process. d) BCLC completed a report-back on the comprehensive cost containment review that was accepted by Treasury Board on January 26, 2017. The report-back was signed by Minister de Jong on December 18, 2016.

and Treasury Board for approval.	
2. BCLC will substantially complete implementation of the recommendations from the *Review of the British Columbia Lottery Corporation (December 2014)* by IAAS, by March 31, 2017. BCLC will provide written quarterly progress updates beginning March 31, 2016, and other information as required, to the Minister of Finance.	2. BCLC has completed all of the 25 Crown recommendations. BCLC provided written quarterly progress updates to the Ministry on the following dates: - May 5, 2016 - July 29, 2016 - November 18, 2016 - January 31, 2017 A final report was provided to the Ministry on June 7, 2017, along with a letter explaining BCLC's efforts and success to substantially complete all of the recommendations by the end of FY 2016/17.
3. Building on existing progress, BCLC will submit bi-annual progress reports to the Minister of Finance and the General Manager of GPEB on the implementation of the commitments BCLC is responsible for in the *Plan for Public Health and Gambling (February 2015).* BCLC will also continue to participate with its partners in the implementation of all the commitments until complete.	3. BCLC met with senior leadership at GPEB on March 28, 2017 to review progress on all commitments in the *Plan for Public Health and Gambling (February 2015).* BCLC has primary responsibility for eight of the 21 Plan commitments. Of these commitments, BCLC has completed three commitments, and is progressing on the remaining five commitments. Strategies are being developed and testing/trialing is underway to address the remaining commitments. BCLC is also working collaboratively with GPEB to complete the additional four commitments for which GPEB and BCLC share joint responsibility.
4. BCLC will provide a quarterly report to the Minister of Finance on the implementation of the government's Anti-Money Laundering (AML) Strategy and mitigation of related illegal activities. This will include, but not be limited to: a) Activities undertaken to ensure the Corporation's compliance regime is focused on preserving the integrity and reputation of	4. BCLC, as of 2017, has completed, and is aligned with, all directions provided to it under the government's Anti-Money Laundering (AML) Strategy as set out in the Minister's letter of October 1, 2015. More specifically: a) BCLC's regime is focused on ensuring the integrity and reputation of BC's gaming industry and is an industry leader in meeting AML requirements under the Proceeds of

BC's gaming industry in the public interest; b) Participation in the development of, and provide funding to support, an enhanced coordinated enforcement approach with the Gaming Policy and Enforcement Branch, the RCMP and local police to mitigate the risk of criminal activities in the gaming industry; c) The implementation of anti-money laundering compliance best practices with appropriate consideration of evaluating the source of wealth and source of funds prior to cash acceptance within a risk based framework; d) Providing input to the Ministry of Finance in the development of a public information and education strategy and action plan for government's review and approval.	Crime (Money Laundering) and Terrorist Financing Act as well as FinTRAC guidance on AML. This has been verified by a recent FinTRAC audit of BCLC's program and a meeting in Edmonton of Provincial Lottery Corporation Compliance Officers from across Canada. b) BCLC is providing funding to the Joint Illegal Gaming Investigation Team over the next 3 years as directed by government. BCLC has amended its information sharing agreement with the RCMP to allow it to support JIGIT. BCLC has identified and established a formal liaison with JIGIT as well as AML staff to actively support and cooperate with JIGIT activities as needed. c) BCLC's AML program is built on a comprehensive risk-based framework as per FinTRAC and statutory requirements. Incorporated into BCLC's AML program are detailed on-going monitoring and special measures which utilize source of wealth and source of fund inquiry methodologies prior to cash acceptance as well as analysis of transaction patterns to help deter money laundering and keep individual player risk assessments current. d) BCLC provided a proposed communications plan to GPEB and the Ministry of Finance. BCLC has published extensive AML information on its website as well as a Compliance Commitment statement to British Columbians.

Appendix FF – 2017/18:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2017-2018,* (Kamloops: British Columbia Lottery Corporation, 2018).

2017/18
ANNUAL SERVICE PLAN REPORT

July 2018

APPENDIX FF

For more information on BC Lottery Corporation (BCLC) contact:

74 West Seymour Street, Kamloops, B.C., V2C 1E2

250-828-5500

consumerservices@bclc.com

or visit our website at
www.bclc.com

Board Chair's Accountability Statement

On behalf of the Board of Directors, management and our employees, I'm pleased to present BCLC's 2017/18 Annual Service Plan Report for the twelve months ended March 31, 2018. The Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act.*

The Board is responsible for all content and reporting methods, as well as ensuring appropriate internal controls are in place to measure information accurately and report it in a timely fashion. The Board is also responsible for ensuring the information contained within the report is consistent with the mandate and goals of the organization.

Significant decisions and changes to BCLC's strategies, measures, targets or data, as of March 31, 2018, are identified in the report. All significant assumptions, events and identified risks have been considered in the preparation of this report. Estimates and interpreted information represent the best judgement of management.

The BCLC *2017/18 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2017/18 - 2019/20 Service Plan* created in September 2017. I am accountable for those results as reported.

Peter Kappel
Board Chair

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Chair/CEO Report Letter

In fiscal 2017/18, BCLC earned more than $1.4 billion in net income for the Province of British Columbia, which is $89.2 million over budget and $61.5 million ahead of last year. These financial results are the outcome of successful efforts to ensure both our staff and leadership remain motivated by our vision, mission and values, and adhere to the organization's four goals for measuring success. As a result, we have strong revenue achievement in all three lines of the business, casino, lottery and eGaming, and were able to continue a regime of prudent expense management.

BCLC's strong financial results were achieved through critical operational execution of our business strategies, especially around new content and the distribution of key product categories. Refining and introducing new games in our slot machines in casino formats, our Scratch & Win games in retail lottery formats and our casino-style games in our eGaming format drove significant revenue growth and bucked the trend seen in other markets. Our total revenue after prizes grew over $100 million and is testimony to a well-balanced product portfolio.

Despite the strong financial performance, BCLC's corporate reputation has been impacted by the money laundering issue affecting many sectors in the B.C. economy. BCLC remains steadfast in our commitment to be part of the solution, working collaboratively with the multiple agencies and organizations, to combat this insidious issue impacting our communities. The Board of Directors and Management fully support and accept the interim recommendations made by Dr. Peter German in December.

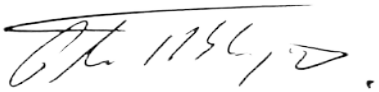
The dynamic nature of a customer-driven gambling business has continued to put pressure on operating costs. Even with this, BCLC achieved a comprehensive cost ratio, the measure of total business costs, excluding prizes and taxes, as a percentage of total net win (revenue after prizes) plus non-gaming revenue of 41.7%. This positive result was below the target of 43.6% and attributable to lower operating expenses and lower direct costs.

BCLC continues to invest in research and leverage these insights to inform and evolve our operations and programs to deliver on one of our most important corporate social responsibilities, to help players make healthy play decisions. We have implemented a new strategy and evaluation framework shifting emphasis from promoting risk awareness to focusing on player health outcomes. Our work includes evaluating how our products are offered and minimizing risk, and we continue to engage public health stakeholders to reflect best practices in harm reduction.

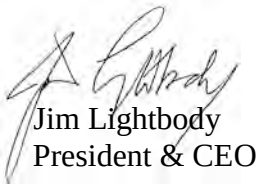
We are committed to continue delivering on the strategic priority items outlined by Government in the 2017/18 Mandate Letter. Our Board of Directors and Executive team communicates regularly with the Ministry of Attorney General regarding our performance.

We would like to recognize the significant contributions of our former Board Chair, Bud Smith, whose steady hand helped guide the organization during his six year tenure. We're proud of our results this year and the fact that our people continue to be strongly engaged in supporting BCLC's role as a catalyst for economic growth in our Province. With our commitment to creating outstanding

entertainment experiences for our players and upholding our social responsibility, BCLC will continue to benefit the people and communities of British Columbia.



Peter Kappel
Board Chair



Jim Lightbody
President & CEO

Purpose of the Organization

BCLC conducts and manages gambling in B.C. including casino, lottery, bingo and sports betting through multiple channels of distribution. Our slot machines, table games and bingo are operated through operational service contracts with private sector service providers which as of March 31, 2018 consisted of 15 casinos, two racecourse casinos, 18 community gaming centres and five commercial bingo halls. Our national and provincial lottery and sports betting products are sold at approximately 3,500 retail locations, operated by private sector retailers through Lottery Retailer Agreements (LRA). PlayNow.com is BCLC's secure, regulated online and mobile channel, with a growing selection of lottery games, sports betting, slots, table games and bingo entertainment for approximately 370,000 adults who are registered to play directly with us. BCLC also provides online gambling services and web-based and mobile platforms to the Province of Manitoba through an operating contract with Manitoba Liquor & Lotteries.

BCLC is a Crown corporation, established on April 1, 1985, and is governed by *B.C.'s Gaming Control Act (2002).* Our mission is to manage and conduct gaming in a socially responsible manner for the benefit of British Columbians. The Gaming Policy and Enforcement Branch (GPEB) has regulatory oversight of all gambling in B.C., including all commercial gaming operated by BCLC. BCLC also adheres to requirements set out in federal anti-money laundering legislation, and is monitored by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for compliance with those requirements.

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. Lottotech's budget is renewed and approved through our annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations.

Strategic Direction and Operating Environment

Specific direction from Government to BCLC was provided in the Government's 2017/18 Mandate Letter directing BCLC to take actions in accordance with the best interest of the Province and the people of British Columbia. Read the full letter outlining BCLC's mandate here.

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 since then 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 is critical to sustaining and growing revenues. The industry remains customer-driven and dynamic, with impacts from many competitive and market forces. With fewer new distribution opportunities, we are focused on customer relationship management, enhancing current gambling facilities and amenities for our customers, and new product development. Importantly, BCLC is 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 nearby casino competitors, off-shore online gambling sites, 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 some of our gambling product portfolio is facing declining relevance due to changing demographics and expectations. For instance, our product mix is less relevant, in particular, to younger adults who have different expectations for entertainment and service. 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, and increasing participation from light and casual player segments through the creation of new content and better integration with 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 has embraced these changes and is addressing player needs by investing to deliver a seamless customer experience across channels and touchpoints. We also continue to invest to refine our core products 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 cause harmful consequences to the consumer, which is why BCLC continues to invest in GameSense, the corporation's communication platform for responsible gambling awareness and support for player health. BCLC also licenses GameSense to SaskGaming, Saskatchewan Indian Gaming Authority, Alberta Gaming and Liquor Commission, Manitoba Liquor & Lotteries, Massachusetts Gaming Commission, Connecticut Lottery Corporation and MGM Resorts International, creating an international community of practice 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 Canada[2] 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 continues to focus on retention and knowledge transfer as key internal strategies in order to remain competitive and to recruit within key areas including computer and information technology, business and marketing. The cost of living also continues to rise so BCLC must compete with rewarding and interesting work and leverage our Kamloops head office.

Report on Performance

The 2017/18 Mandate Letter provides specific actions for BCLC to ensure alignment with government goals and objectives.

BCLC has made progress on each of the strategic actions set out by Government. Within the Plan for Public Health and Gambling (2015), BCLC has primary responsibility for seven commitments. BCLC has completed four of those commitments and has made significant progress on the remaining three commitments. BCLC also continues to work with GPEB to formalize an evaluation framework for new games. The purpose of the evaluation framework is to improve the consistency of decision making when developing new games to ensure appropriate analysis and consideration is given prior to introduction in British Columbia. In addition, we provide quarterly reports to the Attorney General regarding the implementation of Government's Anti-Money Laundering Strategy.

[1] British Columbia Labour Market Outlook. See Appendix 1, Table 2.
[2] Skills for Success: Developing Skills for a Prosperous B.C.

In 2017/18, BCLC delivered strong results through a diverse portfolio of products which allows for flexibility and the ability to respond to changing consumer demands and dynamic market conditions. BCLC continues to evolve the business by offering relevant, accessible entertainment experiences and leveraging PlayNow.com in order to attract a broader player base.

The 2017/18 BCLC Annual Service Plan Report compares actual results to the expected results identified in the 2017/18 – 2019/20 Service Plan. The following section summarizes how BCLC measures and reports performance through four corporate goals.

Goals, Strategies, Measures and Targets

Inherent in BCLC's mandate is to grow net income responsibly for the benefit of British Columbians. BCLC aims to build public trust and understanding of our business through transparency and to manage costs efficiently and effectively, investing wisely in order to sustain long-term business health.

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 has implemented 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 are moving 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 continue to engage public health stakeholders to ensure that our programs reflect best practices in harm reduction. Additionally, we are expanding the GameSense Advisor 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 facilities and the relationships we have with our customers. BCLC is developing a more detailed understanding of customer preferences, the entertainment industry, and gambling trends to increase the entertainment value we aim to deliver. This understanding allows us to make decisions on new content and the best way to engage our players with 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 growth.

Improve customer relationships.
We continue to build on the customer relationship management (CRM) foundation recently 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 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 continue to leverage investments in our digital and technology infrastructure to deliver exciting games and experiences to our players in facilities and through lottery retailers. We 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 comprehensive customer entertainment experience. We continue to 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 and services.

Performance Measure 1.1: Player Satisfaction

Performance Measure	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1.1 Player Satisfaction[1]	78%	77%	80%	80%	81%	80%	N/A

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures as per Statistics Canada's Census. The margin of error is ± 2.22% at the 95% confidence level (19 times out of 20). Future Player Satisfaction Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.
Benchmark Data: Player Satisfaction is internally benchmarked on a time series basis.
[1] In 2014/15, BCLC slightly revised the definition of 'player;' this revision has not had any impact on previous years' results.

Discussion

- Player Satisfaction gauges our success in offering products and amenities that provide great value for money so that we achieve positive outcomes for British Columbians.
- In 2017/18, player satisfaction saw growth from 2016/17 and we slightly exceeded our target. We have worked to maintain player satisfaction by:
    - Continuing the development of our technology to improve our player's purchasing and gambling experience by upgrading and refining initiatives. This includes mobile-optimized player experiences on PlayNow.com, player game education, user experience upgrades and online registration for our casino business' Encore Rewards membership to offer a more user-friendly experience;

  - Introducing new product offerings and updating content online and offline to better engage with our new and existing players; and
  - Using targeted marketing initiatives to deliver relevant and engaging content for players across all channels.
  - Our call centre continued to enhance their service by launching a call back process and growing the 'chat' capability.
- We remain focused on growing player satisfaction through understanding player expectations and by developing and utilizing technology, people and processes to deliver an enhanced entertainment experience across all products and distribution channels.

Performance Measure 1.2: Player Participation (percent at least monthly)

Performance Measure	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1.2 Player Participation	51%	52%	53%	53%	51%	52%	N/A

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures as per Statistics Canada's Census. The margin of error is ± 1.79% at the 95% confidence level (19 times out of 20). Future Player Participation Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.

Discussion

- 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 products and visit our properties.
- In 2017/18, Player Participation decreased slightly from 2016/17 and we were slightly under target. This result may be because of overall lower jackpots for the national lottery products. Lotto Max and Lotto 6/49 have the highest impact on player participation because they are the most popular games in our portfolio. They are also dependent on high jackpot rolls to drive participation.
- BCLC will redefine the Player Participation measure in the 2019/2020 Service Plan. The Player Participation metric is being transitioned from a percentage basis of at least monthly play, to an average number of players that made at least one transaction, regardless of frequency. This results in an improved indicator of our progress in being located in the places where our players choose to engage with our products.

Performance Measure 1.3: Player Awareness of Responsible Gambling activities

Performance Measure	2014/15[1] Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1.3 Player Awareness of Responsible Gambling Activities	79%	77%	79%	78%	80%	78%	N/A

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 2.07% at the 95% confidence level (19 times out of 20). Future Player Awareness of Responsible Gambling Activities Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.
Benchmark Data: Player Awareness of Responsible Gambling Activities is internally benchmarked on a time series basis.
[1] In 2014/15, we revised the survey statements for Player Awareness of Responsible Gambling Activities to better reflect our responsible gambling priorities; 2014/15 results are not comparable to previous years.

Discussion

- Player Awareness of Responsible Gambling (RG) Activities measures the percentage of players who are aware of at least one of the following responsible gambling activities: Voluntary Self-Exclusion, GameSense brand, GameSense Info Centres, RG messaging in retail locations and RG messaging on PlayNow.com. This measure determines how effective we are at educating our players about responsible gambling, so that players can make positive gambling choices.
- In 2017/18, player awareness of responsible gambling activities was above target and above the previous year. 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 2019/20 to better align with our player health strategy.

Performance Measure 1.4: Net Win Per Capita

Performance Measure	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1.4 Net Win per Capita	$482	$501	$503	$506	$516	$510	$512

Data Source and Data Reliability: Actual Net Win is from BCLC Audited Financial Statements. Future Net Win Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan. 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 calendar year and not available on BCLC's fiscal year. Net Win Per Capita is indicative of the overall trends despite the timing difference.

Discussion

- Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial population. 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 2017/18, BCLC's Net Win per Capita increased over the previous year and exceeded our target. This is due to a higher rate of growth in net win compared to the population growth.
- 2017/18 net win increase was achieved through innovation and the introduction and refinement of new content into all three of our distribution channels.
- Slots in the bricks-and-mortar casino channel grew due to continued success of facility enhancements (for example, Parq in Vancouver which replaced Edgewater Casino), strategic investments in new slot product offerings, and refining our marketing strategy in partnership with our casino and community gaming service providers. Scratch & Win games in our lottery retail channel continued to grow with our emphasis on new game introductions and collaborating with our national lottery partners to create more exciting prizing. Casino-style games offered on our online site, Playnow.com, achieved strong growth from the continued delivery of new digital content that appeals to new and existing players. The increased availability of slot content on mobile devices also fueled growth as players again increased their use of mobile for slot gaming entertainment.
- The decrease in the target for Net Win per Capita in fiscal 2018/19 results from the assumption in our 2018/19 – 2020/21 Service Plan that BCLC's casino business will experience an impact due to potential changes in anti-money laundering requirements.

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.

Strategies

We hire and develop the right talent.
BCLC continued our focus on employee development and leadership to prepare for changing workforce demographics, and to 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 is 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 twelve 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 continues 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 have created a diversity and inclusion strategy which will provide employees and leaders with the information and tools needed to create a more inclusive workplace, fostering greater innovation and customer focus.

Performance Measure 2.1: Employee Engagement

Performance Measure	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
2.1 Employee Engagement	78%	83%	87%	85%	86%	85%	85%

Data Source: Annual anonymous online census survey of BCLC employees conducted by an independent third-party professional. The response rate of the survey was 87% with 752 of a possible 863 eligible employees participating. Future Employee Engagement Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.
Benchmark Data: Employee Engagement is internally benchmarked on a time series basis.

Discussion

- Employee Engagement is defined as the intellectual and emotional commitment employees have to an organization. A passionate, productive and engaged workforce will help to drive the success of our business, delivering the great entertainment experiences our players expect.
- BCLC's engagement remains strong at 86%, although we have plateaued after three years of trending up. The maintenance of our positive scores in engagement can be attributed to employees continuing to feel supportive of how BCLC conducts its business and their positive employee experience at BCLC.
- The largest percentage increases in the 2018 engagement survey were in areas related to how the company and various departments took action and made progress from the previous year's survey. The results show that 54% of employees feel that BCLC has made progress on issues raised in the previous year's employee survey (increase of 9% over the previous year), and 60% of employees feel that their department took action based on the employee survey results (increase of 8% over last year).
- In the past year, we also addressed employee feedback from our Advisory Committee of Employees on areas where we can improve engagement, such as our recognition program and our employee giving program.

Performance Measure 2.2: Employee Turnover Rate

Performance Measure	2014/15 Actuals[1]	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
2.2 Employee Turnover Rate	24.7%	9.6%	5.5%	8%	7.3%	6%	6%

Data Source: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging the monthly rates. Future Employee Turnover Rate Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.
Benchmark Data: Employee Turnover Rate is internally benchmarked on a time series basis.
[1] Cost management activities, including organizational restructuring, contributed to the higher results in 2014/15.

Discussion

- Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount. This measure determines how successful we are in attracting and retaining a workforce to drive the continuous optimization of our business and gauges our competitiveness in the labour market. It also evaluates the effectiveness of our training, development and retention programs.
- 2017/18 employee turnover remained below target but slightly higher than the Canadian average of 6%.[3] Our relatively low turnover rate is a reflection of our consistently high employee engagement scores. Low turnover reduces recruiting and development costs to orient new employees. In late 2017, BCLC began to deliver on an updated People Strategy. The four pillars for the new strategy are:
    - Know, understand and engage employees;
    - Become leaders in diversity and inclusion;
    - Determine future talent acquisition and talent management experience; and
    - Create an integrated, value-added total rewards experience.

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 continues 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, and to support the municipal government's decision making process. We proactively disclose relevant information about BCLC via bclc.com and the BCLC Social Responsibility Report. We 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.

[3] Conference Board of Canada 2012/13 – Last publicly reported information. Voluntary or Involuntary Turnover Combined.

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.

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 our regulators and police. BCLC has committed to continuously improving its anti-money laundering efforts and conducts 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) and the provincial gaming regulator – the Gaming Policy & Enforcement Branch (GPEB). We fully support the interim recommendations made by Dr. Peter German and the Province's review on money laundering in casinos, and are working proactively and in collaboration to take action to combat an issue affecting our business and many sectors of the economy.

We continue to support police efforts, including the Joint Illegal Gaming Investigation Team (JIGIT), whose objective is to disrupt organized crime and gang involvement in illegal gambling, and prevent criminals who may seek to legalize the proceeds of crime from using B.C. gambling facilities.

Performance Measure 3.1: Public Recognition of Positive Contributions

Performance Measure	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
3.1 Public Recognition of Positive Contributions	68%	68%	73%	74%	70%	74%	75%

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.69% at the 95% confidence level (19 times out of 20). Future Public Recognition of Positive Contributions Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.
Benchmark Data: Public Recognition of Positive Contributions is internally benchmarked on a time series basis.

Discussion

- Public Recognition of Positive Contribution measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to the Province of British Columbia. This measure helps us gauge our success in building public understanding and recognition of the public contributions we make.
- In 2017/18, results for this measure decreased compared to the previous year and fell short of our target. This may be due to the increased media coverage of alleged money laundering around B.C. casinos.
- Despite the softer metric, BCLC ran multiple successful community outreach programs in various cities across British Columbia to educate the public on contributions BCLC makes to their communities.

- Province-wide, BCLC supported local communities through events and sponsorships, in fiscal 2017/18 BCLC sponsored over 106 organizations, groups and events across the province.
- In response to the interim recommendations made by Dr. Peter German and the Province's review on money laundering in casinos, we have expanded the source of funds declarations to all casino buy-ins of $10,000 or more and increased controls on bank drafts.

Performance Measure 3.2: Public Perception of BCLC's Transparency

Performance Measure	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
3.2 Public Perception of BCLC's Transparency	57%	60%	64%	64%	60%	61%	62%

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.74% at the 95% confidence level (19 times out of 20). Future Public Perception of BCLC's Transparency Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.
Benchmark Data: Public Perceptions of BCLC's Transparency is internally benchmarked on a time series basis.

Discussion

- Public Perception of BCLC's Transparency measures the percentage of adult British Columbians who view BCLC as forthcoming and open with the public. This measure helps us gauge our success in becoming increasingly transparent so that our business and its benefits are understood and supported by British Columbians.
- In 2017/18, the target for Public Perception of BCLC's transparency was not met, the assumption is that this is in part due to the impact of increased media attention about B.C.'s casinos. As a result we have adjusted future targets.

Performance Measure 3.3: Level of Greenhouse Gas Emissions (GHG)

Performance Measure	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
3.3 Level of Greenhouse Gas Emissions (GHG)	2014: 1,315	2015: 906	2016: 833	2017: 900	2017: 965	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. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.

Discussion

- In 2017/18, our emissions increased by 16% from 833 to 965 tonnes of carbon dioxide equivalent (tCO2e).
- The main reason for the increase was the higher consumption of natural gas for heating, which is associated with the longer and colder winter in 2017. In addition, the BCLC fleet changed its composition by replacing two hybrid cars and adding an additional one (all three run on gas), resulting in an increase of 31% of fleet related emissions.
- Despite the increase in GHG emissions, we aim for effective management of the fleet. The addition of one gas vehicle, and the replacement of two hybrids with gas vehicles, was based on an internal analysis that hybrid technology was not being maximized and it was preferable to move to gas vehicles with improved highway mileage. As the use of fleet vehicles is primarily for travel between our head office in Kamloops and our Vancouver office, the analysis found gas vehicles were more fuel efficient for highway driving. Fleet usage and performance will be continually monitored, and maintenance will be regularly performed.

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.

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 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.

Improve operational efficiency and effectiveness.
We will invest in systems and technology required to support the long-term health and integrity 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 Measure 4.1: Net Income (millions)

Performance Measure	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
4.1 Net Income (millions)	$1,254.5	$1,313.5	$1,339.0	$1,311.3	$1,400.5	$1,310.5	$1,332.2

Data Source: Net Income is from BCLC Audited Financial Statements and is calculated in accordance with International Financial Reporting Standards. Future Net Income Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.
Benchmark Data: Net Income is benchmarked on a time series basis.

Discussion

- Net Income is the total amount of money generated by BCLC and delivered to the Province of B.C., which uses it to support provincial, charitable and community programs.
- Through continued investment in our games and service offerings, we have built a diversified portfolio that has delivered engaging gambling experiences to our players and resulted in record revenues this past year.
- In 2017/18, BCLC exceeded its target and achieved a result of $1.401 billion in net income. The growth in net income represents a $61.5 million increase over 2016/17. BCLC's strong financial results were achieved through innovation and strong execution of the development and distribution of new products into our various channels. In addition, BCLC made assumptions as to the timing of when the new Operational Services Agreement would be signed by our service providers. Commission increases, in return for enhanced accountability measures, were budgeted in direct costs. During the year, decisions were made to postpone implementing the new Operational Services Agreement, which resulted in lower actual direct costs as compared to budget.

Performance Measure 4.2: Comprehensive Cost Ratio (% of Net Win)

Performance Measure	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
4.2 Comprehensive Cost Ratio (% of Net Win)	41.9%	42.0%	42.0%	43.6%	41.7%	44.5%	44.5%

Data Source: Comprehensive Cost Ratio is from BCLC Audited Financial Statements. Future Comprehensive Cost Ratio Targets are from BCLC 2018/19 – 2020/21 Service Plan. 2017/18 Targets are from BCLC 2017/18 – 2019/20 Service Plan.
Benchmark Data: Comprehensive Cost Ratio is benchmarked on a time series basis.

Discussion

- 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. It is intended 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.
- BCLC achieved a CCR of 41.7% which was below the budget of 43.6% and primarily driven by generating higher net win and lower than budgeted direct costs which resulted from postponing the implementation of the new Operational Services Agreement (OSA) with casino and community gaming service providers.
- Retailer and service provider commissions comprise the majority of the comprehensive cost base. As a result, CCR is most significantly impacted by shifts in BCLC's product mix sales as BCLC has a diversified portfolio of products which generate a wide range of gross margins.

Financial Report

Discussion of Results

Highlights

In 2017/18, BCLC achieved a record $1.401 billion net income on record revenue of $3.267 billion, exceeding the previous records set last year by $61.5 million and $123.2 million, respectively.

This year, BCLC's strong performance was led by the casino business, where significantly increased revenue from slot machines and growth in the table games category combined to produce an overall year-over-year improvement of more than five per cent. While sales of national lottery games were down over last year due to fewer large jackpots, the strong performance of Scratch & Win games and Keno resulted in aggregate revenue being up slightly from 2016/17. Our eGaming channel, under the PlayNow.com banner, continued to grow significantly driven by the services and our execution of continuous product development and replenishment.

Commensurate with sales volume, prizes, commissions and related operating costs were higher this year.

Each year, BCLC prepares a three-year Service Plan against which its results are measured. As part of this annual process, and in response to specific direction from Government, BCLC committed to a focused cost containment initiative that began in 2013/14; however, many of BCLC's costs are tightly correlated with sales performance. Thus, while total revenue exceeded budget by $103.4 million, the operating costs supporting that increase were lower than budget by $17.8 million. On a year-over-year basis, a $123.2 million increase in revenue was correlated with total operating costs that were $35.8 million higher than the previous year, primarily from direct gaming expenses, including commissions.

Financial Overview

Financial Results	2013/14	2014/15	2015/16	2016/17	2017/18			
($ in millions)	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET [1]	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
REVENUES								
Lottery & eGaming	$ 1,123.5	$ 1,103.4	$ 1,287.1	$ 1,285.5	$ 1,315.6	$ 1,265.0	$ 50.6	$ 30.1
Casino & Community Gaming	1,684.8	1,800.9	1,814.7	1,858.4	1,951.5	1,898.7	52.8	93.1
	2,808.3	**2,904.3**	**3,101.8**	**3,143.9**	**3,267.1**	**3,163.7**	**103.4**	**123.2**
Prizes	665.6	659.5	744.8	741.3	764.2	730.0	(34.2)	(22.9)
NET WIN	**2,142.7**	**2,244.8**	**2,357.0**	**2,402.6**	**2,502.9**	**2,433.7**	**69.2**	**100.3**
EXPENDITURES[2]								
Lottery & eGaming	189.9	175.4	204.7	197.6	202.6	203.7	1.1	(5.0)
Casino & Community Gaming	740.1	765.2	785.7	811.9	842.6	859.4	16.8	(30.7)
	930.0	**940.6**	**990.4**	**1,009.5**	**1,045.2**	**1,063.1**	**17.9**	**(35.7)**
Income before the undernoted	1,212.7	1,304.2	1,366.6	1,393.1	1,457.7	1,370.6	87.1	64.6
Indirect tax expense	38.1	49.7	53.1	54.1	57.2	59.3	2.1	3.1
NET INCOME								
Lottery & eGaming	304.1	304.2	369.1	377.8	378.2	359.2	19.0	0.4
Casino & Community Gaming	870.5	950.3	944.4	961.2	1,022.3	952.1	70.2	61.1
	$ 1,174.6	**$ 1,254.5**	**$ 1,313.5**	**$ 1,339.0**	**$ 1,400.5**	**$ 1,311.3**	**$ 89.2**	**$ 61.5**
Profit Margin	41.8%	43.2%	42.3%	42.6%	42.9%	41.4%	1.5%	0.3%
Debt	$154.9	$140.1	$150.1	$145.1	$154.9	$145.1	(9.8)	(9.8)
Capital Expenditures	$100.3	$69.5	$68.2	$86.2	$82.1	$90.0	$7.9	$4.1

[1] 2017/18 Budget represents the Service Plan completed September 2017

[2] Please refer to page 31 for a detailed breakdown of 2017/18 actual expenditures. Includes Joint Illegal Gaming Investigation Team costs.

Performance Measurement:

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess 2017/18 operational performance against the targets and budgets established in the Service Plan (bclc.com/service-plan). BCLC also compares its performance to other gambling organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

International Financial Reporting Standards (IFRS):

The *Budget Transparency and Accountability Act* specifies that the government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior governments are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

Variance and Trend Analysis

Lottery and eGaming Operations:

FINANCIAL RESULTS ($ IN MILLIONS)	2013/14	2014/15	2015/16	2016/17	2017/18			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Revenue								
Lottery	$ 1,032.5	$ 994.3	$ 1,151.6	$ 1,127.9	$ 1,135.0	$ 1,090.5	$ 44.5	$ 7.1
eGaming	91.0	109.1	135.5	157.6	180.6	174.5	6.1	23.0
	1,123.5	1,103.4	1,287.1	1,285.5	1,315.6	1,265.0	50.6	30.1
Prizes	615.7	610.5	698.1	694.9	718.9	685.8	(33.1)	(24.0)
Net win	507.8	492.9	589.0	590.6	596.7	579.2	17.5	6.1
Direct expenses [1]	84.7	85.3	98.9	101.5	105.4	104.2	(1.2)	(3.9)
Gaming support costs & operating expenses	105.2	90.1	105.8	96.1	97.2	99.5	2.3	(1.1)
Income before the undernoted	317.9	317.5	384.3	393.0	394.1	375.5	18.6	1.1
Indirect tax expense	13.8	13.3	15.2	15.2	15.9	16.3	0.4	(0.7)
Net income	$ 304.1	$ 304.2	$ 369.1	$ 377.8	$ 378.2	$ 359.2	$ 19.0	$ 0.4
Lottery retailers	3,748	3,928	3,873	3,496	3,592			
Lottery terminals	3,707	3,691	3,632	3,530	3,481			

[1] Direct expenses include commissions, direct supplies and ticket printing, and equipment leases and licenses.

Lottery and eGaming net income of $378.2 million exceeded the previous year by $0.4 million and budget by $19.0 million. Overall revenue of $1.316 billion was up $50.7 million from budget, and $30.2 million, or 2.3 percent, from the previous year.

In 2017/18, the Scratch &Win category experienced its fourth consecutive record year, exceeding budget by $30.6 million and the previous year by $14.6 million, or 5.1%. Year-over-year revenue was down in the Lotto category because there were fewer major jackpots for the national lottery games than in the prior year. Sales in the Lotto category were $8.7 million lower than budget and $19.5 million lower than the previous year—a decline of 3.8%.

Large jackpots are a principal driver of lottery sales, and this year there were 14 Lotto Max jackpots of $50 million or more—eight fewer than last year, and two fewer than the statistical projection for the year. This year there were 14 Lotto 6/49 jackpots of $20 million or more, which is two more than last year.

During 2017/18, BCLC continued to invest in the PlayNow.com eGaming business, maintaining the frequency with which new casino-style games were introduced, and making product enhancements. Overall, eGaming revenue was up $23.0 million from a year ago—an increase of 14.6 percent.

Casino and Community Gaming Operations:

FINANCIAL RESULTS ($ IN MILLIONS)	2013/14	2014/15	2015/16	2016/17	2017/18			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Revenue								
Slot Machines	$ 1,135.3	$ 1,149.4	$ 1,206.6	$ 1,277.9	$ 1,366.7	$ 1,309.5	$ 57.2	$ 88.8
Table Games	452.1	555.1	516.5	488.1	492.7	501.5	(8.8)	4.6
Poker	20.7	21.1	19.8	21.3	22.5	19.8	2.7	1.2
Bingo	76.7	75.3	71.8	71.1	69.6	67.9	1.7	(1.5)
	1,684.8	1,800.9	1,814.7	1,858.4	1,951.5	1,898.7	52.8	93.1
Prizes	49.9	49.0	46.7	46.4	45.3	44.2	(1.1)	1.1
Net win	1,634.9	1,751.9	1,768.0	1,812.0	1,906.2	1,854.5	51.7	94.2
Direct expenses	580.8	633.3	635.7	648.3	673.9	683.8	9.9	(25.6)
Gaming support costs & operating expenses [1]	159.3	131.9	150.0	163.6	168.7	175.6	6.9	(5.1)
Income before the undernoted	894.8	986.7	982.3	1,000.1	1,063.6	995.1	68.5	63.5
Indirect Tax expense	24.3	36.4	37.9	38.9	41.3	43.0	1.7	(2.4)
Net income	$ 870.5	$ 950.3	$ 944.4	$ 961.2	$ 1,022.3	$ 952.1	$ 70.2	$ 61.1
Casinos	17	17	17	17	17			
Casino slot machines	9,907	9,811	9,637	9,949	10,717			
Tables	476	505	518	513	528			
Commercial halls	7	7	7	7	6			
Community gaming centers	19	18	19	18	18			
Community gaming slot machines	2,803	2,535	2,683	2,776	2,871			

This year saw the relocation and modernization of the Cascades Casino in Penticton and the opening of the new Parq casino in Vancouver. Overall, the Casino and Community Gaming business generated revenue of $1.952 billion in 2017/18, which was $52.8 million more than budget and $93.1 million more than last year. Revenue from slot machines grew $88.8 million, or 6.9 percent, from the previous year, while table games edged up $4.6 million—an increase of 0.9 percent over 2016/17.

Risks and Uncertainties

Current economic indicators suggest that B.C.'s economic growth will continue to lead Canada throughout 2018 and 2019; however, at a slower pace than experienced this year. Continued general economic growth in the province might not translate fully or directly into increased future revenue or net income for the corporation. The segment of our business that contributed most to our net income this year—casino slot machines—is dependent upon players' disposable income, product availability and variety, demographics, and general economic conditions at home and abroad.

Capital Spending:

FINANCIAL RESULTS ($ IN MILLIONS)	2013/14	2014/15	2015/16	2016/17	2017/18			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE FROM BUDGET	VARIANCE FROM PRIOR YEAR
Lottery	$ 7.8	$ 4.8	$ 7.7	$ 11.5	$ 11.3	$ 22.2	$ 10.9	$ 0.2
eGaming	8.7	1.7	3.4	1.6	4.1	3.7	$ (0.4)	$ (2.5)
Casino & Community Gaming	67.2	47.2	45.0	64.0	60.1	56.6	$ (3.5)	$ 3.9
Corporate	16.6	15.8	12.1	9.1	6.6	7.5	$ 0.9	$ 2.5
Capital Expenditures [1]	$ 100.3	$ 69.5	$ 68.2	$ 86.2	$ 82.1	$ 90.0	$ 7.9	$ 4.1

[1] Capital expenditures for Lottery, eGaming and Casino and Community Gaming were for gaming systems and equipment; corporate capital expenditures were for physical and information technology infrastructure.

From year to year, capital spending varies significantly in response to revenue-generating and gambling facility initiatives. In 2017/18, capital spending of $82.1 million was $7.9 million less than budget and $4.1 million less than in 2016/17.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements present fairly the consolidated financial position of BCLC as at March 31, 2018, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG LLP, Chartered Professional Accountants have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements of BCLC.

Amanda Hobson
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Finance and Corporate Services

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INDEPENDENT AUDITORS' REPORT

To the Directors of and Minister Responsible for British Columbia Lottery Corporation

We have audited the accompanying consolidated financial statements of British Columbia Lottery Corporation, which are comprised of the consolidated statement of financial position as at March 31, 2018, the consolidated statements of comprehensive income, changes in deficit and cash flows for the year then ended, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of British Columbia Lottery Corporation as at March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

Kamloops, Canada
May 15, 2018

British Columbia Lottery Corporation

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017
(in thousands of Canadian dollars)

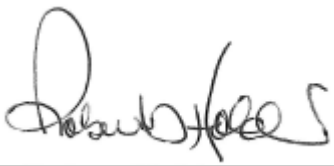
		2018		2017
ASSETS				
Cash and cash equivalents (note 5)	**$**	**81,944**	$	83,127
Accounts receivable (note 6)		**60,283**		41,053
Receivable from the Interprovincial Lottery Corporation		**12,634**		13,221
Prepaid and deferred expenses		**16,930**		12,928
Inventories (note 7)		**8,597**		9,055
Current assets		**180,388**		159,384
Employee benefits (note 8)		**2,125**		23,994
Property and equipment (note 9)		**232,458**		213,416
Intangible assets (note 10)		**55,444**		62,834
Non-current assets		**290,027**		300,244
Total assets	**$**	**470,415**	$	459,628
LIABILITIES				
Cheques issued in excess of funds on hand (note 5)	**$**	**3,422**	$	3,814
Prizes payable (note 11)		**34,495**		32,460
Accounts payable, accrued and other liabilities (note 12)		**92,838**		83,994
Short-term financing (note 13)		**154,867**		145,130
Due to the Government of British Columbia (note 14)		**161,347**		148,101
Deferred revenue		**7,806**		9,328
Current liabilities		**454,775**		422,827
Employee benefits (note 8)		**65,378**		77,270
Non-current liabilities		**65,378**		77,270
Total liabilities		**520,153**		500,097
DEFICIT				
Accumulated deficit		**(17,144)**		(17,144)
Accumulated other comprehensive loss		**(32,594)**		(23,325)
Total deficit		**(49,738)**		(40,469)
Total liabilities and deficit	**$**	**470,415**	$	459,628

Commitments and contingencies (notes 17, 18 and 21)
Subsequent events (note 22)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Bud Smith
Chair, Board of Directors



Robert Holden
Chair, Audit Committee

British Columbia Lottery Corporation

Consolidated Statement of Comprehensive Income

Year ended March 31, 2018, with comparative information for 2017
(in thousands of Canadian dollars)

		2018		2017
Revenue	**$**	**3,267,132**	$	3,143,877
Prizes		**764,223**		741,276
Net win		**2,502,909**		2,402,601
Expenses				
Commissions and fees		**723,289**		698,095
Employee costs		**97,519**		95,838
Amortization and depreciation (notes 9 and 10)		**68,952**		64,933
Systems, maintenance and ticket distribution		**46,213**		41,644
Gaming equipment, leases and licenses		**43,044**		39,353
Advertising, marketing and promotions		**23,478**		23,922
Ticket printing		**13,042**		12,390
Professional fees and services		**13,491**		12,248
Cost of premises		**7,762**		7,896
Other		**5,477**		11,369
		1,042,267		1,007,688
Income from operations before the undernoted		**1,460,642**		1,394,913
Indirect tax expense (note 20)		**57,155**		54,078
Funding of Joint Illegal Gaming Investigation Team (note 21)		**3,000**		1,800
Net income		**1,400,487**		1,339,035
Other comprehensive income				
Item that will never be reclassified to net income				
Net defined benefit plan actuarial gains (losses) (note 8)		**(9,269)**		33,228
Total comprehensive income	**$**	**1,391,218**	$	1,372,263

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Changes in Deficit

Year ended March 31, 2018, with comparative information for 2017
(in thousands of Canadian dollars)

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Deficit
Balance, April 1, 2016	$ (17,144)	$ (56,553)	$ (73,697)
Net income	1,339,035	–	1,339,035
Net defined benefit plan actuarial gains (note 8)	–	33,228	33,228
Total comprehensive income	1,339,035	33,228	1,372,263
Distributions to the Government of British Columbia (note 14)	(1,329,392)	–	(1,329,392)
Distributions to the Government of Canada (note 15)	(9,643)	–	(9,643)
Balance, March 31, 2017	$ (17,144)	$ (23,325)	$ (40,469)
Net income	**1,400,487**	**–**	**1,400,487**
Net defined benefit plan actuarial losses (note 8)	**–**	**(9,269)**	**(9,269)**
Total comprehensive income	**1,400,487**	**(9,269)**	**1,391,218**
Distributions to the Government of British Columbia (note 14)	**(1,390,693)**	**–**	**(1,390,693)**
Distributions to the Government of Canada (note 15)	**(9,794)**	**–**	**(9,794)**
Balance, March 31, 2018	**$ (17,144)**	**$ (32,594)**	**$ (49,738)**

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017
(in thousands of Canadian dollars)

		2018		2017
Cash flows from operating activities:				
Net income	**$**	**1,400,487**	$	1,339,035
Items not involving cash:				
Depreciation of property and equipment (note 9)		**53,033**		48,998
Amortization of intangible assets (note 10)		**15,919**		15,935
Loss on disposal of property and equipment		**1,242**		748
Loss on disposal of intangible assets		**22**		1,356
Net benefit plan expense (note 8)		**16,003**		17,051
		1,486,706		1,423,123
Changes in:				
Accounts receivable		**(19,230)**		(4,652)
Receivable from the Interprovincial Lottery Corporation		**587**		4,673
Prepaid and deferred expenses		**(4,002)**		(2,012)
Inventories		**458**		(55)
Employee benefits		**(15,294)**		(11,869)
Prizes payable		**2,035**		(664)
Accounts payable, accrued and other liabilities		**4,915**		10,609
Deferred revenue		**(1,522)**		(3,965)
Net cash from operating activities		**1,454,653**		1,415,188
Cash flows from financing activities:				
Increase (decrease) in short-term financing (note 13)		**9,737**		(4,961)
Interest paid (note 13)		**(1,039)**		(490)
Distributions to the Government of British Columbia (note 14)		**(1,377,447)**		(1,311,111)
Distributions to the Government of Canada (note 15)		**(9,794)**		(9,643)
Net cash used in financing activities		**(1,378,543)**		(1,326,205)
Cash flows from investing activities:				
Additions to property and equipment		**(67,771)**		(70,369)
Additions to intangible assets		**(9,407)**		(9,079)
Net proceeds (costs) on disposal of property and equipment		**277**		(545)
Net cash used in investing activities		**(76,901)**		(78,903)
Net (decrease) increase in cash and cash equivalents		**(791)**		10,080
Cash and cash equivalents, beginning of year		**79,313**		69,233
Cash and cash equivalents, end of year (note 5)	**$**	**78,522**	$	79,313

See accompanying notes to consolidated financial statements.

1. Reporting entity:

British Columbia Lottery Corporation (BCLC or the Corporation) is a Crown corporation of British Columbia (B.C.). BCLC was incorporated under the *Company Act* (B.C.) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC's registered office is 74 West Seymour Street, Kamloops, B.C., Canada. As an agent of the Crown, the Government of British Columbia has designated BCLC as the authority to conduct, manage and operate lottery schemes on behalf of the Government of British Columbia, including lottery, casino, bingo and internet gaming (eGaming) activities. BCLC is also the B.C. regional marketing organization for national lottery games, which are collective undertakings by the provinces of Canada acting through the Interprovincial Lottery Corporation (ILC).

As BCLC is an agent of the Crown, it is not subject to federal or provincial corporate income taxes.

2. Basis of preparation:

A. STATEMENT OF COMPLIANCE:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 15, 2018.

B. BASIS OF MEASUREMENT:

These consolidated financial statements have been prepared on a historical cost basis except for employee benefit plan assets, which are measured at the fair value of plan assets less the present value of the defined benefit obligation, as explained in note 3(E)(iii).

C. FUNCTIONAL AND PRESENTATION CURRENCY:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information has been rounded to the nearest thousand dollars.

2. Basis of preparation (continued):

D. USE OF ESTIMATES AND JUDGMENTS:

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements includes the determination of the ability to exercise control over gaming facility service providers and lottery retailers (note 3(A)).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year includes key actuarial assumptions used in the measurement of defined benefit obligations (note 8(D)(i)).

3. Significant accounting policies:

The Corporation and its subsidiary have consistently applied the following accounting policies to all periods presented in these consolidated financial statements:

A. BASIS OF CONSOLIDATION:

The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These consolidated financial statements include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC. Intercompany transactions and balances are eliminated on consolidation.

3. Significant accounting policies (continued):

B. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments and form an integral part of the Corporation's cash management. They consist of readily convertible instruments having a maturity of three months or less from the acquisition date and are subject to insignificant risk of changes in fair value.

C. FINANCIAL INSTRUMENTS:

The Corporation classifies its financial instruments into the following categories: fair value through income, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, and other financial liabilities.

i. Financial assets:

The Corporation initially recognizes loans and receivables on the dates that they originate. All other financial assets are initially recognized on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

3. Significant accounting policies (continued):

C. FINANCIAL INSTRUMENTS (continued):

i. Financial assets (continued):

The Corporation has the following financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are measured initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for impairment losses (see note 3(H)).

Loans and receivables are comprised of cash and cash equivalents, accounts receivable, and the receivable from the Interprovincial Lottery Corporation.

ii. Financial liabilities:

All financial liabilities are recognized initially on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged, or are cancelled.

The Corporation classifies financial liabilities as other financial liabilities. Such financial liabilities are measured initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation's financial liabilities are comprised of cheques issued in excess of funds on hand, prizes payable, accounts payable, accrued and other liabilities, short-term financing, and amounts due to the Government of British Columbia.

iii. Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a current, legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies (continued):

D. INVENTORIES:

Inventories are measured at the lower of cost, determined on a weighted average (for spare parts inventories), or first-in, first-out (for instant ticket inventories) basis, and net realizable value. For spare parts, net realizable value is the estimated value in use; for instant ticket inventories, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

E. EMPLOYEE BENEFITS:

i. Short-term employee benefits:

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the reporting period in which the benefit is earned. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by an employee, and the obligation can be estimated reliably.

ii. Termination benefits:

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. Benefits payable are discounted to their present value when they are not expected to be settled wholly within 12 months of the reporting date.

3. Significant accounting policies (continued):

E. EMPLOYEE BENEFITS (continued):

iii. Defined benefit plans:

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value and the fair value of any plan assets are deducted.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability (asset), which are comprised of actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. BCLC determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in income as employee costs.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment, is recognized immediately in income. The Corporation recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Significant accounting policies (continued):

F. PROPERTY AND EQUIPMENT:

The Corporation's property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset to the location and condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of short-term employee benefits for employees working directly on the construction of the qualifying asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Land and assets under construction are not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and based on the following estimated useful lives:

Asset	Rate
Corporate facilities, systems and equipment	3 to 20 years
Lottery gaming systems and equipment	5 to 10 years
eGaming systems and equipment	3 to 5 years
Casino and community gaming systems and equipment	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies (continued):

G. INTANGIBLE ASSETS:

Expenditures incurred in the development or acquisition of computer software products or systems that will contribute to future economic benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Other development costs are recognized in income as incurred.

Development expenditures are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Corporation intends to, and has sufficient resources to, complete development and to use or sell the asset.

The cost of computer software and systems that are acquired by the Corporation includes the purchase price and any expenditures directly attributable to preparing the asset for its intended use.

Capitalized direct labour is comprised of short-term employee benefits for employees working directly on development. Borrowing costs related to the development of qualifying assets are capitalized.

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Assets under development are not amortized. The cost of other assets is amortized using the straight-line method over the estimated useful lives of the assets (three to ten years) beginning when they are available for use. Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

H. IMPAIRMENT:

i. Financial assets:

Financial assets not classified as at fair value through income are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes, but is not limited to, default or delinquency by a debtor or indications that a debtor will enter bankruptcy.

The Corporation considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

3. Significant accounting policies (continued):

H. IMPAIRMENT (continued):

i. Financial assets (continued):

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through income.

ii. Non-financial assets:

The carrying amounts of non-financial assets, other than inventories and employee benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the greater of an asset's or cash generating unit's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Impairment losses are recognized in income and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

I. PROVISIONS:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in income as a financing cost in other expenses. Provisions are included in accounts payable, accrued and other liabilities.

3. Significant accounting policies (continued):

J. REVENUE:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is earned through various distribution channels.

The Corporation's revenue recognition policies are as follows:

i. Revenue:

Revenue from lottery tickets, which are sold through contracted lottery retailers and online at PlayNow.com, is recognized when the related draw occurs. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

Revenue, net of an allowance for buybacks, for all instant ticket games, which are sold through contracted lottery retailers, is recognized at the time of the transfer to a retailer.

Revenue from slot machines and table games, generated through contracted gaming facility service providers and online at PlayNow.com, is recognized, net of prizes paid and deferrals under customer loyalty programs, in the same period in which the games are played.

Revenue from the operation of bingo games, generated through contracted gaming facility service providers and online at PlayNow.com, is recognized in the same period in which the games are played.

Revenue from sports betting, generated through contracted lottery retailers and online at PlayNow.com, is recognized in the period in which the bets settle. Receipts for bets that are received before March 31 for sporting events that occur subsequent to that date are recorded as deferred revenue.

ii. Customer loyalty programs:

The Corporation has customer loyalty programs whereby players can receive free or discounted goods and services. Certain loyalty programs allow players to earn points based on the volume of play during gaming sessions. Revenue is allocated between the loyalty program and the other components of the transaction based on the fair value of the undelivered goods and services. The amount allocated to the loyalty program is deferred, and is recognized as revenue when the Corporation has fulfilled its obligation to supply the free or discounted goods and services or when the points expire.

iii. Net win:

Net win is defined as gaming revenue net of prizes paid.

3. Significant accounting policies (continued):

K. PRIZES:

Lottery and bingo prize expenses are recognized when the related draw or game occurs, and are recorded based on the actual prize liability experienced for each game.

Instant ticket games prize expenses are recorded at the theoretical prize liability for each game, including the expected cost of annuity based prizing, concurrently with the recognition of revenue. The actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense and any differences are recognized upon the final accounting for the game.

Unclaimed lottery prizes are recorded as prizes payable until the prizes are claimed, discontinued or expire. Expired prizes are recorded as reductions in prize expense and prize liability in the year of expiry.

Unclaimed prizes of national lottery games are administered by the Interprovincial Lottery Corporation.

Sports betting prize expenses are recognized when the last wagered event occurs and are recorded based on the actual prizes paid for each bet.

The Corporation has several progressive jackpot games, each of which may be comprised of a seed (or base) as well as an incremental portion, which increases by allotting a portion of each player's wager to the pot. BCLC recognizes such amounts as a prize payable at the time the Corporation has an obligation with regard to the jackpot funds.

L. COMMISSIONS:

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as revenue is earned.

Commissions paid to gaming facility service providers, including commissions for facility development, are based on net win generated in accordance with underlying operating service agreements. BCLC recognizes commission expenses as net win is earned. Commissions for facility development are based on a commission structure employed by BCLC that enables gaming facility service providers to earn additional commission up to contractually determined limits.

3. Significant accounting policies (continued):

M. LEASES:

At inception of an arrangement, the Corporation determines whether the arrangement is or contains a lease.

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as financing leases. Upon initial recognition, a leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under financing leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases other than financing leases are classified as operating leases and are not recognized in the consolidated statement of financial position. Payments made under operating leases are recognized in income on a straight-line basis over the terms of the leases.

N. NEW STANDARDS ISSUED BUT NOT YET ADOPTED:

A number of new standards and amendments to standards are not yet effective and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards early.

i. IFRS 9 *Financial Instruments* (IFRS 9):

IFRS 9, published in July, 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2019, and will apply these changes retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* except for certain exemptions allowed in transition to the new standard.

The Corporation’s preliminary assessment of the new standard is that it is not anticipated to have a material impact on the Corporation’s consolidated financial statements.

3. Significant accounting policies (continued):

N. NEW STANDARDS ISSUED BUT NOT YET ADOPTED (continued):

ii. IFRS 15 *Revenue from Contracts with Customers* (IFRS 15):

IFRS 15, published in May, 2014, establishes a comprehensive framework for revenue recognition from contracts with customers. It replaces existing revenue recognition guidance, including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The guidance is required to be applied either retrospectively to each prior reporting period presented ("full retrospective method"), or retrospectively with the cumulative effect of initially applying the new standard recognized at the date of initial application ("modified retrospective method"). The Corporation plans to adopt this standard for its fiscal year ending March 31, 2019, on a full retrospective basis.

The Corporation anticipates this standard will have a material impact on the presentation of its consolidated financial statements and is currently in the process of assessing all potential impacts. At this time, the Corporation expects the most significant effects of the new standard will be related to the timing of revenue recognition for instant ticket games, as these products will need to be recognized at the time of sale to a player instead of at the time of shipment receipt at the lottery retailer location; however, due to the complexity and nature of the gaming industry, the quantitative effects of these changes have not yet been determined and are still being analyzed.

Upon adoption, management expects the new standard to change the presentation of revenue on the consolidated statement of comprehensive income. These changes will result in all revenue being presented net of prizes.

Additionally, the new standard will increase revenue disclosure requirements including disaggregation of revenue and further explanation of deferred revenue.

3. Significant accounting policies (continued):

N. NEW STANDARDS ISSUED BUT NOT YET ADOPTED (continued):

iii. IFRS 16 *Leases* (IFRS 16):

IFRS 16, published in January, 2016, establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

IFRS 16 introduces a single, on-balance-sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing lease guidance, including IAS 17 *Leases,* IFRIC 4 *Determining whether an arrangement contains a lease,* SIC-15 *Operating Leases – Incentives,* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted only if IFRS 15 is applied at or before the date of initial application of IFRS 16. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2020.

The Corporation currently has a plan to review and assess all lease arrangements to determine the impacts that the new standard will have on the consolidated financial statements.

4. Financial risk management:

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

A. GENERAL:

The Corporation's Board of Directors has the responsibility to oversee the conduct of the Corporation's business and to supervise management, which is responsible for the day-to-day operation of the Corporation.

The Board's role includes oversight of the Corporation's enterprise risk management program, and the integrity of the Corporation's internal control and management systems. The Board, with the support of its Risk Committee, monitors the Corporation's risk tolerance and considers strategic risks as part of the annual strategic planning process. The Board's Audit Committee supports the Board in its oversight of the effectiveness of the Corporation's systems of internal control over financial information.

The Corporation has a corporate security and compliance division, as well as an internal audit services department. Furthermore, the Corporation has a dedicated risk advisory services department (RAS) to support the enterprise risk management program for the identification, assessment and management of strategic and operational risks. The RAS reports quarterly on its activities and on the Corporation's risk profile for the review of the Executive Committee, the Risk Committee, and the Board as a whole.

B. CREDIT RISK:

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, net win less commissions outstanding, gaming cash floats, and cash and cash equivalents.

Trade receivables, net win less commissions outstanding, and gaming cash floats

Third parties transacting with the Corporation that handle gaming proceeds, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC.

4. Financial risk management (continued):

B. CREDIT RISK (continued):

Trade receivables, net win less commissions outstanding, and gaming cash floats (continued)

The Corporation has arrangements with approximately 3,500 lottery retailers. The Corporation is not materially exposed to any individual lottery retailer. The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments may be completed for new retailers (with the exception of registered charities), retailers who have experienced insufficient fund occurrences, or in cases where there are concerns that retailers might be experiencing financial difficulties. Security is obtained from lottery retailers who are considered high financial risks, or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees.

The Corporation has arrangements with 18 gaming facility service providers. The Corporation may secure the net win less commissions that would be outstanding from gaming facility service providers through security deposits or Irrevocable Standby Letters of Credit and may similarly secure gaming cash floats owned by the Corporation and provided by the Corporation to certain gaming facility service providers. The Corporation has credit risk exposure primarily in relation to two significant gaming facility service providers that has been mitigated by letters of credit and daily cash sweeps made by the Corporation.

As at March 31, 2018, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $22,504 (2017: $7,844) of the accounts receivable carrying amount.

The Corporation’s exposure to credit risk for accounts receivable and gaming cash floats at the reporting date, by type of debtor, is represented by the carrying amounts less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

		2018		2017
Maximum exposure	**$**	**104,347**	$	85,188
Collateral		**(65,955)**		(62,702)
Net exposure	**$**	**38,392**	$	22,486

Normal credit terms for trade receivables or net win less commissions outstanding are payment within 30 days. As at March 31, 2018 and 2017, there were no trade receivables or net win less commissions outstanding for more than 60 days.

4. Financial risk management (continued):

B. CREDIT RISK (continued):

Cash and cash equivalents

Cash and cash equivalents, excluding gaming cash floats, are held with banks and counterparties which have high credit ratings and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Corporation has a formal policy and guidelines in place for cash equivalents that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

The maximum exposure to credit risk for cash and cash equivalents, excluding gaming cash floats, is represented by the carrying amounts at the reporting date (note 5).

C. LIQUIDITY RISK:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of British Columbia under its Fiscal Agency Loan program. Under this agreement, the Corporation may borrow up to an aggregate amount of $250 million. In making a loan to the Corporation, the Government of British Columbia uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of British Columbia. Loans are unsecured and there are no pre-established repayment terms other than the requirement that no single loan may have a duration of more than 365 days. The terms are set by the Government of British Columbia each time a loan is requested under this agreement. To date the durations of the loans have not exceeded 90 days.

The Corporation also has an unused $10 million demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2017: prime rate).

4. Financial risk management (continued):

C. LIQUIDITY RISK (continued):

The Corporation manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary surplus cash balances resulting from unclaimed prize money and money from normal operations, held in advance of its transfer to the Government of British Columbia (note 14). As a result of fluctuating cash flow requirements and in order to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of all financial liabilities as at March 31, 2018 and 2017 are three months or less.

D. MARKET RISK:

Market risk, including interest rate risk, is the risk that changes in market prices will affect the fair value of, or future cash flows from, a financial instrument. The Corporation is not exposed to interest rate risk since all of its interest-bearing financial instruments are held in fixed-rate instruments.

The Corporation does not account for any fixed-rate financial liabilities at fair value through income, and does not utilize interest rate swaps. Therefore, a change in interest rates at the reporting date would not affect income.

E. FAIR VALUES:

The carrying amounts of financial assets and financial liabilities not classified as fair value through income approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

4. Financial risk management (continued):

F. OFFSETTING:

The carrying amounts of recognized financial instruments that are set off in the consolidated statement of financial position are as follows:

As at March 31, 2018	**Gross financial assets set off**	**Gross financial liabilities set off**	**Net financial assets**	**Related financial assets not set off**	**Net amount**
Accounts receivable					
Lottery retailers	**$ 38,316**	**$ (12,324)**	**$ 25,992**	**$ –**	**$ 25,992**
Gaming facility service providers	**54,612**	**(23,719)**	**30,893**	**–**	**30,893**
Other	**–**	**–**	**–**	**3,398**	**3,398**
	$ 92,928	**$ (36,043)**	**$ 56,885**	**$ 3,398**	**$ 60,283**

As at March 31, 2018	**Gross financial assets set off**	**Gross financial liabilities set off**	**Net financial liabilities**	**Related financial liabilities not set off**	**Net amount**
Accounts payable, accrued and other liabilities	**$ 758**	**$ (2,040)**	**$ (1,282)**	**$ (91,556)**	**$ (92,838)**

As at March 31, 2017	Gross financial assets set off	Gross financial liabilities set off	Net financial assets	Related financial assets not set off	Net amount
Accounts receivable					
Lottery retailers	$ 33,460	$ (11,706)	$ 21,754	$ –	$ 21,754
Gaming facility service providers	36,020	(23,993)	12,027	–	12,027
Other	–	–	–	7,272	7,272
	$ 69,480	$ (35,699)	$ 33,781	$ 7,272	$ 41,053

As at March 31, 2017	Gross financial assets set off	Gross financial liabilities set off	Net financial liabilities	Related financial liabilities not set off	Net amount
Accounts payable, accrued and other liabilities	$ 578	$ (1,668)	$ (1,090)	$ (82,904)	$ (83,994)

5. Cash and cash equivalents:

		2018		2017
Gaming cash floats	**$**	**44,064**	$	44,135
Funds held for security deposits		**5,808**		5,833
Funds held for player accounts		**7,072**		5,892
Canadian high interest savings account (overnight deposits)		**25,000**		24,099
Canadian money market funds (overnight deposits)		**-**		3,168
Cash and cash equivalents in the statement of financial position		**81,944**		83,127
Cheques issued in excess of funds on hand in the statement of financial position		**(3,422)**		(3,814)
Cash and cash equivalents in the statement of cash flows	**$**	**78,522**	$	79,313

Gaming cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gambling locations and are not available for other purposes.

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $5,808 (2017: $5,833) is included in accounts payable, accrued and other liabilities.

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player account liability in the amount of $7,072 (2017: $5,892) is included in accounts payable, accrued and other liabilities.

Select gaming facility service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (gaming accounts). These gaming accounts are accounted for in accordance with the casino and community gaming centre standards, policies and procedures under the supervision of the Corporation, as well as in accordance with the regulations of GPEB. No amounts are recorded in the Corporation's consolidated financial statements for these gaming accounts. The gaming facility service providers are legally liable for the player funds held in these accounts.

6. Accounts receivable:

		2018		2017
Trade receivables and net win less commissions outstanding:				
Lottery retailers	**$**	**25,992**	$	21,754
Gaming facility service providers		**30,893**		12,027
		56,885		33,781
Other		**3,398**		7,272
	$	**60,283**	$	41,053

7. Inventories:

The major components of inventories are as follows:

		2018		2017
Slot machine spare parts	**$**	**4,701**	$	4,685
Instant tickets		**2,414**		2,512
Other		**1,482**		1,858
	$	**8,597**	$	9,055

For the year ended March 31, 2018, inventories recognized as an expense amounted to $20,158 (2017: $19,736).

8. Employee benefits:

The Corporation contributes to and controls the following post-employment defined benefit plans:

Registered Pension Plan (Plan A)

Plan A is a registered pension plan in the Province of B.C. under the *Pension Benefits Standards Act (British Columbia)* (PBSA). Plan A entitles an employee to receive an annual pension payment after retirement based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and covers substantially all of the Corporation's employees. The pension benefits are partially indexed for inflation after retirement.

Supplementary Pension Plan (Plan B)

Plan B covers employees designated by the Corporation. The pension benefits under Plan B provide designated employees a top-up to Plan A benefits to the extent, if any, that they are limited by the *Income Tax Act* maximum pension rules.

Non-Pension Post-Employment Plan (Plan C)

Plan C covers eligible BCLC employees for post-employment medical, dental and life insurance benefits.

The Corporation, as the plan sponsor and plan Administrator, has established the Pension Committee to have primary responsibility for the administration and oversight of the plans and to perform certain delegated responsibilities.

These plans expose the Corporation to foreign currency risk, interest rate risk, longevity risk, inflation risk and other market price risk.

8. Employee benefits (continued):

A. FUNDING:

Plan A is funded by employee contributions, employer contributions, and investment returns. The Corporation funds Plan A based on the advice of an actuary, in order to provide for the cost of the benefits accruing under the plan and for the proper amortization of any unfunded liability or solvency deficiency, both in accordance with the PBSA, after taking into account the assets of the plan, employee contributions and all other relevant factors. The actuarial assumptions used to determine funding requirements, which are based on a separate actuarial valuation for funding purposes, may differ from the assumptions herein.

If at any time the actuary certifies that the net assets available for benefits under Plan A exceed the actuarially-determined present value of the accrued pension benefit obligation, such surplus, or any portion thereof, may be used by the Corporation at its discretion, to reduce its contribution obligations, subject to PBSA restrictions.

The Corporation expects to contribute $13,020 to Plan A in the year ending March 31, 2019.

Plans B and C are unfunded. As such, the Corporation pays all benefits thereunder as they fall due.

8. Employee benefits (continued):

B. MOVEMENT IN NET DEFINED BENEFIT LIABILITY (ASSET):

A reconciliation from the opening balances to the closing balances for the net defined benefit liability (asset) and its components is as follows:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2018	2017	**2018**	2017	**2018**	2017
Balance at April 1	**$ 325,579**	$ 322,592	**$ (272,303)**	$ (241,270)	**$ 53,276**	$ 81,322
Included in income						
Current service cost	**12,961**	13,174	**–**	–	**12,961**	13,174
Interest cost (income)	**13,386**	12,658	**(10,914)**	(9,231)	**2,472**	3,427
Administration cost	**–**	–	**570**	450	**570**	450
	26,347	25,832	**(10,344)**	(8,781)	**16,003**	17,051
Included in other comprehensive income						
Re-measurements loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	**4,036**	(12,475)	**–**	–	**4,036**	(12,475)
Experience adjustments	**8,801**	(298)	**–**	–	**8,801**	(298)
Return on plan assets excluding interest income	**–**	–	**(3,568)**	(20,455)	**(3,568)**	(20,455)
	12,837	(12,773)	**(3,568)**	(20,455)	**9,269**	(33,228)
Other						
Contributions paid by the employer	**–**	–	**(15,295)**	(11,869)	**(15,295)**	(11,869)
Contributions paid by the employee	**2,730**	2,763	**(2,730)**	(2,763)	**–**	–
Benefits paid	**(12,393)**	(12,835)	**12,393**	12,835	**–**	–
	(9,663)	(10,072)	**(5,632)**	(1,797)	**(15,295)**	(11,869)
Balance at March 31	**$ 355,100**	$ 325,579	**$ (291,847)**	$ (272,303)	**$ 63,253**	$ 53,276

Represented by:	**2018**	2017
Net defined benefit asset (Plan A)	**$ (2,125)**	$ (23,994)
Net defined benefit liability (Plans B and C)	**65,378**	77,270
	$ 63,253	$ 53,276

8. Employee benefits (continued):

C. PLAN ASSETS:

Plan assets are comprised of:

2018		**Level 1[1]**		**Level 2[2]**		**Total**	**Asset Mix**
Pooled funds							
Canadian equity funds	**$**	**89,351**	**$**	**–**	**$**	**89,351**	**31%**
Global equity funds		**104,189**		**–**		**104,189**	**36%**
Fixed income funds		**67,706**		**–**		**67,706**	**23%**
Debt securities							
Canada real return bonds		**–**		**30,601**		**30,601**	**10%**
	$	**261,246**	**$**	**30,601**	**$**	**291,847**	**100%**

2017		Level 1[1]		Level 2[2]		Total	Asset Mix
Pooled funds							
Canadian equity funds	$	82,874	$	–	$	82,874	30%
Global equity funds		97,034		–		97,034	36%
Fixed income funds		64,421		–		64,421	24%
Debt securities							
Canada real return bonds		–		27,974		27,974	10%
	$	244,329	$	27,974	$	272,303	100%

[1] The fair values of Level 1 assets are determined based on quoted prices in active markets.

[2] The fair values of Government of Canada real return bonds are determined based on price quotations. However, as the underlying market in which these instruments are traded is not considered active, the bonds are classified as Level 2 in the fair value hierarchy.

Plan contributions are invested in equities and bonds. With consideration to the long-term nature of the plan liabilities, and the shorter-term liquidity needs for payments to retirees, the Corporation has a general target allocation of 60% equities and 40% bonds. As a general policy, and in accordance with the relevant regulations, the Corporation has adopted the investment guidelines of the PBSA for defining permissible investment activities for money held in trust. Each investment manager is expected to actively manage Plan A's assets within the parameters of the strategic asset mix comprising 40 to 70% equity securities, 30 to 50% investment funds and debt securities and up to 5% cash and cash equivalents.

8. Employee benefits (continued):

D. DEFINED BENEFIT OBLIGATION:

i. Actuarial valuation and assumptions:

An actuarial valuation is required, at a minimum, every three years to assess the financial position of Plan A. The most recent actuarial valuation of Plan A for funding purposes was made by Morneau Shepell Ltd. (Morneau), an independent firm of consulting actuaries, as of December 31, 2016. The defined benefit obligation for Plan A has been based on this valuation, with adjustments made for cash flows and material events since this date. In addition, certain assumptions have been updated to reflect market conditions as at March 31, 2018. The next required actuarial valuation will be completed as of December 31, 2019 with a determination of the funded status of the pension plan available in mid-2020.

There is no statutory actuarial valuation requirement for Plan B. The defined benefit obligation for Plan B is based on data collected for those members as of March 31, 2018.

There is no statutory actuarial valuation requirement for Plan C; however, an actuarial valuation is completed every three years on Plan C. An actuarial valuation of Plan C was performed by Morneau as of December 31, 2015. The defined benefit obligation for Plan C has been based on this valuation, with adjustments made for cash flows and material events since this date.

The principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	Plans A and B		Plan C	
	2018	2017	**2018**	2017
Discount rate:				
Defined benefit obligation	**3.65%**	4.00%	**3.65%**	4.00%
Benefit cost	**4.00%**	3.80%	**4.00%**	3.80%
Rate of compensation increase for the fiscal year	**2.00%**	2.00%	**-**	-
Future compensation increases	**2.00%**	2.00%	**-**	-
Inflation	**2.00%**	1.75%	**-**	-
Initial weighted-average health care trend rate	**-**	-	**5.00%**	5.25%
Ultimate weighted-average health care trend rate	**-**	-	**3.70%**	4.21%
Year ultimate reached	**-**	-	**2026**	2026
Assumed life expectations on retirement at age 65				
Current pensioners				
Male	**23.2**	23.2	**23.2**	23.2
Female	**25.1**	25.0	**25.1**	25.0
Retiring in 20 years				
Male	**24.2**	24.2	**24.2**	24.2
Female	**26.0**	26.0	**26.0**	26.0

8. Employee benefits (continued):

D. DEFINED BENEFIT OBLIGATION (continued):

ii. Sensitivity analysis:

Changes at March 31, 2018 to one of the relevant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation by the following amounts:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase in rate	**Decrease in rate**	Increase in rate	Decrease in rate
Discount rate (1% movement)	**$ (51,341)**	**$ 66,315**	$ (46,170)	$ 59,965
Future compensation increase (1% movement)	**10,745**	**(8,973)**	6,083	(5,244)
Inflation (1% movement)	**16,542**	**(15,064)**	13,656	(12,028)
Health care cost trend rate (1% movement)	**5,205**	**(4,925)**	9,825	(8,367)
Future mortality (10% movement)	**(5,639)**	**6,108**	(5,372)	5,823

In practice, it is unlikely that one assumption would change, while all other assumptions remained constant, since changes in some of the assumptions are interdependent; however, this analysis does provide an approximation of the sensitivity of the assumptions shown.

iii. Maturity profile of plan membership:

The breakdown of the defined benefit obligation at March 31, 2018 (as a percentage of the total) in respect of active employees, former employees who have not yet started receiving a pension (deferred vested), and former employees and other beneficiaries receiving a pension (retirees), is as follows:

	Defined benefit obligation	
	2018	2017
Active members	**49%**	46%
Deferred vested members	**5%**	5%
Retirees	**46%**	49%
Total	**100%**	100%

At March 31, 2018, the weighted-average duration of the defined benefit obligation was 16.2 years (2017: 18.0 years).

9. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost							
Balance at April 1, 2016	$ 2,689	$ 98,212	$ 110,435	$ 7,651	$ 432,937	$ 10,448	$ 662,372
Additions	90	4,322	5,581	–	43,457	22,260	75,710
Transferred to systems and equipment	–	1,705	1,583	–	6,489	(9,777)	–
Disposals and retirements	–	(3,724)	(1,120)	–	(46,374)	–	(51,218)
Balance at March 31, 2017	2,779	100,515	116,479	7,651	436,509	22,931	686,864
Additions	**217**	**2,588**	**6,900**	1	**34,220**	**29,668**	**73,594**
Transferred to systems and equipment	**–**	**1,422**	**1,075**	–	**16,504**	**(19,001)**	**–**
Disposals and retirements	**–**	**(904)**	**(2,011)**	–	**(26,199)**	**–**	**(29,114)**
Balance at March 31, 2018	**$ 2,996**	**$ 103,621**	**$ 122,443**	**$ 7,652**	**$ 461,034**	**$ 33,598**	**$ 731,344**
Accumulated depreciation							
Balance at April 1, 2016	$ –	$ 74,696	$ 98,610	$ 6,971	$ 293,729	$ –	$ 474,006
Depreciation for the year	–	6,513	4,035	292	38,158	–	48,998
Disposals and retirements	–	(3,340)	(1,117)	-	(45,099)	–	(49,556)
Balance at March 31, 2017	–	77,869	101,528	7,263	286,788	–	473,448
Depreciation for the year	**–**	**6,426**	**4,626**	**253**	**41,728**	–	**53,033**
Disposals and retirements	**–**	**(877)**	**(1,760)**	**-**	**(24,958)**	–	**(27,595)**
Balance at March 31, 2018	**$ –**	**$ 83,418**	**$ 104,394**	**$ 7,516**	**$ 303,558**	**$ –**	**$ 498,886**
Carrying amounts							
At March 31, 2017	$ 2,779	$ 22,646	$ 14,951	$ 388	$ 149,721	$ 22,931	$ 213,416
At March 31, 2018	**$ 2,996**	**$ 20,203**	**$ 18,049**	**$ 136**	**$ 157,476**	**$ 33,598**	**$ 232,458**

10. Intangible assets:

	Software	Assets under development	Total
Cost			
Balance at April 1, 2016	$ 164,121	$ 12,880	$ 177,001
Acquisitions - separately acquired	3,396	6,174	9,570
Acquisitions - internally generated	500	371	871
Transferred to software	2,079	(2,079)	–
Disposals and retirements	(9,607)	–	(9,607)
Balance at March 31, 2017	160,489	17,346	177,835
Acquisitions – separately acquired	**4,547**	**778**	**5,325**
Acquisitions – internally generated	**999**	**2,227**	**3,226**
Transferred to software	**10,562**	**(10,562)**	**–**
Disposals and retirements	**(25)**	**–**	**(25)**
Balance at March 31, 2018	**$ 176,572**	**$ 9,789**	**$ 186,361**
Accumulated amortization			
Balance at April 1, 2016	$ 107,316	$ –	$ 107,316
Amortization for the year	15,935	–	15,935
Disposals and retirements	(8,250)	–	(8,250)
Balance at March 31, 2017	115,001	–	115,001
Amortization for the year	**15,919**	–	**15,919**
Disposals and retirements	**(3)**	–	**(3)**
Balance at March 31, 2018	**$ 130,917**	**$ –**	**$ 130,917**
Carrying amounts			
At March 31, 2017	$ 45,488	$ 17,346	$ 62,834
At March 31, 2018	**$ 45,655**	**$ 9,789**	**$ 55,444**

The intangible assets balance represents purchased and internally-generated software assets.

11. Prizes payable:

		2018		2017
Lottery	**$**	**27,167**	$	27,015
Casino and community gaming		**7,328**		5,445
	$	**34,495**	$	32,460

12. Accounts payable, accrued and other liabilities:

		2018		2017
Trade payables	**$**	**26,185**	$	22,947
Accrued expenses		**39,022**		33,313
Player accounts liability		**7,072**		5,892
Security deposits payable		**5,808**		5,833
Indirect tax payable		**5,359**		4,862
Other		**9,392**		11,147
	$	**92,838**	$	83,994

13. Short-term financing:

		2018		2017
Government of British Columbia, loans, payable in single instalments including interest ranging from $31 to $78 at rates ranging from 0.86% to 1.18%, unsecured, due between April 9, 2018 and May 24, 2018	**$**	**154,867**	$	**–**
Government of British Columbia, loans, payable in single instalments including interest ranging from $6 to $27 at rates ranging from 0.31% to 0.45%, unsecured, due between April 5, 2017 and May 19, 2017		**–**		145,130
	$	**154,867**	$	145,130

13. Short-term financing (continued):

Reconciliation of the movements of liabilities to cash flows arising from financing activities:

Balance at April 1, 2017	**$**	**145,130**
Changes from financing cash flows		
Proceeds from borrowings		**1,414,084**
Repayment of borrowings		**(1,404,405)**
Total changes from financing cash flows		**9,679**
Other changes		
Interest expense		**983**
Interest paid		**(1,039)**
Capitalized borrowing costs		**114**
Total other changes		**58**
Balance at March 31, 2018	**$**	**154,867**

14. Distributions to the Government of British Columbia:

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 15), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of British Columbia occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings.

15. Distributions to the Government of Canada:

The ILC makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the ILC.

16. Interprovincial Lottery Corporation:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized in prize expense and ticket printing expense, respectively, in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses in the consolidated statement of comprehensive income.

17. Commitments:

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises, vehicles, and office equipment are as follows:

2019	$5,072
2020	4,408
2021	3,719
2022	3,624
2023	3,315
Thereafter	9,065

The Corporation leases its Vancouver office and warehouse space under non-cancellable operating leases. The leases commenced May, 2011 and have a term of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay contingent location fees that are reviewed, negotiated and adjusted as necessary.

The Corporation leases a fleet of vehicles and office equipment under non-cancellable operating lease agreements. These leases generally have five-year terms.

The Corporation leases casino and community gaming equipment under cancellable operating leases. These leases typically run for a period of three years.

During the year ended March 31, 2018, $24,071 (2017: $23,262) was recognized as an expense in the consolidated statement of comprehensive income in respect of non-cancellable and cancellable operating leases. The Corporation recognized income of $3,140 (2017: $3,057) in respect of rent under cancellable operating agreements with lottery retailers. These expense and income amounts are included in gaming equipment, leases and licenses, cost of premises, and other.

17. Commitments (continued):

Capital commitments

As of March 31, 2018, the Corporation is committed to incur capital expenditures relating to property and equipment and intangible assets of $9,814 (2017: $11,412). These commitments are expected to be settled in the following year.

18. Contingencies:

From time to time, the Corporation is party to legal proceedings and claims that arise in the ordinary course of business. A provision would only be recognized for these contingencies when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. BCLC is required to have all indemnification obligations approved by the B.C. Government Risk Management Branch. These indemnifications are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third-party claims. The nature of these agreements prevents the Corporation from making reasonable estimates of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements for these indemnifications.

19. Related party transactions:

BCLC, as a wholly-owned Crown corporation, is controlled by the Government of British Columbia. Included in these consolidated financial statements are transactions with various Government of British Columbia ministries, agencies, and Crown corporations related to the Corporation by virtue of common control.

All transactions with the Government of British Columbia ministries, agencies and Crown corporations occurred in the normal course of operations and are on terms comparable to those with other entities that are not government-related. Transactions that are considered to be individually or collectively significant include loan agreements (note 13) and distributions to the Government of British Columbia (note 14). The Corporation pays Provincial Sales Tax on its taxable purchases and also collects and remits Provincial Sales Tax to the Government of British Columbia on its taxable sales (note 20).

Key management personnel have been defined as the members of the Board of Directors, the President & CEO, and the Corporation's Vice-Presidents. The compensation for key management personnel is shown below:

		2018		2017
Short-term employee benefits	**$**	**2,475**	$	2,538
Pension and post-employment benefits		**211**		179
Termination benefits		**-**		(18)
	$	**2,686**	$	2,699

The Corporation is also related to the post-employment defined benefit plans. Transactions with these plans are disclosed in note 8.

20. Indirect tax expense:

As a provincial gaming authority, BCLC is a prescribed registrant under the *Games of Chance Goods and Services Tax (GST)/Harmonized Sales Tax (HST) Regulations* of the *Excise Tax Act* (the Regulations). The Corporation makes GST remittances to the Government of Canada pursuant to the Regulations. The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations, resulting in the direct payment of additional GST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similarly to that for other GST registrants.

Provincial Sales Tax is calculated and remitted to the Province of British Columbia pursuant to the *Provincial Sales Tax Act*.

21. Joint Illegal Gaming Investigation Team:

The Corporation is committed to funding the Joint Illegal Gaming Investigation Team over its five-year mandate, in combination with funding from the federal government through the Provincial Police Service Agreement. The Corporation began recording funding in the 2017 fiscal year, for the external policing costs related to this team located within the Combined Forces Special Enforcement Unit of B.C. The Corporation recorded $3 million in funding for the current fiscal year and is committed to fund $3 million for the fiscal year ending March 31, 2019. Funding for the remaining two years of the mandate is also estimated to be $3 million annually.

22. Subsequent events:

A. NEW OPERATIONAL SERVICES AGREEMENTS:

The Corporation signed new operational services agreements (OSAs) with some of its gaming facility service providers subsequent to the current fiscal year end with effective dates during the upcoming fiscal year. The Corporation plans for all gaming facility service providers to sign new OSAs as soon as is practicable. Based on projected revenues, BCLC anticipates increased costs related to the new OSAs of approximately $30 million annually once all gaming facility service providers have transitioned to new agreements. The new agreements provide for increased commissions in exchange for strengthened accountability measures and investment commitments, which are expected to improve strategic alignment and drive incremental market growth in the long term.

B. ANTI-MONEY LAUNDERING REVIEW:

In the 2018 fiscal year, the Attorney General for British Columbia commissioned an independent review of British Columbia's anti-money laundering policies and practices. As at the date of these consolidated financial statements, the results of this review have not been made public and the impact of any related recommendations on future operations, if any, is not known at this time.

Appendix A – Additional Information

Corporate Governance

http://corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html

Organizational Overview

http://corporate.bclc.com/who-we-are.html

http://corporate.bclc.com/what-we-do.html

http://corporate.bclc.com/social-responsibility.html

Contact Information

74 West Seymour Street, Kamloops, B.C., V2C 1E2
250-828-5500
consumerservices@bclc.com
www.bclc.com

Appendix B – Subsidiaries and Operating Segments

BC Lottotech International, Inc.

The consolidated statements of the British Columbia Lottery Corporation include BC Lottotech International, a wholly-owned subsidiary of the Corporation. The primary purpose of BC 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 BC Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

	2015/16	2016/17	2017/18
Revenue ($ thousands)			
Lease revenue	65,642	59,153	63,201
Expenses			
Depreciation and amortization	65,475	59,005	63,044
Other expense	1,231	1,698	1,019
	66,706	60,703	64,063
Net loss	(1,064)	(1,550)	(862)

Appendix GG – 2018/19:

British Columbia, British Columbia Lottery Corporation, *BCLC Annual Report 2018-2019,* (Kamloops: British Columbia Lottery Corporation, 2019).

BC Lottery Corporation

2018/19
ANNUAL SERVICE PLAN REPORT

July 2019

APPENDIX GG

For more information on BC Lottery Corporation (BCLC) contact:

74 West Seymour Street, Kamloops, B.C., V2C 1E2

250-828-5500

consumerservices@bclc.com

or visit our website at

www.bclc.com

Board Chair's Accountability Statement

The *BCLC 2018/19 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2018/19 - 2020/21 Service Plan* created in February 2018. I am accountable for those results as reported.

Peter Kappel
Board Chair

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Chair/CEO Report Letter

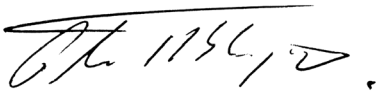
BCLC is focused on offering gambling entertainment in a socially responsible manner in order to generate income for British Columbia and help communities grow. In fiscal 2018/19 BCLC generated more than $1.4 billion in net income for the Province of British Columbia, which was $105 million over budget and $15.6 million ahead of last year. In a year with many challenges, we would have not been able to achieve this result without tremendous effort on the part of our employees and support from our players and the communities in which we operate.

Our increase in net income was achieved despite declines in revenue from labour disputes at five casino and community gaming locations and the changing table game landscape. We were able to capitalize on opportunities, including the higher than average number of Lotto Max jackpot rolls, strong slot performance in brick-and-mortar facilities and strategic investments in new product offerings such as Live Casino on PlayNow.com.

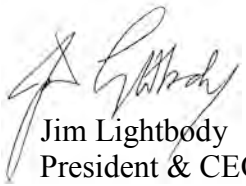
In June 2018, Government released Dr. Peter German's review of B.C.'s anti-money laundering policies and practices in Lower Mainland casinos. BCLC is actively working with the Province and industry partners to address the recommendations made by Dr. German. As the organization entrusted to manage the casino business, we are committed to protecting our industry and restoring the trust of the people and communities of B.C.

Over the past year, a completely new group of directors was appointed to BCLC's Board. Our Board of Directors has been receiving ongoing training and education to ensure their understanding of BCLC's strategy and various lines of business. In addition to contributing to the strategy and oversight of the company, it is a Board priority to refresh governance to the highest standard. BCLC's Board of Directors and leadership team works closely with the Ministry of Attorney General and holds regularly scheduled meetings to ensure effective communication and alignment with government priorities. To that end, we continue to deliver on the strategic priority items set out by government in the 2018/19 Mandate Letter. A list of actions to fulfill this direction can be found in Appendix C.

We are proud of our results from this past year and we are committed to the responsible growth of our business. We will continue to work closely with government and make prudent investment decisions while looking for ways to operate our business more efficiently and effectively, in the best interest of British Columbians.



Peter Kappel
Board Chair



Jim Lightbody
President & CEO

Purpose of the Annual Service Plan Report

The Annual Service Plan Report (ASPR) is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

BCLC conducts and manages commercial gambling in B.C. including casino, lottery, bingo and sports betting through multiple channels of distribution. BCLC offers slot machines, table games and bingo operated through operational services agreements (OSAs) with private sector service providers which, as of March 31, 2019, consisted of 15 casinos, two racecourse casinos, 18 community gaming centres and three commercial bingo halls. BCLC's national and provincial lottery and sports betting products are sold at 3,528 retail locations, operated by private sector retailers through Lottery Retailer Agreements (LRAs). PlayNow.com is BCLC's secure, regulated, online and mobile channel, with a growing portfolio of lottery games, sports betting, slots, table games and bingo entertainment for approximately 442,000 B.C. adults who are registered to play directly with us. BCLC also provides online gambling services and web-based and mobile platforms to the Province of Manitoba through an operating contract with Manitoba Liquor & Lotteries.

BCLC is a Crown corporation, established on April 1, 1985, and is governed by B.C.'s *Gaming Control Act* (2002). Our mission is to conduct and manage gambling in a socially responsible manner for the benefit of British Columbians. The Gaming Policy and Enforcement Branch (GPEB) has regulatory oversight of all gambling in B.C., including all commercial gambling operated by BCLC. BCLC also adheres to requirements set out in federal anti-money laundering legislation and is monitored by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for compliance with those requirements.

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 of capital assets for lease to BCLC. Lottotech's budget is renewed and approved through our annual business planning process. The financial operations, management, and oversight of Lottotech are consolidated within BCLC operations.

Strategic Direction

The strategic direction set by Government in 2017 and expanded upon in the Board Chair's Mandate Letter from the Minister Responsible in 2018, shaped the 2018/19 Service Plan and the results reported in this ASPR.

The following table highlights the key goals, objectives or strategies that support the key priorities of Government identified in the 2018/19 BCLC Service Plan:

Government Priorities	BCLC Aligns with These Priorities By:
Delivering the services people count on	• Promoting responsible gambling programs that encourage positive gambling choices (Objective 1.1) • Becoming leaders in diversity and inclusion (Objective 2.1) • Defining and integrating the innovative experiences our players want (Strategy under Objective 4.1)
A strong, sustainable economy	• Being a partner for socio-economic growth in communities (Objective 3.1) • Optimizing net income through investing to sustain the long-term health of our business (Goal 4)

Operating Environment

BCLC routinely monitors marketplace trends within its business, the gambling industry and other industries. Through ongoing monitoring and observations, BCLC has seen that consumer behaviour and expectations are changing. Driven largely by advances in technology, convenience is increasingly a factor in customers' choices, and they are demanding more from products, services and experiences.

While consumers are enjoying digital experiences at home or wherever and whenever they want, they are also seeking greater options for social interactions within a hospitality or entertainment setting[1]. BCLC's model for land-based casino gambling has been focused for many years on enhanced amenities in addition to gambling offerings. For example, in spring 2018, the redeveloped Elements Casino View Royal opened, with additional food and beverage choices alongside greater gambling options, in response to the shift in consumer preferences.

A key aspect of customer experience is the promotion of player health. BCLC continues to develop a deeper understanding of its player base and the indicators of healthy play to create timely, targeted and relevant player communications and effective programming. In April 2018, BCLC assumed management and fiscal responsibility for the GameSense Advisor Program and began the expansion of the program province-wide into all casino and community gaming centres, with expected completion in the fall of 2019.

In 2018/19, business was interrupted at five casino and community gaming locations as a result of

[1] Cashing in on the US experience economy

labour disputes between private sector service providers and their employees. BCLC's casino revenue was impacted during that time but has recovered substantially since the resolution of the disputes.

In June 2018, Government released Dr. Peter German's review of B.C.'s anti-money laundering policies and practices in Lower Mainland casinos. BCLC continues to work with GPEB and the Ministry of Attorney General to address all recommendations for which it is responsible.

Concerns regarding money laundering poses a risk to the building and maintaining of community support that BCLC depends upon in order to operate its business. In July 2018, BCLC obtained municipal approval for the new Cascades Casino Delta. In January 2019, the City of Victoria postponed indefinitely any decision regarding its interest in hosting a casino. While each of these local governments came to different decisions regarding a gambling facility in their communities, both expressed concerns regarding money laundering. Additionally, the City of Delta and the City of Richmond both passed motions asking for the Federal and Provincial governments to address concerns regarding money laundering and asked BCLC to share further information on its actions. BCLC is committed to ongoing dialogue and engagement with these and other communities across B.C. in order to build the understanding of its business and activities.

Report on Performance

The 2018/19 Mandate Letter provides specific actions for BCLC to ensure alignment with Government goals and objectives.

A detailed summary of BCLC's work to fulfill the 2018/19 Mandate Letter is provided in Appendix C.

BCLC's 2018/19 Annual Service Plan Report compares actual results to the expected results identified in the 2018/19 – 2020/21 Service Plan. The future targets beyond 2018/19 reflect those in the 2019/20 – 2021/22 Service Plan. The following section summarizes how BCLC measures and reports performance through four corporate goals.

Goals, Objectives, Measures and Targets

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 Highlights:

- A major initiative last year was the transfer of the fiscal responsibility and management of the GameSense Advisor program from GPEB to BCLC. With this added responsibility, BCLC invested in enhancing the GameSense information centres and extending the GameSense

Advisor presence to 12 community gaming centres, with expansion into the remaining six expected to be complete by the fall of 2019.

- BCLC hosted the New Horizons in Responsible Gaming conference, which brought together responsible gambling researchers, policy makers, regulators and industry representatives from around the world to discuss developments in prevention, response and best practices in responsible gaming.

- BCLC refreshed the GameSense program, which engages players with healthy gambling tips and factual information about the risks associated with gambling. The refresh included updated and simplified content made more relevant and accessible to a wide demographic.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.1 Player Awareness of Responsible Gambling Activities	79%	80%	78%	80%	N/A	N/A

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures as per Statistics Canada's Census. The margin of error is ± 2.07% at the 95% confidence level (19 times out of 20).

Discussion

Player Awareness of Responsible Gambling (RG) Activities measures the percentage of players who are aware of at least one of the five following responsible gambling activities: Voluntary Self-Exclusion, GameSense brand, GameSense Info Centres, RG messaging in retail locations and RG messaging on PlayNow.com. This measure determines how effective BCLC is at educating its players about responsible gambling, so that they can make positive gambling choices.

In 2018/2019, Player Awareness of RG activities exceeded the fiscal year target. This was achieved through initiatives such as the rebranding of GameSense, continual expansion of the GameSense Advisor Program and enhancement of the GameSense Info Centres.

In the 2019/20 – 2021/22 BCLC Service Plan, this measure was replaced by two new measures to better align with our player health strategy. The new measures will be reported in the 2019/20 Annual Service Plan Report. These two measures take into account two components of our player health 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. Gambling Literacy assesses the extent to which a player has ample information to make fully informed decisions. Pre-commitment assesses the extent to which a player considers how much money and time they should spend gambling.

Objective 1.2: Improve the gambling entertainment experience everywhere players choose to engage with our products.

Key Highlights:

- BCLC completed enhancements to the Encore Rewards loyalty program offered to casino customers, including introducing the ability to earn points on food and beverage purchases at casinos and launching loyalty program kiosks as a self-service option, making it easier for players to update and access their loyalty program information and promotions. In addition, BCLC continued to build out its customer relationship management (CRM) system to deliver customized and relevant customer promotions, content and service to players via email, direct marketing and social media.

- In 2018/19, the majority of BCLC's service providers transitioned to a new OSA. A key component of the new OSA is to encourage the introduction of new amenities into facilities thereby enhancing the overall entertainment within facilities.

- In the spring of 2018, the redeveloped Elements Casino View Royal opened, offering additional food and beverage choices alongside greater gambling options.

- BCLC piloted stadium gaming at the River Rock Casino in Richmond. Stadium gaming brings together multiple table games into the convenience of an electronic terminal. It allows players to wager at their own pace.

- BCLC continued to enhance its mobile services and experiences offered on PlayNow.com, bclc.com and the Lotto App, making it easier to play BCLC's products.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.2a Player Satisfaction[1]	80%	81%	80%	84%	N/A	N/A
1.2b Player Participation[2]	53%	51%	52%	51%	N/A	N/A
1.2c Revenue per Capita[3,4]	$503	$516	$510	$533	$536	$540

[1] **Data Source:** Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures as per Statistics Canada's Census. The margin of error is ± 2.22% at the 95% confidence level (19 times out of 20).
[2] **Data Source:** Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures as per Statistics Canada's Census. The margin of error is ± 1.79% at the 95% confidence level (19 times out of 20).
[3] **Data Source:** Actual Revenue is from BCLC Audited Financial Statements. 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 calendar year and not available on BCLC's fiscal year. Revenue Per Capita is indicative of the overall trends despite the timing difference.
[4] International Financial Reporting Standards (IFRS) 15 *Revenue from Contracts with Customers* and 9 *Financial Instruments* are effective for annual reporting periods beginning on or after January 1, 2018. BCLC adopted 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 statement of comprehensive income. See note 3(B) in the consolidated financial statements. The 2017/18 measure was recalculated with the impact of IFRS 15 and 9; however, resulted in no change to previously reported figure. 2016/17 has not been restated.

Discussion

Player Satisfaction

Player Satisfaction gauges BCLC's success in offering products and amenities that provide great value for money so that the Corporation achieves positive outcomes for British Columbians.

In 2018/19, Player Satisfaction saw an increase from 2017/18 and exceeded the 2018/19 target. Lottery players in both the retail network and hospitality network reported significant increases in player satisfaction, while PlayNow and casino were relatively steady when compared to the previous year.

In the next Annual Service Plan Report, this measure will be replaced by the Player Experience Index. The Player Experience Index, which was introduced in the BCLC 2019/20 – 2021/22 Service Plan, 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 its customers in relation to both their product and purchase experiences, while offering actionable insights related to customer experience.

Player Participation

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 BCLC is in creating entertaining and relevant experiences so that players purchase its products and visit its properties.

The actual results of 51 per cent in the 2018/19 fiscal year were very close to the 2018/19 target of 52 per cent. In future reports, new measures will replace this measure to reflect more accurately BCLC's objective to increase both the frequency of play and the number of games played by BCLC's intended player base, which are those who exhibit healthy play behaviours and those who do not pose a criminal risk to our business.

Revenue per Capita

Revenue per Capita indicates how successful BCLC is in growing revenue in relation to the provincial population. This allows for comparisons across other markets. Previously this measure was called Net Win per Capita, and was renamed to Revenue per Capita to reflect the adoption of International Financial Reporting Standards (IFRS) 15 and 9. For additional information see note 3(B) in the consolidated financial statements.

In 2018/19, BCLC's Revenue per Capita increased over the previous year and was ahead of target for the fiscal year. This is due to a higher rate of growth in revenue compared to the population growth.

The 2018/19 revenue increase reflects strong slot performance in online and in brick-and-mortar facilities, as well as higher than expected jackpot rolls experienced in Lotto Max and Lotto 6/49. While brick-and-mortar facilities performed well overall, growth rates were negatively impacted by the labour disputes in five casinos and a changing table game landscape.

Slot revenue in the brick-and-mortar channel of casino and community gaming centres grew from the prior year due to the continued success of facility enhancements, strategic investments in slots resulting in an optimized network and diversified product offerings, and refinement of BCLC's marketing strategy in partnership with casino and community gaming service providers.

Lottery revenue grew significantly in 2018/19 as half of the weekly Lotto Max jackpots were $50 million or greater while Lotto 6/49 had its bi-weekly jackpots at $20 million or greater for 20 per cent of the year. This year also marked the highest sales (prior to prizing) on record for the Scratch & Win category and Keno brand.

eCasino games, available on BCLC's Playnow.com platform, exceeded the year-over-year growth target from the continued delivery of new digital content that appeals to new and existing players. BCLC's Live Casino offering, a new interactive online table game experience that was introduced in late fiscal 2017/18 attracted strong player participation. eSlots grew as a result of improved player experiences, effective customer relationship management programs and increased availability of content on mobile.

Goal 2: People – we have the right talent to deliver exceptional business results.

Objective 2.1: Build an engaged workforce and strong culture.

Key Highlights:

- BCLC developed and launched a new internal training program to equip its workforce for greater empowerment, collaboration and creative problem solving.

- BCLC completed a review of its leadership training programs and is currently refreshing them to equip leaders and employees to deliver on BCLC's strategy.

- BCLC's Diversity & Inclusion Committee continued to look at its practices and processes to ensure inclusivity within BCLC, including implementing inclusive leadership training and practices and removing unconscious bias in processes and systems.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.1 Employee Engagement	87%	86%	85%	83%	86%	86%

Data Source: Annual anonymous online census survey of BCLC employees conducted by an independent third-party professional. The response rate of the survey was 83% with 820 of a possible 977 eligible employees participating.

Discussion

Employee Engagement is defined as the intellectual and emotional commitment employees have to an organization. A passionate, productive and engaged workforce will help to drive the success of BCLC's business, delivering the great entertainment experiences that players expect.

In 2018/2019, BCLC achieved a strong engagement score of 83%, however, it did not meet the target of 85%. While BCLC recognizes that maintaining high results is a challenge, BCLC did achieve a score of 86% in 2017/18 and is focused on increasing engagement score levels in future years based on its commitment to being an employer of choice and creating an engaging employment experience for all staff. Specifically, BCLC is assessing the results by division and developing targeted action plans to increase engagement and address any declines within each group. In the 2019/20 Service Plan, BCLC increased future Employee Engagement targets from 85% to 86%.

Objective 2.2: Enhance our employee value proposition to prepare for changing workforce demographics.

Key Highlights:

- BCLC focused on building strong partnerships with various post-secondary institutions and participated in targeted job fairs in order to meet future workforce needs and recruitment efforts for specific skillsets.

- Comprehensive succession and development plans were created for a number of senior-level positions and individuals within BCLC. In addition, BCLC completed a comprehensive review of critical roles and identified and created development plans to ensure role stability.

- BCLC launched a new eLearning platform with customized learning paths to ensure all employees have access to training and development opportunities.

- BCLC began designing new recognition and wellness programs, including conducting a design thinking workshop to gain a better understanding of its employees' wellness needs and completing a request for proposal for a new employee recognition tool and provider.

- BCLC changed benefits providers and rolled out an enhanced benefits plan including an optional Wellness Account and Critical Illness insurance.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.2 Employee Turnover Rate	5.5%	7.3%	6.0%	8.9%	N/A	N/A

Data Source: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging the monthly rates.

Discussion

Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount. This measure determines how successful BCLC is in attracting and retaining a workforce to drive the continuous optimization of its business, and gauges BCLC's competitiveness in the labour market. It also evaluates the effectiveness of BCLC's training, development, and retention programs.

In 2018/2019, BCLC did not meet the target for the Employee Turnover measure. The majority of the employees who left this past year indicated the reason was to pursue other career development opportunities.

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 Highlights:

- In 2018/19, BCLC ran community outreach programs in 13 host communities across the province to educate and engage with the public and stakeholders on how proceeds from gambling and BCLC's sponsorships benefit communities. Activities included municipal information sessions, sponsorships of local events, receptions at local gambling facilities and presentations to local community groups and business associations. A Play it Forward advertising campaign supported these activities, highlighting the various community-specific benefits.

- BCLC's Stakeholder Engagement team traveled across the province to meet and engage with municipal elected officials and senior staff at regional conferences to share how Host Local Government revenue benefits their communities.

- Province-wide, BCLC supported local communities through events and sponsorships. In fiscal 2018/19 BCLC sponsored over 114 organizations, groups and events across the province.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.1 Public Recognition of Positive Contributions	73%	70%	74%	68%	72%	74%

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.69% at the 95% confidence level (19 times out of 20).

Discussion

Public Recognition of Positive Contributions measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to the Province of British Columbia. This measure helps BCLC gauge its success in building public understanding and recognition of the public contributions it makes.

In 2018/19, results for this measure decreased slightly compared to the previous year and fell short of our target. This may be due to the ongoing media coverage of alleged money laundering in B.C. casinos throughout 2018/19. As a result, BCLC adjusted the 2019/20 and 2020/21 targets in the 2019/20 – 2021/22 Service Plan.

Despite the softer metric, BCLC is committed to ongoing dialogue and engagement with stakeholders across B.C. and in 2018/19 BCLC ran successful outreach programs in various communities to educate and engage with the public on the contributions BCLC makes to their communities. BCLC will continue these efforts moving forward, and will evaluate their effectiveness throughout the year.

Objective 3.2: BCLC is perceived as transparent.

Key Highlights:

- BCLC is implementing the recommendations in Dr. Peter German's independent review of B.C.'s anti-money laundering policies and practices in Lower Mainland casinos. To date, BCLC has completed 6 of the 11 recommendations for which it is the lead. This includes the interim recommendation to ensure that service providers complete a Source of Funds Declaration for any buy-in of $10,000 or more.

- BCLC continued to share information with municipal, business and community stakeholders and the public about BCLC and the gambling industry to create awareness and understanding. BCLC proactively disclosed relevant information about its business via bclc.com and the BCLC Social Responsibility Report.

- BCLC continued to proactively communicate major corporate initiatives and activities to the public, the media and its employees, in order to be transparent, accountable and build awareness and understanding of the organization.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.2 Public Perception of BCLC's Transparency	64%	60%	61%	56%	60%	62%

Data Source: Continuous online survey independently conducted by a third-party with a random sample of B.C. adults aged 19 and up. The survey uses industry-standard techniques to randomize the sample, while retaining a gender, age and regional balance consistent with B.C. population as per Statistics Canada's Census. The margin of error is ± 1.74% at the 95% confidence level (19 times out of 20).

Discussion

Public Perceptions of BCLC's Transparency measures the percentage of adult British Columbians who view BCLC as forthcoming and open with the public. This measure helps BCLC gauge its success in becoming increasingly transparent so that BCLC's business and its benefits are understood and supported by British Columbians.

In 2018/19, the target for Public Perceptions of BCLC's transparency was not met. The survey indicated that this was largely due to the impact of ongoing publicity of alleged money laundering in B.C.'s casinos. As a result, BCLC adjusted the 2019/20 and 2020/21 targets in the 2019/20 – 2021/22 Service Plan. Despite adjustments to future targets, BCLC is committed to enhancing its efforts to increase public understanding and transparency of the business. In fiscal 2018/19, BCLC continued to expand the information and number of reports/disclosures it makes available on bclc.com, and remains committed to continuing these efforts on an ongoing basis. In February 2019, BCLC also began posting updates on bclc.com with regard to our anti-money laundering programs, including new actions and controls, to better inform the public.

Goal 4: Profit – We will optimize net income through investing to sustain the long-term health of our business.

Objective 4.1: Generate net income for the benefit of all British Columbians efficiently.

Key Highlights:

- The continued success of facility enhancements and strategic investments in the slots category resulted in an optimized network and diversified product offerings, and refinement of BCLC's marketing strategy in collaboration with casino and community gaming service providers. In addition, to ensure long-term private-sector investment and sustained revenues to the Province and communities, BCLC transitioned the majority of casino service providers to a new OSA to encourage investment into facilities.

- BCLC capitalized on the higher than expected lotto jackpot rolls and continued to engage players through advertising and digital services.

- BCLC continued to invest in understanding customer needs and expectations to deliver relevant products and experiences and increased availability of content on mobile.

- To support the long-term health and integrity of the business, BCLC began upgrading legacy lottery and casino systems and technology.

- BCLC introduced several new vendors to leverage their capabilities and provide innovative game content that appeals to players on PlayNow. BCLC's Live Casino offering, a new table product type that was introduced in late fiscal 2017/18, attracted strong player participation throughout fiscal 2018/19.

Performance Measure	2016/17[3] Actuals	2017/18[4] Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
4.1a Net Income[1,2] (millions)	$1,339	$1,400	$1,310	$1,415	$1,406	$1,427
4.1b Comprehensive Cost Ratio (% of Revenue) [1]	42.0%	41.7%	44.5%	42.9%	44.1%	44.2%

[1] **Data Source: BCLC Audited Financial Statements. Actual results are calculated in accordance with International** Financial Reporting Standards.
[2] BCLC's net income is distributed to the Provincial and Federal governments. Distributions in the amount of $10.2M were distributed to the Federal government in fiscal year 2018/19. See Consolidated Statement of Changes in Deficit and Note 19 of the Consolidated Financial Statements for further information.
[3] 2016/17 has not been restated for the impact of adopting IFRS 15 and 9.
[4] The 2017/18 measure was restated with the impact of IFRS 15 and 9; however, resulted in no material change to previously reported figures.

Discussion

Net Income

Net Income, net of payments to the Federal government (see Consolidated Statement of Changes in Deficit and Note 19 of the Consolidated Financial Statements for further information), is the amount of money generated by BCLC and delivered to the Province of B.C., which uses it to support provincial, charitable and community programs.

Through continued investment in its games and service offerings, BCLC has built a diversified portfolio that has delivered engaging gambling experiences to its players and resulted in record revenues this past year.

In 2018/19, BCLC exceeded its target and achieved more than $1.4 billion in net income, an increase of $15.6 million compared to the prior year. BCLC's financial results reflect an increase in revenue

(see section 1.2c) and changes in cost structure to ensure the long-term health of the business (see below). BCLC's future Net Income targets were updated in the 2019/20 Service Plan and reflect an increase compared to those in the 2018/19 Service Plan.

Comprehensive Cost Ratio (CCR)
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. It is intended to gauge operational efficiency.

BCLC achieved a CCR of 42.9% reflecting BCLC's transition to the new OSA with a revised commission structure for its casino and community gaming service providers, and investments to ensure the long-term health of the business such as replacing lottery legacy systems and promoting player health.

Retailer and service provider commissions comprise the majority of the comprehensive cost base. As a result, CCR is most significantly impacted by shifts in BCLC's product mix sales as BCLC has a diversified portfolio of products which generates a wide range of gross margins. BCLC's future CCR targets were updated in the 2019/20 Service Plan and reflect a decrease compared to those in the 2018/19 Service Plan.

Financial Report

Discussion of Results

Resource Summary

$ millions	2017/18[1] Actual	2018/19 Budget	2018/19 Actual	2018/19 Variance
REVENUES				
Casino & Community Gaming	$ 1,906.2	$ 1,876.6	$ 1,904.0	$ 27.4
Lottery & eGaming	596.3	601.2	686.1	84.9
	2,502.5	**2,477.8**	**2,590.1**	**112.3**
EXPENDITURES[2]				
Casino & Community Gaming	788.6	813.4	821.9	(8.5)
Lottery & eGaming	187.9	213.2	222.0	(8.8)
Capital Asset Amortization & Depreciation	68.9	77.6	69.6	8.0
	1,045.4	**1,104.2**	**1,113.5**	**(9.3)**
Income before the undernoted	1,457.1	1,373.6	1,476.6	103.0
Indirect tax expense	57.2	63.1	61.1	2.0
NET INCOME				
Casino & Community Gaming	1,022.0	955.8	983.5	27.7
Lottery & eGaming	377.9	354.7	432.0	77.3
NET INCOME	**$ 1,399.9**	**$ 1,310.5**	**$ 1,415.5**	**$ 105.0**
Capital Expenditures	$ 82.1	$ 105.0	$ 75.2	$ 29.8
Total Liabilities	$ 527.5	$ 536.6	$ 446.4	$ 90.2
Total Deficit	$ 58.1	$ 40.4	$ 64.7	$ (24.3)

[1] Certain comparative figures have been restated for the adoption of IFRS 15 and 9.

[2] Please refer to the Consolidated Statement of Comprehensive Income for a detailed breakdown of actual expenditures. Includes funding of the Joint Illegal Gaming Investigation Team.

In 2018/19, BCLC achieved a record $1.415 billion net income on revenue of $2.590 billion, exceeding the previous records set last year by $15.6 million and $87.6 million, respectively.

This year, BCLC's strong performance was led by the Lottery business, where increased revenue from the big national lottery games produced an overall year-over-year improvement of almost 23 per cent in that category, which helped push the Lottery business' revenue performance 12.6 per cent above 2017/18. On the casino side of the business, revenue was close to flat compared with last year, with higher slot machine revenue offset by lower table game revenue. As a result of higher table game commission rates under the new casino Operational Services Agreement (OSA), as well as changes in sales volume and product mix, commissions and related operating costs were higher this year.

Each year, BCLC prepares a three-year Service Plan against which its results are measured. As part of this annual process, and in response to specific direction from government, BCLC committed to a focused cost containment initiative that began in 2013/14; however, many of BCLC's costs are direct costs, such as commissions, and are thus tightly correlated with sales performance and product mix.

Therefore, while total revenue exceeded budget by $112.3 million, the total operating costs, excluding direct costs, supporting that increase were under budget by $1.9 million. On a year-over-year basis, an $87.6 million increase in revenue was correlated with total expenditures that were $68.1 million higher than the previous year, primarily from direct gaming expenses, including commissions, leases, and licences.

Performance Measurement:

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess 2018/19 operational performance against the targets and budgets established in the Service Plan (bclc.com/service-plan). BCLC also compares its performance to other gambling organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

International Financial Reporting Standards (IFRS):

The Budget Transparency and Accountability Act specifies that the government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior governments are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

Economic Outlook:

Current economic indicators suggest that B.C.'s economic growth will continue to lead Canada's throughout 2019 and 2020; however, at a decelerating pace. Continued provincial economic health might not translate fully or directly into increased future revenue or net income for the corporation. The segment of our business that experienced the largest growth this year—national lottery games—is highly dependent upon the magnitude and frequency of large jackpots as well as players' disposable income, product design and variety, and general economic conditions. It is anticipated that imminent changes to the structure of Lotto Max will have a positive impact on next year's income from this segment of the business.

Over the next three years, growing net income from BCLC's core businesses, as well as increasing both the frequency and diversity of games played by healthy player segments will be priorities. In addition to product and service innovations, BCLC is continuing a multi-year initiative to modernize its technology infrastructure, strengthening relationships with private sector service providers, retailers and third-party vendors, and exploring strategic cost management opportunities.

BCLC has factored product performance and market trends, demographic factors, and general economic conditions into the targets set in its current, three-year service plan. A more detailed discussion of initiatives and opportunities can be found in the Service Plan and on BCLC's website, bclc.com.

Casino and Community Gaming Operations:

$ millions	2017/18[1] Actual	2018/19 Budget	2018/19 Actual	2018/19 Variance
Revenues				
Slot Machines	$ 1,366.7	$ 1,381.6	$ 1,403.3	$ 21.7
Table Games	492.7	451.4	454.1	2.7
Poker	22.5	19.9	23.6	3.7
Bingo	24.3	23.7	23.0	(0.7)
	1,906.2	**1,876.6**	**1,904.0**	**27.4**
Direct expenses[2]	674.2	689.3	691.1	(1.8)
Gaming support costs & operating expenses	168.7	187.1	186.6	0.5
Income before the undernoted	**1,063.3**	**1,000.2**	**1,026.3**	**26.1**
Indirect Tax expense	41.3	44.4	42.8	1.6
Net income	**$ 1,022.0**	**$ 955.8**	**$ 983.5**	**$ 27.7**

[1] Certain comparative figures have been restated for the adoption of IFRS 15 and 9.

[2] Direct expenses include commissions, equipment leases and licenses, and direct supplies.

This year saw the introduction of a new, 20-year casino operational services agreement (OSA) and 31 out of 35 new agreements have been signed by Casino and Community Gaming service providers and BCLC, representing 97% of casino revenues. Overall, the Casino and Community Gaming business generated revenue of $1.904 billion in 2018/19, which was $27.4 million more than budget but $2.2 million less than last year. Revenue from slot machines grew $36.6 million, or 2.7 per cent, from the previous year, while table games, including poker, declined by $37.5 million or 7.3 per cent over 2017/18.

Lottery and eGaming Operations:

$ millions	2017/18[1] Actual	2018/19 Budget	2018/19 Actual	2018/19 Variance
Revenues				
Lottery	$ 476.4	$ 469.5	$ 536.3	$ 66.8
eGaming	119.9	131.7	149.8	18.1
	596.3	**601.2**	**686.1**	**84.9**
Direct expenses[2]	105.3	113.3	122.7	(9.4)
Gaming support costs & operating expenses	97.2	114.5	113.1	1.4
Income before the undernoted	**393.8**	**373.4**	**450.3**	**76.9**
Indirect tax expense	15.9	18.7	18.3	0.4
Net income	**$ 377.9**	**$ 354.7**	**$ 432.0**	**$ 77.3**

[1] Certain comparative figures have been restated for the adoption of IFRS 15 and 9.

[2] Direct expenses include commissions, direct supplies and ticket printing, and equipment leases and licenses.

Lottery and eGaming net income of $ 432.0 million exceeded the previous year by $54.1 million and budget by $77.3 million. Overall revenue of $686.1 million was up $84.9 million from budget, and $89.8 million, or 15.1 per cent, from the previous year.

In 2018/19, year-over-year revenue was up in the Lotto category because there were significantly more major jackpots for the national lottery games than in the prior year. Revenues in the Lotto category were $49.0 million higher than budget and $58.4 million more than the previous year—an increase of 23.0%.

Large jackpots are a principal driver of lottery sales, and this year there were 26 Lotto Max jackpots of $50 million or more—12 more than last year, and 10 more than the projection for the year. This year there were 22 Lotto 6/49 jackpots of $20 million or more—8 more than last year.

During 2018/19, BCLC continued to invest in the PlayNow.com eGaming business, maintaining the frequency with which new casino-style games were introduced, and growing our online player base. Overall, eGaming revenue was up $29.9 million from a year ago—an increase of 24.9 per cent.

Capital Spending

$ millions	2017/18 Actual	2018/19 Budget	2018/19 Actual	2018/19 Variance
Casino & Community Gaming	$ 60.1	$ 44.8	$ 49.1	$ (4.3)
Lottery & eGaming	15.4	45.2	13.9	31.3
Corporate	6.6	15.0	12.2	2.8
Capital Expenditures	**$ 82.1**	**$ 105.0**	**$ 75.2**	**$ 29.8**

From year to year, capital spending varies significantly in response to revenue-generating and gambling facility initiatives. In 2018/19, capital spending of $75.2 million was $29.8 million less than budget and $6.9 million less than in 2017/18. The variance in the Lottery & eGaming actual versus budget resulted from a shift in timing of the replacement of legacy lottery equipment.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements present fairly the consolidated financial position of BCLC as at March 31, 2019, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG LLP, Chartered Professional Accountants, have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements of BCLC.

Amanda Hobson
CFO & Vice-President
Finance and Corporate Services

Jim Lightbody
President & CEO

KPMG LLP
560 Victoria Street
Kamloops BC V2C 2B2
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of and Minister Responsible for British Columbia Lottery Corporation

Opinion

We have audited the consolidated financial statements of British Columbia Lottery Corporation (the Entity), which are comprised of:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in deficit for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Kamloops, Canada
May 15, 2019

British Columbia Lottery Corporation

Consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018
(in thousands of Canadian dollars)

		2019		2018[1]
ASSETS				
Cash and cash equivalents (note 6)	**$**	**28,437**	$	81,944
Accounts receivable (note 7)		**39,502**		60,283
Receivable from the Interprovincial Lottery Corporation		**2,587**		12,634
Prepaid and deferred expenses		**15,317**		15,407
Inventories (note 8)		**9,269**		9,196
Current assets		**95,112**		179,464
Employee benefits (note 9)		**–**		2,125
Property and equipment (note 10)		**238,812**		232,458
Intangible assets (note 11)		**47,769**		55,444
Non-current assets		**286,581**		290,027
Total assets	**$**	**381,693**	$	469,491
LIABILITIES				
Cheques issued in excess of funds on hand (note 6)	**$**	**4,539**	$	3,422
Prizes payable (note 12)		**25,041**		23,339
Accounts payable, accrued and other liabilities (note 13)		**90,341**		92,838
Short-term financing (note 14)		**100,029**		154,867
Deferred revenue (note 15)		**23,863**		20,270
Unsettled wagers (note 16)		**5,662**		6,087
Due to the Government of British Columbia (note 18)		**122,031**		161,347
Current liabilities		**371,506**		462,170
Employee benefits (note 9)		**74,887**		65,378
Non-current liabilities		**74,887**		65,378
Total liabilities		**446,393**		527,548
DEFICIT				
Accumulated deficit		**(25,463)**		(25,463)
Accumulated other comprehensive loss		**(39,237)**		(32,594)
Total deficit		**(64,700)**		(58,057)
Total liabilities and deficit	**$**	**381,693**	$	469,491

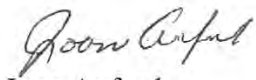
[1] Certain 2018 comparative figures have been restated – see note 3(C)

Commitments and contingencies (notes 21 and 22)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Peter Kappel
Chair, Board of Directors



Joan Axford
Chair, Audit Committee

British Columbia Lottery Corporation

Consolidated Statement of Comprehensive Income

Year ended March 31, 2019, with comparative information for 2018
(in thousands of Canadian dollars)

		2019		2018[1]
Revenue (note 17)	**$**	**2,590,126**	$	2,502,510
Expenses				
Commissions and fees		**746,856**		723,463
Employee costs		**113,454**		97,519
Amortization and depreciation (notes 10 and 11)		**69,610**		68,952
Systems, maintenance, and ticket distribution		**47,677**		46,213
Gaming equipment, leases, and licenses		**53,670**		43,044
Advertising, marketing, and promotions		**26,212**		23,478
Ticket printing		**13,176**		13,008
Professional fees and services		**13,152**		13,491
Cost of premises		**7,946**		7,762
Loss on disposal of property and equipment and intangible assets		**6,454**		1,264
Other		**12,312**		4,213
		1,110,519		1,042,407
Income from operations before the undernoted		**1,479,607**		1,460,103
Indirect tax expense (note 24)		**61,139**		57,155
Funding of Joint Illegal Gaming Investigation Team (note 25)		**3,000**		3,000
Net income		**1,415,468**		1,399,948
Other comprehensive income				
Item that will never be reclassified to net income				
Net defined benefit plan actuarial losses (note 9)		**(6,643)**		(9,269)
Total comprehensive income	**$**	**1,408,825**	$	1,390,679

[1] Certain 2018 comparative figures have been restated – see note 3(C)

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Changes in Deficit

Year ended March 31, 2019, with comparative information for 2018
(in thousands of Canadian dollars)

	Accumulated Deficit[1]	Accumulated Other Comprehensive Loss	Total Deficit[1]
Balance, April 1, 2017	$ (24,924)	$ (23,325)	$ (48,249)
Net income	1,399,948	–	1,399,948
Net defined benefit plan actuarial losses (note 9)	–	(9,269)	(9,269)
Total comprehensive income			1,390,679
Distributions to the Government of British Columbia (note 18)	(1,390,693)	–	(1,390,693)
Distributions to the Government of Canada (note 19)	(9,794)	–	(9,794)
Balance, March 31, 2018	$ (25,463)	$ (32,594)	$ (58,057)
Net income	**1,415,468**	**–**	**1,415,468**
Net defined benefit plan actuarial losses (note 9)	**–**	**(6,643)**	**(6,643)**
Total comprehensive income			**1,408,825**
Distributions to the Government of British Columbia (note 18)	**(1,405,312)**	**–**	**(1,405,312)**
Distributions to the Government of Canada (note 19)	**(10,156)**	**–**	**(10,156)**
Balance, March 31, 2019	**$ (25,463)**	**$ (39,237)**	**$ (64,700)**

[1] Certain 2017 and 2018 comparative figures have been restated – see note 3(C)

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018
(in thousands of Canadian dollars)

		2019		2018[1]
Cash flows from operating activities:				
Net income	**$**	**1,415,468**	$	1,399,948
Items not involving cash:				
Depreciation of property and equipment (note 10)		**54,894**		53,033
Amortization of intangible assets (note 11)		**14,716**		15,919
Loss on disposal of property and equipment		**3,983**		1,242
Loss on disposal of intangible assets		**2,471**		22
Interest expense (note 14)		**1,466**		983
Net benefit plan expense (note 9)		**20,073**		16,003
		1,513,071		1,487,150
Changes in:				
Accounts receivable		**20,781**		(19,230)
Receivable from the Interprovincial Lottery Corporation		**10,047**		587
Prepaid and deferred expenses		**90**		(3,828)
Inventories		**(73)**		424
Employee benefits		**(15,082)**		(15,294)
Prizes payable		**1,702**		1,073
Accounts payable, accrued and other liabilities		**1,283**		3,876
Deferred revenue		**3,593**		(451)
Unsettled wagers		**(425)**		290
Net cash from operating activities		**1,534,987**		1,454,597
Cash flows from financing activities:				
Increase (decrease) in short-term financing (note 14)		**(54,845)**		9,679
Interest paid (note 14)		**(1,697)**		(1,039)
Distributions to the Government of British Columbia (note 18)		**(1,444,628)**		(1,377,447)
Distributions to the Government of Canada (note 19)		**(10,156)**		(9,794)
Net cash used in financing activities		**(1,511,326)**		(1,378,601)
Cash flows from investing activities:				
Additions to property and equipment		**(67,849)**		(67,657)
Additions to intangible assets		**(10,841)**		(9,407)
Net proceeds on disposal of property and equipment		**405**		277
Net cash used in investing activities		**(78,285)**		(76,787)
Net decrease in cash and cash equivalents		**(54,624)**		(791)
Cash and cash equivalents, beginning of year		**78,522**		79,313
Cash and cash equivalents, end of year (note 6)	**$**	**23,898**	$	78,522

[1] Certain 2018 comparative figures have been restated – see note 3(C)

See accompanying notes to consolidated financial statements.

1. Reporting entity

British Columbia Lottery Corporation (BCLC or the Corporation) is a crown corporation of British Columbia (B.C.). BCLC was incorporated under the *Company Act* (B.C.) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC's registered office is 74 West Seymour Street, Kamloops, B.C., Canada. As an agent of the crown, the Government of British Columbia has designated BCLC as the authority to conduct, manage, and operate lottery schemes on behalf of the Government of British Columbia, including lottery, casino, bingo, and internet gaming (eGaming) activities. BCLC is also the B.C. regional marketing organization for national lottery games, which are collective undertakings by the provinces of Canada acting through the Interprovincial Lottery Corporation (ILC).

As an agent of the crown, BCLC is not subject to federal or provincial corporate income taxes.

2. Basis of preparation

A. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 15, 2019.

B. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on a historical cost basis except for employee benefit plan assets and unsettled wagers. Employee benefit plan assets are measured at the fair value of plan assets less the present value of the defined benefit obligation, as explained in note 4(E)(iii). Unsettled wagers are measured at fair value, as explained in note 4(C)(ii).

C. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information has been rounded to the nearest thousand dollars.

2. Basis of preparation (continued)

D. USE OF ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements includes the determination of the ability to exercise control over gaming facility service providers and lottery retailers (note 4(A)).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year includes key actuarial assumptions used in the measurement of defined benefit obligations (note 9(D)(i)).

3. Changes in accounting policies

Except for the changes below, the Corporation has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements.

The Corporation has adopted the following new standards, including any consequential amendments to other standards, as at April 1, 2018.

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

The impact of adopting IFRS 9 and IFRS 15 on the opening consolidated statement of financial position as at April 1, 2017 is immaterial. The nature and effects of the changes are explained below.

3. Changes in accounting policies (continued)

A. FINANCIAL INSTRUMENTS

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

As a result of the adoption of IFRS 9, the Corporation has changed its classification of financial assets from loans and receivables under IAS 39 to measured at amortized cost. The new classification did not have a quantitative impact, since financial assets will continue to be measured initially at fair value and subsequently at amortized cost. There was no impact to the Corporation's classification of financial liabilities.

The Corporation has adopted a new policy on the impairment of financial assets in response to the adoption of IFRS 9. Impairment under IAS 39 followed an 'incurred loss' model which meant impairment losses were recognized only once an impairment event occurred. Under IFRS 9, impairment will be assessed under an 'expected credit loss' model, in which credit losses are recognized earlier than under IAS 39. Additionally, as a result of IFRS 9, the Corporation has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require the impairment of financial assets to be presented in a separate line item in the statement of profit or loss. The adoption of the new standard did not have a material impact on the measurement of impairment of financial assets held by the Corporation. Additional information on how BCLC measures the allowance for impairment is described in significant accounting policies (note 4(H)(i)).

3. Changes in accounting policies (continued)

B. REVENUE

The Corporation accounts for revenue in accordance with IFRS 15 and IFRS 9.

IFRS 15, which replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations, introduces a single model for recognizing revenue from contracts with customers, with the exception of certain contracts outside of the scope of the standard. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Corporation follows IFRS 15 to account for all transactions in which the Corporation administers a game amongst players ("Administered Games").

The Corporation follows IFRS 9 to account for all transactions in which the Corporation and players are wagering against a specific outcome of an event ("Wagered Games"). These transactions expose the Corporation to gains or losses which are recognized in revenue.

The Corporation applied IFRS 15 and 9 retrospectively as at April 1, 2018.

The details and quantitative impact of the changes in accounting policies are disclosed below.

i. Presentation

Revenue is measured at the transaction price, which is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to customers, net of any consideration payable to customers.

As a result, gaming revenue is required to be reported net of expected cash prizes. This change results in all of the Corporation's revenue being recorded net of prizes. The following table illustrates the impact of this change on the comparative figures.

3. Changes in accounting policies (continued)

B. REVENUE (continued)

i. Presentation (continued)

Consolidated statement of comprehensive income

For the year ended March 31, 2018

		As previously reported
Revenue	$	3,267,132
Prizes		764,223
Net Win	$	2,502,909
Impact of adoption of IFRS 15[1]	$	(399)
		As restated
Revenue	$	2,502,510

[1] As quantified in note 3(C)

ii. Revenue Recognition

In accordance with IFRS 15, the Corporation recognizes instant ticket lottery revenue when a player purchases the ticket from a retailer. Previously, under IAS 18, revenue was recognized upon transfer of the instant tickets to the retailer. The change in the timing of revenue recognition has resulted in an adjustment to the Corporation's consolidated financial statements as quantified in note 3(C).

iii. Deferred Revenue and Unsettled Wagers

Under IFRS 15, advance wagers are presented either as deferred revenue, for Administered Games, or as unsettled wagers, for Wagered Games. Previously, under IAS 18, these wagers were recorded as deferred revenue until the draw or event took place.

iv. Free Play

In accordance with IFRS 15, when a player wins a free ticket on a lottery product, the Corporation has a second performance obligation to fulfill. The portion of the transaction price relating to the second performance obligation is deferred until the player redeems the free ticket. Previously, under IAS 18, no deferral was made for free ticket play won. The change in the timing of revenue recognition has resulted in an adjustment to the Corporation's consolidated financial statements as quantified in note 3(C).

3. Changes in accounting policies (continued)

B. REVENUE (continued)

v. Commissions

In accordance with IFRS 15, costs incurred for fulfilling a contract with a customer that do not meet the criteria for a contract asset are expensed as incurred; as a result, the Corporation will no longer recognize commission expenses based on when revenue is earned. The change in the timing of the commission expense recognition has resulted in an adjustment to the Corporation's consolidated financial statements as quantified in note 3(C).

C. SUMMARY OF QUANTITATIVE IMPACTS

The following tables summarize the impacts of the adoption of IFRS 15 and 9 on the Corporation's statement of financial position, statement of comprehensive income, and statement of cash flows.

Excerpt from consolidated statement of financial position

As at April 1, 2017

The specific financial statement items impacted are as follows:

	As previously reported	Impact of adoption of IFRS 15	As restated
Prepaid and deferred expenses	$ 12,928	$ (1,348)	$ 11,580
Inventories	9,055	565	9,620
Impact on total assets	$ 459,628	$ (783)	$ 458,845
Prizes payable	$ 32,460	$ (10,193)	$ 22,267
Deferred revenue	9,328	11,393	20,721
Unsettled wagers	-	5,797	5,797
Impact on total liabilities	500,097	6,997	507,094
Accumulated deficit	(17,144)	(7,780)	(24,924)
Impact on total deficit	(40,469)	(7,780)	(48,249)
Impact on total liabilities and deficit	$ 459,628	$ (783)	$ 458,845

3. Changes in accounting policies (continued)

C. SUMMARY OF QUANTITATIVE IMPACTS (continued)

Excerpt from consolidated statement of financial position

As at March 31, 2018

The specific financial statement items impacted are as follows:

	As previously reported	Impact of adoption of IFRS 15	As restated
Prepaid and deferred expenses	$ 16,930	$ (1,523)	$ 15,407
Inventories	8,597	599	9,196
Impact on total assets	$ 470,415	$ (924)	$ 469,491
Prizes payable	$ 34,495	$ (11,156)	$ 23,339
Deferred revenue	7,806	12,464	20,270
Unsettled wagers	-	6,087	6,087
Impact on total liabilities	520,153	7,395	527,548
Accumulated deficit	(17,144)	(8,319)	(25,463)
Impact on total deficit	(49,738)	(8,319)	(58,057)
Impact on total liabilities and deficit	$ 470,415	$ (924)	$ 469,491

3. Changes in accounting policies (continued)

C. SUMMARY OF QUANTITATIVE IMPACTS (continued)

Excerpt from consolidated statement of comprehensive income

For the year ended March 31, 2018

The specific financial statement items impacted are as follows:

	As previously reported	Impact of adoption of IFRS 15	As restated
Revenue	$ 2,502,909	$ (399)	$ 2,502,510
Commissions and fees	723,289	174	723,463
Ticket printing	13,042	(34)	13,008
Total expenses	1,042,267	140	1,042,407
Impact on net income	1,400,487	(539)	1,399,948
Impact on total comprehensive income	$ 1,391,218	$ (539)	$ 1,390,679

3. Changes in accounting policies (continued)

C. SUMMARY OF QUANTITATIVE IMPACTS (continued)

Excerpt from consolidated statement of cash flows

For the year ended March 31, 2018

The specific financial statement items impacted are as follows:

	As previously reported	Impact of adoption of IFRS 15	As restated
Net income	$ 1,400,487	$ (539)	$ 1,399,948
Changes in:			
Prepaid and deferred expenses	(4,002)	174	(3,828)
Inventories	458	(34)	424
Prizes payable	2,035	(962)	1,073
Deferred revenue	(1,522)	1,071	(451)
Unsettled wagers	-	290	290
Impact on net cash from operating activities	1,454,653	-	1,454,653

4. Significant accounting policies

Except as set out in note 3, the Corporation and its subsidiary have consistently applied the following accounting policies to all periods presented in these consolidated financial statements:

A. BASIS OF CONSOLIDATION

The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These consolidated financial statements include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC. Intercompany transactions and balances are eliminated on consolidation.

4. Significant accounting policies (continued)

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments and form an integral part of the Corporation's cash management. They consist of readily convertible instruments having a maturity of three months or less from the acquisition date and are subject to insignificant risk of changes in fair value.

C. FINANCIAL INSTRUMENTS

The Corporation classifies its financial instruments into the following categories: financial assets and liabilities subsequently measured at amortized cost, financial assets subsequently measured at fair value through other comprehensive income, and financial assets and liabilities subsequently measured at fair value through profit or loss.

i. Financial assets

The Corporation initially recognizes financial assets on the dates on which they originate, or on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in any such derecognized financial asset that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets subsequently measured at amortized cost are financial assets that are held in order to collect the contractual cash flows. The contractual cash flows related to these financial instruments solely represent payments of principal and interest. Such assets are measured initially at fair value plus any directly attributable transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price. Subsequent to initial recognition, such assets are measured at amortized cost using the effective interest method, less any allowance for expected losses (see note 4(H)(i)).

Financial assets subsequently measured at amortized cost are comprised of cash and cash equivalents, accounts receivable, and the receivable from the Interprovincial Lottery Corporation.

4. Significant accounting policies (continued)

C. FINANCIAL INSTRUMENTS (continued)

ii. Financial liabilities

All financial liabilities are recognized initially on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged, or are cancelled. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognized in profit or loss.

The Corporation classifies financial liabilities as measured at amortized cost or fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured initially at fair value. Subsequent to initial recognition, these financial liabilities are measured at fair value, and net gains and losses, including any interest expense, are recognized in profit or loss.

Financial liabilities at amortized cost are measured initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains or losses on derecognition are also recognized in profit or loss.

The Corporation's financial liabilities measured at fair value through profit or loss are comprised of unsettled wagers, which are derivative liabilities. The Corporation's financial liabilities measured at amortized cost are comprised of cheques issued in excess of funds on hand, prizes payable, accounts payable, accrued and other liabilities, short-term financing, and amounts due to the Government of British Columbia.

iii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a current, legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4. Significant accounting policies (continued)

D. INVENTORIES

Inventories are measured at the lower of cost, determined on a weighted average (for spare parts inventories), or first-in, first-out (for instant ticket inventories) basis, and net realizable value. For spare parts, net realizable value is the estimated value in use; for instant ticket inventories, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is comprised of directly attributable costs, and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

E. EMPLOYEE BENEFITS

i. Short-term employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the reporting period in which the benefit is earned. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by an employee, and the obligation can be estimated reliably.

ii. Termination benefits

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. Benefits payable are discounted to their present value when they are not expected to be settled wholly within 12 months of the reporting date.

4. Significant accounting policies (continued)

E. EMPLOYEE BENEFITS (continued)

iii. Defined benefit plans

The Corporation's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the benefit, payable in the future, that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

The fair value of any plan assets is deducted from the obligation to determine the net defined benefit liability (asset). When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability (asset), which are comprised of actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. BCLC determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in income as employee costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service, or the gain or loss on curtailment, is recognized immediately in the defined benefit cost (income). The Corporation recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

4. Significant accounting policies (continued)

F. PROPERTY AND EQUIPMENT

The Corporation's property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset to the location and condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the assets to a suitable condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of short-term employee benefits for employees working directly on the construction of the qualifying asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Land and assets under construction are not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and based on the following estimated useful lives:

Asset	Rate
Corporate facilities, systems, and equipment	3 to 20 years
Lottery gaming systems and equipment	5 to 10 years
eGaming systems and equipment	3 to 5 years
Casino and community gaming systems and equipment	3 to 10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

4. Significant accounting policies (continued)

G. INTANGIBLE ASSETS

Expenditures incurred in the development or acquisition of computer software products or systems that will contribute to future economic benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Other development costs are recognized in income as incurred.

Development expenditures are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to, and has sufficient resources to, complete development and to use or sell the asset.

The cost of computer software and systems that are acquired by the Corporation includes the purchase price and any expenditures directly attributable to preparing the asset for its intended use.

Capitalized direct labour is comprised of short-term employee benefits for employees working directly on development. Borrowing costs related to the development of qualifying assets are capitalized.

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Assets under development are not amortized. The cost of other assets is amortized using the straight-line method over the estimated useful lives of the assets (three to ten years) beginning when they are available for use. Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

H. IMPAIRMENT

i. Financial assets

Financial assets not classified at fair value through profit or loss are assessed under an expected credit loss model, which requires the recognition of an allowance for expected losses upon recognition of the asset. The Corporation measures loss allowances at an amount equal to the lifetime expected credit losses, which are the losses that result from all possible default events over the expected life of a financial instrument. To measure the expected credit loss, reasonable and supportable information that is relevant and available without undue cost or effort is considered. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, which includes forward-looking information.

4. Significant accounting policies (continued)

H. IMPAIRMENT (continued)

i. Financial assets (continued)

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the future cash flows of the financial asset have occurred.

The Corporation considers expected credit risk for these assets at both an individual asset and a collective level. All individually significant assets are assessed for expected credit losses. Assets that are not individually significant are assessed collectively for expected credit losses by grouping together assets with similar risk characteristics.

In the consolidated statement of financial position, loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset. Losses are recognized in profit or loss. If the amount of the credit loss subsequently decreases and the decrease can be related objectively to an event occurring after the expected credit loss was recognized, then the previously recognized credit loss is reversed through profit or loss.

ii. Non-financial assets

The carrying amounts of non-financial assets, other than inventories and employee benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the greater of an asset's or cash generating unit's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Impairment losses are recognized in income and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4. Significant accounting policies (continued)

I. PROVISIONS

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in income as a financing cost in other expenses. Provisions are included in accounts payable, accrued and other liabilities.

J. REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is earned through various distribution channels.

The Corporation follows IFRS 15 to account for all transactions in which the Corporation administers a game amongst players ("Administered Games"). In these games, the Corporation recognizes the portion of the wagers retained, and not distributed as prizes, as revenue from operating the game.

The Corporation follows IFRS 9 to account for all transactions in which the Corporation and players are wagering against a specific outcome of an event ("Wagered Games"). These transactions expose the Corporation to gains or losses which are recognized in revenue.

Transactions in which the Corporation administers a game amongst players and earns a variable commission are accounted for under both IFRS 9 and IFRS 15. In these games, the variable commission exposes the Corporation to a gain or loss depending on the actual amount of the payout versus the expected prize percentage, which is initially accounted for under IFRS 9 as a financial liability.

Revenue from slot machines and table games, generated through contracted gaming facility service providers and online at PlayNow.com, is recognized, net of financial liabilities under customer loyalty programs, in the same period in which the games are played.

Revenue from lottery draw-based games, which are sold through contracted lottery retailers and online at PlayNow.com, is recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue with a corresponding financial liability for the portion to be paid as prizes for Administered Games, or as unsettled wagers for Wagered Games.

4. Significant accounting policies (continued)

J. REVENUE (continued)

Revenue for all lottery instant ticket games, which are sold through contracted lottery retailers, is recognized at the point of sale to a player. Instant ticket game prizes are recorded as a financial liability at the expected prize percentage concurrently with the recognition of revenue.

Revenue from sports betting, generated through contracted lottery retailers and online at PlayNow.com, is recognized in the period in which the bets settle. Receipts for bets that are received before March 31 for events that occur subsequent to that date are recorded as deferred revenue with a corresponding financial liability for the portion to be paid as prizes for Administered Games, or as unsettled wagers for Wagered Games.

Revenue from the operation of bingo games, generated through contracted gaming facility service providers and online at PlayNow.com, is recognized in the same period in which the games are played.

Gains on unclaimed prizes are recognized as revenue when they legally expire. Unclaimed prizes of national lottery games are administered by the Interprovincial Lottery Corporation.

Liabilities under customer loyalty programs are reported as unsettled wagers due to their potential to be discharged through the redemption of free play on Wagered Games.

K. COMMISSIONS

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as incurred.

Commissions paid to gaming facility service providers, including commissions for facility investment, are based on revenue generated in accordance with underlying operating service agreements. BCLC recognizes commission expenses as incurred.

In accordance with the new operational services agreements (OSAs) (note 5(B)), commissions paid for facility development have been revised to facility investment commissions.

4. Significant accounting policies (continued)

L. LEASES

At inception of an arrangement, the Corporation determines whether the arrangement is or contains a lease.

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as financing leases. Upon initial recognition, a leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under financing leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases other than financing leases are classified as operating leases and are not recognized in the consolidated statement of financial position. Payments made under operating leases are recognized in income on a straight-line basis over the terms of the leases.

M. NEW STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards and amendments to standards are not yet effective and have not been applied in preparing these consolidated financial statements. The standard which may be relevant to the Corporation is set out below. The Corporation does not plan to adopt this standard early.

i. IFRS 16 *Leases* (IFRS 16)

IFRS 16, published in January 2016, establishes principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single, on-balance-sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing lease guidance, including IAS 17 *Leases,* IFRIC 4 *Determining whether an arrangement contains a lease,* SIC-15 *Operating Leases – Incentives,* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

4. Significant accounting policies (continued)

M. NEW STANDARDS ISSUED BUT NOT YET ADOPTED (continued)

i. IFRS 16 *Leases* (IFRS 16) (continued)

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted only if IFRS 15 is applied at or before the date of initial application of IFRS 16. The Corporation plans to adopt this standard for its fiscal year ending March 31, 2020.

The Corporation currently is reviewing and assessing all lease arrangements to determine the impacts that the new standard will have on the consolidated financial statements.

5. Financial risk management

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

A. GENERAL

The Corporation's Board of Directors has the responsibility to oversee the conduct of the Corporation's business and to supervise management, which is responsible for the day-to-day operation of the Corporation.

The Board's role includes oversight of the Corporation's enterprise risk management program, and the integrity of the Corporation's internal control and management systems. The Board, with the support of its Risk Committee, monitors the Corporation's risk tolerance and considers strategic risks as part of the annual strategic planning process. The Board's Audit Committee supports the Board in its oversight of the effectiveness of the Corporation's systems of internal control over financial information.

The Corporation has a corporate security and compliance division, as well as an internal audit services department. Furthermore, the Corporation has a dedicated risk advisory services (RAS) department to support the enterprise risk management program in the identification, assessment, and management of strategic and operational risks. The RAS department reports quarterly on its activities and on the Corporation's risk profile for review by the Executive Committee, the Risk Committee, and the Board as a whole.

5. Financial risk management (continued)

B. CREDIT RISK

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, revenue less commissions outstanding, and cash and cash equivalents.

Trade receivables, revenue less commissions outstanding, and gaming cash floats

Third parties transacting with the Corporation that handle gaming proceeds, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC.

The Corporation has arrangements with approximately 3,500 lottery retailers. The Corporation is not materially exposed to any individual lottery retailer. The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments may be completed for new retailers (with the exception of registered charities), retailers who have experienced insufficient fund occurrences, or in cases where there are concerns that retailers might be experiencing financial difficulties. Security is obtained from lottery retailers who are considered to be high financial risks, or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees.

The Corporation has arrangements with 15 gaming facility service providers. During the current fiscal year, new OSAs were signed with most gaming facility service providers. The Corporation plans for all remaining gaming facility service providers to sign new OSAs as soon as is practicable. The Corporation has mitigated the risk associated with the revenue less commissions outstanding from gaming facility service providers that have transitioned to the new OSA by requiring daily deposits of the estimated revenue collected into a bank account owned by the Corporation. Additionally, these gaming facility service providers are required to supply all gaming cash floats. The Corporation has credit risk exposure primarily in relation to two significant gaming facility service providers, both of which have transitioned to the new OSA.

As at March 31, 2019, the revenue less commissions owed to the Corporation by the two largest gaming facility service providers accounts for $7,889 (2018: $22,504) of the accounts receivable carrying amount.

5. Financial risk management (continued)

B. CREDIT RISK (continued)

Trade receivables, revenue less commissions outstanding, and gaming cash floats (continued)

The Corporation's exposure to credit risk for accounts receivable at the reporting date is represented by the carrying amounts less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

		2019		2018
Maximum exposure	**$**	**40,372**	$	104,347
Collateral		**(4,652)**		(65,955)
Net exposure	**$**	**35,720**	$	38,392

Normal credit terms for trade receivables or the balance of revenue less commissions outstanding are payment within 30 days. As at March 31, 2019 and 2018, there were no invoiced trade receivables or revenue less commissions outstanding for more than 60 days. At any time, balances receivable from gaming facility service providers include receivables for player funds held for outstanding chips. These balances, which represent the Corporation's liability to players, are not invoiced because they will be relieved through the normal course of operations.

The Corporation's trade receivables are largely comprised of amounts owing from lottery retailers and gaming facility service providers. These receivables are short term in nature and are collected through bank sweeps and daily deposits, making the likelihood of a credit loss very low. The Corporation has assessed the expected credit loss and no material expected credit losses resulted.

Cash and cash equivalents

Cash and cash equivalents, excluding gaming cash floats, are held with banks and counterparties that have high credit ratings and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Corporation has a formal policy and guidelines in place for cash equivalents that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

The maximum exposure to credit risk for cash and cash equivalents, excluding gaming cash floats, is represented by the carrying amounts at the reporting date (note 6).

5. Financial risk management (continued)

C. LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of British Columbia under its Fiscal Agency Loan program. Under this agreement, the Corporation may borrow up to an aggregate amount of $250,000. In making a loan to the Corporation, the Government of British Columbia uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of British Columbia. Loans are unsecured and there are no pre-established repayment terms other than the requirement that no single loan may have a duration of more than 365 days. The terms are set by the Government of British Columbia each time a loan is requested under this agreement. To date the durations of the loans have not exceeded 90 days.

The Corporation also has an unused $10,000 demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2018: prime rate).

The Corporation manages liquidity risk by forecasting and assessing actual cash flow requirements on an ongoing basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary surplus cash balances resulting from unclaimed prize money and money from normal operations held in advance of its transfer to the Government of British Columbia (note 18). As a result of fluctuating cash flow requirements and in order to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of all financial liabilities as at March 31, 2019 and 2018 are 90 days or less.

5. Financial risk management (continued)

D. MARKET RISK

Market risk, including interest rate risk, is the risk that changes in market prices will affect the fair value of, or future cash flows from, a financial instrument. The Corporation is not exposed to interest rate risk since all of its interest-bearing financial instruments are held in fixed-rate instruments.

The Corporation does not account for any fixed-rate financial liabilities at fair value through profit or loss, and does not utilize interest rate swaps. Therefore, a change in interest rates at the reporting date would not affect income.

E. FAIR VALUES

The carrying amounts of financial assets and financial liabilities not classified as fair value through profit or loss approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

F. OFFSETTING

The carrying amounts of recognized financial instruments that are set off in the consolidated statement of financial position are as follows:

As at March 31, 2019	Gross financial assets set off	Gross financial liabilities set off	Net financial assets	Related financial assets not set off	Net amount
Accounts receivable					
Lottery retailers	**$ 38,354**	**$ (12,314)**	**$ 26,040**	**$ –**	**$ 26,040**
Gaming facility service providers	**26,004**	**(15,889)**	**10,115**	**–**	**10,115**
Other	**–**	**–**	**–**	**3,347**	**3,347**
	$ 64,358	**$ (28,203)**	**$ 36,155**	**$ 3,347**	**$ 39,502**

As at March 31, 2019	Gross financial assets set off	Gross financial liabilities set off	Net financial liabilities	Related financial liabilities not set off	Net amount
Accounts payable, accrued and other liabilities	**$ 723**	**$ (1,893)**	**$ (1,170)**	**$ (89,171)**	**$ (90,341)**

5. Financial risk management (continued)

F. OFFSETTING (continued)

As at March 31, 2018	Gross financial assets set off	Gross financial liabilities set off	Net financial assets	Related financial assets not set off	Net amount
Accounts receivable					
Lottery retailers	$ 38,316	$ (12,324)	$ 25,992	$ –	$ 25,992
Gaming facility service providers	54,612	(23,719)	30,893	–	30,893
Other	–	–	–	3,398	3,398
	$ 92,928	$ (36,043)	$ 56,885	$ 3,398	$ 60,283

As at March 31, 2018	Gross financial assets set off	Gross financial liabilities set off	Net financial liabilities	Related financial liabilities not set off	Net amount
Accounts payable, accrued and other liabilities	$ 758	$ (2,040)	$ (1,282)	$ (91,556)	$ (92,838)

6. Cash and cash equivalents

	2019	2018
Canadian high interest savings account (overnight deposits)	**$ 16,000**	$ 25,000
Funds held for player accounts	**7,874**	7,072
Funds held for security deposits	**3,693**	5,808
Gaming cash floats	**870**	44,064
Cash and cash equivalents in the statement of financial position	**28,437**	81,944
Cheques issued in excess of funds on hand in the statement of financial position	**(4,539)**	(3,422)
Cash and cash equivalents in the statement of cash flows	**$ 23,898**	$ 78,522

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player account liability in the amount of $7,874 (2018: $7,072) is included in accounts payable, accrued and other liabilities.

6. Cash and cash equivalents (continued)

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $3,693 (2018: $5,808) is included in accounts payable, accrued and other liabilities.

Under the new OSAs with the gaming facility service providers, gaming cash floats are now supplied by the service providers. The outstanding balance in fiscal year 2019 represents cash floats provided by the Corporation to gaming facility service providers who have not yet transitioned to the new OSA. These cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the previous operational services agreements). These floats are located at the gaming facilities and are not available for other purposes.

Select gaming facility service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (gaming accounts). These gaming accounts are accounted for in accordance with the casino and community gaming centre standards, policies and procedures under the supervision of the Corporation, as well as in accordance with the regulations of GPEB. No amounts are recorded in the Corporation's consolidated financial statements for these gaming accounts. The gaming facility service providers are legally liable for the player funds held in these accounts.

7. Accounts receivable

		2019		2018
Trade receivables and revenue less commissions outstanding:				
Lottery retailers	**$**	**26,040**	$	25,992
Gaming facility service providers		**10,115**		30,893
		36,155		56,885
Other		**3,347**		3,398
	$	**39,502**	$	60,283

The accounts receivable balances presented include accounts receivable from the sale of both Administered Games and Wagered Games.

8. Inventories

The major components of inventories are as follows:

		2019		2018[1]
Slot machine spare parts	**$**	**5,022**	$	4,701
Instant tickets		**3,358**		3,013
Other		**889**		1,482
	$	**9,269**	$	9,196

For the year ended March 31, 2019, inventories recognized as an expense amounted to $18,713 (2018: $20,124[1]).

[1] Certain 2018 comparative figures have been restated – see note 3(C)

9. Employee benefits

The Corporation contributes to and controls the following pension and post-retirement defined benefit plans:

Registered Pension Plan (Plan A)

Plan A is a registered pension plan in the Province of B.C. under the *Pension Benefits Standards Act (British Columbia)* (PBSA). Plan A entitles an employee to receive an annual pension payment after retirement based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and covers substantially all of the Corporation's employees. The pension benefits are partially indexed for inflation after retirement.

Supplementary Pension Plan (Plan B)

Plan B covers employees designated by the Corporation. The pension benefits under Plan B provide designated employees a top-up to Plan A benefits to the extent, if any, that they are limited by the *Income Tax Act (Canada)* maximum pension rules.

Post-Retirement Benefit Plan – Non-Pension (Plan C)

Plan C covers substantially all of BCLC's employees for post-retirement medical, dental and life insurance benefits.

9. Employee benefits (continued)

The Corporation, as the plan sponsor and plan Administrator, has established the Pension Committee to have primary responsibility for the administration and oversight of the plans and to perform certain delegated responsibilities.

These plans expose the Corporation to foreign currency risk, interest rate risk, longevity risk, inflation risk, and other market price risk.

A. FUNDING

Plan A is funded by employee contributions, employer contributions, and investment returns. The Corporation funds Plan A based on the advice of an actuary, in order to provide for the cost of the benefits accruing under the plan and for the proper amortization of any unfunded liability or solvency deficiency, both in accordance with the PBSA, after taking into account the assets of the plan, employee contributions and all other relevant factors. The actuarial assumptions used to determine funding requirements, which are based on a separate actuarial valuation for funding purposes, may differ from the assumptions herein.

If at any time the actuary certifies that the net assets available for benefits under Plan A exceed the actuarially-determined present value of the accrued pension benefit obligation, such surplus, or any portion thereof, may be used by the Corporation at its discretion, to reduce its contribution obligations, subject to PBSA restrictions.

The Corporation expects to contribute $13,922 to Plan A in the year ending March 31, 2020.

Plans B and C are unfunded. As such, the Corporation pays all benefits thereunder as they fall due.

9. Employee benefits (continued)

B. MOVEMENT IN NET DEFINED BENEFIT LIABILITY (ASSET)

A reconciliation from the opening balances to the closing balances for the net defined benefit liability (asset) and its components is as follows:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2019	2018	**2019**	2018	**2019**	2018
Balance at April 1	**$ 355,100**	$ 325,579	**$ (291,847)**	$ (272,303)	**$ 63,253**	$ 53,276
Included in income						
Current service cost	**15,900**	12,961	**–**	–	**15,900**	12,961
Past service cost	**1,024**	–	–	–	**1,024**	–
Interest cost (income)	**13,408**	13,386	**(10,779)**	(10,914)	**2,629**	2,472
Administration cost	**–**	–	**520**	570	**520**	570
	30,332	26,347	**(10,259)**	(10,344)	**20,073**	16,003
Included in other comprehensive income						
Re-measurements loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	**11,309**	4,036	**–**	–	**11,309**	4,036
Experience adjustments	**104**	8,801	**–**	–	**104**	8,801
Return on plan assets excluding interest income	**–**	–	**(4,770)**	(3,568)	**(4,770)**	(3,568)
	11,413	12,837	**(4,770)**	(3,568)	**6,643**	9,269
Other						
Contributions paid by the employer	**–**	–	**(15,082)**	(15,295)	**(15,082)**	(15,295)
Contributions paid by the employee	**2,833**	2,730	**(2,833)**	(2,730)	**–**	–
Benefits paid	**(12,246)**	(12,393)	**12,246**	12,393	**–**	–
	(9,413)	(9,663)	**(5,669)**	(5,632)	**(15,082)**	(15,295)
Balance at March 31	**$ 387,432**	$ 355,100	**$ (312,545)**	$ (291,847)	**$ 74,887**	$ 63,253

Represented by:	**2019**	2018
Net defined benefit liability (asset) (Plan A)	**$ 6,969**	$ (2,125)
Net defined benefit liability (Plans B and C)	**67,918**	65,378
	$ 74,887	$ 63,253

9. Employee benefits (continued)

C. PLAN ASSETS

Plan assets are comprised of:

2019		Level 1[1]		Level 2[2]		Total	Asset Mix
Pooled funds							
Canadian equity funds	**$**	**94,787**	**$**	**–**	**$**	**94,787**	**31%**
Global equity funds		**112,974**		**–**		**112,974**	**36%**
Fixed income funds		**72,289**		**–**		**72,289**	**23%**
Debt securities							
Canada real return bonds		**–**		**32,495**		**32,495**	**10%**
	$	**280,050**	**$**	**32,495**	**$**	**312,545**	**100%**

2018		Level 1[1]		Level 2[2]		Total	Asset Mix
Pooled funds							
Canadian equity funds	$	89,351	$	–	$	89,351	31%
Global equity funds		104,189		–		104,189	36%
Fixed income funds		67,706		–		67,706	23%
Debt securities							
Canada real return bonds		–		30,601		30,601	10%
	$	261,246	$	30,601	$	291,847	100%

[1] The fair values of Level 1 assets are determined based on quoted prices in active markets.

[2] The fair values of Government of Canada real return bonds are determined based on price quotations. However, as the underlying market in which these instruments are traded is not considered active, the bonds are classified as Level 2 in the fair value hierarchy.

Plan contributions are invested in equities and bonds. With consideration of the long-term nature of the plan liabilities, and the shorter-term liquidity needs for payments to retirees, the Corporation has a general target allocation of 60% equities and 40% bonds. As a general policy, and in accordance with the relevant regulations, the Corporation has adopted the investment guidelines of the PBSA for defining permissible investment activities for money held in trust. Each investment manager is expected to actively manage Plan A's assets within the parameters of the strategic asset mix comprising 40 to 70% equity securities, 30 to 50% investment funds and debt securities, and up to 5% cash and cash equivalents.

9. Employee benefits (continued)

D. DEFINED BENEFIT OBLIGATION

i. Actuarial valuation and assumptions

An actuarial valuation for funding purposes is required, at a minimum, every three years to assess the financial position of Plan A. The most recent actuarial valuation of Plan A for funding purposes was performed by Morneau Shepell Ltd. (Morneau), an independent firm of consulting actuaries, as at December 31, 2016. The defined benefit obligation for Plan A has been based on this valuation, with adjustments made for cash flows and material events since that date. In addition, certain assumptions have been updated to reflect market conditions as at March 31, 2019. The next required actuarial valuation for funding purposes will be completed as of December 31, 2019 with a determination of the funded status of the pension plan available in mid-2020.

There is no statutory actuarial valuation requirement for Plan B. The defined benefit obligation for Plan B is based on data collected for those members as at March 31, 2019.

There is no statutory actuarial valuation requirement for Plan C; however, a full actuarial valuation is completed every three years on Plan C. A full actuarial valuation of Plan C was performed by Morneau as at December 31, 2018. The defined benefit obligation for Plan C has been based on this valuation, with adjustments made for cash flows and material events since that date.

The principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	Plans A and B		Plan C	
	2019	2018	**2019**	2018
Discount rate:				
Defined benefit obligation	**3.40%**	3.65%	**3.40%**	3.65%
Benefit cost	**3.65%**	4.00%	**3.65%**	4.00%
Rate of compensation increase for the fiscal year	**2.00%**	2.00%	-	-
Future compensation increases	**2.00%**	2.00%	-	-
Inflation	**1.70%**	2.00%	-	-
Initial weighted-average health care trend rate	-	-	**4.27%**	5.00%
Ultimate weighted-average health care trend rate	-	-	**3.47%**	3.70%
Year ultimate reached	-	-	**2040**	2026
Assumed life expectations on retirement at age 65				
Current pensioners				
Male	**23.3**	23.2	**23.3**	23.2
Female	**25.2**	25.1	**25.2**	25.1
Retiring in 20 years				
Male	**24.3**	24.2	**24.3**	24.2
Female	**26.1**	26.0	**26.1**	26.0

9. Employee benefits (continued)

D. DEFINED BENEFIT OBLIGATION (continued)

ii. Sensitivity analysis

Changes at March 31, 2019 to one of the relevant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation by the following amounts:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase in rate	**Decrease in rate**	Increase in rate	Decrease in rate
Discount rate (1% movement)	**$ (55,703)**	**$ 72,045**	$ (51,341)	$ 66,315
Future compensation increase (1% movement)	**15,381**	**(12,769)**	10,745	(8,973)
Inflation (1% movement)	**19,119**	**(17,403)**	16,542	(15,064)
Health care cost trend rate (1% movement)	**5,069**	**(4,854)**	5,205	(4,925)
Future mortality (10% movement)	**(6,461)**	**7,009**	(5,639)	6,108

In practice, it is unlikely that one assumption would change, while all other assumptions remained constant, since changes in some of the assumptions are interdependent; however, this analysis does provide an approximation of the sensitivity of the assumptions shown.

iii. Maturity profile of plan membership

The breakdown of the defined benefit obligation at March 31, 2019 (as a percentage of the total) in respect of active employees, former employees who have not yet started receiving a pension (deferred vested), and former employees and other beneficiaries receiving a pension (retirees), is as follows:

	Defined benefit obligation	
	2019	2018
Active members	**51%**	49%
Deferred vested members	**5%**	5%
Retirees	**44%**	46%
Total	**100%**	100%

At March 31, 2019, the weighted-average duration of the defined benefit obligation was 16.2 years (2018: 16.2 years).

10. Property and equipment

	Land	Corporate facilities, systems, and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost							
Balance at April 1, 2017	$ 2,779	$ 100,515	$ 116,479	$ 7,651	$ 436,509	$ 22,931	$ 686,864
Additions	217	2,588	6,900	1	34,220	29,668	73,594
Transferred to systems and equipment	–	1,422	1,075	–	16,504	(19,001)	–
Disposals and retirements	–	(904)	(2,011)	–	(26,199)	–	(29,114)
Balance at March 31, 2018	2,996	103,621	122,443	7,652	461,034	33,598	731,344
Additions	**1,736**	**6,021**	**2,807**		**28,404**	**26,670**	**65,638**
Transferred to systems and equipment	**–**	**2,026**	**4,459**	**–**	**23,452**	**(29,937)**	**–**
Disposals and retirements	**–**	**(2,888)**	**(4,887)**	**–**	**(30,098)**	**–**	**(37,873)**
Balance at March 31, 2019	**$ 4,732**	**$ 108,780**	**$ 124,822**	**$ 7,652**	**$ 482,792**	**$ 30,331**	**$ 759,109**
Accumulated depreciation							
Balance at April 1, 2017	$ –	$ 77,869	$ 101,528	$ 7,263	$ 286,788	$ –	$ 473,448
Depreciation for the year	–	6,426	4,626	253	41,728	–	53,033
Disposals and retirements	–	(877)	(1,760)	–	(24,958)	–	(27,595)
Balance at March 31, 2018	–	83,418	104,394	7,516	303,558	–	498,886
Depreciation for the year	**–**	**6,621**	**5,487**	**101**	**42,685**	**–**	**54,894**
Disposals and retirements	**–**	**(2,692)**	**(2,917)**	**–**	**(27,874)**	**–**	**(33,483)**
Balance at March 31, 2019	**$ –**	**$ 87,347**	**$ 106,964**	**$ 7,617**	**$ 318,369**	**$ –**	**$ 520,297**
Carrying amounts							
At March 31, 2018	$ 2,996	$ 20,203	$ 18,049	$ 136	$ 157,476	$ 33,598	$ 232,458
At March 31, 2019	**$ 4,732**	**$ 21,433**	**$ 17,858**	**$ 35**	**$ 164,423**	**$ 30,331**	**$ 238,812**

11. Intangible assets

	Software	Assets under development	Total
Cost			
Balance at April 1, 2017	$ 160,489	$ 17,346	$ 177,835
Acquisitions - separately acquired	4,547	778	5,325
Acquisitions - internally generated	999	2,227	3,226
Transferred to software	10,562	(10,562)	–
Disposals and retirements	(25)	–	(25)
Balance at March 31, 2018	176,572	9,789	186,361
Acquisitions – separately acquired	**2,329**	**4,530**	**6,859**
Acquisitions – internally generated	**18**	**2,636**	**2,654**
Transferred to software	**4,208**	**(4,208)**	**–**
Disposals and retirements	**(4,869)**	**–**	**(4,869)**
Balance at March 31, 2019	**$ 178,258**	**$ 12,747**	**$ 191,005**
Accumulated amortization			
Balance at April 1, 2017	$ 115,001	$ –	$ 115,001
Amortization for the year	15,919	–	15,919
Disposals and retirements	(3)	–	(3)
Balance at March 31, 2018	130,917	–	130,917
Amortization for the year	**14,716**	–	**14,716**
Disposals and retirements	**(2,397)**	–	**(2,397)**
Balance at March 31, 2019	**$ 143,236**	**$ –**	**$ 143,236**
Carrying amounts			
At March 31, 2018	$ 45,655	$ 9,789	$ 55,444
At March 31, 2019	**$ 35,022**	**$ 12,747**	**$ 47,769**

The intangible assets balance represents purchased and internally-generated software assets.

12. Prizes payable

		2019		2018[1]
Lottery games	**$**	**16,284**	$	15,991
Progressive jackpots		**8,404**		7,055
Other		**353**		293
	$	**25,041**	$	23,339

[1] Certain 2018 comparative figures have been restated – see note 3(C)

13. Accounts payable, accrued and other liabilities

		2019		2018
Trade payables	**$**	**19,743**	$	26,185
Accrued expenses		**37,255**		39,022
Player accounts liability		**7,874**		7,072
Security deposits payable		**3,693**		5,808
Indirect tax payable		**5,665**		5,359
Other		**16,111**		9,392
	$	**90,341**	$	92,838

14. Short-term financing

		2019		2018
Government of British Columbia, loans, payable in single instalments including interest ranging from $41 to $87 at rates ranging from 1.46% to 1.60%, unsecured, due between April 9, 2019 and April 25, 2019	**$**	**100,029**	$	–
Government of British Columbia, loans, payable in single instalments including interest ranging from $31 to $78 at rates ranging from 0.86% to 1.18%, unsecured, due between April 9, 2018 and May 24, 2018		–		154,867
	$	**100,029**	$	154,867

14. Short-term financing (continued)

Reconciliation of the movements of liabilities to cash flows arising from financing activities:

		2019		2018
Balance at April 1	**$**	**154,867**	$	145,130
Changes from financing cash flows				
Proceeds from borrowings		**1,313,750**		1,414,084
Repayment of borrowings		**(1,368,595)**		(1,404,405)
Total changes from financing cash flows		**(54,845)**		9,679
Other changes				
Interest expense		**1,466**		983
Interest paid		**(1,697)**		(1,039)
Capitalized borrowing costs		**238**		114
Total other changes		**7**		58
Balance at March 31	**$**	**100,029**	$	154,867

15. Deferred revenue

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date as described in note 4(J). The amounts recorded below are expected to be recognized as revenue by the Corporation within 12 months.

		2019		2018[1]
Lottery games	**$**	**21,303**	$	19,977
Other		**2,560**		293
	$	**23,863**	$	20,270

[1] Certain 2018 comparative figures have been restated – see note 3(C)

16. Unsettled wagers

The following table includes unsettled wagers expected to be recognized in the future related to outcomes that have not yet occurred at the reporting date as described in note 4(J). The amounts recorded below are expected to be recognized as revenue by the Corporation within 12 months.

		2019		2018[1]
Customer loyalty programs	**$**	**4,193**	$	4,490
Lottery games		**872**		708
Sports betting		**443**		843
Other		**154**		46
	$	**5,662**	$	6,087

[1] Certain 2018 comparative figures have been restated – see note 3(C)

17. Revenue

The Corporation's revenue is disaggregated by major product lines as follows:

		2019		2018[1]
Slot machines and table games	**$**	**1,990,080**	$	1,967,860
Lottery games		**539,678**		479,944
Sports betting		**26,390**		20,852
Bingo games		**25,262**		26,227
Other		**8,716**		7,627
	$	**2,590,126**	$	2,502,510
Revenue from Wagered Games[2]	**$**	**2,177,101**	$	2,131,621
Revenue from Administered Games[2]		**413,025**		370,889
	$	**2,590,126**	$	2,502,510

[1] Certain 2018 comparative figures have been restated – see note 3(C)

[2] As described in note 4(J)

18. Distributions to the Government of British Columbia

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 19), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of British Columbia occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings.

19. Distributions to the Government of Canada

The ILC makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to the ILC.

20. Interprovincial Lottery Corporation

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized as a reduction to revenue and ticket printing expense, respectively, in accordance with the recognition of revenue. The Corporation's share of the ILC's interest income less operating expenses is included in other expenses in the consolidated statement of comprehensive income.

21. Commitments

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises, vehicles, and office equipment are as follows:

2020	5,076
2021	4,388
2022	4,293
2023	3,990
2024	3,447
Thereafter	6,085

The Corporation leases its Vancouver office and warehouse space under non-cancellable operating leases. The leases commenced May 2011 and have terms of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

21. Commitments (continued)

Operating leases (continued)

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. As part of the agreement to operate a location, the retailers pay contingent location fees that are reviewed, negotiated, and adjusted as necessary.

The Corporation leases a fleet of vehicles and office equipment under non-cancellable operating lease agreements. These leases generally have five-year terms.

The Corporation leases casino and community gaming equipment under cancellable operating leases. These leases typically run for a period of three years.

During the year ended March 31, 2019, $25,069 (2018: $24,071) was recognized as an expense in the consolidated statement of comprehensive income in respect of non-cancellable and cancellable operating leases. The Corporation recognized income of $3,437 (2018: $3,140) in respect of rent under cancellable operating agreements with lottery retailers. These expense and income amounts are included in gaming equipment, leases, and licenses, cost of premises, and other.

Capital commitments

As of March 31, 2019, the Corporation is committed to incur capital expenditures relating to property and equipment and intangible assets of $8,965 (2018: $9,814). These commitments are expected to be settled in the following year.

22. Contingencies

The Corporation is vigorously defending an action brought by a gaming facility service provider alleging that the Corporation improperly collected a marketing commission. The matter is currently being considered by the courts and the Corporation expects judgment in fiscal year 2020 or 2021. The Corporation has assessed it is probable that the judgment will be in its favour; therefore, no provision has been recorded in the consolidated financial statements. The potential undiscounted amount of the payments that the Corporation could be required to make if there was an adverse decision related to the lawsuit is estimated to be a maximum of $33,900 excluding interest and costs.

The Corporation is also party to additional legal proceedings and claims that arise in the ordinary course of business. A provision would only be recognized for these contingencies when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

22. Contingencies (continued)

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. BCLC is required to have all indemnification obligations approved by the B.C. Government Risk Management Branch. These indemnifications typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third-party claims. The nature of these agreements prevents the Corporation from making reasonable estimates of the maximum amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the consolidated financial statements for these indemnifications.

23. Related party transactions

BCLC, as a wholly-owned crown corporation, is controlled by the Government of British Columbia. Included in these consolidated financial statements are transactions with various Government of British Columbia ministries, agencies, and crown corporations related to the Corporation by virtue of common control.

All transactions with the Government of British Columbia ministries, agencies, and crown corporations occurred in the normal course of operations. Transactions that are considered to be individually or collectively significant include loan agreements (note 14) and distributions to the Government of British Columbia (note 18). The Corporation pays Provincial Sales Tax on its taxable purchases and also collects and remits Provincial Sales Tax to the Government of British Columbia on its taxable sales (note 24).

Key management personnel have been defined as the members of the Board of Directors, the President & CEO, and the Corporation's Vice-Presidents. The compensation for key management personnel is shown below:

		2019		2018
Short-term employee benefits	**$**	**2,448**	$	2,475
Pension and post-retirement benefits		**234**		211
Termination benefits		**376**		**-**
	$	**3,058**	$	2,686

The Corporation is also related to the pension and post-retirement defined benefit plans. Transactions with these plans are disclosed in note 9.

24. Indirect tax expense

As a provincial gaming authority, BCLC is a prescribed registrant under the *Games of Chance Goods and Services Tax (GST)/Harmonized Sales Tax (HST) Regulations* of the *Excise Tax Act* (the Regulations). The Corporation makes GST remittances to the Government of Canada pursuant to the Regulations. The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations, resulting in the direct payment of additional GST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similarly to that for other GST registrants.

Provincial Sales Tax is calculated and remitted to the Province of British Columbia pursuant to the *Provincial Sales Tax Act*.

25. Joint Illegal Gaming Investigation Team

The Corporation, in combination with the federal government through the Provincial Police Service Agreement, funded the Joint Illegal Gaming Investigation Team in fiscal 2019. The Corporation began recording funding for the external policing costs related to this team (located within the Combined Forces Special Enforcement Unit of B.C.) in the 2017 fiscal year. The Corporation recorded $3,000 in funding for the current fiscal year.

Appendix A – Additional Information

Corporate Governance

http://corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html

Organizational Overview

http://corporate.bclc.com/who-we-are.html

http://corporate.bclc.com/what-we-do.html

http://corporate.bclc.com/social-responsibility.html

Contact Information

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Appendix B – Subsidiaries and Operating Segments

Active Subsidiaries

BC Lottotech International, Inc.

The consolidated financial statements of the British Columbia Lottery Corporation include BC Lottotech International Inc., a wholly-owned subsidiary of the Corporation. The primary purpose of BC 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 BC Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

Resource Summary

$ millions	2017/18 Actual	2018/19 Budget	2018/19 Actual
Total Revenue	$ 63.2	$ 70.0	$ 64.4
Total Expenses	64.1	70.5	70.3
Net Loss	**$ 0.9**	**$ 0.5**	**$ 5.9**

Appendix C – BCLC Mandate and Actions Summary

In the 2018/19 Mandate Letter, BCLC received direction on strategic priorities for the 2018/19 fiscal year. These priorities and BCLC's resulting actions are summarized below:

Mandate Letter Direction	BCLC's Action
1. Implement the remaining commitments that BCLC is solely and jointly (with GPEB) responsible for in the Plan for Public Health and Gambling (February 2015). In addition, implement the regulatory guidelines for performance measure reporting of GameSense Advisor (GSA) activities in casinos and community gaming centres. Submit bi-annual progress reports to the General Manager, GPEB detailing the status of the implementation of these commitments.	BCLC and GPEB finalized plans to address all recommendations and plans and continue to meet regularly to review the status of all recommendations and update the progress report. GPEB shares progress with the ADM's Office as required. Within the Plan for Public Health and Gambling (2015), BCLC has primary responsibility for eight commitments. BCLC has completed four of those commitments and has partially completed the remaining four. Of the five commitments held jointly with GPEB, two are complete with the remainder in progress. The regulatory guidelines refer to the recommendation in the Responsible Gambling Council (RGC) review of the GSA Program to identify agreed upon performance measures for the GameSense Program. BCLC and GPEB have jointly identified a working group with the task of refining the existing performance measures. BCLC has recently completed a second study to track and analyze the program's results. BCLC submitted bi-annual reports to GPEB regarding the progress of the implementation.
2. Implement government's response to recommendations arising from the Peter German review of money laundering in British Columbia casinos. Provide a quarterly report to the Attorney General on the implementation of initiatives to mitigate money laundering and the use of proceeds of crime in BC gambling facilities.	BCLC has completed 6 of the 11 recommendations for which we are the lead, including one interim recommendation. BCLC is involved in an additional 12 recommendations of which two are complete and active work is being done on an additional eight. On an ongoing basis, BCLC monitors trends and meets with police and regulators to make sure any needed updates to the anti-money laundering program are implemented. BCLC has made changes to policies and procedures such as ensuring that BCLC service providers complete a Source of Funds Declaration for cash deposits or bearer monetary instruments of $10,000 or more. At a minimum, the declaration must outline a customer's identification and provide the source of funds, including the financial institution and account from which the cash or bond was

	sourced. After two consecutive transactions, cash can only be accepted from the customer once it has been determined that it is not of a suspicious or illegal nature. BCLC provided quarterly reports to the Attorney General regarding the implementation of Government's Anti-Money Laundering Strategy and is proactive in advising GPEB regarding trends in money laundering.
3. Proactively share information with GPEB that assists the branch in meeting its responsibilities for the overall integrity of gaming and horse racing and providing the Minister with advice on broad policy, standards and regulatory issues. This includes, but is not limited to: a) Information about any new games (excluding variations of existing games or similar games already being offered by BCLC) that BCLC intends to introduce to determine whether additional responsible gambling standards are required or whether a game may be considered a new type of lottery scheme and requires written approval by the Minister under Section 7 of the *Gaming Control Act*; and b) Information regarding any trends that may influence strategies to combat money laundering and keep the proceeds of crime out of British Columbia gambling facilities.	BCLC is proactive in sharing information with GPEB that assists the branch in meeting its responsibilities for the overall integrity of gaming and horse racing. No new games were submitted to GPEB during fiscal year 2018/19 that required GPEB review as a new lottery scheme. BCLC is proactive in advising GPEB regarding trends in money laundering.