

# CONNECTING



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.**



The logo for bcclc features the lowercase letters 'bcclc' in a dark blue, sans-serif font. Each letter has a white circular dot in its center, with the dots colored red, orange, and green from left to right. The logo is centered within a large white circle on a dark blue background.

bcclc

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 24<sup>th</sup> 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

A portrait of Michael Graydon, a middle-aged man with short, light-colored hair, wearing glasses, a light-colored suit jacket, a white shirt, and a red tie. He is smiling slightly and looking towards the camera. The background is a soft-focus indoor setting with light coming from a window.

**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.

A handwritten signature in black ink that reads "John McLernon".

John McLernon  
Chair, Board of Directors

A handwritten signature in black ink that reads "Michael Graydon".

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](http://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](http://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 24<sup>th</sup> 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	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	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	932,515	3,167,435	4,099,950	
Chances Cowichan	Duncan Dabber Bingo Society	Duncan	100	12,408,815	380	3,415,330	10,374,836	4,719,995	15,094,831	
Chances Dawson Creek	0542603 BC Ltd.	Dawson Creek	142	12,265,301	318	795,003	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	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	
Chances Kamloops	Enterprise Entertainment Ltd.	Kamloops	65	6,276,739	756	6,180,186	4,993,955	10,377,040	15,370,995	
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	150	16,776,971	770	9,068,852	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	3,165,728	832,418	3,998,146	
Chances RimRock	Alberni Valley Bingo Association	Port Alberni	75	7,289,523	261	2,172,119	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	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	–	14,192,797	14,192,797	
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon	–	–	480	4,297,860	–	6,002,922	6,002,922	
Haney Bingo Plex	Great Canadian Entertainment Centres Ltd.	Maple Ridge	–	–	525	6,989,252	–	9,069,283	9,069,283	
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	–	–	500	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	–	8,106,007	8,106,007	
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	–	–	–	3,599,801	–	5,183,502	5,183,502	
Newton Bingo Country	427967 BC LTD. (DBA Bingo Country)	Surrey	–	–	684	10,383,158	–	13,181,309	13,181,309	
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton	–	–	482	3,212,659	–	4,188,630	4,188,630	
Planet Bingo	Community Gaming Management Association	Vancouver	–	–	676	11,416,457	–	16,632,853	16,632,853	
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo	–	–	460	2,863,357	–	4,915,785	4,915,785	
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria	–	–	508	3,594,842	–	3,784,526	3,784,526	
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook	–	–	285	1,458,573	–	2,190,878	2,190,878	
<b>Total Commercial Halls &amp; Community Gaming Centres</b>			<b>1,378</b>	<b>125,997,000</b>	<b>12,331</b>	<b>128,071,978</b>	<b>254,068,978</b>	<b>86,717,280</b>	<b>172,709,200</b>	<b>259,426,480</b>
Independent Bingo Hall Ka-Chingo Revenue						411,196			449,033	
Paper Bingo Distribution Revenue						246,204			278,881	
<b>Grand Total</b>						<b>\$254,726,378</b>			<b>\$260,154,394</b>	

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
<b>Total</b>			<b>8,818</b>	<b>961,408,473</b>	<b>485</b>	<b>379,831,134</b>	<b>1,341,239,607</b>	<b>1,322,123,327</b>

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
<b>Total</b>		<b>7,406,864</b>	<b>5,244,532</b>

### 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
<b>Total</b>		<b>\$76,452,550</b>	<b>\$77,778,274</b>

Burnaby Casino closed November 4, 2008.

Grand Villa Casino opened November 5, 2008.

#### FAST FACT

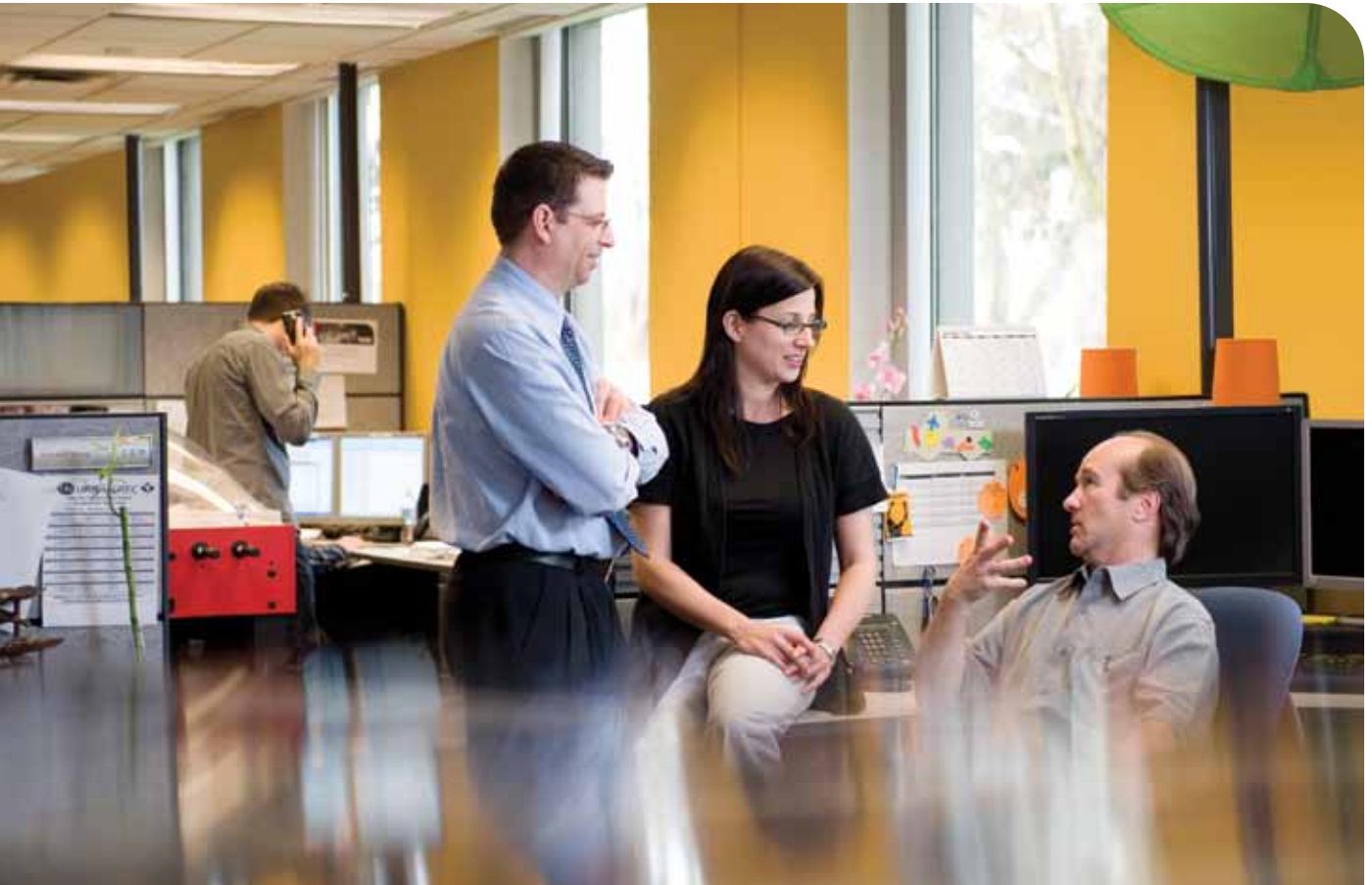
In 2008/09, BCLC paid \$578.6 million in commissions to our private sector service partners.

## CONNECTING RESPONSIBLY

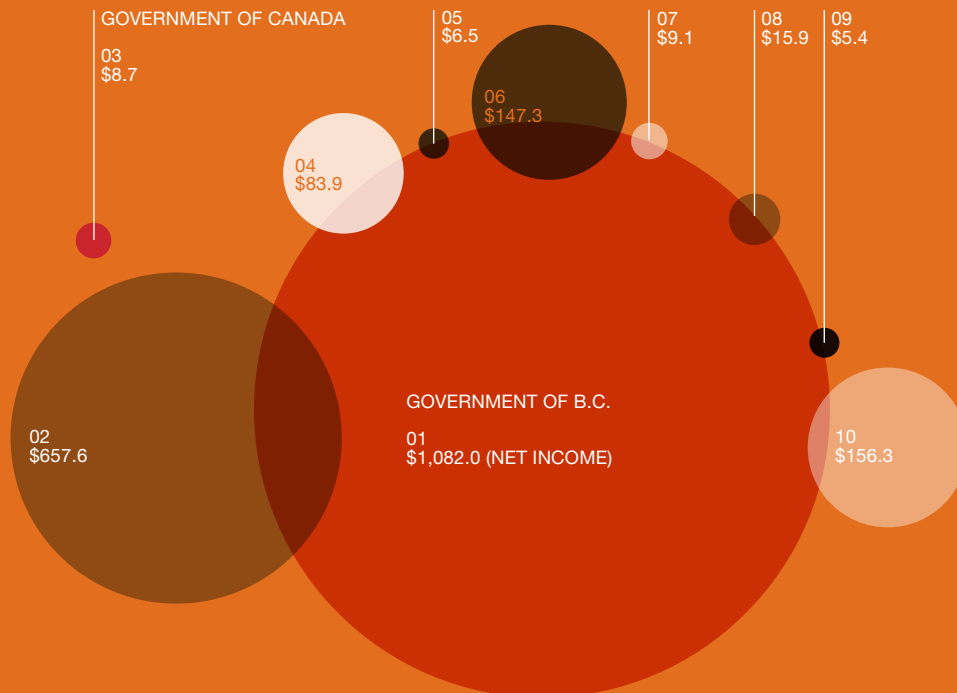
IN 2008/09 WE SET IN MOTION SEVERAL NEW ENTERPRISE-WIDE ACTIONS AND STRATEGIES TO ENTRENCH SOCIAL RESPONSIBILITY AND SUSTAINABILITY IN OUR PRODUCTS, SERVICES AND FACILITIES. OUR COMMITMENT TO CONDUCTING OUR BUSINESS IN THE BEST INTERESTS OF THE PUBLIC, OUR PLAYERS AND THE PLANET IS CAPTURED IN OUR CORPORATE 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](http://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](http://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/](http://www.bclc.com/cm/AboutBCLC/PlayerFirst/).

Since in September 2007, quarterly progress reports on Player First have been posted on [www.bclc.com](http://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](http://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](http://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](http://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](http://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<sup>1</sup>, Vancouver

#### Vice-Chair

Arthur Willms, Vancouver

#### Directors

Michael Riley<sup>2</sup>, Surrey; Moray Keith<sup>3</sup>, Delta; Kathy Stevenson<sup>4</sup>, Kelowna; Trudi Brown<sup>5</sup>, Victoria; Cindy Grauer<sup>6</sup>, Vancouver; David Gillespie, Kamloops; D. Neil McDonnell, North Vancouver; Tazeem Nathoo<sup>7</sup>, 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

<b>Chair</b>	<b>Members</b>
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

<b>Chair</b>	<b>Members</b>
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

<b>Chair</b>	<b>Members</b>
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<sup>8</sup> – 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<sup>9</sup> – Casino and Community Gaming  
– appointed May 30, 2008
- Terry Towns – Corporate Security and Compliance  
– appointed May 30, 2008
- Marsha Walden<sup>10</sup> – Customer Strategy and Corporate Marketing  
– appointed May 30, 2008
- Tom Williamson<sup>11</sup> – 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

Optimize the Corporation's financial performance within the gaming and social policy framework established by the Shareholder;

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;

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;

Ensure gaming products and services offered by the Corporation are consistent with the objectives of gaming security and integrity;

Implement the recommendations made by the provincial Ombudsman in May 2007 related to the Corporation;

### BCLC ALIGNMENT

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.

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.

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.

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.

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**

<b>PERSPECTIVE</b>	<b>GOALS &amp; OBJECTIVES</b>	<b>→ STRATEGIES</b>	<b>→ PERFORMANCE MEASURES</b>
<b>PLAYER</b>	<p>1 Ensure players come first</p> <ul style="list-style-type: none"> <li>- Grow the public trust in the integrity of, and support for, gaming BCLC manages</li> </ul>	<p>1 Entrench a player focus in all BCLC activities</p>	<ul style="list-style-type: none"> <li>- Public trust and confidence in BCLC games</li> </ul>
<b>FINANCIAL/ OPERATIONS</b>	<p>2 Provide an outstanding gaming experience for players and generate income</p> <ul style="list-style-type: none"> <li>- Increase the number of new and repeat players to BCLC's games and service provider facilities</li> <li>- Optimize net income for our Shareholder</li> </ul>	<p>2 Provide opportunities within BCLC's business and operating model to encourage innovation and better player service</p> <p>3 Build player participation and loyalty through player focus on product innovation, continued facility improvement and customer relations management</p> <p>4 Implement programs to improve business integrity and operational efficiencies</p> <p>5 Transform and grow the lottery business</p> <p>6 Build and leverage PlayNow to achieve its potential as a robust, secure and successful channel</p>	<ul style="list-style-type: none"> <li>- Net income</li> <li>- Operating cost ratio (of net income)</li> <li>- Player satisfaction</li> </ul>
<b>PUBLIC/PLANET</b>	<p>3 Demonstrate social responsibility in all of our activities</p> <ul style="list-style-type: none"> <li>- Ensure our games are provided in a socially responsible manner</li> <li>- Have a positive effect on communities as we operate our business</li> </ul>	<p>7 Improve responsible gambling strategy and delivery of programs</p> <p>8 Develop and begin implementation of BCLC's plan to achieve carbon neutrality by 2010</p> <p>9 Promote BCLC's business through the Vancouver 2010 Olympic and Paralympic Winter Games sponsorship</p>	<ul style="list-style-type: none"> <li>- Player awareness of responsible gambling activities</li> <li>- Public support for gaming</li> </ul>
<b>PEOPLE</b>	<p>4 Have a workforce passionately driving the success of our business</p> <ul style="list-style-type: none"> <li>- Create a high performing organization that strives to continually improve</li> </ul>	<p>10 Develop and implement a high- performance culture human resources plan</p> <p>11 Provide recognition and engagement opportunities for employees to be visibly connected to and appreciated for their contribution to B.C.'s communities</p>	<ul style="list-style-type: none"> <li>- Employee engagement</li> </ul>

**FAST FACT**

Consumer Services responded to more than 230,000 player/public requests for information in 2008/09.

## 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 (%)

2008/09  60

#### 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)

Year	Net Income (\$ millions)
2008/09	1,090.7
2007/08	1,088.9
2006/07	1,018.8
2005/06	922.7
2004/05	818.9

#### 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

### 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.

## PLAYER SATISFACTION

### 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.

## TARGET NOT ACHIEVED

### 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

## TARGET NOT ACHIEVED

### 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 (%)

2008/09		89
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#### 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 (%)

2008/09		65
2007/08		62
2006/07		56
2005/06		51

#### 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

#### 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.

### TARGET EXCEEDED

#### 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.

## 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

#### 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.

#### FAST FACT

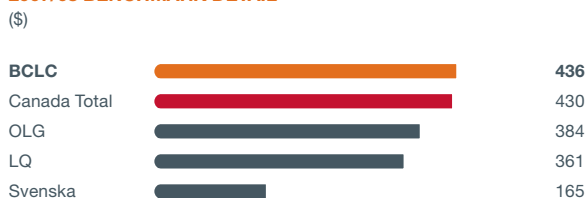
In 2008/09, BCLC paid \$599.7 million in prizes to lottery and community gaming winners.

### NO TARGET SET

#### 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



## LEVEL OF GHG EMISSIONS (CO<sub>2</sub>e TONNES)

### 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<sub>2</sub>e) 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.

## NO TARGET SET

### 2008 LEVEL OF GHG EMISSIONS

(CO<sub>2</sub>e tonnes)

2008  1,667

### 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

### 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.

## NO TARGET SET

### FY05–FY08 TREND: BCLC DEVICES PER CAPITA

(devices per 1,000 population)

2007/08  2.04  
 2006/07  1.73  
 2005/06  1.77  
 2004/05  1.50

2007/08  
Canada  
Total  
2.75

### 2007/08 BENCHMARK DETAIL

(devices per 1,000 population)

Canada Total  2.75  
 LQ  2.38  
**BCLC**  **2.04**  
 OLG  1.78

### 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
<b>PUBLIC/ PLANET</b>	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 <sub>2</sub> e Tonnes)	N/A	N/A	1,667	N/A	N/A	N/A
<b>PLAYER</b>	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
<b>FINANCIAL/ OPERATIONS</b>	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
<b>PEOPLE</b>	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**

	2008/09 Service Plan Target	2008/09 Actual	2009/10 Service Plan Target	
<b>PERFORMANCE MEASURES</b>				<b>COMMENTS</b>
Public Support for Gaming	62%	65%	63%	This measure 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.

	2008/09 Service Plan Target	2008/09 Actual	2009/10 Service Plan Target	
<b>PERFORMANCE MEASURES</b>				<b>COMMENTS</b>
Player Awareness of Responsible Gambling Activities	84%	89%	88%	<p>This measure was new for the 2008/09 year; BCLC set the target by obtaining a baseline measure.</p> <p>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.</p>
Level of GHG Emissions (tonnes)	N/A	1,667	N/A	<p>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.</p> <p>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.</p>
Player Participation (past year)	N/A	84%	82%	<p>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.</p> <p>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.</p>
Player Satisfaction	90%	85%	85%	<p>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.</p> <p>BCLC's focus is to improve this measure with initiatives such as customer service training and improving player-facing activities.</p>
Net Win per Capita	N/A	\$443	\$480	<p>This measure is new for the 2009/10 year. BCLC has recalculated past years for comparison purposes.</p> <p>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.</p> <p>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.</p>
Net Win (millions)	\$1,989.9	\$1,950.5	\$2,124.3	<p>This measure is new for the 2009/10 year. BCLC has recalculated past years for comparison purposes.</p> <p>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.</p> <p>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.</p>

	2008/09 Service Plan Target	2008/09 Actual	2009/10 Service Plan Target	
<b>PERFORMANCE MEASURES</b>				<b>COMMENTS</b>
Net Income (millions)	\$1,110.0	\$1,090.7	\$1,163.0	<p>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.</p> <p>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.</p>
Operating Cost Ratio (% net win)	40.1%	41.6%	42.4%	<p>This measure is new for the 2009/10 year. BCLC has recalculated the 2008/09 year for comparison purposes.</p> <p>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.</p>
Electronic Gaming Devices per Capita	N/A	2.04	N/A	<p>This measure is new for the 2009/10 year, although BCLC has provided similar information in past reporting.</p> <p>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.</p>
Employee Engagement	55%	77%	60%	<p>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.</p> <p>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.</p>
Employee Vacancy Rate	N/A	N/A	7%	<p>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.</p>

**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

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.

#### ACTIVITIES IN 2008/09

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

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.

#### ACTIVITIES IN 2008/09

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

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.

#### ACTIVITIES IN 2008/09

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.



## FINANCIAL OVERVIEW

	2004/05	2005/06	2006/07	2007/08	2008/09	2008/09	2008/09	2008/09	2009/10	2010/11	2011/12
	Actual	Actual	Actual	Actual	Actual	Budget	Variance	Variance from prior Year	Target	Target	Target
<b>REVENUES</b>											
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
<b>EXPENDITURES</b>											
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
<b>NET INCOME</b>											
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)

04/05		2,027.4	Lottery	
05/06		2,260.7	Casino	
06/07		2,425.2	Community gaming	
07/08		2,559.2		
08/09		2,550.2		

In 2008/09, BCLC achieved record net income results for the 24<sup>th</sup> 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.

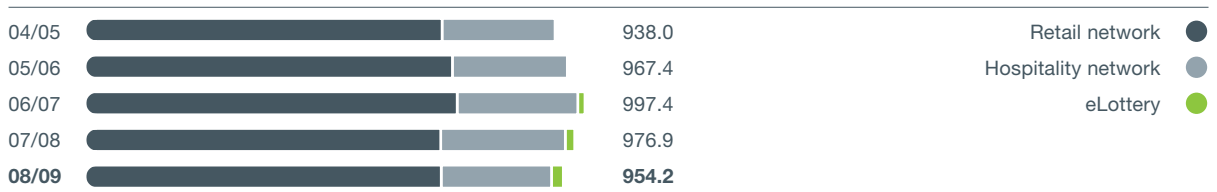
Over the next three years, BCLC will continue to manage operating and capital programs strategically. Operating and capital programs that do not contribute to revenue performance, key infrastructure investments or gaming integrity will be managed carefully and reduced if necessary. For more, visit [www.bclc.com/cm/aboutbclc/corporatereports.htm](http://www.bclc.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
<b>Revenue</b>								
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
<b>Net win</b>	432.1	437.1	453.9	434.1	432.4	453.1	(20.7)	(1.7)
<b>Direct expenses</b>	75.5	83.5	85.4	79.0	75.5	82.8	7.3	3.5
<b>Operating expenses</b>	71.8	80.4	85.0	91.2	100.5	117.8	17.3	(9.3)
<b>Net income</b>	\$ 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.

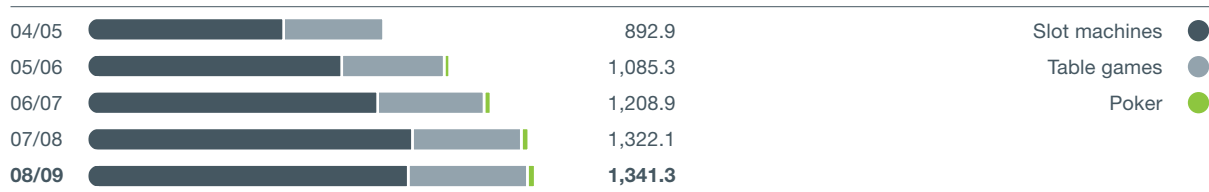
Year ended March 31, 2009  
(in millions of dollars)

## 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
<b>Revenue</b>								
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
<b>Net win</b>	892.9	1,085.3	1,208.9	1,322.1	1,341.3	1,400.0	(58.7)	19.2
<b>Direct expenses</b>	307.3	369.9	408.9	450.4	473.6	479.7	6.1	(23.2)
<b>Operating expenses</b>	70.3	93.8	101.4	109.9	109.6	127.8	18.2	0.3
<b>Net income</b>	\$ 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)



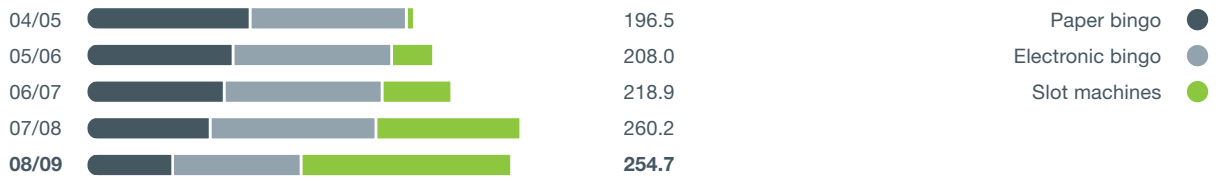
Casino revenues of \$1,341.3 million were \$58.7 million less than budget but \$19.2 million greater than last year. A combination of the slowing economy, extreme weather conditions in December 2008 and a shift in player preference from slot machines to table games had an impact on revenue and net income 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
<b>Revenue</b>								
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
<b>Net win</b>	79.7	96.8	111.6	155.9	176.8	163.8	13.0	20.9
<b>Direct expenses</b>	43.3	50.9	53.8	66.9	70.7	63.6	(7.1)	(3.8)
<b>Operating expenses</b>	17.6	18.0	21.1	25.8	29.9	35.2	5.3	(4.1)
<b>Net income</b>	\$ 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)

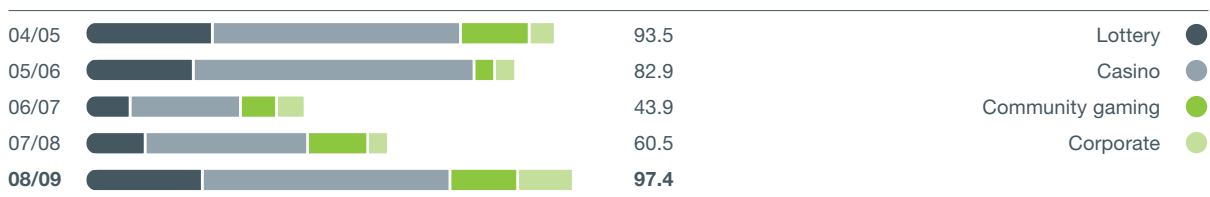
## CAPITAL SPENDING

	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
<b>Expenses</b>		
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

**CONSOLIDATED BALANCE SHEET**

March 31, 2009, with comparative figures for 2008  
(in thousands of dollars)

**CONSOLIDATED BALANCE SHEET**

	2009	2008
<b>ASSETS</b>		
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
	<b>\$ 334,143</b>	<b>\$ 319,400</b>
<b>LIABILITIES</b>		
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)		
	<b>\$ 334,143</b>	<b>\$ 319,400</b>

See accompanying notes to consolidated financial statements.

Approved:



John McLernon  
Chair, Board of Directors

Approved:



Michael Riley  
Chair, Board Audit Committee



Year ended March 31, 2009, with comparative figures for 2008  
(in thousands of dollars)

## CONSOLIDATED STATEMENT OF INCOME

	2009	2008
<b>Revenue (note 10):</b>		
Lottery	\$ 954,208	\$ 976,910
Casino	1,341,240	1,322,123
Community gaming	254,726	260,154
	<b>2,550,174</b>	<b>2,559,187</b>
<b>Direct expenses:</b>		
Prizes	599,745	647,059
Commissions	602,598	579,313
Ticket printing and bingo paper	17,134	17,041
	<b>1,219,477</b>	<b>1,243,413</b>
Revenue less direct expenses	<b>1,330,697</b>	<b>1,315,774</b>
<b>Operating expenses:</b>		
Administrative expenses	138,145	118,817
Amortization	64,138	64,908
Other expenses	4,898	3,948
<b>Marketing Trust Account (note 11):</b>		
Marketing Trust Account income	(15,642)	(13,703)
Marketing Trust Account expenditures	15,642	13,703
	<b>207,181</b>	<b>187,673</b>
Income from operations	<b>1,123,516</b>	<b>1,128,101</b>
<b>Non-operating income (expenses):</b>		
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)
	<b>(32,830)</b>	<b>(39,208)</b>
Net income, being comprehensive income	<b>\$ 1,090,686</b>	<b>\$ 1,088,893</b>
<b>Allocation of net income:</b>		
Government of British Columbia	\$ 1,081,989	\$ 1,080,377
Government of Canada (note 14)	8,697	8,516
	<b>\$ 1,090,686</b>	<b>\$ 1,088,893</b>

Sector activity information (note 19)

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF AMOUNTS DUE  
TO GOVERNMENT OF BRITISH COLUMBIA**

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	<b>\$ 192,880</b>	\$ 205,534
Net income	<b>1,090,686</b>	1,088,893
	<b>1,283,566</b>	1,294,427
Payments to Government of British Columbia	<b>1,073,133</b>	1,093,031
Payments to Government of Canada (note 14)	<b>8,697</b>	8,516
	<b>1,081,830</b>	1,101,547
Due to Government of British Columbia	<b>\$ 201,736</b>	\$ 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
<b>Cash provided by (used in):</b>		
<b>OPERATIONS</b>		
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)
	<b>1,154,311</b>	<b>1,153,283</b>
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)
	<b>1,141,535</b>	<b>1,148,858</b>
<b>FINANCING</b>		
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)
	<b>(1,049,025)</b>	<b>(1,080,988)</b>
<b>INVESTMENTS</b>		
Additions to property, plant and equipment	(97,422)	(60,454)
Proceeds on disposal of property, plant and equipment	864	921
	<b>(96,558)</b>	<b>(59,533)</b>
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	<b>\$ (49)</b>	<b>\$ 3,999</b>
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	<b>\$ (49)</b>	<b>\$ 3,999</b>

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 policies 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	<b>\$ 3,445</b>	\$ 6,911
Cheques issued in excess of funds on hand	<b>(3,494)</b>	(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)	<b>\$ 58,370</b>	\$ 91,205
U.S. Dollar Money Market Fund (overnight deposit)	<b>150</b>	120
	<b>\$ 58,520</b>	\$ 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
	<b>43,770</b>	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	<b>\$ 89,004</b>	\$ 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
	<b>\$ 6,267</b>	\$ 4,203

The amount of inventory recognized as an expense during the year is \$17,765 (2008: \$17,629).

Years ended March 31, 2009 and 2008  
(in thousands of dollars)

## 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
	<b>100</b>	<b>100</b>

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
	%	%	%	%
<b>At beginning of period:</b>				
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
<b>At end of period:</b>				
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:	<b>2009</b>	2008	<b>2009</b>	2008
Current service cost, net of employees' contributions (including provision for plan expenses)	<b>\$ 3,536</b>	\$ 3,841	<b>\$ 1,823</b>	\$ 2,102
Interest cost	<b>4,809</b>	4,401	<b>2,354</b>	2,256
Plan amendment	<b>193</b>	-	-	-
Actual loss (return) on plan assets	<b>13,864</b>	1,347	-	-
Actuarial loss (gain) on accrued benefit obligation	<b>(24,747)</b>	(13,133)	<b>(9,302)</b>	(8,258)
Special termination benefits	-	725	-	-
Costs arising in the year	<b>(2,345)</b>	(2,819)	<b>(5,125)</b>	(3,900)
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	<b>(19,883)</b>	(6,993)	-	-
Actuarial loss (gain)	<b>24,776</b>	13,670	<b>9,620</b>	9,119
Plan amendment	<b>(76)</b>	117	-	-
(Negative) past service cost	-	-	<b>(407)</b>	(407)
Net benefit cost recognized	<b>\$ 2,472</b>	\$ 3,975	<b>\$ 4,088</b>	\$ 4,812

Years ended March 31, 2009 and 2008  
(in thousands of dollars)

## 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
	<b>\$ 488,911</b>	<b>\$ 340,927</b>	<b>\$ 147,984</b>	<b>\$ 115,051</b>

Years ended March 31, 2009 and 2008  
(in thousands of dollars)

## 10 / REVENUE

	2009	2008
<b>Lottery</b>		
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
	<b>954,208</b>	<b>976,910</b>
<b>Casino–net win*</b>		
Slot machines	961,408	973,908
Poker	23,462	22,420
Table games	356,370	325,795
	<b>1,341,240</b>	<b>1,322,123</b>
<b>Community Gaming</b>		
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
	<b>254,726</b>	<b>260,154</b>
<b>Total revenue</b>	<b>\$ 2,550,174</b>	<b>\$ 2,559,187</b>

\* 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

Years ended March 31, 2009 and 2008  
(in thousands of dollars)

## 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

Years ended March 31, 2009 and 2008  
(in thousands of dollars)

## 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:

Years ended March 31, 2009 and 2008  
(in thousands of dollars)

## 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
	<b>\$ 23,112</b>	<b>\$ 18,717</b>

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 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.



## 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
	<b>\$ 298,855</b>	<b>\$ 287,633</b>

Years ended March 31, 2009 and 2008  
(in thousands of dollars)

## 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 ¾ 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.

Years ended March 31, 2009 and 2008  
(in thousands of dollars)

## 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](http://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
<b>FINANCIAL ASSETS</b>		
Held for trading	\$ 100,433	\$ 132,711
Loans and receivables	47,042	43,053
<b>FINANCIAL LIABILITIES</b>		
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.

Years ended March 31, 2009 and 2008  
(in thousands of dollars)

## 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.).

## CORPORATE INFORMATION

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GameSense  
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