

British Columbia Lottery Corporation

2021/22 Annual Service Plan Report

August 2022



For more information on the British Columbia Lottery Corporation (BCLC) contact:

74 West Seymour Street, Kamloops, B.C. V2C 1E2

T: 250-828-5500

consumerservices@bclc.com

Or visit our website at

www.bclc.com

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Board Chair's Accountability Statement



The *BCLC 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. The Board is accountable for those results as reported.

A handwritten signature in black ink, appearing to be 'GM', written over a light blue horizontal line.

Greg Moore
Board Chair
July 22, 2022

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Letter from the Interim CEO

On behalf of BCLC, I am pleased to present our Annual Service Plan Report for the 2021/22 fiscal year.

In 2021/22 we continued to navigate the ongoing impacts of the COVID-19 pandemic on both our business and our workforce. Casino and community gaming centres remained closed in the first quarter of fiscal 2021/22 in compliance with a March 2020 government order. We worked closely with our casino service providers to develop reopening plans and to ensure we had robust health and safety measures in place to protect our players, employees and communities when the order was lifted and gambling facilities reopened on July 1, 2021.

In total, BCLC generated \$1.3 billion in net income during the 2021/22 fiscal year. This represents a significant increase from our forecast net income of \$0.8 billion in our 2021/22 - 2023/24 Service Plan, due to a stronger than anticipated return of players following the swift reopening of gambling facilities, high jackpot roll patterns in lottery, and PlayNow.com continuing to hold its players and grow. This high level of financial performance is a testament to the value of our diverse product portfolio and our strong business relationships with service providers and lottery retailers.

One highlight was the addition of single-event betting to PlayNow.com when the federal Bill C-218 passed and single-event betting became legal in Canada. We knew our players were seeking this option and, in many cases, turned to unregulated websites, which do not share their profits with the Province of B.C. Now that PlayNow.com can offer singles, more profits can be repatriated back to the Province and players can play on our regulated site – the only site in North America with dedicated player-health specialists (GameSense Advisors) available to support players via telephone and live chat.

BCLC's Board of Directors and leadership team continue to work closely with the Government of B.C. to ensure effective communication and alignment with government priorities. In keeping with government's reconciliation commitment, government appointed a Board member, nominated by B.C. First Nations, to BCLC's board. This was committed to as part of government's Long-Term BC First Nations Gaming Revenue Sharing and Financial Agreement with the Province of B.C.

As part of our commitment to running the business in the best interest of British Columbians, the Board of Directors approved replacing BCLC's mission with our social purpose: "we exist to generate win-wins for the greater good". Our social purpose asks us to approach every decision with this lens and consider the impacts of all activities and decisions on our people, our province, our communities and our planet.

Further, in alignment with our social purpose and the foundational principles outlined in the [Minister's Mandate Letter](#), we initiated development of strategies for Indigenous reconciliation, sustainable procurement and climate change and continued to execute our diversity, inclusion and belonging strategy. The devastating recovery of remains at Indigenous residential schools, as well as the extreme weather events of the past year have reaffirmed the importance of these strategies.

We are proud of our results over the past year and the way our employees continued to navigate in these times. We will continue to work closely with government and look forward to contributing to the Province of B.C.'s COVID-19 recovery.

Lynda Cavanaugh

A handwritten signature in black ink, appearing to read 'Lynda Cavanaugh', with a long horizontal flourish extending to the right.

Interim President & CEO, BCLC

July 22, 2022

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

BCLC conducts and manages commercial gambling in a socially responsible manner for the benefit of British Columbians. This includes gambling facilities, lottery, bingo and sports betting through multiple channels of distribution. Through agreements with private-sector service providers, BCLC offers slot machines, table games and bingo at 16 casinos, two racecourse casinos, 17 community gaming centres and one commercial bingo hall. BCLC's national and provincial lottery and sports betting products are sold at approximately 3,500 retail locations operated by private-sector retailers through Lottery Retailer Agreements. PlayNow.com is BCLC's secure and regulated online and mobile channel, with a growing portfolio of lottery games, sports betting, slots, table games and bingo entertainment. As of March 31, 2022, there were approximately 811,000 B.C. adults registered to play on PlayNow.com. BCLC also provides online gambling services, and web-based and mobile platforms to the Province of Manitoba through an operating contract with Manitoba Liquor & Lotteries and is expanding its services to a third province, after signing a contract in June 2022 with the Saskatchewan Indian Gaming Authority and SaskGaming to provide regulated online gambling to Saskatchewan players (expected to launch in late 2022). In addition, BCLC licenses its GameSense responsible gambling program to partners across North America.

The Province of B.C. uses gambling revenue generated by BCLC to help benefit British Columbians through investments in programs and services such as education, healthcare, communities and culture. Government shares seven per cent of provincial distributions with First Nations through the First Nations Revenue Sharing Partnership. Additionally, in accordance with the Province's Host Financial Assistance Agreement, local governments that host casinos or community gaming centres receive a 10 per cent share of net gaming income generated by those facilities. BCLC is striving to have an even greater positive impact on the province and has adopted a social purpose to replace its mission and guide its business strategy.

As a Crown corporation, BCLC reports to the Ministry of Finance through the Crown Agencies Secretariat and is governed by B.C.'s *Gaming Control Act*. The Gaming Policy and Enforcement Branch (GPEB) in the Ministry of Public Safety and Solicitor General has regulatory oversight of all gambling in B.C., including all commercial gambling operated by BCLC. BCLC also adheres to requirements set out in federal anti-money laundering legislation and is monitored by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for compliance with those requirements.

The consolidated financial statements of BCLC include a wholly-owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase of

capital assets for lease to BCLC. Lottotech's budget is renewed and approved through BCLC's annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021/22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the [2021/22 BCLC Service Plan](#) as well as actual results reported on in this annual report.

Operating Environment

COVID-19

In fiscal year 2021/22, BCLC continued to navigate the uncertainty and challenges of the ongoing COVID-19 pandemic. Public health orders and recommendations to minimize the spread of the virus have directly impacted our operations and workforce.

Gambling facilities remained closed for the first quarter of the fiscal year following a minister direction, which ordered the temporary closure of all gambling facilities across B.C. at the outset of the pandemic in March 2020. The Corporation implemented several business initiatives to facilitate the successful reopening of gambling facilities following this extended period of closure. When the direction was lifted on July 1, 2021, BCLC worked closely with casino service providers to safely reopen facilities in accordance with public health guidelines. BCLC and the industry implemented enhanced health and safety measures to support the wellbeing of players and employees, and in compliance with the Provincial Health Officer orders, we made various changes to allowable capacity levels in facilities over the course of the year. In September 2021, the Province implemented a vaccination passport requirement for adults to show proof of vaccination to attend certain social and recreational settings, including gambling facilities. BCLC worked with our service providers and adjusted our operations to support this requirement which remained in effect for the remainder of the 2021/22 fiscal year. To support the effort to increase vaccination rates through the province, BCLC also implemented a proof of vaccination requirement for employees beginning in November 2021, which remains a requirement for new employees joining the organization. At the time of writing this report, the requirement remained in effect. In response to public health guidelines and recommendations that employers encourage workers to work from home, the majority of BCLC employees continued to work from home and support the business remotely.

Player Experience

In line with BCLC's strategy of becoming a more player-centric company and driving responsible growth, we established a player experience function within the organization, including designating a Vice President, Player Experience. We added resources to support this important pillar of our corporate strategy. A key aspect of player experience is the promotion and integration of player health into how players engage with BCLC and our products.

Sports Betting

The legalization of single-event betting on August 27, 2021 introduced a major change in the Canadian betting landscape. This allowed BCLC to expand our PlayNow.com offerings to include single-event betting as well as wagers on racing and fighting (e.g. UFC and boxing) events. While PlayNow.com continues to be an area of growth for our business, illegal online competitors continue to target B.C. To position ourselves as the sportsbook of choice for adult British Columbians, in 2021/22 we initiated sponsorships agreements with major B.C. sports organizations to support local interest in sports betting and to help promote PlayNow.com as the only site whose profits stay in B.C. to support important programs and communities.

Social Purpose

On March 31, 2021, BCLC's Board of Directors approved replacing our mission statement with our social purpose, "We exist to generate win-wins for the greater good". A social purpose business is a company whose enduring reason for being is to create a better world. It is an engine for good, creating social benefits by the very act of conducting business. When a player plays one of our games, they enjoy an experience at the casino, playing lottery and online, and revenues go into provincial and community priorities. Our social purpose asks us to consider how we might create additional value for players, employees, business partners, suppliers, communities, municipal and provincial governments. Inherent in our social purpose is the unwavering commitment to prevent and reduce the harms that some experience from playing our products.

This year we took steps to embed the social purpose into our business including creating an employee experience roadmap, updating our corporate values and initiating a process to review our products using a social purpose lens. As part of our work to embed the social purpose throughout our business, we have been considering factors such as business growth (ours and others'); diversity, inclusion and belonging; and environmental sustainability efforts.

Climate Change and Extreme Weather Events

British Columbia is experiencing the effects of climate change: temperatures are increasing, sea levels are rising, and variable and extreme weather is becoming more frequent. Wildfires impacted many British Columbians over the course of the past summer as did heat waves – including in our head office community of Kamloops, where a number of employees were evacuated from their homes. In November 2021, flooding destroyed highway infrastructure and impacted supply chains. This resulted in distribution challenges for the lottery business as well as temporary closures of lottery retailers in areas such as Merritt and Abbotsford, which were severely impacted by the floods.

Competition for Talent

Across the globe organizations are experiencing higher turnover and competition for talent is increasing as the pandemic has demonstrated for many companies that remote work arrangements are a viable option. This has made recruiting more challenging, especially for specialized skillsets. We leveraged the learnings from the pandemic to evolve our workplace to meet the expectations of the modern workforce including introducing flexible work

arrangements, as well as the option for employees to work from anywhere in B.C., as long as their job function permits. We have also enhanced our focus on physical and mental wellness supports, providing tools and education to everyone in the business. By embedding social purpose into our employee experience roadmap, we will enhance our ability to recruit and retain talent. Research shows that 60 per cent of millennials want to work for companies with a purpose and that purpose-driven workers have 64 per cent higher levels of fulfillment in their work.¹

Anti-Money Laundering

Financial crime is a significant concern for British Columbians and across the country. BCLC has made significant investments in detecting and preventing potential financial crime. This includes investments in new technologies and ongoing collaboration with law enforcement and industry stakeholders. Increasing the understanding around the actions BCLC has taken to reduce the risk of money laundering in BCLC's operations is important to building and maintaining the community support that BCLC depends upon to operate its business. BCLC was granted standing and participated in the Commission of Inquiry into Money Laundering in British Columbia in relation to the gaming and horse racing sectors. This work that BCLC began with the Commission in 2021/22 and the resulting final report will help BCLC to determine an action plan and support government's work in responding to any recommendations.

¹ [Social Purpose Institute "Social Purpose Business Case" 2021](#)

Report on Performance: Goals, Objectives, Measures and Targets

The 2021/22 Mandate Letter provides specific actions for BCLC to ensure alignment with Government of B.C. goals and objectives.

BCLC's 2021/22 Annual Service Plan Report compares actual results to the expected results identified in the 2021/22 – 2023/24 Service Plan. The following section summarizes how BCLC measures and reports performance against five corporate goals.

Goal 1: No one is harmed from gambling offered by BCLC

The pursuit of our vision to offer exceptional gambling entertainment is underpinned by a commitment to the well-being of all players and looking for opportunities that make products and environments safer. BCLC is committed to offering safer gambling and supporting all players, especially those who are at risk of developing a gambling problem.

Objective 1: Reduce the percentage of players who scored as high risk on the Problem Gambling Severity Index (PGSI)

Key Highlights

- Conducted over 1,200 player health assessments on campaigns, promotions and games to reduce risks and create safer products and environments.
- Leveraged player data to identify high at-risk behaviours and develop a High-Risk Indicators pilot program in order to proactively prepare and execute appropriate responses to players in efforts to enable self-awareness of play and provide support resources and tools to manage gambling.
- Restored the GameSense Advisor (GSA) program's in-person services when gambling facilities reopened and continued virtual GSA services offered via telephone and online chat to support PlayNow.com players and other players who prefer these options.
- Launched an online Voluntary Self-Exclusion (VSE) Enrollment program whereby players can virtually enroll in the VSE program by connecting with a GSA over video chat, reducing barriers to enrollment outside of a gambling facility.
- Introduced healthy play content as part of a new sports betting pilot in hospitality locations.

Performance Measure	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
1.1 Percentage of BCLC Players who scored as high risk on the PGSI index ¹	9%	7%	9%	7%	6%

Data source: Continuous tracking survey conducted online by a third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

¹ The 2022/23 and 2023/24 targets for this performance measure were updated in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

The Problem Gambling Severity Index (PGSI) is a self-reported, standardized measure of assessing at-risk gambling behaviours. It is a tool used globally based on research of common signs and consequences of problematic gambling. Players who score eight or higher are considered to be at high risk for problem gambling. Measuring PGSI allows BCLC to monitor the proportion of high-risk players in our player base.

In fiscal 2021/22, the PGSI score was higher (less desirable) than target. This is mostly attributed to the change in casino and community gaming centre player behaviour. Since the reopening of casino facilities, BCLC observed that casino players were exhibiting higher PGSI scores compared to pre-pandemic. Along with this, we observed that a significant percentage of revenue was derived from a smaller percentage of players than previous years, which is a concern from the perspectives of both player health and business sustainability. To help manage this increased player health risk, we are monitoring these changes to understand if this shift is a temporary reaction to the reopening after a prolonged closure, or a more permanent shift.

Encouraging healthy play and reducing gambling harm continues to be a focus in our business operations and is heavily embedded in our process and products. As we transition out of the pandemic phase, we have expanded our services to ensure players are supported both virtually and in person. We continue to explore and develop programs that leverage player data to better understand and identify high at-risk play behaviours. We are proactively communicating healthy play information to our players and ensuring that we create safer products and environments for our players. We are also continuing to expand our research to inform a deeper understanding of our players and how we can best support their healthy play with new programming. Healthy play behaviour takes time to form and maintain, therefore, improving PGSI scores is an important long-term goal for BCLC.

Goal 2: Our business does not create opportunities for criminal activity

Any criminal activity related to gambling and BCLC's business is a concern for British Columbians and BCLC will take action to reduce these risks.

Objectives

2.1: Reduce the number of incidents related to potential crime in and near BCLC's facilities (both brick-and-mortar and online) and/or related to BCLC managed gambling products.

2.2: Improve public perceptions about the safety and security of gambling in casinos in B.C.

Key Highlights:

- In collaboration with service providers, continued to work towards the implementation of a scalable financial transaction-monitoring system to streamline processes for staff, service providers and PlayNow.com; to provide an enterprise view of player

transactions which will further BCLC's capabilities to detect and report suspicious transactions; and to integrate with existing BCLC systems to meet current and future regulatory requirements.

- Became a principal partner in the Counter Illicit Finance Alliance of British Columbia (CIFA-BC) which is focused on improving collaboration around Canada's approach to financial information sharing.
- Continued to work closely with law enforcement, regulators, service providers, retailers and other stakeholders to define and implement security controls in order to mitigate the risk of potential criminal activities in our business.
- Participated in the Cullen Inquiry and shared information pertaining to BCLC's role in the anti-money laundering (AML) regime.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
2.1 Number of incidents of reports of potential crime ¹	552	2,138	2,970	3,930	3,734
2.2 Perception of gambling in BC casinos being safe and secure ^{2,3}	57%	53%	53%	54%	56%

¹Data Source: BCLC iTrak (an internal software platform used for daily log reporting and incident management) and Salesforce Database

² Data Source: Continuous tracking survey conducted online by a third-party market research professional. The study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistic's Canada Census. Population base used – 2016 Census BC 19+.

³The 2022/23 targets for this performance measure were updated in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

Gambling facilities in B.C. reopened in July 2021 following a prolonged closure due to COVID-19. The increased volume of players from the reopening correspondingly resulted in an increase in the number of incidents of reports of potential crime. The actual number of incidents was markedly above target as facilities operated at higher capacity levels than initially forecasted when targets were set (during the pandemic). For the purpose of this measurement, BCLC has focused on certain relevant categories of potential crime. Examples of such incidents include allegations of: cheating at play, theft, assault, frauds, threats and unusual financial transactions (UFTs). UFTs include any attempted or completed transactions believed to be unusual in nature and are not necessarily an indication of money laundering. The UFT determination may result from a number of factors, including player behaviour such as a patron declining to provide required identification or source of funds documentation.

It is important to highlight that while BCLC's goal is to reduce the number of incidents of crime, the 2021/22 and 2022/23 targets for objective 2.1 show an increase from previous years as there is a correlational effect between the volume of players and incidents of potential crime. This target increase reflects the reopening of gambling facilities following a prolonged closure due to COVID-19 and the anticipated slow build up back to a pre-COVID-19 level of business. For example, in 2019/20, prior to gambling facilities being closed due to COVID, the actual number

of incidents or reports of potential crime was 4,782. Perceptions of gambling in B.C. casinos being safe and secure met target but declined when compared against fiscal year 2020/21. However, fiscal year 2020/21 results were notably higher than previous years likely due to the shift in assumptions that “safe and secure” was related to COVID-19 safety measures and the public took into consideration BCLC’s swift response to close all gambling facilities in the early stages of the pandemic. The perception has since returned to pre-pandemic levels.

BCLC continues to collaborate with law enforcement and other stakeholders in order to share information and reduce the risk of crime. For example, we meet regularly with the Gaming Integrity Group (GIG), comprised of representatives from BCLC, GPEB, and the Joint Illegal Gaming Investigations Team (JIGIT), to identify items of concern and proactively work on solutions to ensure continued integrity and compliance in the B.C. gambling industry. In addition, we work with financial institutions through the International Association of Financial Crimes Investigators (IAFCI) to share intelligence (where applicable) and stay current with various fraud trends in the province.

Additionally, we initiated a design and discovery process with a vendor for a new anti-money laundering software to provide viable integration with existing BCLC systems. If integration is viable, this technology will enhance our ability to electronically monitor transactions and make it easier to respond to evolving compliance requirements.

Goal 3: BCLC is respected for how we operate

Government has entrusted BCLC to operate gambling within the province. BCLC depends on building and maintaining community support to operate gambling on behalf of British Columbians.

Objective 3: Improve the public perceptions of how BCLC conducts business based on the following four areas:

- Integrity: BCLC operates fairly and honestly.
- Social Responsibility: BCLC is a good corporate citizen.
- Well Managed: BCLC is a well-managed corporation.
- Trust: The public has trust and confidence in the games offered by BCLC.

Key Highlights:

- In collaboration with industry partners, implemented robust health and safety measures for the reopening of gambling facilities to support the wellbeing of our people, players and communities.
- Adopted the social purpose “we exist to generate win-wins for the greater good” and initiated a process to review aspects of our business and find opportunities to embed our social purpose.
- Began the development of an Indigenous relations and reconciliation strategy.

- Developed and launched a sustainable procurement policy and strategy which ensures we consider all costs and impacts and collaborate with vendors to support social purpose, sustainability and innovation across the supply chain.
- Continued to action our diversity, inclusion and belonging strategy including launching a portal to capture data on the composition of the workforce from a gender, ethnicity and diverse-ability lens. BCLC will use this data to inform our internal policies and programs.
- Initiated the development of an environmental, social and governance policy and framework which will support BCLC's commitment to sustainability, social purpose and good governance and which we will leverage to measure and report on progress in future years.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
3.1a Integrity ¹	62%	67%	58%	69%	70%
3.1b Social Responsibility ¹	61%	64%	57%	66%	67%
3.1c Well Managed ¹	61%	65%	59%	68%	68%
3.1d Trust ¹	66%	67%	61%	68%	68%

Data Source: Continuous tracking survey conducted online by a third-party market research professional. The study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada Census. Population base used – 2016 Census BC 19+.

¹ The 2022/23 and 2023/24 targets for this performance measure were updated in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

The above performance measures assess the percentage of the B.C. adult population that agrees with the above corresponding four statements in relation to BCLC's operations. BCLC is committed to operating according to our values of respect, integrity and community.

In fiscal year 2021/22, public perception metrics declined as the high-profile media coverage on money laundering in B.C. and the Cullen Commission continued. BCLC research indicates that awareness of the Cullen Commission is high among B.C. residents and that it is a concern for many. In addition, BCLC's research indicates the pandemic has heightened awareness of social issues and has influenced people's personal values, which may in turn impact perceptions of BCLC.

BCLC has adopted a social purpose which further focuses the organization on how it can positively impact society. We are enhancing our stakeholder engagement approach and will continue to engage our stakeholders in conversations about our operations and our impact on British Columbians. We will also continue to proactively share information with local governments, business and community stakeholders and the public to create awareness and understanding of BCLC and the gambling industry, including how Host Local Government revenue benefits communities.

Goal 4: Players are entertained

BCLC is shifting from products and distribution to focus on player experience and seeking opportunities to offer omnichannel experiences and products which deliver enhanced entertainment.

Objective 4: Increase the Player Entertainment Needs Index Score

Key Highlights:

- Introduced new games, offerings and promotions to players.
- Continued technology initiatives that will ultimately enhance the player experience through greater personalization and player health supports.
- Introduced lottery sales in self-checkout lanes and piloted new experiences at lottery retailers.
- Launched single-event sports betting and piloted new sports experiences in hospitality and casino venues.
- Enhanced the Encore Loyalty program, offering exclusive contests for members both in gambling facilities and on PlayNow.com.
- Reopened gambling facilities across B.C. following a prolonged closure and introduced new game content and gaming floor designs to ensure the best offerings within patron capacity limits.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
4.1 Player Entertainment Needs Index Score ¹	56	62	54	64	66

Data source: Survey conducted online by a third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

¹ The 2022/23 and 2023/24 targets for this performance measure were updated in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

Gambling facilities reopened in July 2021 following a prolonged closure as a result of the COVID-19 pandemic. To ensure the health and safety of players and compliance with public health orders, gambling facilities made changes to their operations including a mask requirement, limitations on capacity levels, physical distancing and the introduction of a proof of vaccine requirement in September 2021. While these measures were paramount to protect players and employees, they did impact the player experience and contributed to results this year being below target.

Nonetheless, enhancing our players' experience and providing them with high entertainment value is a key focus for our business and we created a new Player Experience team dedicated to understanding players' expectations and experiences when engaging with all aspects of our business. These player focused insights will help inform our business strategies across the

organization to improve both our products and delivery channels. In addition, we continued leveraging technology and piloting new initiatives in our facilities to deliver more relevant and personalized experiences for our players. Some examples include expanding stadium gaming within existing sites and to new sites across the province, as well as introducing electronic table and new experiences which connected live tables and electronic table games.

BCLC will continue to study player entertainment preferences through insights obtained by our customer support center and by listening to player feedback on how to improve the entertainment experience. Through these efforts, we expect to steadily improve the Player Entertainment Needs Index Score in the years to come.

Goal 5: BCLC delivers our promised financial return to the Province of B.C.

BCLC's mandate is to generate net income for the benefit of all British Columbians.

Objective 5: Optimize net income through investing to sustain the long-term health of the business.

Key Highlights:

- Worked collaboratively with casino service providers to reopen gambling facilities, providing a safe environment for our players under evolving health and safety restrictions to manage several waves of the pandemic.
- Implemented several business initiatives to facilitate the successful reopening of gambling facilities following the extended period of closure due to the COVID-19 pandemic. These initiatives included audit and compliance oversight, providing gaming cashflow assistance to gambling facility service providers on a temporary basis and providing eligible gambling facility service providers with an option to receive an advance against future commissions.
- Capitalized on our diversified portfolio of service and channel offerings to help mitigate revenue loss during brick-and-mortar gambling facility closures throughout the first quarter of the fiscal year and as the brick-and-mortar casino business begins to recover.
- Enhanced revenue generating activities through investments in PlayNow.com and successfully launched single-event sports betting, further diversifying BCLC's product portfolio.
- Continued to upgrade lottery systems, casino equipment and technology to support the long-term health and integrity of the business.
- Continued to invest in understanding customer needs and expectations to deliver relevant products and experiences and increased availability of content on mobile devices.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
5.1 Net Income (\$ millions) ¹	430	840	1,314	1,310	1,520

Data Source: BCLC's financial plan/[audited financial statements](#), see page Appendix D. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS).

¹ The 2022/23 and 2023/24 targets for this performance measure were updated in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

In fiscal year 2021/22, BCLC achieved total net income of \$1,314 million, with \$1,303 million delivered to the Province of B.C. and \$11 million to the federal government, from total revenue of \$2,362 million.

BCLC's 2021/22 net income of \$1,314 million was \$474 million higher than budget and \$884 million higher than the previous year. The significant increase in net income compared to budget and the prior year was primarily driven by the successful reopening of gambling facilities in the beginning of the second quarter of the fiscal year after being closed through the entirety of the 2020/21 fiscal year.

Since casinos reopened, casino revenue, BCLC's primary contributor to its net income, has generated at an average of 93 per cent compared to pre-pandemic levels under evolving and imposed COVID-19 health and safety measures throughout the year such as: fluctuating capacity restrictions, implementing the vaccine passport requirements and managing through the Omicron variant.

BCLC's diversified product portfolio mitigated some of the lost revenue from the gambling facilities with both eGaming and Lottery channels setting new revenue records. PlayNow.com sustained the majority of revenue growth experienced during casino closures in fiscal 2020/21 and continued to grow through strategic initiatives such as the successful launch of single-events sports betting. Lottery revenue exceeded budget expectations in all categories and exceeded prior year results in aggregate. The performance was mainly driven by the favourable Lotto Max jackpot roll patterns that resulted in a record-breaking prize offering of a \$70 million main jackpot and 70 MAXMILLIONS (70 individual \$1 million prizes).

BCLC managed costs closely while making investments in programs that supported the successful reopening of gambling facilities, enhanced revenue from lottery and eGaming product lines, and ensured the long-term health of the organization. These investments and reduced costs experienced during the pandemic returning to pre-pandemic levels were balanced with BCLC's rationalization of programs, workforce allocation and re-alignment to maximize operational efficiency.

Financial Report

For the auditor's report and audited financial statements, [see Appendix C](#). These can also be found on the BCLC website corporate.bclc.com.

Discussion of Results

Financial Performance

While continuing to navigate the ongoing impacts of the COVID-19 pandemic, BCLC earned net income of \$1,314 million, with \$1,303 million provided to the Province of B.C. and \$11 million to the federal government, from total revenue of \$2,362 million.

These results were driven by solid performance across BCLC's product categories. The company's brick-and-mortar gambling facilities, which reopened on July 1, 2021, rebounded to 93 per cent of pre-pandemic revenues after being closed for the previous 16 months. Although only open for nine months in the fiscal year, and despite fluctuating capacity restrictions and vaccine passport requirements, income from gaming facilities accounted for \$667 million (51 per cent) of BCLC's net income, lottery accounted for \$354 million (27 per cent) and eGaming \$293 million (22 per cent).

Capital expenditures were impacted by the pandemic, global supply chain issues, and talent acquisition/retention challenges. Actual investments of \$78 million trailed behind plan by \$18 million. A significant portion of this difference will cascade into spending in future fiscal years.

Financial Position

BCLC implemented several business initiatives to facilitate the successful reopening of gambling facilities. These initiatives included providing gaming cash floats on a temporary basis and providing eligible gambling facility service providers with one-time access to an advance against future commissions. The financial impact of these initiatives is recorded as assets on BCLC's statement of financial position.

BCLC adopted a change in accounting policy related to its post-retirement benefit plan based on clarifying guidance issued in the year by the International Financial Reporting Standards Interpretations Committee. As a result of this change in accounting policy, BCLC retrospectively adjusted its fiscal year 2020/21 figures, resulting in a \$7 million decrease to the accumulated deficit, and a \$1 million decrease to the accumulated other comprehensive loss.

Financial Summary

(\$ millions) ¹	2020/21 Actual ²	2021/22 Budget	2021/22 Actual	2021/22 Variance ³
Total Revenue	\$ 966	\$ 1,702	\$ 2,362	\$ 660
Direct Costs	177	443	658	(215)
Gaming Support Costs	54	52	54	(2)
Operating Costs	183	212	200	12
Amortization and Other	80	94	79	15
Total expenses	494	801	991	(190)
Net Income before Taxes	472	901	1,371	470
Indirect tax	42	61	57	4
NET INCOME	\$ 430	\$ 840	\$ 1,314	\$ 474
Total Liabilities	\$ 522	\$ 523	\$ 628	\$ (105)
Accumulated Deficit	(18)	(25)	(18)	7
Accumulated Other Comprehensive Income (Loss)	(22)	(7)	49	56
Total Equity (Deficit)	\$ (40)	\$ (32)	\$ 31	\$ 63
Capital Expenditures	\$ 73	\$ 96	\$ 78	\$ 18

Note 1: The above financial information was prepared based on International Financial Reporting Standards (IFRS).

Note 2: 2020/21 actuals have been restated with the retrospective application of a change in accounting policy related to the attribution period for the post-retirement benefit plan.

Note 3: Favourable (unfavourable).

Variance and Trend Analysis

Revenue

Revenues are comprised of the amounts earned from the provision of gaming products to players, and the provision of gaming services to other jurisdictions. Actuals of \$2,362 million represent a \$1,396 million (145 per cent) increase from prior year and are \$660 million (39 per cent) higher than budget. The variance from prior year is due predominantly to the reopening of brick-and-mortar gambling facilities and the variance from budget is due predominantly to a stronger return of players to casino facilities than forecast. However, Lottery and eGaming revenues also outperformed the prior year and expectations, contributing to the favourable variance.

Direct Costs

Direct costs, which vary with revenue, primarily relate to commissions paid to private sector gambling facility service providers and lottery retailer partners. Actuals of \$658 million represent a \$481 million (271 per cent) increase from prior year and are \$215 million (48 per

cent) higher than budget. The difference from prior year and from budget is primarily due to the impact of casino facilities reopening as there were no commissions paid to casino and community gaming service providers in the prior year. Lottery retailer commissions and eGaming revenue share payments to PlayNow.com gaming content providers were also higher than prior year and budget because of the increase in Lottery and eGaming revenue.

Gaming Support Costs

These costs are largely for gaming systems maintenance and upkeep and do not vary significantly with gaming activity. Actuals of \$54 million are comparable to the prior year and are \$2 million (4 per cent) higher than budget. The variance from budget is due to higher gaming support costs for one-time projects. However, these one-time projects, in aggregate, are under budget due to lower than anticipated operating costs as noted in the section that follows.

Operating Costs

These costs are made up of items such as salaries and benefits, marketing and advertising, professional fees, cost of premises and equipment. Actuals of \$200 million represent a \$17 million (9 per cent) increase from the prior year but are \$12 million (6 per cent) lower than budget. The increase from prior year is attributable to higher salaries and benefits due to normalization of the workforce after a period of hiring freezes, increased marketing and advertising costs in support of the reopening of gambling facilities and BCLC's sports strategy. These year-over-year increases are partially offset by a decrease to legal fees. The variance from budget is due to lower salaries and benefits as pension expenses were lower than anticipated and from lower equipment costs for one-time projects (partially off-set by the higher gaming support costs noted above). These favourable variances are offset by higher marketing costs to support the reopening of gambling facilities and single-event sports betting.

Amortization and Other

This balance relates primarily to depreciation of property and equipment and amortization of software costs. Actuals of \$79 million represent a \$1 million (1 per cent) decrease from the prior year and are \$15 million (16 per cent) lower than budget. The variance from budget is driven primarily by depreciation/amortization due to lower than anticipated capital expenditures. Additional impacts are attributable to lower interest expense than budgeted due to favourable rates and a smaller principal balance, and a smaller loss of the disposal of obsolete slot machines.

Indirect Tax

These costs relate to GST, as prescribed under the *Games of Chance Goods and Services Tax/Harmonized Sales Tax Regulations* of the *Excise Tax Act* (Canada), and PST, as prescribed under the *Provincial Sales Tax Act*, paid on purchases. Actuals of \$57 million represent a \$15 million (37 per cent) increase from the prior year but are \$4 million (6 per cent) lower than budget. The change from prior year is primarily due to an increase in GST expense associated with commissions to gambling facility service providers as a result of re-opening facilities. The variance from budget is the result of a retroactive GST refund which was identified after the service plan was developed and PST applying to fewer transactions than originally anticipated.

Total Equity (Deficit)

Total Equity is comprised of Accumulated Surplus (Deficit) and Accumulated Other Comprehensive Income (Loss).

Accumulated Surplus (Deficit) represents the cumulative balance of net income from all years of operation, less any distributions of net income to the Government of British Columbia or the Government of Canada. In accordance with the *Gaming Control Act*, net income in each fiscal year, after deducting contractual amounts due to the Government of Canada, is paid into the province's consolidated revenue fund.

As BCLC remits all its net income, the reported accumulated deficit relates strictly to the retrospective application of changes in accounting standards or policies as these changes do not result in any adjustments to the amounts of net income remitted. The \$7 million (30 per cent) favourable variance from budget is due to a change in accounting policy for how BCLC attributes post-retirement benefits. This change was based on clarifying guidance that was issued during the year by the International Financial Reporting Standards Interpretations Committee. The application of this guidance resulted in the shortening of the benefit attribution period for post-retirement benefits which, when applied retrospectively, resulted in a decrease to the prior year accumulated deficit.

Accumulated Other Comprehensive Income (Loss) represents items on income and expenses that are not recognized through profit or loss (net income). For BCLC, those items relate primarily to the remeasurement of the company's defined benefit plans. The \$56 million favourable variance from budget is due to changes in the financial assumptions (primarily the discount rate) for the calculation of BCLC's defined benefit plans.

Capital Expenditures

(\$ millions)	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance
Casino & Community Gaming	\$ 31	\$ 52	\$ 51	\$ 1
Lottery & eGaming	28	23	13	10
Corporate	14	21	14	7
Capital Expenditures	\$ 73	\$ 96	\$ 78	\$ 18

In fiscal year 2021/22, capital spending of \$78 million was \$5 million higher (7 per cent) than the prior year but \$18 million (19 per cent) less than budget. The increase from prior year is due to the one-time nature of capital projects which vary from year-to-year. When compared to the prior year, there was a \$23 million increase in the purchase of slot machines which was partially offset by a decrease in capital expenditures related to the Lottery Terminals and Systems Replacement project. The variance of \$18 million is primarily due to delays in project spend because of the pandemic, global supply chain issues, and talent acquisition/retention challenges.

Significant IT Projects (over \$20 million in total)	Year of Completion	Project Cost to March 31, 2022 (\$m)	Estimated Cost to Complete (\$m)	Anticipated Total Cost (\$m)
Lottery Terminals and Systems Replacement	2022/23	\$34	\$9	\$43
This project involves the replacement of legacy retail lottery equipment and supporting systems. This equipment supports the majority of lottery revenue and is nearing end-of-life.				

Appendix A: Additional Information

Organizational Overview

For an organizational overview of BCLC, please visit <https://corporate.bclc.com/>

Corporate Governance

[Governance and Oversight](#)

[BCLC Senior Executive](#)

Contact Information

T: 250-828-5500

E: consumerservices@bclc.com

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The consolidated financial statements of BCLC include BC Lottotech International Inc., a wholly owned subsidiary of BCLC. The primary purpose of BC Lottotech is to optimize sales taxes through the purchase of capital assets for leasing to BCLC. The main operating activities are revenue from the lease of assets to BCLC and the depreciation associated with capital acquisitions.

The management and oversight of BC Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through BCLC's annual business planning and budget process.

Financial Summary

(\$ millions) ¹	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance ²
Total Revenue	\$ 65	\$ 78	\$ 65	\$ (13)
Total Expenses	66	79	65	14
Net Gain (Loss)	\$ (1)	\$ (1)	\$ -	\$ 1

Note 1: The above financial information was prepared on an accrual basis.

Note 2: Favourable (unfavourable).

Operating Segments

BCLC's operating segments consist of Casino and Community Gaming, Lottery, and eGaming. BCLC's casino and community gaming operations are results from land-based gaming facilities offering slots, tables and bingo games. Lottery operations are results from brick-and-mortar retail sales of lottery draw-based games, lottery instant tickets and sports betting. eGaming operations are results of BCLC's website PlayNow.com, which extends all of BCLC's product offerings for play online. Operating costs for any departments that are not directly dedicated to supporting one of these areas of operations are allocated proportionally across these areas based on their revenues.

Financial Summary

CASINO & COMMUNITY GAMING OPERATIONS:

(\$ millions) ¹	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance ²
Total Revenue	\$ -	\$ 797	\$ 1,337	\$ 540
Direct Costs	-	274	467	(193)
Gaming Support Costs	18	21	22	(1)
Operating Costs	26	92	91	1
Amortization and Other	53	65	57	8
Total expenses	97	452	637	(185)
Net Income before Taxes	(97)	345	700	355
Indirect tax	11	28	33	(5)
NET INCOME	\$ (108)	\$ 317	\$ 667	\$ 350

Note 1: The above financial information was prepared based on International Financial Reporting Standards (IFRS).

Note 2: Favourable (unfavourable).

LOTTERY OPERATIONS:

(\$ millions) ¹	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance ²
Total Revenue	\$ 544	\$ 497	\$ 588	\$ 91
Direct Costs	107	101	116	(15)
Gaming Support Costs	23	19	21	(2)
Operating Costs	92	73	65	8
Amortization and Other	19	22	17	5
Total expenses	241	215	219	(4)
Net Income before Taxes	303	282	369	87
Indirect tax	17	18	15	3
NET INCOME	\$ 286	\$ 264	\$ 354	\$ 90

Note 1: The above financial information was prepared based on International Financial Reporting Standards (IFRS).

Note 2: Favourable (unfavourable).

eGAMING OPERATIONS:

(\$ millions) ¹	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance ²
Total Revenue	\$ 422	\$ 408	\$ 437	\$ 29
Direct Costs	70	68	75	(7)
Gaming Support Costs	13	12	11	1
Operating Costs	65	47	44	3
Amortization and Other	8	7	5	2
Total expenses	156	134	135	(1)
Net Income before Taxes	266	274	302	28
Indirect tax	14	15	9	6
NET INCOME	\$ 252	\$ 259	\$ 293	\$ 34

Note 1: The above financial information was prepared based on International Financial Reporting Standards (IFRS).

Note 2: Favourable (unfavourable).

Appendix C: Auditors' Report and Audited Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

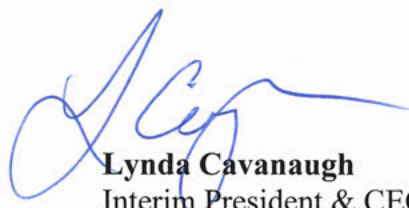
The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements present fairly the consolidated financial position of BCLC as at March 31, 2022, and the results of its consolidated financial performance and cash flows for the year then ended.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG LLP, Chartered Professional Accountants, have performed an independent audit of BCLC and expressed an unqualified opinion on the consolidated financial statements of BCLC.



Alan Kerr
CFO & Vice-President
Finance and Corporate Services



Lynda Cavanaugh
Interim President & CEO

British Columbia Lottery Corporation
Consolidated Financial Statements
Year ended March 31, 2022



KPMG LLP
560 Victoria Street
Kamloops BC V2C 2B2
Canada
Telephone (250) 372-5581
Fax (250) 828-2928

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of and Minister Responsible for British Columbia Lottery Corporation

Opinion

We have audited the consolidated financial statements of British Columbia Lottery Corporation (the Entity), which are comprised of:

- the consolidated statement of financial position as at March 31, 2022
- the consolidated statement of net income and comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Kamloops, Canada
May 11, 2022

British Columbia Lottery Corporation

Consolidated Statement of Financial Position

March 31, 2022, with comparative information for 2021
(in thousands of Canadian dollars)

	2022	2021 ¹
ASSETS		
Cash and cash equivalents (note 6)	\$ 59,261	\$ 45,155
Accounts receivable (note 7)	66,822	47,002
Prepaid and deferred expenses	17,436	16,831
Inventories (note 8)	10,546	9,753
Current assets	154,065	118,741
Prepaid and deferred expenses	4,012	4,440
Commission advances (note 9)	33,825	-
Gaming cash floats (note 10)	46,661	-
Right-of-use assets (note 11)	52,484	45,301
Property and equipment (note 12)	280,291	268,564
Intangible assets (note 13)	40,660	44,853
Employee benefits (note 14)	47,679	-
Non-current assets	505,612	363,158
Total assets	\$ 659,677	\$ 481,899
LIABILITIES		
Prizes payable (note 15)	\$ 40,410	\$ 35,488
Accounts payable, accrued and other liabilities (note 16)	136,126	112,163
Short-term financing (note 17)	140,070	179,896
Deferred revenue (note 18)	26,425	27,254
Unsettled wagers (note 19)	14,470	8,452
Lease liabilities (note 11)	6,320	6,362
Due to the Government of British Columbia (note 20)	168,360	48,050
Current liabilities	532,181	417,665
Lease liabilities (note 11)	48,569	41,877
Employee benefits (note 14)	47,581	62,547
Non-current liabilities	96,150	104,424
Total liabilities	628,331	522,089
EQUITY		
Accumulated deficit (note 21)	(17,850)	(17,850)
Accumulated other comprehensive income (loss)	49,196	(22,340)
Total equity (deficit)	31,346	(40,190)
Total liabilities and equity (deficit)	\$ 659,677	\$ 481,899

¹ Certain 2021 figures have been restated – see note 3(B)

See the accompanying notes to the consolidated financial statements.

Re-opening of land-based gaming facilities (note 2(A))

Commitments and contingencies (notes 11, 12 and 24)

Approved on behalf of the Board of Directors:


Greg Moore
Chair, Board of Directors


Joan Axford
Chair, Audit Committee

British Columbia Lottery Corporation

Consolidated Statement of Net Income and Comprehensive Income

Year ended March 31, 2022, with comparative information for 2021
(in thousands of Canadian dollars)

	2022	2021 ¹
Revenue (note 22)	\$ 2,361,603	\$ 965,593
Expenses		
Commissions and fees	551,478	93,070
Employee costs	138,525	126,567
Gaming equipment leases and licenses	92,802	70,886
Amortization and depreciation (notes 11, 12, and 13)	75,305	76,606
Systems, maintenance, and ticket distribution	59,201	59,594
Advertising, marketing, and promotions	36,322	26,761
Ticket printing	13,245	13,515
Professional fees and services	12,906	15,567
Cost of premises	6,322	6,056
Loss on disposal of property and equipment and intangible assets	272	791
Other	4,303	4,289
	990,681	493,702
Income from operations before the undernoted	1,370,922	471,891
Indirect tax expense (note 26)	57,242	41,689
Net income	1,313,680	430,202
Other comprehensive income		
<i>Item that will never be reclassified to net income</i>		
Net defined benefit plan actuarial gain (loss) (note 14)	71,536	(15,615)
Total comprehensive income	\$ 1,385,216	\$ 414,587

¹ Certain 2021 figures have been restated – see note 3(B)

See the accompanying notes to the consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Changes in Equity

Year ended March 31, 2022, with comparative information for 2021
(in thousands of Canadian dollars)

	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity (Deficit)
Balance, April 1, 2020¹	\$ (18,113)	\$ (6,725)	\$ (24,838)
Net income ¹	430,202	–	430,202
Net defined benefit plan actuarial loss (note 14) ¹	–	(15,615)	(15,615)
Total comprehensive income¹	430,202	(15,615)	414,587
Distributions to the Government of British Columbia (note 20)	(419,335)	–	(419,335)
Distributions to the Government of Canada (note 23)	(10,604)	–	(10,604)
Balance, March 31, 2021¹	\$ (17,850)	\$ (22,340)	\$ (40,190)
Net income	1,313,680	–	1,313,680
Net defined benefit plan actuarial gain (note 14)	–	71,536	71,536
Total comprehensive income	1,313,680	71,536	1,385,216
Distributions to the Government of British Columbia (note 20)	(1,302,493)	–	(1,302,493)
Distributions to the Government of Canada (note 23)	(11,187)	–	(11,187)
Balance, March 31, 2022	\$ (17,850)	\$ 49,196	\$ 31,346

¹ Certain 2020 and 2021 figures have been restated – see note 3(B)

See the accompanying notes to the consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021
(in thousands of Canadian dollars)

	2022	2021 ¹
Cash flows from operating activities:		
Net income	\$ 1,313,680	\$ 430,202
Items not involving cash:		
Depreciation (notes 11 and 12)	63,817	64,772
Amortization (note 13)	11,488	11,834
Loss on disposal of property and equipment	200	790
Loss on disposal of intangible assets	72	1
Interest expense (notes 11 and 17)	772	892
Net benefit plan expense (note 14)	22,019	18,163
	1,412,048	526,654
Changes in:		
Accounts receivable	(19,820)	(9,295)
Prepaid and deferred expenses	(177)	9,030
Inventories	(793)	1,099
Commission advances	(33,825)	-
Gaming cash floats	(46,661)	-
Employee benefits	(13,128)	(12,115)
Prizes payable	4,922	2,079
Accounts payable, accrued and other liabilities	11,482	12,472
Deferred revenue	(829)	4,209
Unsettled wagers	6,018	3,512
Net cash from operating activities	1,319,237	537,645
Cash flows from financing activities:		
Short-term financing (note 17)	(39,844)	28
Interest paid (notes 11 and 17)	(782)	(1,043)
Payments on lease liabilities (note 11)	(6,363)	(5,506)
Distributions to the Government of British Columbia (note 20)	(1,182,183)	(439,808)
Distributions to the Government of Canada (note 23)	(11,187)	(10,604)
Net cash used in financing activities	(1,240,359)	(456,933)
Cash flows from investing activities:		
Additions to property and equipment	(58,640)	(69,052)
Additions to intangible assets	(6,699)	(9,615)
Net proceeds on disposal of property and equipment	567	816
Net cash used in investing activities	(64,772)	(77,851)
Net increase in cash and cash equivalents	14,106	2,861
Cash and cash equivalents, beginning of year	45,155	42,294
Cash and cash equivalents, end of year (note 6)	\$ 59,261	\$ 45,155

¹ Certain 2021 figures have been restated – see note 3(B)

See the accompanying notes to the consolidated financial statements.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements

Year ended March 31, 2022

(in thousands of Canadian dollars)

1. Reporting entity

British Columbia Lottery Corporation (BCLC or the Corporation) is a crown corporation of British Columbia (B.C.) incorporated under the *Company Act* (B.C.) on October 25, 1984 and continued under the *Gaming Control Act* (B.C.). The Government of British Columbia has designated BCLC the authority to develop, undertake, organize, conduct, manage and operate provincial gaming on behalf of the government. Gaming activities include lottery, casino, bingo, and internet gaming (eGaming).

BCLC is also the B.C. regional marketing organization for national lottery games, which are collective undertakings by the provinces of Canada acting through the Interprovincial Lottery Corporation (ILC).

The address of BCLC's registered office is 74 West Seymour Street, Kamloops, B.C., Canada.

As an agent of the crown, BCLC is not subject to federal or provincial corporate income taxes.

These consolidated financial statements (hereinafter referred to as the 'financial statements') include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC.

2. Basis of preparation

A. RE-OPENING OF LAND-BASED GAMING FACILITIES

On March 11, 2020, the World Health Organization declared the Coronavirus 2019 (COVID-19) outbreak a pandemic. This resulted in governments worldwide, including the Canadian and B.C. governments, enacting public health directives to combat the spread of the virus. These measures, which included the implementation of travel restrictions, quarantine periods, closure or restrictions of non-essential business activities, and physical distancing, caused material disruption to businesses in B.C. and globally.

Impacts to BCLC operations

On March 16, 2020, in line with a directive issued by B.C.'s Attorney General, all gaming facilities (casino and bingo) were closed. On July 1, 2021 these orders were rescinded and the Corporation, in collaboration with gaming facility service providers, re-opened gaming facilities with measures implemented to protect the health and safety of players, employees and the public.

The Corporation implemented several business initiatives to facilitate the successful reopening of gaming facilities following the extended period of closure due to the COVID-19 pandemic. These initiatives included audit and compliance oversight, providing gaming cash floats to gaming facility service providers on a temporary basis (note 10) and providing eligible gaming facility service providers with access to receive an advance against future commissions (note 9).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

2. Basis of preparation (continued)

A. RE-OPENING OF LAND-BASED GAMING FACILITIES (CONTINUED)

Impacts to financial risk management

The extended period of closure of gaming facilities necessitated the implementation of the initiatives previously outlined, resulting in an increase to the Corporation's credit risk exposure. The Corporation closely monitors this risk to ensure that all required payments are made to the Corporation.

To maintain financial liquidity, the Corporation secured a temporary increase to the borrowing limit under its short-term financing agreement with the Government of British Columbia (notes 5(D) and 17).

The Corporation continues to monitor its liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at March 31, 2022, the Corporation continues to meet its contractual obligations within normal payment terms.

B. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 11, 2022.

C. BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis except for employee benefit plan assets and unsettled wagers. Employee benefit plans, which include a registered pension plan, a supplementary pension plan, and a non-pension post-retirement benefit plan, are measured at the fair value of plan assets less the present value of the defined benefit obligation, as explained in note 4(E)(iii). Unsettled wagers are measured at fair value, as explained in note 4(C)(ii).

D. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information has been rounded to the nearest thousand dollars.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

2. Basis of preparation (continued)

E. USE OF ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to use judgment in applying accounting policies and to make estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Information about judgments made that have the most significant effects on the amounts recognized in the financial statements include:

- the determination of the ability to exercise control over gaming facility service providers and lottery retailers (note 4(A));
- whether the Corporation is reasonably certain to exercise extension options under lease agreements (note 4(F)).

Areas of significant estimation uncertainty that may have a significant effect on the amounts recognized in the financial statements, and could result in a material adjustment within the next fiscal year, include key actuarial assumptions used in the measurement of defined benefit obligations for the Corporation's pension and post-retirement benefit plans (note 14(D)(i)).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

3. Change in accounting policy

The Corporation has adopted a change in policy regarding the attribution period for benefits provided by the post-retirement benefit plan based on clarifying guidance issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) in April 2021.

The Corporation has applied this change in policy retrospectively. The nature and effects of the changes are explained below.

A. EMPLOYEE BENEFITS

The IFRIC publication clarified that post-retirement benefits should be attributed over the shortest period of service an employee is required to complete before being eligible for the benefit. Previously the Corporation attributed the post-retirement benefits from the date the employee began working with the Corporation until the date they met the full eligibility requirements. This change in accounting policy shortens the benefit attribution period and reduces the related defined benefit obligation.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

3. Change in accounting policy (continued)

B. SUMMARY OF QUANTITATIVE IMPACTS

The following tables summarize the impacts of the change in attribution period for the defined benefit obligation of the post-retirement benefit plan.

Consolidated statement of financial position

As at April 1, 2020

	As previously reported	Impact of change in accounting policy	As restated
Employee benefits liability	\$ 58,325	\$ (7,350)	\$ 50,975
Total liabilities	\$ 526,164	\$ (7,350)	\$ 518,814
Accumulated deficit	\$ (25,463)	\$ 7,350	\$ (18,113)
Accumulated other comprehensive loss	\$ (6,725)	\$ –	\$ (6,725)
Total deficit	\$ (32,188)	\$ 7,350	\$ (24,838)
Total liabilities and deficit	\$ 493,976	\$ –	\$ 493,976

As at March 31, 2021

	As previously reported	Impact of change in accounting policy	As restated
Employee benefits liability	\$ 71,350	\$ (8,803)	\$ 62,547
Total liabilities	\$ 530,892	\$ (8,803)	\$ 522,089
Accumulated deficit	\$ (25,463)	\$ 7,613	\$ (17,850)
Accumulated other comprehensive loss	\$ (23,530)	\$ 1,190	\$ (22,340)
Total deficit	\$ (48,993)	\$ 8,803	\$ (40,190)
Total liabilities and deficit	\$ 481,899	\$ –	\$ 481,899

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

3. Change in accounting policy (continued)

B. SUMMARY OF QUANTITATIVE IMPACTS (CONTINUED)

Consolidated statement of net income and comprehensive income

For the year ended March 31, 2021

	As previously reported	Impact of change in accounting policy	As restated
Employee costs	\$ 126,830	\$ (263)	\$ 126,567
Net income	\$ 429,939	\$ 263	\$ 430,202
Other comprehensive income (loss)			
Net defined benefit plan actuarial loss	\$ (16,805)	\$ 1,190	\$ (15,615)
Total comprehensive income	\$ 413,134	\$ 1,453	\$ 414,587

Consolidated statement of cash flows

For the year ended March 31, 2021

	As previously reported	Impact of change in accounting policy	As restated
Net income	\$ 429,939	\$ 263	\$ 430,202
Net benefit plan expense	\$ 18,426	\$ (263)	\$ 18,163
Net increase in cash and cash equivalents	\$ 2,861	\$ -	\$ 2,861

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies

Except as set out in note 3, the Corporation and its subsidiary have consistently applied the following accounting policies to all periods presented in these financial statements:

A. BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Intercompany transactions and balances are eliminated on consolidation.

The Corporation does not control gaming facility service providers or lottery retailers and therefore these financial statements do not include the financial results of those entities.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments and form an integral part of the Corporation's cash management. They consist of readily convertible instruments having a maturity of three months or less from the acquisition date and their carrying amount approximates their fair value.

C. FINANCIAL INSTRUMENTS

i. Financial assets

Financial assets are recognized initially on the trade dates, which is when the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation's financial assets are classified as subsequently measured at amortized cost and are comprised of cash and cash equivalents, accounts receivable, gaming cash floats and commission advances.

Financial assets subsequently measured at amortized cost are those held in order to collect contractual cash flows. The contractual cash flows related to these financial instruments solely represent payments of principal and interest. Such assets are measured initially at fair value plus any directly attributable transaction costs. Accounts receivable is initially measured at the transaction price. Gaming cash floats and commission advances are initially recognized at fair value, which is measured as the present value of future cash flows under the contractual terms. Subsequent to initial recognition, such assets are measured at amortized cost using the effective interest method, less any allowance for expected losses (see note 4(I)(i)). Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies (continued)

C. FINANCIAL INSTRUMENTS (CONTINUED)

i. Financial assets (continued)

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

Gains or losses on derecognition are recognized in profit or loss.

ii. Financial liabilities

Financial liabilities are recognized initially on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

Financial liabilities are classified as subsequently measured at amortized cost or at fair value through profit or loss. The Corporation's financial liabilities measured at amortized cost are comprised of prizes payable, accounts payable, accrued and other liabilities, short-term financing, lease liabilities, and amounts due to the Government of British Columbia. The Corporation's financial liabilities measured at fair value through profit or loss are comprised of unsettled wagers, which are derivative liabilities.

Financial liabilities at amortized cost are measured initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss.

Financial liabilities at fair value through profit or loss are measured initially at fair value. Subsequent to initial recognition, these financial liabilities are measured at fair value. Net gains and losses, including any interest expense, are recognized in profit or loss.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged, or are cancelled. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognized in profit or loss.

iii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Corporation has a current, legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies (continued)

D. INVENTORIES

Inventories include lottery instant tickets and slot machine spare parts. Inventories are measured at the lower of cost, determined on a weighted average basis, and net realizable value. For spare parts, net realizable value is the estimated value in use; for instant ticket inventories, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

E. EMPLOYEE BENEFITS

i. Short-term employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the reporting period in which the benefit is earned. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

ii. Termination benefits

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. Benefits payable are discounted to their present values when they are not expected to be settled wholly within 12 months of the reporting date.

iii. Defined benefit plans

The Corporation's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the benefit, payable in the future, that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

The fair value of any plan assets is deducted from the obligation to determine the net defined benefit liability (asset). When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of future economic benefits, consideration is given to any applicable minimum funding requirements.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies (continued)

E. EMPLOYEE BENEFITS (CONTINUED)

iii. Defined benefit plans (continued)

Re-measurements of the net defined benefit liability (asset), which are comprised of actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. BCLC determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in income as employee costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service, or the gain or loss on curtailment, is recognized immediately in the defined benefit cost (income). The Corporation recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

F. LEASES

At inception of a contract, the Corporation determines whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and any estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

A right-of-use asset is depreciated from the commencement date to the end of the lease term, which includes the initial lease term and any optional renewal period if the Corporation is reasonably certain to exercise an option, using the straight-line method. A right-of-use asset will be reduced by impairment losses, if any, and adjusted for the remeasurement of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies (continued)

F. LEASES (CONTINUED)

The Corporation determines its incremental borrowing rate on a lease-by-lease basis by obtaining Government of Canada bond rates and making adjustments to reflect the term of the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option.

Variable lease payments based on revenues or usage are recognized in profit or loss in the period in which the expenses are incurred.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an applicable index or rate, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the right-of-use asset; or if the carrying amount of the right-of-use asset has been reduced to zero, the adjustment is recorded in profit or loss.

The Corporation has elected not to separate non-lease components from lease components within a contract and accounts for these as a single lease component.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases with terms of less than 12 months. The Corporation recognizes the payments associated with these leases as an expense, on a straight-line basis, over the lease term.

G. PROPERTY AND EQUIPMENT

i. Recognition and measurement

The Corporation's property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies (continued)

G. PROPERTY AND EQUIPMENT (CONTINUED)

i. Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset to the location and condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the assets to a suitable condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized. Capitalized direct labour is comprised of short-term employee benefits for employees working directly on the construction of the qualifying asset.

When major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Corporation.

iii. Depreciation

Land and assets under construction are not depreciated. When property and equipment are available for use, they are depreciated over their estimated useful lives on a straight-line basis. Depreciation is based on cost less estimated residual value and based on the following estimated useful lives:

Asset	Rate
Corporate facilities	
Building	5 to 20 years
Equipment	2 to 15 years
Leasehold improvements	3 to 30 years
Lottery gaming	
Equipment	3 to 10 years
Retail Kiosks	2 to 10 years
Casino and community gaming	
Equipment	2 to 8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies (continued)

H. INTANGIBLE ASSETS

Expenditures incurred in the development or acquisition of computer software products or systems that will contribute to future economic benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Other development costs are recognized in income as incurred.

Development expenditures are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to, and has sufficient resources to, complete development and to use or sell the asset.

The cost of computer software and systems that are acquired by the Corporation includes the purchase price and any expenditures directly attributable to preparing the asset for its intended use. Capitalized direct labour is comprised of wages for employees working directly on development. Borrowing costs related to the development of qualifying assets are capitalized.

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Assets under development are not amortized. When intangible assets are available for use they are amortized using the straight-line method over their estimated useful lives (three to ten years). Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

I. IMPAIRMENT

i. Financial assets

Financial assets not classified at fair value through profit or loss are assessed under an expected credit loss model, which requires the recognition of an allowance for expected losses upon recognition of the asset. The Corporation measures loss allowances at an amount equal to the lifetime expected credit losses, which are the losses that result from all possible default events over the expected life of a financial instrument. To measure the expected credit loss, reasonable and supportable information that is relevant and available without undue cost or effort is considered. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, which includes forward-looking information.

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the future cash flows of the financial asset have occurred.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies (continued)

I. IMPAIRMENT (CONTINUED)

i. Financial assets (continued)

The Corporation considers expected credit risk for these assets at both an individual asset and a collective level. All individually significant assets are assessed for expected credit losses. Assets that are not individually significant are assessed collectively for expected credit losses by grouping together assets with similar risk characteristics.

In the statement of financial position, loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Expected credit losses are a probability-weighted estimate of credit losses. Expected credit losses are based on the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive, discounted at the effective interest rate of the financial asset. Losses are recognized in profit or loss. If the amount of the credit loss subsequently decreases and the decrease can be related objectively to an event occurring after the expected credit loss was recognized, then the previously recognized credit loss is reversed through profit or loss.

ii. Non-financial assets

The carrying amounts of non-financial assets, other than inventories and employee benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the greater of an asset's or cash generating unit's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Impairment losses are recognized in income and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies (continued)

J. PROVISIONS

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in income as a financing cost in other expenses. Provisions are included in accounts payable, accrued and other liabilities.

K. REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is earned through various distribution channels.

In transactions in which the Corporation administers a game amongst players (“Administered Games”), the Corporation recognizes the portion of the wagers retained, and not distributed as prizes, as revenue from operating the game. Administered Games include lottery instant tickets, bingo, certain lottery draw-based games and certain sports betting games.

In transactions in which the Corporation and players are wagering against a specific outcome of an event (“Wagered Games”), the Corporation is exposed to gains or losses, which are recognized in revenue. Wagered Games include slot and table games, certain lottery draw-based games and certain sports betting games.

In Administered Games where the Corporation earns a variable commission, the variable commission exposes the Corporation to a gain or loss depending on the actual amount of the payout versus the expected prize percentage, which is initially accounted for as a financial liability.

Revenue from slot and table games, generated through contracted gaming facility service providers and online at PlayNow.com, is recognized, net of financial liabilities under customer loyalty programs, in the same period in which the games are played.

Revenue from lottery draw-based games, which are sold through contracted lottery retailers and online at PlayNow.com, is recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue with a corresponding financial liability for the portion to be paid as prizes for Administered Games, or as unsettled wagers for Wagered Games.

Revenue for all lottery instant tickets, which are sold through contracted lottery retailers, is recognized at the point of sale to a player. Instant ticket prizes are recorded as a financial liability at the expected prize percentage concurrently with the recognition of revenue.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

4. Significant accounting policies (continued)

K. REVENUE (CONTINUED)

Revenue from sports betting, generated through contracted lottery retailers and online at PlayNow.com, is recognized in the period in which the bets settle. Receipts for bets that are received before March 31 for events that occur subsequent to that date are recorded as deferred revenue and as a financial liability for the portion to be paid as prizes for Administered Games, or as unsettled wagers for Wagered Games.

Revenue from the operation of bingo games, generated through contracted gaming facility service providers and online at PlayNow.com, is recognized in the same period in which the games are played.

Gains on unclaimed prizes arising from regional lottery games are recognized as revenue when they expire. Unclaimed prizes arising from national lottery games are administered by the Interprovincial Lottery Corporation and, accordingly, are not recognized by the Corporation.

Liabilities under customer loyalty programs are reported as unsettled wagers due to their potential to be discharged through the redemption of free play on Wagered Games.

L. COMMISSIONS

Commissions paid to lottery retailers are based on revenue generated and prize payments to players, in accordance with underlying lottery retailer agreements. BCLC recognizes commission expenses at the point of sale to a player for revenue-based commissions and at the point of ticket validation for prize payment-based commissions.

Commissions paid to gaming facility service providers, including commissions for facility investment, are based on revenue generated in accordance with underlying operational services agreements. BCLC recognizes commission expenses in the same period in which the revenues are generated. Commissions paid in advance of revenue being generated are recognized as commission advances on the statement of financial position.

5. Financial risk management

The Corporation has exposure to the following financial risks from its use of financial instruments: credit risk, liquidity risk, and market risk.

This note presents information on how the Corporation manages those financial risks.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

5. Financial risk management (continued)

A. GENERAL

The Corporation's Board of Directors has the responsibility to oversee the conduct of the Corporation's business and to supervise management, which is responsible for the day-to-day operation of the Corporation.

The Board's role includes oversight of the Corporation's enterprise risk management program, and the integrity of the Corporation's internal control and management systems. The Board, with the support of its Strategy and Risk Committee, monitors the Corporation's risk tolerance and risk capacity levels and considers strategic risks as part of the annual strategic planning process. The Board, with support of the Audit Committee, provides oversight of the effectiveness of the Corporation's systems of internal control over financial information.

The Corporation has a legal, security and compliance division, as well as an internal audit services department. Furthermore, the Corporation has a dedicated enterprise risk management services department to support the enterprise risk management program in the assessment, monitoring and reporting of strategic and operational risks that may impact the ability of the Corporation to deliver on its objectives. The enterprise risk management services department reports quarterly on its activities and on the Corporation's risk profile for review by the Executive Committee and the Strategy and Risk Committee of the Board of Directors.

B. CREDIT RISK

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its contractual obligations to the Corporation. Credit risk arises principally from the Corporation's accounts receivable, gaming cash floats, commission advances, and cash and cash equivalents.

Accounts receivable

Accounts receivable relates to credit provided to lottery retailers and gaming facility service providers. Normal credit terms for accounts receivable are payment within 30 days or less. As at March 31, 2022 and 2021, there were no significant invoiced accounts receivable outstanding for more than 30 days.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

5. Financial risk management (continued)

B. CREDIT RISK (CONTINUED)

Gaming cash floats

Gaming cash floats have been temporarily provided to gaming facility service providers under amendments to operational services agreements. Although the gaming cash floats are unsecured, the Corporation has limited the exposure to credit risk by restricting their use by gaming facility service providers. These floats are held separately onsite at gaming facilities and are authorized to be used solely by the gaming facility service providers for the purposes of making change, redeeming chips, and paying winnings. The operational services agreement amendments provide the Corporation the right to call back these funds with 60 days notice, and the right to require the repayment of the gaming cash floats upon an event of default. The Corporation requires the gaming facility service providers to include the repayment of gaming cash floats in their 2023 business plan submissions, including outlining how they will fund the repayment of the gaming cash floats. The gaming cash floats are due by December 31, 2023.

Commission advances

Commission advances result from the Corporation providing eligible gaming facility service providers with the option to receive an advance of future commissions to support facility reopening after the extended period of closure due to the COVID-19 pandemic. Commencing April 2023, weekly commission payments to gaming facility service providers will be reduced by 10% until the commission advance is fully repaid.

Cash and cash equivalents

Cash and cash equivalents are held with banks and counterparties that have high credit ratings and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. The Corporation has a formal policy and guidelines in place for cash equivalents that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

5. Financial risk management (continued)

B. CREDIT RISK (CONTINUED)

The Corporation's exposure to credit risk for accounts receivable, gaming cash floats, commission advances and cash and cash equivalents at the reporting date is represented by the carrying amounts less any irrevocable standby letters of credit or security deposits. These amounts are listed as follows:

		2022		2021
Maximum exposure	\$	206,569	\$	92,158
Collateral		(3,936)		(4,626)
Net exposure	\$	202,633	\$	87,532

Expected Credit Losses

Accounts receivable, gaming cash floats and commission advances are net of expected credit losses, which consist of a specific allowance estimated based on assessment of the current economic environment and past experience.

The Corporation's exposure to credit losses is primarily due to amounts owing from lottery retailers and gaming facility service providers.

Lottery Retailers

The Corporation has arrangements with approximately 3,500 lottery retailers but is not materially exposed to any individual lottery retailer. The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is required, while not exposing the Corporation to unacceptable risks. Credit assessments are completed for new retailers and may also be completed for retailers who have experienced insufficient fund occurrences on bank sweeps, or in cases where there are concerns that retailers might be experiencing financial difficulties. Security is obtained from lottery retailers who are considered to be of high financial risk or from lottery retailers where minimal credit information is available. Security may include irrevocable standby letters of credit, security deposits, or personal guarantees.

The Corporation has assessed the expected credit loss for lottery retailers and no material credit losses are expected as the balances outstanding continue to be short-term in nature and collected through bank sweeps without any material losses.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

5. Financial risk management (continued)

B. CREDIT RISK (CONTINUED)

Gaming facility service providers

The Corporation has operating agreements with 13 gaming facility service providers. The Corporation has a concentrated credit risk exposure with its three (2021: two) largest gaming facility service providers. Concentrated credit risk exists when the outstanding balance owing from an individual gaming facility service provider represents more than 10% of the total owed from all gaming facility service providers. As at March 31, 2022, the total amount subject to a concentration of credit risk was \$95,743 (2021: \$9,324), which represents 96% (2021: 80%) of the total amount due from gaming facility service providers.

At any time, accounts receivable from gaming facility service providers includes balances relating to player funds held for outstanding chips. These balances, which represent the Corporation's liability to players, are held in trust and are not invoiced because they will be relieved through the normal course of operations.

The Corporation monitors gaming facility service providers' financial health by reviewing their revenue levels, cash position and ability to service external debt obligations. The Corporation has not experienced any material collection issues related to accounts receivable from gaming facility service providers since the re-opening of gaming facilities. The Corporation has considered its historical experience and current collection of accounts receivable in the assessment of credit risk related to gaming cash floats and commission advances. The financial impact of the prolonged closure of gaming facilities, the monitoring of the service providers by the Corporation, and safety measures taken upon re-opening of gaming facilities on gaming facility service providers has been factored into the assessment of the expected credit loss.

At March 31, 2022, an allowance for expected credit losses of \$1,010 (2021: \$1,000) has been recognized. The estimated allowance for impairment loss is reflective of the related credit risk.

The movement in the allowance for impairment in respect of accounts receivable, gaming cash floats and commission advances during the year was as follows:

		2022		2021
Balance at April 1	\$	1,000	\$	-
Net remeasurement of loss allowance		(864)		1,000
Provision of gaming cash floats and commission advances		874		-
Balance at March 31	\$	1,010	\$	1,000

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

5. Financial risk management (continued)

C. MARKET RISK

Market risk, including interest rate risk, is the risk that changes in market prices will affect the fair value of, or future cash flows from, a financial instrument. The Corporation is subject to interest rate risk when it renews its short-term financing at rates determined by current market conditions.

The Corporation does not account for any fixed-rate financial liabilities at fair value through profit or loss, and does not utilize interest rate swaps. Therefore, a change in interest rates at the reporting date would not affect income.

D. LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of British Columbia under its Fiscal Agency Loan program (note 17). Under this agreement, the Corporation may, until March 31, 2024, borrow up to an aggregate amount of \$325 million, thereafter \$250 million. In making a loan to the Corporation, the Government of British Columbia uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of British Columbia. Loans are unsecured and there are no pre-established repayment terms other than the requirement that loans must have a short term duration. The terms are set by the Government of British Columbia each time a loan is requested under this agreement. To date, the durations of the loans have not exceeded 90 days.

The Corporation also has an unused \$10 million demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2021: prime rate).

The contractual maturities of all financial liabilities except lease liabilities as at March 31, 2022 and 2021 are 90 days or less. The contractual maturities of the Corporation's lease liabilities are included in note 11.

The Corporation manages liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis to ensure that sufficient funds are available to meet the Corporation's financial obligations.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

5. Financial risk management (continued)

E. FAIR VALUES

The carrying amounts of financial assets and financial liabilities not classified as fair value through profit or loss approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand. The carrying values of gaming cash floats and commission advances approximate their fair values, and are estimated based on discounted contractual future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

6. Cash and cash equivalents

	2022	2021
Cash	\$ 35,421	\$ 24,746
Funds held for player accounts	20,249	16,743
Funds held for security deposits	3,591	3,666
	\$ 59,261	\$ 45,155

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player accounts liability in the amount of \$20,249 (2021: \$16,743) is included in accounts payable, accrued and other liabilities (note 16).

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of \$3,591 (2021: \$3,666) is included in accounts payable, accrued and other liabilities (note 16).

Select gaming facility service providers are responsible for holding and accounting for player funds held in Patron Gaming Accounts (gaming accounts). These gaming accounts are accounted for in accordance with the casino and community gaming centre standards, policies and procedures under the supervision of the Corporation, as well as in accordance with the regulations of Gaming Policy and Enforcement Branch (GPEB). No amounts are recorded in the Corporation's financial statements for these gaming accounts. The gaming facility service providers are legally liable for the player funds held in these accounts.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

7. Accounts receivable

The Corporation has an enforceable right to offset certain liabilities payable with accounts receivable and intends to settle the amounts on a net basis.

As at March 31, 2022	Gross amounts	Amounts offset in the statement of financial position¹	Net amounts presented in the statement of financial position
Lottery retailers	\$ 52,368	\$ (16,118)	\$ 36,250
Gaming facility service providers ²	23,634	(8,284)	15,350
Other	16,324	(1,102)	15,222
	\$ 92,326	\$ (25,504)	\$ 66,822
As at March 31, 2021			
Lottery retailers	\$ 40,326	\$ (10,437)	\$ 29,889
Gaming facility service providers ²	10,689	-	10,689
Other	10,515	(4,091)	6,424
	\$ 61,530	\$ (14,528)	\$ 47,002

¹ Impacts of offsetting to liabilities are disclosed in note 16.

² Net of allowance for impairment of \$136 (2021: \$1,000).

The accounts receivable balances include amounts from the sale of both Administered Games and Wagered Games.

The Corporation's exposure to credit risk and impairment losses related to accounts receivable is disclosed in note 5(B).

8. Inventories

The major components of inventories are as follows:

	2022	2021
Lottery instant tickets	\$ 5,094	\$ 4,644
Slot machine spare parts	3,302	2,824
Other	2,150	2,285
	\$ 10,546	\$ 9,753

For the year ended March 31, 2022, inventories recognized as an expense amounted to \$18,164 (2021: \$25,717), which includes write-downs of \$833 (2021: \$1,127).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

9. Commission advances

Balance at April 1, 2021	\$	-
Advances against future commissions		32,699
Service fees accrued		1,499
Allowance for expected credit losses		(373)
Balance at March 31, 2022	\$	33,825

Commission advances are subject to a monthly service fee of 0.5% to be applied on the aggregate outstanding amount. Collection of the aggregate outstanding amount will commence April 2023 with repayment terms as described in note 5(B).

The Corporation's exposure to credit risk related to commission advances is disclosed in note 5(B).

10. Gaming cash floats

Balance at April 1, 2021	\$	-
Funds advanced		49,711
Fair value adjustment on initial recognition		(3,662)
Accretion income		1,113
Allowance for expected credit losses		(501)
Balance at March 31, 2022	\$	46,661

Gaming cash floats advanced to gaming facility service providers of \$49,711 are due to the Corporation, on December 31, 2023. The measurement of the fair value of the financial asset on initial recognition considered the present value of cash flows to be received by the maturity date. The expected cash flows are discounted using a risk-adjusted discount rate of 3%. Among other factors, the discount rate estimation considers the credit risk of the gaming facility service providers, inflation rate, prime rate, the term of the gaming cash floats and the restricted use associated with the funds.

The Corporation's exposure to credit risk related to gaming cash floats is disclosed in note 5(B).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

11. Leases

The Corporation leases office and warehouse real estate, lottery retail locations, vehicles and equipment. Leases of real estate have lease terms between 8 and 30 years, while lottery retail locations, vehicles, and equipment generally have lease terms of 5 years. Real estate and lottery retail location lease agreements frequently include extension options, which have been included in the term of the leases after consideration of the likelihood of the Corporation exercising the options. Generally, the lease payments under the extensions will be negotiated upon exercise of the option.

The Corporation leases casino and community gaming equipment with lease terms between less than one year and two years. The Corporation has elected not to recognize right-of-use assets and lease liabilities for the leases of less than one year.

The Corporation leases space within the casino and community gaming service provider facilities for gaming purposes. Lease payments for the gaming floors are fully variable; as such, right-of-use assets and lease liabilities have not been recognized.

Information about leases for which the Corporation is a lessee is presented below.

i. Right-of-use assets

	Real estate	Lottery retail locations	Gaming equipment	Fleet vehicles and other	Total
Balance at April 1, 2020	\$ 38,753	\$ 9,926	\$ 1,394	\$ 282	\$ 50,355
Additions	375	1,817	-	122	2,314
Depreciation	(2,791)	(2,864)	(498)	(139)	(6,292)
Derecognition	(340)	(28)	(708)	-	(1,076)
Balance at March 31, 2021	\$ 35,997	\$ 8,851	\$ 188	\$ 265	\$ 45,301
Additions	9,795	2,303	959	185	13,242
Depreciation	(2,785)	(2,896)	(12)	(137)	(5,830)
Derecognition	-	(36)	(193)	-	(229)
Balance at March 31, 2022	\$ 43,007	\$ 8,222	\$ 942	\$ 313	\$ 52,484

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

11. Leases (continued)

ii. Lease liabilities

	2022	2021
Balance at April 1	\$ 48,239	\$ 52,507
Additions	13,242	2,314
Interest expense	685	756
Derecognized	(229)	(1,076)
Interest paid	(685)	(756)
Principal payments	(6,363)	(5,506)
	\$ 54,889	\$ 48,239
Current	\$ 6,320	\$ 6,362
Non-current	\$ 48,569	\$ 41,877
Balance at March 31	\$ 54,889	\$ 48,239

	2022	2021
Maturity analysis – undiscounted cash flows		
Less than one year	\$ 7,161	\$ 7,057
One to five years	18,066	19,110
More than five years	45,920	27,265
Total undiscounted lease liabilities at March 31	\$ 71,147	\$ 53,432

iii. Amounts recognized in profit or loss

	2022	2021
Expenses relating to short-term leases ¹	\$ 13,952	\$ -
Depreciation of right of use assets	5,830	6,292
Variable lease payments not included in the measurement of the lease liabilities ²	2,059	2,553
Interest on lease liabilities	685	756

¹ Due to the temporary closure of gaming facilities, payments relating to short-term leases of casino and community gaming equipment were not required in 2021.

² These amounts do not include variable lease payments for the use of the gaming floors as they are recorded as part of the total commissions paid to gaming facility service providers.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

12. Property and equipment

		Land	Corporate facilities	Lottery gaming	Casino and community gaming	Assets under construction	Total
Cost							
Balance at April 1, 2020	\$	5,249	\$ 120,507	\$ 126,464	\$ 516,501	\$ 37,404	\$ 806,125
Additions (derecognition)		(222)	1,203	2,786	20,812	38,289	62,868
Transferred to systems and equipment		–	5,829	5,055	14,355	(25,239)	–
Disposals and retirements		–	(2,402)	(5,724)	(29,205)	–	(37,331)
Balance at March 31, 2021		5,027	125,137	128,581	522,463	50,454	831,662
Additions		346	793	3,549	21,764	44,029	70,481
Transferred to systems and equipment		–	2,821	2,360	10,016	(15,197)	–
Disposals and retirements		–	(2,019)	(2,558)	(19,657)	–	(24,234)
Balance at March 31, 2022	\$	5,373	\$ 126,732	\$ 131,932	\$ 534,586	\$ 79,286	\$ 877,909
Accumulated depreciation							
Balance at April 1, 2020	\$	–	\$ 98,995	\$ 105,436	\$ 335,912	\$ –	\$ 540,343
Depreciation for the year		–	7,316	6,372	44,792	–	58,480
Disposals and retirements		–	(2,374)	(5,667)	(27,684)	–	(35,725)
Balance at March 31, 2021		–	103,937	106,141	353,020	–	563,098
Depreciation for the year		–	6,963	6,998	44,026	–	57,987
Disposals and retirements		–	(2,018)	(2,532)	(18,917)	–	(23,467)
Balance at March 31, 2022	\$	–	\$ 108,882	\$ 110,607	\$ 378,129	\$ –	\$ 597,618
Carrying amounts							
At March 31, 2021	\$	5,027	\$ 21,200	\$ 22,440	\$ 169,443	\$ 50,454	\$ 268,564
At March 31, 2022	\$	5,373	\$ 17,850	\$ 21,325	\$ 156,457	\$ 79,286	\$ 280,291

As of March 31, 2022, the Corporation is committed to incur capital expenditures relating to property and equipment and intangible assets of \$11,714 (2021: \$11,982). These commitments are expected to be settled within the next 12 months.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

13. Intangible assets

	Software	Assets under development	Total
Cost			
Balance at April 1, 2020	\$ 187,643	\$ 11,195	\$ 198,838
Acquisitions - separately acquired	1,376	6,786	8,162
Acquisitions - internally generated	—	1,932	1,932
Transferred to software	553	(553)	—
Disposals and retirements	(130)	—	(130)
Balance at March 31, 2021	189,442	19,360	208,802
Acquisitions – separately acquired	1,909	4,516	6,425
Acquisitions – internally generated	249	692	941
Transferred to software	17,072	(17,072)	—
Disposals and retirements	(1,056)	—	(1,056)
Balance at March 31, 2022	\$ 207,616	\$ 7,496	\$ 215,112
Accumulated amortization			
Balance at April 1, 2020	\$ 152,244	\$ —	\$ 152,244
Amortization for the year	11,834	—	11,834
Disposals and retirements	(129)	—	(129)
Balance at March 31, 2021	163,949	—	163,949
Amortization for the year	11,488	—	11,488
Disposals and retirements	(985)	—	(985)
Balance at March 31, 2022	\$ 174,452	\$ —	\$ 174,452
Carrying amounts			
At March 31, 2021	\$ 25,493	\$ 19,360	\$ 44,853
At March 31, 2022	\$ 33,164	\$ 7,496	\$ 40,660

The intangible assets balance represents purchased and internally-generated software assets.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

14. Employee benefits

The Corporation contributes to and controls the following pension and post-retirement defined benefit plans:

Registered Pension Plan (Plan A)

Plan A is a registered pension plan in the Province of B.C. under the *Pension Benefits Standards Act (British Columbia)* (PBSA). Plan A entitles an employee to receive an annual pension payment after retirement based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and covers substantially all of the Corporation's employees. The pension benefits are partially indexed for inflation after retirement.

Supplementary Pension Plan (Plan B)

Plan B covers employees designated by the Corporation. The pension benefits under Plan B provide designated employees a top-up to Plan A benefits to the extent, if any, that they are limited by the *Income Tax Act (Canada)* maximum pension rules.

Post-Retirement Benefit Plan – Non-Pension (Plan C)

Plan C covers substantially all of BCLC's employees for post-retirement medical, dental and life insurance benefits.

The Corporation, as the plan sponsor and plan administrator, has established the Pension Committee to have primary responsibility for the administration and oversight of the plans and to perform certain delegated responsibilities. The Board of Directors provides governance oversight of the plan through the Audit Committee and People and Culture Committee.

These plans expose the Corporation to foreign currency risk, interest rate risk, longevity risk, inflation risk, and other market price risk.

A. FUNDING

Plan A is funded by employee contributions, employer contributions, and investment returns. The Corporation funds Plan A based on the advice of an actuary, in order to provide for the cost of the benefits accruing under the plan and for the proper amortization of any unfunded liability or applicable solvency deficiency, both in accordance with the PBSA, after taking into account the assets of the plan, employee contributions and all other relevant factors. The actuarial assumptions used to determine funding requirements, which are based on a separate actuarial valuation for funding purposes, may differ from the assumptions herein.

If at any time the actuary certifies that the net assets available for benefits under Plan A exceed the actuarially-determined present value of the accrued pension benefit obligation, such surplus, or any portion thereof, may be used by the Corporation at its discretion, to reduce its contribution obligations, subject to PBSA restrictions.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

14. Employee benefits (continued)

A. FUNDING (CONTINUED)

The Corporation expects to contribute \$12,033 to Plan A in the year ending March 31, 2023.

Plans B and C are unfunded. As such, the Corporation pays all benefits thereunder as they fall due.

B. MOVEMENT IN NET DEFINED BENEFIT LIABILITY (ASSET)

A reconciliation from the opening balances to the closing balances for the net defined benefit liability (asset) and its components is as follows:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2022	2021 ¹	2022	2021	2022	2021 ¹
Balance at April 1	\$ 425,417	\$ 354,322	\$ (362,870)	\$ (313,438)	\$ 62,547	\$ 40,884
Included in income						
Current service cost	19,027	15,920	–	–	19,027	15,920
Interest cost (income)	14,950	14,290	(12,343)	(12,322)	2,607	1,968
Administration cost	–	–	385	275	385	275
	33,977	30,210	(11,958)	(12,047)	22,019	18,163
Included in other comprehensive income						
Re-measurements loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	(7,504)	–	–	–	(7,504)	–
Financial assumptions	(61,332)	43,897	–	–	(61,332)	43,897
Experience adjustments	502	9,287	–	–	502	9,287
Return on plan assets excluding interest income	–	–	(3,202)	(37,569)	(3,202)	(37,569)
	(68,334)	53,184	(3,202)	(37,569)	(71,536)	15,615
Other						
Contributions paid by the employer	–	–	(13,128)	(12,115)	(13,128)	(12,115)
Contributions paid by the employee	3,199	2,985	(3,199)	(2,985)	–	–
Benefits paid	(15,436)	(15,284)	15,436	15,284	–	–
	(12,237)	(12,299)	(891)	184	(13,128)	(12,115)
Balance at March 31	\$ 378,823	\$ 425,417	\$ (378,921)	\$ (362,870)	\$ (98)	\$ 62,547
Represented by:						
					2022	2021 ¹
Net defined benefit liability (asset) (Plan A)					\$ (47,679)	\$ 4,223
Net defined benefit liability (Plans B and C)					47,581	58,324
					\$ (98)	\$ 62,547

¹ Certain 2021 figures have been restated - see note 3(B).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

14. Employee benefits (continued)

C. PLAN ASSETS

Plan assets are comprised of:

	2022	2021
Global equities		
Information technology	\$ 40,528	\$ 42,944
Financials	37,548	35,406
Health care	26,558	27,848
Industrials	21,538	28,365
Consumer staples	16,412	19,817
Other	51,490	72,840
	194,074	227,220
Private equities	50,299	–
Long term bonds		
Government	49,033	55,880
Corporate	17,341	18,275
	66,374	74,155
Real return bonds		
Government	56,867	61,495
Cash	11,307	–
Total Plan Assets	\$ 378,921	\$ 362,870

Global equities are held in pooled funds and are valued at the unit values supplied by the pooled fund administrator, which represent Plan A's proportionate share of the underlying net assets at fair values determined using closing prices in active markets. Private equities are held in funds with external investment managers and are valued based on provided valuation statements, which represent Plan A's proportionate share of the estimated fair value of the underlying assets. Fair values of the underlying assets are determined using valuation models incorporating data from recent transactions and comparable public market investments, discounted cash flow analysis, and valuations of partner capital statements. In addition, audited financial statements are received for private equity funds annually. Where audited financial statements are not readily available at the reporting date, private equity investments are valued based on the most recent valuation statements received from the external investment managers. The fair values of long term bonds and real return bonds are determined based on price quotations; however, the underlying market in which these instruments are traded is not considered active.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

14. Employee benefits (continued)

C. PLAN ASSETS (CONTINUED)

Plan contributions are invested in equities and bonds. With consideration of the long-term nature of the plan liabilities, and the shorter-term liquidity needs for payments to retirees, the Corporation has a general target allocation of 60% return seeking assets and 40% liability hedging assets. As a general policy, and in accordance with the relevant regulations, the Corporation has adopted the investment guidelines of the PBSA for defining permissible investment activities for money held in trust. Overall, the portfolio of Plan A's assets are managed within the parameters of the strategic asset mix comprising 40% to 70% return seeking assets, 30% to 50% liability hedging assets, and up to 5% cash and cash equivalents.

D. DEFINED BENEFIT OBLIGATION

i. Actuarial valuation and assumptions

An actuarial valuation for funding purposes is required, at a minimum, every three years to assess the financial position of Plan A. An actuarial valuation of Plan A for funding purposes was performed as at December 31, 2019, by LifeWorks (Canada) Ltd. (formerly Morneau Shepell Ltd.), an independent firm of consulting actuaries. The defined benefit obligation for Plan A has been based on this valuation, with adjustments made for cash flows and material events since that date. In addition, certain assumptions have been updated to reflect market conditions as at March 31, 2022. The next required actuarial valuation is as of December 31, 2022 with a determination of the funded status of the pension plan available in mid-2023.

There is no statutory actuarial valuation requirement for Plan B. The defined benefit obligation for Plan B is based on data collected for those members as at March 31, 2022.

There is no statutory actuarial valuation requirement for Plan C; however, a full actuarial valuation is completed every three years on Plan C. A full actuarial valuation of Plan C was performed by HUB International Ltd. as at November 2, 2021. The defined benefit obligation for Plan C has been based on this valuation, with adjustments made for cash flows and material events to March 31, 2022.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

14. Employee benefits (continued)

D. DEFINED BENEFIT OBLIGATION (CONTINUED)

i. Actuarial valuation and assumptions (continued)

The principal actuarial assumptions at the reporting date (expressed as weighted averages) were as follows:

	Plans A and B		Plan C	
	2022	2021	2022	2021
Discount rate:				
Defined benefit obligation	4.40%	3.40%	4.40%	3.40%
Benefit cost	3.40%	3.90%	3.40%	3.90%
Rate of compensation increase for the fiscal year	2.50%	2.50%	-	-
Future compensation increases	2.50%	2.50%	-	-
Inflation	2.30%	2.10%	-	-
Initial weighted-average health care trend rate	-	-	4.87%	4.27%
Ultimate weighted-average health care trend rate	-	-	3.97%	3.47%
Year ultimate weighted-average health care trend rate reached	-	-	2040	2040
Assumed life expectations on retirement at age 65				
Current pensioners				
Male	22.8	23.4	22.8	23.4
Female	25.1	25.3	25.1	25.3
Retiring in 20 years				
Male	23.8	24.4	23.8	24.4
Female	26.1	26.2	26.1	26.2

ii. Sensitivity analysis

Changes at March 31, 2022 to one of the relevant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation by the following amounts:

	Effect on the defined benefit obligation			
	2022		2021 ¹	
	Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
Discount rate (1% movement)	\$ (49,228)	\$ 62,358	\$ (61,966)	\$ 80,158
Future compensation increase (1% movement)	13,899	(11,946)	16,864	(14,500)
Inflation (1% movement)	22,998	(20,967)	25,858	(23,503)
Health care cost trend rate (1% movement)	3,412	(3,411)	3,642	(3,686)
Future mortality (10% movement)	(6,382)	6,969	(7,469)	8,200

¹ Certain 2021 figures have been restated - see note 3(B).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

14. Employee benefits (continued)

D. DEFINED BENEFIT OBLIGATION (CONTINUED)

ii. Sensitivity analysis (continued)

In practice, it is unlikely that one assumption would change while all other assumptions remained constant, since changes in some of the assumptions are interdependent; however, this analysis does provide an approximation of the sensitivity of the assumptions shown.

iii. Maturity profile of plan membership

The breakdown of the defined benefit obligation at March 31, 2022 (as a percentage of the total) in respect of active employees, former employees who have not yet started receiving a pension (deferred vested), and former employees and other beneficiaries receiving a pension (retirees), is as follows:

	Defined benefit obligation	
	2022	2021 ¹
Active members	52%	54%
Deferred vested members	5%	5%
Retirees	43%	41%
Total	100%	100%

¹ Certain 2021 figures have been restated - see note 3(B).

At March 31, 2022, the weighted-average duration of the defined benefit obligation was 14.6 years (2021: 16.3 years).

15. Prizes payable

	2022	2021
Lottery games	\$ 29,471	\$ 26,686
Progressive jackpots	10,841	8,760
Other	98	42
	\$ 40,410	\$ 35,488

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

16. Accounts payable, accrued and other liabilities

	2022	2021
Accrued expenses	\$ 46,372	\$ 46,999
Trade payables	39,717	22,660
Player accounts liability	20,249	16,743
Indirect tax payable	5,199	3,905
Security deposits payable	3,591	3,666
Interprovincial Lottery Corporation	3,516	2,148
Other	17,482	16,042
	\$ 136,126	\$ 112,163

Under agreements with its counterparties, the Corporation has an enforceable right to offset certain liabilities payable with accounts receivable and intends to settle the amounts on a net basis (note 7). As at March 31, 2022, gross accounts payable, accrued and other liabilities of \$161,630 (2021: \$126,691) were offset against accounts receivable in the amount of \$25,504 (2021: \$14,528), resulting in a net balance of \$136,126 (2021: \$112,163) presented in the statement of financial position.

The Corporation's exposure to liquidity risk related to accounts payable, accrued and other liabilities is disclosed in note 5(D).

17. Short-term financing

	2022	2021
Government of British Columbia, loans, payable in single instalments ranging from \$40,000 to \$50,043, including interest ranging from \$7 to \$13, at rates ranging from 0.16% to 0.36%, unsecured, due between April 4, 2022 and April 21, 2022 ¹	\$ 140,070	\$ —
Government of British Columbia, loans, payable in single instalments ranging from \$29,945 to \$50,044, non-interest bearing, unsecured, due between April 1, 2021 and April 22, 2021	—	179,896
	\$ 140,070	\$ 179,896

¹ Repaid and refinanced within the normal course of operations subsequent to March 31, 2022

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

17. Short-term financing (continued)

Reconciliation of the movements of liabilities to cash flows arising from financing activities:

	2022	2021
Balance at April 1	\$ 179,896	\$ 179,996
Changes from financing cash flows		
Proceeds from borrowings	1,899,866	2,034,932
Repayment of borrowings	(1,939,710)	(2,034,904)
Total changes from financing cash flows	(39,844)	28
Other changes		
Interest expense	87	136
Interest paid	(97)	(287)
Capitalized borrowing costs	28	23
Total other changes	18	(128)
Balance at March 31	\$ 140,070	\$ 179,896

The Corporation's exposure to liquidity risk related to short-term financing is disclosed in note 5(D).

18. Deferred revenue

Deferred revenue includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date as described in note 4(K). The amounts recorded below are expected to be recognized as revenue by the Corporation within 12 months. All deferred revenue at March 31, 2021 has been recognized as revenue during the year ended March 31, 2022.

	2022	2021
Lottery games	\$ 25,153	\$ 25,570
Other	1,272	1,684
	\$ 26,425	\$ 27,254

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

19. Unsettled wagers

Unsettled wagers include revenue expected to be recognized in the future related to outcomes that have not yet occurred at the reporting date as described in note 4(K). The amounts recorded below are expected to be recognized as revenue by the Corporation within 12 months.

	2022	2021
Customer loyalty programs	\$ 11,536	\$ 6,415
Lottery games	1,208	805
Sports betting	1,000	550
Other	726	682
	\$ 14,470	\$ 8,452

20. Distributions to the Government of British Columbia

In accordance with the *Gaming Control Act* (B.C.) (“the Act”), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 23), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. These distributions are inclusive of the Corporation’s obligation to remit 7% of “actual net income”, as defined in the Act, to the BC First Nations Gaming Revenue Sharing Limited Partnership in compliance with section 14.3 of the Act. The Corporation’s transfer of distributions to the Government of British Columbia occurs four to five weeks after each fiscal month-end. The Corporation does not retain any earnings.

21. Accumulated deficit

Upon adoption of IFRS, subsequent adoption of new or amended IFRS standards, and retrospective application of changes to accounting policies, the Corporation was required to adjust amounts previously reported in its financial statements. These adjustments did not reduce the amounts distributed to the Government of British Columbia and therefore resulted in the Corporation recognizing an accumulated deficit.

	Accumulated deficit
Adoption of IFRS ¹	\$ (17,728)
Adoption of amended IAS 19 <i>Employee Benefits</i> ²	584
Adoption of IFRS 15 <i>Revenue from Contracts with Customers</i> ³	(8,319)
Change in accounting policy related to employee benefits (note 3)	7,613
	\$ (17,850)

¹ IFRS was adopted for the fiscal year ended March 31, 2012.

² Amended IAS 19 was adopted for the fiscal year ended March 31, 2014.

³ IFRS 15 was adopted for the fiscal year ended March 31, 2019.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

22. Revenue

The Corporation's revenue is disaggregated by major product lines as follows:

	2022	2021
Slot and table games ¹	\$ 1,650,780	\$ 321,620
Lottery games	638,266	589,956
Sports betting	31,677	23,902
Bingo games ¹	11,845	4,524
Other	29,035	25,591
	\$ 2,361,603	\$ 965,593
Revenue from Wagered Games	\$ 1,901,316	\$ 549,327
Revenue from Administered Games	460,287	416,266
	\$ 2,361,603	\$ 965,593

¹ Due to the temporary closure of gaming facilities, slot and table games revenue and bingo revenue for the fiscal year ended March 31, 2021 was generated entirely through online products offered on PlayNow.com.

For the year ended March 31, 2022, gains on the expiry of prizes payable of \$7,574 (2021: \$7,874) are included in revenue.

23. Distributions to the Government of Canada

The Corporation is required to make an annual payment to the Government of Canada as a result of an agreement between the federal and provincial governments following the withdrawal of the Government of Canada from the lottery field.

24. Contingencies

From time to time, the Corporation is party to legal proceedings and claims that arise in the ordinary course of business. A provision for these contingencies is recognized when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. BCLC is required to have all indemnification obligations approved by the B.C. Government Risk Management Branch. These indemnifications typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third-party claims. The nature of these agreements prevents the Corporation from making reasonable estimates of the maximum amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnifications.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022

(in thousands of Canadian dollars)

25. Related party transactions

BCLC, as a wholly-owned crown corporation, is controlled by the Government of British Columbia. Included in these financial statements are transactions with various ministries, agencies, and crown corporations related to the Corporation by virtue of common control.

All transactions with the Government of British Columbia ministries, agencies, and crown corporations occurred in the normal course of operations. Transactions that are considered to be individually or collectively significant include loan agreements (note 17) and distributions to the Government of British Columbia (note 20). The Corporation pays Provincial Sales Tax on its taxable purchases and also collects and remits Provincial Sales Tax to the Government of British Columbia on its taxable sales (note 26).

Key management personnel have been defined as the members of the Board of Directors, the President & CEO, and the Corporation's Officers. The compensation for key management personnel is shown below:

	2022	2021
Short-term employee benefits ¹	\$ 2,193	\$ 2,376
Post-retirement benefits ²	175	232
Termination benefits ³	-	778
	\$ 2,368	\$ 3,386

¹ Salaries and non-cash benefits

² Contributions to the Registered Pension Plan and amounts for the Supplementary Pension Plan outlined in note 14

³ Compensation under severance agreements on termination of employment

The Corporation is also related to the pension and post-retirement defined benefit plans. Transactions with these plans are disclosed in note 14.

26. Indirect tax expense

As a provincial gaming authority, BCLC is a prescribed registrant under the *Games of Chance Goods and Services Tax (GST)/Harmonized Sales Tax (HST) Regulations* of the *Excise Tax Act* (the Regulations). The Corporation makes GST remittances to the Government of Canada pursuant to the Regulations. The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expenses is calculated according to a formula set out in the Regulations, resulting in the direct payment of additional GST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similarly to that for other GST registrants.

Provincial Sales Tax is calculated and remitted to the Province of B.C. pursuant to the *Provincial Sales Tax Act*.