

annual report 2006~07



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Honourable John Les
Minister of Public Safety and Solicitor General
Minister Responsible for Gaming

Dear Minister:

On behalf of British Columbia Lottery Corporation (BCLC), our Board of Directors, senior leadership team and employees, it is my privilege to submit the Annual Report for fiscal year ended March 31, 2007.

During fiscal 2006/07, a year of opportunities, achievements and challenges, BCLC continued to uphold our mission of offering responsible gaming entertainment and generating income for the public good.

We are pleased to report to our shareholder, the Government of British Columbia, on another year of significant accomplishments in financial and operational performance. BCLC exceeded key financial targets to produce total revenues of \$2.4 billion, resulting in total net income of \$1,018.8 million. From our net income, \$1,010.4 million was distributed to the Government of British Columbia to support vital public service programs for the benefit of all British Columbians, while \$8.4 million was remitted to the Government of Canada.

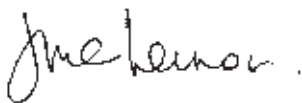
BCLC's 2006/07 Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of BCLC for the 12 months ended March 31, 2007, in relation to the February 2006 Service Plan. The measures presented are consistent with BCLC's mission, goals and objectives and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of June 18, 2007, have been considered in preparing the report. As of June 1, 2007, Vic Poleschuk's role as President and CEO was ended. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, objectives, strategies, measures or targets made since the February 2006 Service Plan was released and any significant limitations in the reliability of data are identified in the report.

Respectfully submitted,



John McLernon
Chair, Board of Directors

Since 1985, BCLC has generated:

- \$9 billion in net income distributed to the Government of British Columbia
 - \$9.6 billion in prizes won by lottery and bingo players
- \$3.5 billion in commissions and service fees earned by lottery retailers and casino and bingo service provider companies

Our Leadership

Board of Directors

Chair

John McLernon | Vancouver
– Appointed December 9, 2005

Vice-Chair

Arthur Willms | Vancouver
– Appointed September 26, 2001

Directors

John Bell | West Vancouver
– Appointed September 26, 2001
Resigned June 8, 2007

David Gillespie | Kamloops
– Appointed March 31, 2005

D. Neil McDonnell | North Vancouver
– Appointed April 23, 2002

Tazeem Nathoo | West Vancouver
– Appointed July 26, 2002

Donald Pettit | West Vancouver
– Appointed September 26, 2001
Resigned April 30, 2006

Eric Sorensen | Kelowna
– Appointed December 8, 2005

Kathy Stevenson | Kelowna
– Appointed April 23, 2002

Senior Executive

President and CEO

Dana Hayden (interim)

Vic Poleschuk | (until June 1, 2007)

VICE-PRESIDENTS

Jay-Ann Fordy | Human Resources and Organizational Development
Resigned March 30, 2007

Kevin Gass | Corporate Communications and Marketing

Jim Lightbody | Lottery Gaming

Brian Lynch | Casino Gaming
Retired July 1, 2007

Scott Norman | Information Technology and Chief Information Officer

Doug Penrose | Finance and Corporate Services

Marsha Walden | Bingo Gaming



John McLernon
Chair, Board of Directors

Since 1985, BCLC has remained steadfast in our mission to provide socially responsible gaming entertainment that generates net income for the Government of British Columbia for health care, education, social, community, charitable and municipal programs.

In fiscal 2006/07, BCLC reached new milestones for both revenue and net income generation. Total gaming revenues of \$2.4 billion surpassed the fiscal year's budget. Our three business units – lottery, casino and bingo – exceeded their net income targets with the result that BCLC distributed just more than \$1 billion in net income to the Government of British Columbia.

Our direct costs were greater than budget due to additional expenditures incurred for prizes, retailer commissions, service provider fees and ticket printing to support the revenue increase. Delays in the planned opening of several facilities and effective cost management contributed to lower than budgeted operating costs.

Achieving such strong results in our performance required BCLC to stay focused on our strategic plan while having the flexibility to meet new priorities and challenges. We greatly value the contributions of our employees, business partners, stakeholders and players in making fiscal 2006/07 such a successful year.

Gaming entertainment continues to be increasingly competitive and complex, affected by technology, cross-border competition, the Internet, demographics and shifts in social attitudes. Like other major companies, BCLC is experiencing significant changes in the way we do business.

During fiscal 2006/07, we maintained our focus on our player by offering more exciting, innovative and diverse entertainment experiences and promoting responsible play.

Highlights included the:

- launch of the monitor-style lottery game Pacific Hold'Em Poker;
- continuing development of the eLottery channel PlayNow;
- refresh of older slot machines with higher entertainment games;
- popularity of major poker tournament events;
- introduction of new bingo products;
- continuing transformation of bingo halls into community gaming centres;
- expansion of Responsible Play Information Centre locations;
- expansion of the British Columbia Partnership for Responsible Gambling to include nine municipalities, six service providers, as well as GPEB and BCLC; and
- the development and launch of Canada's first self-serve responsible play information kiosks.

We continued to invest in responsible gambling programs, including Appropriate Response Training (ART), Time Out voluntary self-exclusion program, and awareness initiatives.

New Responsible Play Information Centres, an initiative of the British Columbia Partnership for Responsible Gambling, opened at Cascades Casino and Boulevard Casino, while existing locations at Edgewater Casino and River Rock Casino were moved to more visible locations on the gaming floors.

BCLC began the ART program in fiscal 2004/05 to help gaming industry employees



Dana Hayden
President and CEO (interim)

respond to difficult situations involving customers who may be in distress. By the end of fiscal 2006/07, about 6,000 employees from casinos, bingo halls and community gaming centres had been trained.

Once again we showed our support of communities throughout the province by providing corporate and product sponsorships to a variety of celebrations, festivals, tournaments and fundraisers. Our SportsFunder brand was a featured sponsor in several communities, including the BC Summer Games in Kamloops and Special Olympics BC Winter Games in Kelowna.

The partnership of BCLC and British Columbia casinos supported the 2006 David Foster Star Search and David Foster and Friends Charity Gala. This regional showcase of young artists pursuing their musical ambitions culminated in the gala evening that raised \$2.9 million for the David Foster Foundation, which helps families of children in need of major organ transplants.

Ongoing external research that measures our performance in the area of public support of gaming showed an increase in support over the previous fiscal year, and our player satisfaction rate was slightly ahead of target. Players participation remained level, although below target. Employee engagement improved, but was below target.

Our ratings for public recognition of social responsibility and public awareness of the beneficiaries of gaming revenue both increased. However, we will always be striving to strengthen our levels of social responsibility and to let people know "where the money goes."

Last fall, in response to allegations of lottery retailer fraud in Ontario, the Minister of Public Safety and Solicitor General asked the Gaming Policy and Enforcement Branch (GPEB) to investigate and report on the integrity of BCLC's prize payout and validation policies and procedures. GPEB's report, released in January, included recommendations that we have implemented to support our commitment to continuously improving player protection practices. For example:

- Check-A-Ticket machines are being deployed to all lottery retail locations.
- Player display monitors are being fixed in place to ensure they are always facing the player.
- Our Mystery Shopper audit program is now focused on retailer compliance and managed by BCLC Security.
- "Play with Confidence" advertising to better inform players of key protection measures has been initiated.

In December, the Ombudsman for the province of British Columbia announced a review of BCLC's prize payout procedures. BCLC welcomed the review and co-operated fully with the Ombudsman to provide whatever assistance and information was required to conduct a thorough review.

In May 2007, the Ombudsman issued a critical report that identified procedural gaps in key post-point of sale functions such as customer complaint tracking, retailer validation procedures and the monitoring of retailer play and win rates. We take this report seriously.

We acknowledge that our performance in these procedural areas must be improved.

BCLC has accepted all of the Ombudsman's recommendations and is moving to implement them. BCLC is also committed to implementing its "Player First" program that prohibits retailers and their employees from playing, purchasing and validating personal lottery products at their places of employment.

In June 2007, the Board of BCLC determined that a change of leadership for the organization was required and terminated President and CEO, Vic Poleschuk. Dana Hayden joined BCLC as interim President and CEO on June 8.

BCLC will publicly report progress with respect to implementing the Ombudsman's recommendations, and is aware that GPEB will be monitoring the implementation of those recommendations and will be reporting publicly on resulting actions and GPEB's assessment of those actions. In addition, we will co-operate fully with an independent and comprehensive audit of the retail lottery system, as ordered by the Minister of Public Safety and Solicitor General on May 29, 2007. The Board will be reviewing the goals and objectives of the Corporation to ensure that they address the organization's commitment to player protection and confidence.

While British Columbia's lotteries have operated consistently within commonly accepted standards and practices of lotteries throughout North America, the industry knows that it must now meet a higher standard of player protection. BCLC is committed to meeting that higher standard and to ensuring player confidence and public trust in the integrity of British Columbia's lottery system.

BCLC Mandate

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

Government has chosen to operate gaming through a Crown corporation not only to meet the requirements of the *Criminal Code*, but to ensure that the objective of revenue generation is carefully balanced with the objectives of gaming security and integrity and social responsibility.

BCLC is the agent of Government mandated to conduct and manage lottery schemes within British Columbia. The Corporation operates within the statutory authority and regulation of the *Criminal Code* and *Gaming Control Act*.

On behalf of Government, BCLC has responsibilities to:

- Conduct, manage and operate lottery gaming, including the marketing of nationwide and regional lottery games in association with other provinces of Canada.
- Conduct, manage and operate casino gaming.
- Conduct manage and operate commercial bingo gaming.

BCLC distributes its net income to Government to benefit the people and communities of British Columbia.

Regulation and Authority

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General. BCLC is accountable to its shareholder, the Government of British Columbia, through the Minister.

A Government-appointed Board of Directors guides BCLC in fulfilling its mandate. A key component of BCLC's governance framework is the Shareholder's Letter of Expectations (www.bclc.com/cm/aboutbclc/corporategovernance.htm), the basis of a co-operative agreement between Government and BCLC on corporate mandate and core services, high-level performance expectations, public policy issues and strategic priorities. This Letter is also the basis for the development of BCLC's three-year Service Plan and Annual Report.

The Gaming Policy and Enforcement Branch (GPEB) (www.pssg.gov.bc.ca/gaming) of the Ministry of Public Safety and Solicitor General regulates all gaming in British Columbia, ensures the integrity of gaming industry companies, people and equipment, and investigates allegations of wrongdoing. GPEB's responsibilities include regulatory oversight of BCLC, all gaming service provider companies and gaming employees, licensed gaming events, and British Columbia's horse racing industry.

Scope of Operations

BCLC officially opened April 1, 1985, and operated within a limited, traditional lottery market until a new gaming policy introduced in fiscal 1997/98 by the Government of British Columbia created new opportunities. BCLC was given responsibility to conduct and manage slot machines when they were introduced in the province in fiscal 1997/98. The Corporation assumed responsibility for all casino gaming in 1998/99.

Further changes by Government resulted in BCLC assuming greater management responsibilities for commercial bingo halls in fiscal 2001/02. In fiscal 2004/05, the Corporation introduced a model for community gaming centres, which service local markets with a wider variety of bingo, lottery and slot machine entertainment options.

Internet play and purchase, a way to distribute lottery products online in a regulated environment, was introduced on PlayNow at BCLC.com (playnow.bclc.com) in fiscal 2004/05.

BCLC has two corporate offices, as well as gaming operations and retail locations throughout British Columbia. The head office is located in Kamloops, the centre for finance, administration and information technology. Sales and marketing functions are based in the Richmond office.

Economic Benefits

BCLC makes significant economic contributions to the Government of British Columbia, players, businesses and communities throughout the province.

In fiscal 2006/07, BCLC distributed just more than \$1 billion in net income to Government to support a variety of health care, education, social, charitable and municipal programs that benefit British Columbians every day.

Financial benefits included \$650.8 million in prizes won by lottery and bingo players, \$528.4 million in commissions and service fees

paid to lottery, casino and bingo business service partners, and about \$120 million in the procurement of equipment, goods and services.

Within the gaming industry there has been an investment of an estimated \$1 billion in gaming facility developments pursuant to service provider contracts established and managed by BCLC over the last nine years.

Business Partnerships

The vast majority of BCLC's product sales and operational services are contracted through private sector business service partners. Lottery, casino and bingo gaming networks include about 4,300 lottery retailers, 16 casinos, 20 commercial bingo halls, six community gaming centres and one racetrack gaming centre.

These valued partners play an important role in delivering high-quality, responsible gaming entertainment, as well as a high level of customer service that contributes to players' experiences.

B.C. Lottotech

B.C. Lottotech International Inc. is a wholly owned subsidiary of BCLC and is included in the Corporation's consolidated financial statements. The primary purpose of B.C. Lottotech is to purchase capital assets for lease to BCLC.

The management and oversight of B.C. Lottotech is consolidated with BCLC operations and the Board of Directors reviews and approves capital purchases through the budget process.

Employment

Gaming in British Columbia has created significant employment opportunities, and it is expected that the need for labour will continue to increase over the next five years.

During fiscal 2006/07, BCLC had a workforce of 596 full-time equivalents, which included employees in the two offices and in field locations to support gaming operations throughout the province.

The gaming industry is responsible for the direct employment of an estimated 10,000 people and indirectly for more than 5,000 jobs.

Our Purpose

Benefiting British Columbians

Our Vision

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

Our Mission

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

Our Goals

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

Our Values

Integrity

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

We :

- conduct, manage and operate commercial gaming in accordance with the *Criminal Code of Canada* and *Gaming Control Act*.
- are open and transparent and fully accountable for our actions and decisions.
- operate on sound business principles and practices.
- publicly report on our plans and performance.
- are responsive to Government, our Minister, our players and British Columbians.

- recognize that security and integrity of our games is paramount to our business.
- conduct our games in a highly regulated, independent environment that ensures the public interest is rigorously protected.
- let British Columbians know about the beneficiaries of gaming and "where the money goes."
- adhere to the *Freedom of Information and Protection of Privacy Act*.
- work to enhance public trust in the products and services bearing the BCLC brand.

Social Responsibility

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

We :

- consult with communities on the types and levels of gaming that are right for them.
- promote responsible play practices and the safe and healthy use of our gaming entertainment products.
- actively support Government's efforts to address problem gambling issues through public awareness, education, prevention and treatment programs.
- actively support Government's Problem Gambling Program.
- actively support Government's Problem Gambling Strategy by partnering with the Problem Gambling Program, local governments, gaming services providers and other government agencies to ensure that gambling in British Columbia is delivered in a responsible manner.
- actively participate in the British Columbia Partnership for Responsible Gambling and the Canadian Partnership for Responsible Gambling.
- adhere to Government's Responsible Gambling Standards for the BC Gambling Industry.
- distribute problem gambling information to help adults make informed choices about their participation in gaming entertainment.

- work with service providers to deliver Appropriate Response Training to enhance the knowledge, awareness and attitudes of gaming industry personnel so they can respond appropriately to patrons.

Respect

Our workplace fosters openness, mutual respect and individual development.

We :

- strive to be a great place to work.
- promote a fair, open, respectful and progressive workplace.
- support an innovative, high-performance culture.
- formalize how each employee directly contributes to the successful delivery of the goals of our organization.
- encourage employee development through continuous learning and professional growth.
- honour the contributions of individuals and teams through formal and informal recognition programs.
- provide competitive compensation and benefits programs.
- work to attract and retain talented leaders and experts.
- encourage work life balance, including mind, body, and spirit.



Our Commitment to Lottery Players

British Columbia Lottery Corporation is committed to advancing our lottery systems to further build trust and protection for our players.

Security and Integrity

Since 1985, BCLC has fulfilled our mandate to generate net income that supports vital Government programs, while placing the utmost important on managing our business with a high degree of reliability, security and integrity. The Corporation has always understood that the trust and confidence of British Columbians must be earned.

In October, in light of allegations of retailer fraud in Ontario, British Columbia's Solicitor General directed the Gaming Policy and Enforcement Branch (GPEB) to investigate and report on the integrity of BCLC's lottery retail network.

In December, the Ombudsman of British Columbia announced that an investigation would be initiated into BCLC's lottery prize claim process. BCLC has been actively co-operating with the investigation and working to make improvements that will further strengthen the processes that make certain that the right prize is paid to the rightful holder of a winning lottery ticket.

GPEB's review was completed in December and the Ombudsman's report was released in May 2007. BCLC is committed to developing and improving upon technology, policies and processes that have the potential to influence how lottery security and integrity are maintained across Canada and even around the world.

In response to both reviews, BCLC has recently improved upon or is preparing to implement a number of processes and procedures.

Retail Locations

- At each lottery retail location, a customer display monitor is located in a fixed position, clearly visible to the player. When a winning ticket is validated, the prize amount appears on the screen and an audible jingle now plays longer and is set to the maximum volume.
- Purchase and validation information appears on the customer display monitor for an extended period of time to make certain the player has an opportunity to view the details of the transaction.
- When a prize greater than \$10,000 is validated, the lottery terminal will be frozen until it is unlocked by BCLC. The player will be alerted of the win and the lottery retailer must contact BCLC for instructions. BCLC will also speak to the player to make certain they are aware of the next steps.
- The number of Check-A-Ticket terminals will be expanded to include every retail location by fall 2007. Players can check their own tickets and the terminal will display any win, or non-win, on all lottery products except for Pull Tabs and Scratch & Win.
- When a winning ticket is checked, Check-A-Ticket terminals display "It's a Winner!" and the amount of the win.
- Lottery retailers will be required to mark the back of all winning tickets that are paid out in full at their location with the official "paid" stamp before returning the ticket to the player. All winning and non-winning tickets will be returned to the player.
- Prizes greater than \$999.99 will be claimed

player first

at the BCLC Prize Payout Office in either Kamloops or Richmond, or one of the designated regional Lottery Prize Payout Centres at select casinos.

Retailer Play

- Lottery retailers and their employees will be restricted from purchasing, playing or validating personal lottery tickets at their location of employment.
- All prize claims greater than \$999.99 will be cross-referenced with the lottery retailer database to track win rates.
- All prize claimants for prizes greater than \$3,000 are asked to identify any association with the Corporation, including whether they are a retailer, retailer employee or close relative of either. For prizes greater than \$3,000, claimants who are a retailer, retailer employee or close relatives of either are interviewed by BCLC's security department.

Retailer Responsibilities

- A Retailer Code of Conduct will help lottery retailers and their employees understand the legal terms and conditions of the Lottery Operations Agreement.
- A new database will be used for lottery retailer and employee training and certification and to track compliance.
- Lottery retailers will be required to identify all employees authorized to sell lottery products and operate equipment.
- Effective April 1, 2007, GPEB will register all lottery retail site managers. This includes a background investigation and criminal record check. Retailers will be formally responsible for the actions of their employees.
- BCLC regularly conducts "Mystery Shopper" compliance checks.

Our Commitment to People

British Columbia Lottery Corporation strives to offer both outstanding and responsible gaming entertainment in our mandate to generate net income distributed to the Government of British Columbia for health care, education, social, charitable and municipal programs.

BCLC offers gaming entertainment, the chance to win prizes, and the opportunity to dream. We also generate significant financial benefits for the province and net income for the Government of British Columbia to provide programs that serve the needs of British Columbians.

So where does the money go?

From the gaming revenue BCLC generates each fiscal year, we pay prizes to our lottery

and bingo winners and commissions and service fees to our private sector lottery retailers and casino and bingo service providers. We pay for our operating expenses and lottery ticket printing and bingo paper, and we remit the Goods and Services Tax.

After these expenditures, the money remaining forms our net income. The Government of Canada receives a portion under a long-standing agreement with provinces on the

withdrawal of the federal government from lotteries, while the balance is distributed to the Government of British Columbia.

In fiscal 2006/07, BCLC generated \$2.4 billion in gaming revenue, resulting in net income of \$1,010.4 million distributed to the Government of British Columbia.

Consolidated Revenue

Government dedicates the largest portion of BCLC net income to consolidated revenue and a further portion to the Health Special Account for public service programs. In fiscal 2006/07, consolidated revenue received \$620.7 million.

The Health Special Account is administered by the Ministry of Health. This account received \$147.3 million. Money may be paid out of the account for the administration, operation and delivery of health care, health research, health promotion and health education services.

Community Gaming Grants

Throughout British Columbia, not-for-profit organizations play an integral role in their communities by carrying out valuable services that improve and enhance lives for the populations they serve.

Government's community gaming grants support a broad spectrum of organizations and their volunteers and a wide variety of



Financial Benefits

Total revenues	\$ 2.4 billion
• Prizes paid to lottery and bingo winners	\$ 650.8 million
• Commissions and service fees paid to lottery retailers and casino and bingo service provider companies	\$ 528.4 million
• Operating expenses	\$ 171.5 million
• Ticket printing and bingo paper	\$ 19.6 million
• GST	\$ 34.5 million
• Special policing costs	\$ 2.2 million
Net income	\$1,018.8 million

Where the Money Goes

Government of Canada	\$ 8.4 million
Government of British Columbia	\$ 1,010.4 million
• Consolidated Revenue	\$ 620.7 million
• Health Special Account	\$ 147.3 million
• Charitable and community organizations	\$ 142.4 million
• Host local governments	\$ 76.1 million
• Horse racing purse enhancements	\$ 5.2 million
• Development Assistance Compensation	\$ 16.5 million
• SportsFunder	\$ 2.2 million

Government funds problem gambling programs from Consolidated Revenue. In fiscal 2006/07, expenditures on problem gambling programs totalled \$4.3 million.



Host local governments, such as New Westminster, may choose to spend gaming funds on any purpose to benefit their communities.

Kamloops Heritage Railway restored and operates the steam locomotive 2141.



Grasslands Conservation Council of British Columbia is committed to education, conservation and stewardship of grasslands.

Pacific Assistance Dogs Society, based in Burnaby, trains service, hearing and facility therapy dogs.



purposes. To be eligible for these grants, organizations must be non-profit and driven by volunteers, and funds must be used within British Columbia for the direct delivery of programs that benefit the local community.

In fiscal 2006/07, Government directed \$142.4 million of BCLC net income to 6,000 organizations through the Direct Access and Bingo Affiliation grant programs.

Organizations apply to the Gaming Policy and Enforcement Branch (GPEB), which administers the distribution of these grants.

Direct Access

Direct Access community gaming grants provide funding to organizations for approved programs in one of five sectors: Arts, culture and sport; the environment; human and social services; public safety; and parent advisory councils and district parent advisory councils.

GPEB administers the Direct Access program and determines which organizations will receive grants and the amounts, and makes grant payments to approved applicants.

Grants for arts, culture and sport help organizations provide programs and services to encourage British Columbians to lead

healthy lifestyles. These grants give youth, individuals with disabilities, artists and many others opportunities to reach their goals and potential.

Environment sector grant recipients deliver programs that enhance British Columbia's environment, provide sustainable solutions to environmental challenges, and protect the welfare of animals and wildlife.

Public safety grants support the efforts of organizations to equip and train teams to respond effectively to life-threatening situations on the water, in the air and on the ground. Services include search and rescue, disaster relief and emergency preparedness.

Human and social services grants go to groups that work to assist people in need and improve quality of life. Grant recipients include organizations that aid the disadvantaged or distressed, promote health and enhance opportunities for youth.

Parent Advisory Councils

Parent advisory councils in schools receive grants for extracurricular activities for students and to enhance parent involvement in schools. Grants are based on student enrolment and are paid annually at \$20 per student.

Funding is also provided to district parent advisory councils to build relationships and promote effective communication between schools, parents, students and the community. District councils, which receive

\$2,500 each annually, comprise representatives from advisory councils within a district.

Major Capital Projects

Through major capital project grants, an organization can apply for funds to build, renovate or maintain a facility. The organization's contribution must be equal to, or exceed, grant funding. As well, the total cost of the project must exceed \$20,000 and the facility must be open to the public when completed.

Community hall improvements, sports fields, recreation facilities and heritage restoration are among the initiatives that receive capital grants.

Bingo Affiliation

Bingo Affiliation gaming grants provide a means for an organization to receive a portion of bingo proceeds in return for volunteer activities in the facility and in the community. Each commercial bingo hall is represented by an association consisting of all organizations affiliated with that hall.



Campbell River Children's Choir is a group of youth ambassadors sharing a love of music.

Project Literacy in Kelowna offers one-to-one tutoring to adults who face literacy challenges.

GPEB administers the grants and determines the number of affiliation certificates that will be issued for each hall, which organizations will be affiliated and the grant amounts, and makes payments to affiliated organizations.

A specific amount of funding is allocated based on a number of factors, including programs and services delivered and financial need.

Host Local Governments

A host local government where a casino or community gaming centre is located receives a share of the net income generated by the facility or facilities in their community. In fiscal 2006/07, there were 20 communities that received \$76.1 million in host local government payments.

Local governments are permitted to use the funds for any purpose, within their legal authority, to benefit their communities. For example, funds have been allocated to projects and initiatives such as road improvements, grants for non-profit organizations, policing, ice rinks, sports fields,

signage, parks, trail maintenance, seniors' facilities, playgrounds and heritage programs.

Under a Memorandum of Agreement between Government and the Union of British Columbia Municipalities, the host local government where a community casino is located receives a 10% share of the net income generated from both slot machines and table games. In the case of a community gaming centre or racetrack gaming centre, the host local government receives a 10% share of the net income generated from slot machines.

Host local governments where destination casinos are located receive a one-sixth share of the net income on the first 300 slot machines and 10% on any additional machines, and a one-sixth share of the net income on the first 30 table games and 10% on any additional table games.

Responsible Play

Government and BCLC are committed to ensuring the integrity of gaming in British Columbia and that related products and services are delivered in a socially responsible manner. Information, resources and services that promote healthy and sensible choices help reduce any harmful impacts associated with gambling.

Government directs funding from consolidated revenue to responsible gambling research,

treatment and prevention programs, including the Problem Gambling Program managed by GPEB.

In fiscal 2006/07, expenditures on these programs totalled \$4.3 million.

Horse Racing

As part of Government's objective to stabilize and rejuvenate the horse racing industry in British Columbia, a portion of revenue from slot machines at racetracks is distributed to purse enhancements.

In fiscal 2006/07, the horse racing industry received \$5.2 million, which was divided between the standardbred and thoroughbred sectors.

BCLC supports horse racing in British Columbia through our corporate sponsorship program. During the year, we were the title sponsor of feature race events at Sunflower Downs in Princeton, Kin Park in Vernon and Sagebrush Downs in Kamloops.

Host Local Government Share of Casino Revenue
for the Fiscal Year Ended March 31, 2007

Local Government	Casino	2006/07 Total	2005/06 Total
Burnaby	Gateway Casinos (c)	\$ 9,806,757	\$ 8,687,067
Coquitlam	Great Canadian Casinos (c)	9,186,194	7,308,677
Langley	Cascades Langely Casino (c)	6,807,092	5,001,607
Kamloops	Lake City Casinos (c)	2,119,709	1,904,830
Kelowna	Lake City Casinos (c)	2,957,877	2,665,866
Surrey	Fraser Downs Casino (c)	3,387,454	2,977,272
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies (d)	1,534,266	1,312,956
Nanaimo	Great Canadian Casinos (c)	3,084,271	2,953,687
New Westminster	Gateway Casino Royal Towers (c)	11,347	726,960
New Westminster	Royal City Star Casino (d)	3,399,656	2,437,736
	New Westminster Total	\$ 3,411,003	\$ 3,164,696
Penticton	Lake City Casinos (d)	2,543,797	2,359,976
Prince George	Treasure Cove Casino (c)	2,859,167	2,422,558
Quesnel	Billy Barker Casino (c)	638,976	604,553
Richmond	Great Canadian Casinos (c)	12,698,623	11,194,669
Vancouver	Great Canadian Casinos Holiday Inn (c)	1,252,919	1,145,799
Vancouver	Gateway Casinos Mandarin Centre (c)	704	45,107
Vancouver	Edgewater Casino (c)	4,717,207	3,799,992
	Vancouver Total	\$ 5,970,830	\$ 4,990,898
Vernon	Lake City Casinos (c)	1,763,005	1,515,276
View Royal	Great Canadian Casinos (c)	4,901,585	4,403,405
Wells	Jack o' Clubs (d)	150	5,782
TOTAL		\$ 73,670,756	\$ 63,473,775

c = community casino

d = destination casino

Host Local Government Share of Community Gaming Centre Revenue
for the Fiscal Year Ended March 31, 2007

Local Government	Community Gaming Centre	2006/07 Total	2005/06 Total
Campbell River	Playtime Gaming	\$ 432,574	\$ 37,035
Dawson Creek	Bear Mountain Bingo Hall	691,606	346,773
Duncan	Chances Cowichan	—	—
Kamloops	Chances Gaming Entertainment	215,655	197,326
Kelowna	Chances Gaming Entertainment	635,199	511,249
Williams Lake	Chances Signal Point Gaming	466,687	447,536
TOTAL		\$ 2,441,721	\$ 1,539,919



Jim Lightbody, Vice-President Lottery Gaming, presents Team BC athletes with a card from BCLC employees wishing them luck at the 2007 Canada Winter Games in Whitehorse.

Stan Hagen, right, Minister of Tourism, Sport and the Arts, Olympic swimmer Kelly Stefanyshyn and Jim Lightbody, Vice-President Lottery Gaming, with the first SportsFunder installment of \$1.5 million.



Hockey legend Wayne Gretzky took to the ice with the winners of Win a Great Day with Gretzky.

Our Commitment to Amateur Sports in British Columbia

British Columbia Lottery Corporation is committed to providing players with fun, exciting lottery games that support all levels of amateur sports in the province.

Playing Supports Amateur Sports in British Columbia

In February 2006, BCLC launched the SportsFunder suite of lottery games, with proceeds directly supporting amateur sports in British Columbia in celebration of the Vancouver 2010 Olympic and Paralympic Winter Games.

SportsFunder is expected to contribute \$20 million to amateur sports by 2012. In September 2006, the first installment of \$1.5 million was delivered by BCLC employees to the Minister of Tourism, Sport and the Arts, and then presented to representatives of the amateur sport community for programs that strengthen and encourage participation at all levels.

The \$1.5 million – new money for sport – has been channelled into four programs under Sport BC:

KidSport™ is a program managed by Sport BC that provides financial assistance to cover registration fees for low-income families. Each year, the program helps more than 2,000 children play a season of sport.

Team BC is an initiative to improve the performance of athletes striving to represent British Columbia at Canada's premier multi-sport events. Funding is directed to athletes, high-performance coaches, sports technology development and equipment.

Youth Sport Travel Assistance addresses the added travel expenses incurred by athletes in outlying regions. B.C. School Sports and selected provincial sport organizations receive funding for travel to competitions and training opportunities.

Coach and Leadership Development provides educational and certification opportunities with particular focus on coaches in outlying regions, female coaches, Aboriginal coaches and coaches of athletes with disabilities. Funding also

goes to BC Recreation and Parks Association's High Five® program, which provides accreditation for recreation providers working with children.

Giving Athletes a Sporting Chance

SportsFunder's suite of lottery games includes Instant Win tickets, a provincewide 50/50 game, Pull Tab tickets, as well as Interactive Games available at PlayNow on BCLC.com.

During fiscal 2006/07, SportsFunder launched three new Instant Win tickets, two new Pull Tab tickets and two new Interactive Games, and continued to build awareness for SportsFunder 50/50.

A number of sponsorships and events were undertaken during the year, including participation at the BC Summer Games, Special Olympics BC Winter Games and the Team BC send-off to the 2007 Canada Winter Games hosted in Whitehorse.

SportsFunder 50/50 Retailer Award

BCLC provides our retail partners across the province with an opportunity to support amateur sports in their communities. The lottery retailer who sells the winning ticket for the week's highest SportsFunder 50/50 jackpot wins \$2010 to give to a local team or sports organization of their choice on behalf of BCLC.

Since February 2006, this weekly award has given more than \$125,000 directly to 60 amateur sports teams around British Columbia.

Share the Dream

Lottery players have the chance to directly support amateur sports associations in British Columbia when they play Instant Win tickets. Winners of the Share the Dream prize receive \$1,000 and direct another \$1,000 to the association of their choice.

Since February 2006, more than \$35,000 has been awarded to amateur sports associations throughout the province through the Share the

Dream prize on SportsFunder Instant Win tickets. Four organizations, including the British Columbia Amateur Hockey Association and the British Columbia Blind Sports and Recreation Association, were selected more than once.

\$5 'Great Day with Gretzky' Instant Win Ticket

The \$5 SportsFunder Instant Win ticket launched with top cash prizes of \$99,000, a host of subsidiary prizes and opportunities to enter a draw to Win a Great Day with Canadian hockey legend Wayne Gretzky.

Five lucky winners from Sicamous, Pemberton, Roberts Creek, Nanoose Bay and Creston and their guests had a memorable day of activities that included ice time with "The Great One." This was the biggest experiential prize ever offered by BCLC and made possible by Wayne Gretzky's support for SportsFunder initiatives.

The SportsFunder Instant Win Homegrown Heroes series features adult amateur athletes from communities throughout British Columbia, selected through a photo contest.

Share the Dream beneficiaries since February 2006

BC Archery Association
BC Amateur Hockey Association
BC Soccer Association
Special Olympics BC
BC Amateur Athletics Association
BC Blind Sports
Disabled Skiers
BC Amateur Football
BC Rugby Union
BC Amateur Baseball Association
BC Speed Skating Association
Boxing BC Association

Our Commitment to Gaming Entertainment

British Columbia Lottery Corporation is committed to offering fun and entertaining gaming experiences to our players, while investing in best practices that encourage the responsible use of our products.

BCLC focused on our players during fiscal 2006/07, with new products, promotions and events highlighting our lottery, casino and bingo business units.

In continuing with our goal to transform and reinvent lotteries, we launched the monitor-style game Pacific Hold'Em Poker, introduced 15 new Interactive games and offered new themes within the SportsFunder suite.

Our vision to transform British Columbia's gaming properties into multi-dimensional entertainment showplaces progressed, with two new sites opening under the community gaming centre model. Several tournaments designed around the popularity of poker were held at British Columbia casinos, while we kept our slot machine games up to date with changes to the product mix.

Business Partners

BCLC contracts with private sector business partners to provide gaming and day-to-day services at lottery retail, casinos, community gaming centres and commercial bingo halls. Through these partnerships we aim to exceed the customer service expectations of our players.

Our business partnerships generate significant economic activity in British Columbia. In fiscal 2006/07, BCLC paid a total of \$528.4 million in commissions to lottery retailers for product sales and in services fees to casino and bingo hall service providers. In addition, our

suppliers were paid about \$120 million for the purchase of equipment, goods and services.

Lottery products are sold by contractual agreement with about 3,000 retail locations, ranging from small family stores to corporate chains, and 1,300 hospitality locations, mainly bars and pubs. Retailers receive an industry-standard commission on every lottery product sold and have opportunities to increase their earnings through incentive programs.

Casinos are operated through contracts with companies that provide services in compliance with BCLC's responsibilities to conduct and manage gaming. Casino service providers receive fees based on a percentage of net win (after prizes) on slot machines and table games. An additional percentage is available for facility development.

Bingo halls and community gaming centres are operated through contracts with companies that act as service providers, which may include charitable organizations. These companies are paid a service fee based on net win (after prizes) for bingo products and slot machines. An additional percentage is available for facility development.

Community Forums

In fiscal 2006/07, BCLC began a program in which representatives from business, health services, tourism, policing, local government and groups that benefit from community gaming grants are invited to learn about and discuss issues facing BCLC and the British Columbia gaming industry.

Dialogue focuses on our role related to local government, economic development, health, social services and public safety. Our goal is to seek constructive input from community leaders to assist BCLC in aligning our guiding operating principles with the local values of the communities in which we operating gaming.

The first session was held in Penticton and the series continued in Kelowna, Langley, Nanaimo, Prince George and Langford.

Player Profiles

Through an independent research company, BCLC surveys British Columbians about their attitudes toward gaming and their enjoyment of BCLC games. In fiscal 2006/07, a total of 2,800 adult respondents were randomly selected and interviewed throughout the year.

Information is also collected about adults' participation in lottery, casino and bingo gaming during the past year.

The characteristics of our lottery, casino and bingo players can be compared against the general characteristics of adult British Columbians, as follows:

- 52% are female and 48% are male
- 27% are 19-34 years old
- 73% are 35 years old or older
- 70% have some post-secondary education
- 48% are from households with an annual income of \$60,000 or greater

In the past year, 83% of adult British Columbians participated in at least one form of gaming offered by BCLC.

- 8 out of 10 British Columbians played a lottery product
- 3 out of 10 visited a British Columbia casino
- 8% visited a British Columbia commercial bingo hall

Source: Gaming Watch fiscal 2006/07



Diane MacLean of North Vancouver is ready to go in her 2006 Chevrolet Avalanche in the Keno "Win an Avalanche of a Prize" Contest. Nearly 500,000 entries were received.

James Christopherson, winner of the Lotto 6/49 Shopping Spree Contest, chats with media about his mission to spend \$64,900 in six hours and 49 minutes.



Lottery Business Unit

"Innovation" was a key word in our lottery business unit during fiscal 2006/07. BCLC

continued to pursue our strategic objective to strengthen the base business and create new products that appeal to our players.

In September, we launched the animated lottery game Pacific Hold'Em Poker, which is modelled after Texas Hold'em-style poker, at about 500 bars and pubs and a few select lottery retail outlets. Pacific Hold'Em Poker provides a realistic representation of playing a poker game through computer-generated graphics presented via television monitor.



BCLC led the development of Pacific Hold'Em Poker and we are the first lottery jurisdiction in the world to offer a monetized monitor-style game with a poker theme. Six days after launch, sales reached \$1 million.

A new Scratch & Win ticket, The Pink Ticket, was designed to help raise awareness for the "Go Have One" campaign where women ages 35-54 are urged to have a mammogram. BCLC entered into a marketing partnership with the Canadian Breast Cancer Foundation that included a licensing agreement and the purchase of pink ribbon lapel pins for prizes.




As the winner of the Lotto 6/49 Shopping Spree Contest, James Christopherson had just six hours and 49 minutes to spend \$64,900 in Burnaby's Metropolis at Metrotown.

The chef and restaurant owner did his homework and purchased appliances and home renovation items, along with a flat-screen TV.

During the event, shoppers showed their Lotto 6/49 ticket for a chance to win 30

seconds inside BCLC's windy money booth. Lucky winners had an opportunity to try to grab up to \$649 in cash to spend on their own mini-spree.





In February, BCLC launched Millionaire Life, a new national lottery game that rewarded one lucky ticket holder with the largest annuity prize in Canadian history – \$1 million every year for 25 years.

Millionaire Life differed from other lottery games BCLC has offered in that it was available only from February 1-28, and guaranteed one ticket holder the top prize and a select number of ticket holders other prizes.

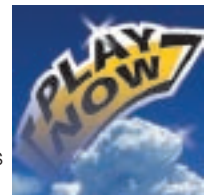
Two of four \$1 million subsidiary prizes offered were won by British Columbians, one from Ladysmith and one from Richmond.

A BCLC poll conducted by Ipsos Reid revealed several major differences in the top five ways men and women would allocate \$1 million:

Men:	Women
Invest	Donate to charity
Donate to charity	Share with family
Travel or vacation	Invest
Share with family	Buy a house
Buy a house	Travel or vacation

eLOTTERY

Advertising campaigns, jackpot support, contests and promotional activities were among the initiatives taking place on PlayNow at BCLC.com during fiscal 2006/07. By fiscal year-end, 68,000 players were fully registered on PlayNow.



Fifteen new Interactive games were launched during the year, including Spingo, PlayNow's first bingo-themed game. The game supports bingo and the Chances Gaming Entertainment brand and encourages players to take a look at the new bingo environment in British Columbia.

During October, PlayNow offered registered players a chance to win a concert package to see the Rolling Stones in concert at BC Place. Each player received one entry per \$5 purchase. More than 13,000 players participated in the contest.

PlayNow incorporates stringent safeguards, standards and codes of conduct for Internet play. The site has features in place to encourage responsible play practices, including a maximum weekly limit on the amount that a player may fund their wallet account, a session log and purchase history. A voluntary self-exclusion program is accessible from the website.

In addition:

- A player must register and create a player account before play is enabled.
- Games are limited to British Columbia adults age 19+.
- The purchase of lottery products can only occur while a player is physically located in British Columbia.
- BCLC's Internet Gaming Code of Conduct & Responsible Play is available in full at BCLC.com



David Ross White of Abbotsford, British Columbia's 2006 Poker Champion, is congratulated by Holly Spence, BCLC Director of Casino Marketing, and Daryl McCullough of Great Canadian Casinos.

There were more than 2,000 registrations for the second annual B.C. Poker Championships at River Rock Casino Resort.



Casino Business Unit

BCLC's primary strategic priorities in recent years have been to upgrade and build casino facilities

with fewer, higher quality properties sized to fit the marketplace and to position casino gaming as a major tourism attraction. This strategy has resulted in a more diverse entertainment experience for players, with major facilities offering resort-style accommodations, conference facilities, full-service restaurants and theatre-style show lounges.

In late March 2006, a groundbreaking ceremony was held for the Queensborough Starlight Casino in New Westminster, a relocation of the Royal City Star riverboat casino.

Construction on the Starlight Casino and Burnaby Villa Casino is on schedule to meet 2007 and 2008 openings respectively. In February, BCLC and Starlight Casino announced our partnership to provide a sponsorship commitment of \$250,000 to the 2007 HSBC Celebration of Light fireworks competition.

Boulevard Casino in Coquitlam celebrated the opening of the Red Robinson Theatre in September. The theatre is home to Canada's largest multi-purpose gala theatre seating system with a capacity of more than 1,000 seats.

BC Gold loyalty program members were offered an exclusive website to check out special offers, events, promotions and more with the launch of BCGoldTown.com. BC Gold members receive offers such as free valet parking and meal discounts, as well as opportunities to enter contests.

Poker tournaments at British Columbia casinos were highly popular entertainment events during fiscal 2006/07.

BCLC's first provincewide Three Card Poker promotion took place from July through October. Renato Delos Santos of Vancouver was among 14 players to win a seat in the Shufflemaster Three Card Poker National Championships at Caesar's Palace in Las Vegas in November. He placed fifth in the final round.

Each of the 14 players had their entry fee paid for by BCLC and received \$2,000 cash for accommodation and travel expenses.

The week-long B.C. Poker Championships held in November at River Rock Casino Resort featured an overall prize pool of \$2.36 million and registration totalling 2,202.

After three days of tournament play, David Ross White of Abbotsford walked away with the grand prize of \$600,000 and the champion's watch in the No Limit Texas Hold'Em event. He outlasted 784 other poker players to capture the top title after 32 hours of play.

The event attracted registrants from Alberta, Ontario, Nova Scotia and the Yukon, as well as Florida, Texas, Nevada, California and

Washington. Well-known players who competed included Gavin Smith, Brad "Yukon" Booth and poker legend Johnny Chan.

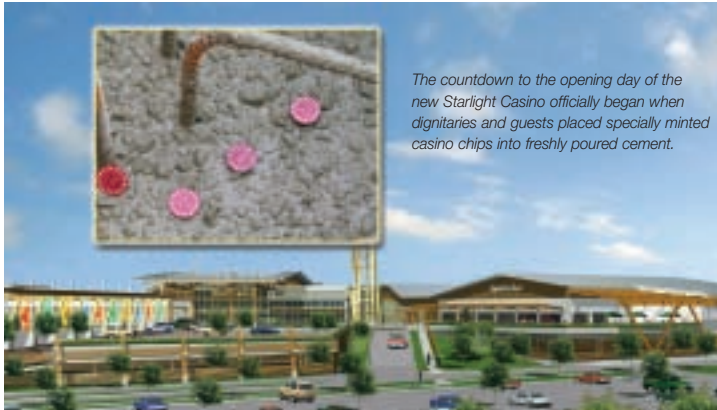
Louise Harry of Langley became the champion of BCLC's Women's Poker Classic, Canada's only women's poker tournament, held in February at Cascades Casino in Langley. She outplayed 299 other women to reach the top prize of \$36,000 after 4.5 hours of play.

The tournament was held in support of the Canadian Breast Cancer Foundation, BC/Yukon Chapter. Cascades Casino donated \$30,000 and an additional \$2,420 was raised through a silent auction and donations.

With more than \$165,000 in prize money and a record attendance of 600, the tournament continues to make poker history while supporting breast cancer research.

At fiscal year-end, BCLC was preparing for the inaugural Johnny Chan Poker Classic in May 2007. This promises to be one of the largest poker tournaments held to date in British Columbia.

Since its inception in 2001, the annual Casinos of British Columbia Charity Golf Tournament has generated more than \$150,000 for the B.C. and Yukon Chapter of the Children's Wish Foundation. This year's tournament brought together casino service providers, suppliers, stakeholders and sponsors to raise a record breaking \$34,500 for the Foundation.



The countdown to the opening day of the new Starlight Casino officially began when dignitaries and guests placed specially minted casino chips into freshly poured cement.



Louise Harry of Langley, winner of the Women's Poker Classic, receives a cheque from Holly Spence, left, BCLC Director of Casino Marketing, and Nicole Pocklington, General Manager of Cascades Casino.

BCLC partnered with River Rock Casino Resort to present the ITM Model Look North America, a showcase of local talents, models, designers and performers.

BCLC Casino Revenue for the Fiscal Year Ended March 31, 2007

Casino	Service Provider	City	Slot Machine Revenue	Number of Slot Machines at March 31	Table Game Revenue	Number of Tables at March 31	Combined Casino Revenue Fiscal 2006/07	Combined Casino Revenue Fiscal 2005/06
Community Casinos								
Billy Barker Casino	585 Holdings Ltd.	Quesnel	\$ 9,728,676	140	\$ 439,470	7	\$ 10,168,146	\$ 9,922,805
Boulevard Casino	Great Canadian Casinos Inc.	Coquitlam	113,823,820	939	44,413,665	70	158,237,485	129,306,168
Cascades Casino	Gateway Casinos Limited Partnership	Langley	90,621,534	530	24,265,483	36	114,887,017	88,970,001
Edgewater Casino	Edgewater Casinos Inc.	Vancouver	47,589,735	496	37,440,430	61	85,030,165	73,144,611
Fraser Downs Racetrack & Casino	Orangeville Raceway Ltd.	Surrey	51,589,887	403	273,422	—	51,863,309	46,821,283
Gateway Casinos Burnaby	Gateway Casinos Limited Partnership	Burnaby	122,436,886	676	42,336,706	33	164,773,592	151,792,978
Gateway Casinos Mandarin Centre	Gateway Casinos Inc.	Vancouver	—	—	—	—	—	979,250
Gateway Casinos Royal Towers	Gateway Casinos Inc.	New Westminster	—	—	—	—	—	13,543,966
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	Nanaimo	45,763,210	380	4,130,090	12	49,893,300	49,829,722
Great Canadian Casinos Vancouver	Great Canadian Casinos Inc.	Vancouver	—	—	26,263,565	36	26,263,565	24,095,629
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	View Royal	69,196,696	437	10,941,864	24	80,138,560	74,679,307
Lake City Casinos Kamloops	Lake City Casinos Ltd. Partnership	Kamloops	32,016,309	300	2,413,476	8	34,429,785	32,093,065
Lake City Casinos Kelowna	Lake City Casinos Ltd. Partnership	Kelowna	43,794,145	342	4,606,808	11	48,400,953	45,357,120
Lake City Casinos Vernon	Lake City Casinos Ltd. Partnership	Vernon	27,109,534	210	1,430,610	8	28,540,144	25,434,238
River Rock Casino Resort	Great Canadian Casinos Inc.	Richmond	108,006,300	908	125,061,108	108	233,067,408	215,179,444
Treasure Cove Casino	Prince George Casino Supply Ltd.	Prince George	43,688,048	400	2,608,905	10	46,296,953	40,677,121
Total			\$805,364,780	6,161	\$326,625,602	424	\$1,131,990,382	\$1,021,826,708

Casino	Service Provider	City	Slot Machine Revenue	Number of Slot Machines at March 31	Table Game Revenue	Number of Tables at March 31	Combined Casino Revenue Fiscal 2006/07	Combined Casino Revenue Fiscal 2005/06
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Destination Casinos

Casino of the Rockies	SEM Casino Limited Partnership	Cranbrook	\$ 13,012,996	225	\$ 1,349,298	11	\$ 14,362,294	\$ 12,784,998
Jack o' Clubs	Jack o' Clubs Gaming Hall Ltd.	Wells	—	—	—	—	—	56,696
Lake City Casinos Penticton	Lake City Casinos Limited Partnership	Penticton	25,160,434	224	2,035,604	11	27,196,038	23,526,716
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	26,316,849	341	9,025,805	18	35,342,654	27,150,693
Total			\$ 64,490,279	790	\$ 12,410,707	40	\$ 76,900,986	\$ 63,519,103
Grand Total			\$ 869,855,059	6,951	\$ 339,036,309	464	\$ 1,208,891,368	\$1,085,345,811

Mandarin Casino in Vancouver closed April 30, 2005.

Royal Towers Casino in New Westminster was relocated as Cascades Casino in Langley and opened May 5, 2005.

Coquitlam Casino was redeveloped as Boulevard Casino and opened November 17, 2005.

Royal Towers Casino in New Westminster closed November 30, 2005.

Jack o' Clubs seasonal casino in Wells closed permanently in June 2006.



Harvey Alphonse, Chief, Cowichan Tribes, Marsha Walden, BCLC Vice-President Bingo, and Dave Clark of the Duncan Dabber Bingo Society celebrate the opening of Chances Cowichan in Duncan.



Community gaming centres offer a variety of gaming options, including touch screen bingo terminals, traditional paper bingo, slot machines, lottery products, and food and beverage services.



Bingo Business Unit

BCLC has a long-term objective to revitalize the bingo market in an effort to reverse declining player interest that has

occurred over the past decade. This decline has resulted from facilities that are perceived to be unappealing and limited in entertainment value. Increased competition for consumers' discretionary dollars and a broader array of entertainment choices for adults have also impacted bingo.

The community gaming centre concept was developed to help revitalize and strengthen commercial bingo in British Columbia. Subject to host local government approval, we are working with bingo service providers to transform bingo halls in key market locations into facilities that offer more entertainment options, upgraded facilities and improved player amenities. Gaming options may include a limited number of slot

machines, off-track horse race betting, lottery products and live entertainment.

During fiscal 2006/07, two new community gaming centres opened and two bingo halls were renovated.

In July, BCLC and Great Canadian Gaming Corporation opened Chances Dawson Creek, a brand new facility featuring slot machines, electronic blackjack tables, off-track horse racing, lottery products, a full-service restaurant and lounge, traditional paper bingo and touch screen bingo terminals.

Chances Cowichan in Duncan opened in March with touch screen bingo terminals and traditional paper bingo, slot machines, lottery products, and food and beverage service. Through a joint venture, Cowichan Tribes built the facility and is leasing it to Duncan Dabber Bingo Society, the service provider contracted by BCLC.

To date, 12 community gaming centre locations have joined the Chances Gaming Entertainment brand and five are now open. Community gaming centres with slot machines received municipal approval in Prince Rupert, Mission and Prince George.

A new promotion, Chances Community Connection, provided community groups with a fundraising opportunity while creating awareness of Chances. Events were hosted in Kamloops, Kelowna and Williams Lake.

New product introductions included Ka-Chingo, Zingo and DJ Bingo. Ka-Chingo, a

provincewide linked bingo game, was launched to replace Big Link Bingo. Cashline is a special feature that increases the entertainment value at the beginning of each Ka-Chingo game.

Game Show and Zingo nights were introduced at four sites, while eight Ka-Chingo promotions were held across all 26 facilities to give players a fun new way to play bingo.

A first-class Guest Service Training program was developed and delivered to 13 locations.

In continuing to build excitement and innovation with our bingo service providers, we hosted three industry forums and eight industry task forces to ensure issues are addressed and input is sought on an ongoing basis.



BCLC Bingo Revenue for the Fiscal Year Ended March 31, 2007

Bingo Hall	Service Provider	City	Number of Slot Machines	Slot Sales Fiscal 2006/07	Slot Sales Fiscal 2005/06	Number of Bingo Seats	Bingo Sales Fiscal 2006/07	Total Bingo Revenue Fiscal 2006/07	Total Bingo Revenue Fiscal 2005/06
Commercial bingo halls and community gaming centres									
Abbotsford Bingo	Playtime Community Gaming Centres Inc.	Abbotsford	—	\$ —	\$ —	512	\$ 5,772,346	\$ 5,772,346	\$ 6,244,000
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria	—	—	—	220	4,954,262	4,954,262	4,541,000
Bistro Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver	—	—	—	—	3,931	3,931	14,000
Boardwalk Gaming Centre – Burnaby	427967 BC Ltd. (DBA Bingo Country)	Burnaby	—	—	—	536	7,849,352	7,849,352	7,590,000
Boardwalk Gaming Centre – Mission	427967 BC Ltd. (DBA Bingo Country)	Mission	—	—	—	318	3,156,234	3,156,234	3,211,000
Chances Cowichan	Duncan Dabber Bingo Society	Duncan	75	864,754	—	400	4,536,954	5,401,708	4,707,000
Chances Dawson Creek	0542603 BC Ltd. (Great Canadian)	Dawson Creek	142	11,734,218	\$ 5,637,000	176	1,199,878	12,934,096	6,834,000
Chances Gaming Entertainment Kamloops	Enterprise Entertainment Ltd.	Kamloops	50	3,585,276	3,203,000	672	10,200,643	13,785,919	14,246,000
Chances Gaming Entertainment Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	75	10,336,656	8,306,000	740	10,871,814	21,208,470	19,872,000
Chances Signal Point Gaming	Lucky's Ventures Ltd.	Williams Lake	100	8,086,775	7,260,000	338	3,724,918	11,811,693	10,470,000
Chilliwack Bingo	Chilliwack Bingo Association	Sardis	—	—	—	474	13,094,461	13,094,461	12,122,000
Dob City	Alberni Valley Bingo Association	Port Alberni	—	—	—	281	3,481,972	3,481,972	3,198,000
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon	—	—	—	480	5,945,004	5,945,004	5,494,000
Good Time Bingo Hall	Good Time Bingo Hall Inc.	Prince George	—	—	—	660	14,191,123	14,191,123	14,982,000
Haney Bingo Plex	Ridge Meadows Bingo Operators Society	Maple Ridge	—	—	—	525	9,021,698	9,021,698	9,194,000
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	—	—	—	500	6,407,510	6,407,510	5,439,000
Langford Drop-In Bingo	Playtime Community Gaming Centres Inc.	Victoria	—	—	—	255	809,494	809,494	1,053,000
Langley Bingo Palace	Playtime Community Gaming Centres Inc.	Langley	—	—	—	642	7,021,636	7,021,636	7,204,000
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	—	—	—	400	4,663,518	4,663,518	4,699,000
Newton Bingo Country	427967 BC Ltd. (DBA Bingo Country)	Surrey	—	—	—	684	13,885,803	13,885,803	15,185,000
North Star Bingo Hall	Astel Canada Holdings Ltd.	Fort Nelson	—	—	—	—	—	—	137,000
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton	—	—	—	482	4,073,780	4,073,780	4,481,000
Planet Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver	—	—	—	676	17,016,029	17,016,029	17,182,000
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo	—	—	—	460	5,416,480	5,416,480	6,225,000
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria	—	—	—	508	4,147,553	4,147,553	4,211,000
Playtime Gaming Campbell River	Playtime Community Gaming Centres Inc.	Campbell River	55	7,075,897	706,000	317	3,997,679	11,073,576	6,990,000
Prince Rupert Bingo	Prince Rupert Bingo Association	Prince Rupert	—	—	—	240	1,363,606	1,363,606	1,526,000
Quesnel Bingo Hall (2 Rivers)	Astel Canada Holdings Ltd.	Quesnel	—	—	—	—	—	—	142,000
Rainbow Bingo Hall	243045 Alberta Ltd.	Fort St. John	—	—	—	248	3,200,944	3,200,944	3,431,000
River City Bingo	River City Bingo Association	Powell River	—	—	—	246	809,625	809,625	927,000
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook	—	—	—	285	2,330,204	2,330,204	2,088,000
Valley Entertainment Palace	Playtime Community Gaming Centres Inc.	Courtenay	—	—	—	318	3,324,112	3,324,112	3,405,000
Total			497	\$ 41,683,576	\$ 25,112,000	12,593	\$ 176,472,563	\$ 218,156,139	\$ 207,044,000
Independent bingo hall, Big Link and Ka-Chingo sales							472,642	472,642	670,000
Paper bingo distribution revenue							274,113	274,113	287,000
Grand Total							\$ 177,219,318	\$ 218,902,894	\$ 208,001,000

Notes: as of March 31, 2007

Commercial halls offering handheld bingo	18	Chances Dawson Creek opened	July 5, 2006
Commercial halls offering Starship Bingo	19	Boardwalk Gaming Centre (Burnaby) opened	December 1, 2006
Commercial halls offering paper bingo	26	Bistro Bingo closed	December 18, 2006
Commercial halls offering Starship Bingo (Personal Play)	23	Langford Drop-In Bingo closed	February 2, 2007
Commercial halls offering Ka-Chingo	26	Lucky Dollar Bingo Palace opened	February 15, 2007
Commercial halls offering Gecko	5	Prince Rupert Bingo closed	February 27, 2007
Commercial halls offering BETS	9	Chances Cowichan opened	March 1, 2007
		River City Bingo closed	March 21, 2007



Our Commitment to Winners

British Columbia Lottery Corporation is committed to maintaining the integrity and security of our products by paying the right prize to the rightful holder of the ticket, while providing excellent customer service.

Good Fortune, Good Causes

A fun way to donate to good causes is how one of British Columbia's newest millionaires described playing lotteries when he claimed his prize on the new Millionaire Life national game.

Ferdine "Si" Trinidad of Richmond, who had a premonition that he would win big, intended to use his \$1 million prize to pay bills. He said the money would give him the opportunity to help others.

British Columbia's other Millionaire Life millionaire, Raymond Birkeland of Ladysmith, planned to use his winnings for a new house, his family and his children's education.

Cathy Delcourt's husband bought her The Pink Ticket while the couple enjoyed coffee together. The White Rock resident scratched and won the top prize of \$25,000 on this ticket that helps create awareness for the Canadian Breast Cancer Foundation's GO-HAVE-1 mammogram campaign.

Cathy intended to give 10% of her winnings to the Foundation in support of such a good cause.

Prince George resident Ryan McCumsey collected a \$500,000 Extra prize cheque on his Super Dip lottery ticket.

After Ryan heard the winning jingle on the lottery terminal and the retailer handed him the validation slip, he yelled, pumped his fists and jumped up and down in the parking lot.

A Surrey resident who buys his lottery tickets on PlayNow at BCLC.com received the great

Every year, lottery and bingo players across British Columbia celebrate wins that range from the pleasant surprise of a few dollars to life-changing millions.

During fiscal 2006/07, lottery players won more than 72 million prizes and collected \$544 million, an average of \$1.5 million a day. There were 24 major prizes won, including eight worth \$2 million or more.

The top Lotto 6/49 prize of \$8.2 million was claimed by Ramon Sanz of Abbotsford, who shared in a \$24 million jackpot. Ken Garbe of Vancouver claimed the top Lotto Super 7 prize of \$12.4 million as the sole jackpot winner.

Bingo players claimed \$107 million in prizes. The top bingo prize of \$85,176 was won by Shirley Watson of Kelowna on Big Link Bingo.

news from BCLC's Player Services that he had won the \$2 million grand prize on BC/49. Baljinder Dhalwal likes the convenience of PlayNow so that he can purchase his tickets in advance for upcoming draws.

Twenty-five years ago, a fortune teller told Richmond resident Hilario Fernandes that he would win the lottery. The prediction came true when

Hilario played the Extra on PlayNow and was notified by e-mail of his "Big Win!" of \$500,000.

Hilario planned to pay off his mortgage and buy himself a brand new truck, rather than an older model.

Maxine Holden of West Vancouver tucked a Set for Life ticket in her handbag and forgot about it until the following morning. When she scratched her ticket, Maxine discovered she had won an annuity prize of \$1,000 a week for 25 years or a single lump sum of \$675,000. She chose the lump sum and planned to invest and travel.

A Lotto 6/49 jackpot winner fainted – twice – at a lottery retail location when she learned she had won more than \$4 million. Enone Rosas of Vancouver, who promptly quit her job, had plans to travel to the Philippines to visit family.

Paul Matte hit the jackpot on PayDay and had the choice of receiving an annuity prize of \$2,000 every two weeks for 20 years or a single lump sum of \$625,000. The Comox Valley winner took the lump sum payment. Paul's plans included setting aside money for his daughters' education.

Nanose Bay resident Tom Douglas was happy to support amateur sports in British Columbia by buying a SportsFunder Instant Win ticket, and more excited to win \$99,000 when he scratched his ticket featuring hockey superstar Wayne Gretzky.



Green Committee employee volunteers in Kamloops prepared for the judges' arrival for the Communities in Bloom competition.



Okanagan Mainland Municipal Association delegates learned about casino gaming integrity at a conference in Revelstoke.

BCLC employees show their team spirit at the SportsFunder booth at the BC Summer Games in Kamloops.



BCLC employee Kuldeep Bath was honoured by the North American Association of State and Provincial Lotteries with a prestigious award for his exceptional leadership, innovation and technical contribution.

Team SportsFunder took part in the 27th annual Easter Seals 24 Hour Relay in Burnaby, bringing BCLC's employee fundraising total to more than \$86,000 over 23 years.



Our Commitment to Communities

British Columbia Lottery Corporation is committed to partnering with organizations in support of celebrations and events that contribute to healthy, educated and vibrant communities

British Columbians contribute to the success of BCLC and, in turn, we are a proud corporate citizen giving back to communities in ways that benefit the entire province. We have a sincere desire to strengthen our connection with communities not only by generating net income for Government public service programs, but by supporting local, regional and provincial events.

Through our many years as a corporate sponsor we have come to strongly believe that the volunteer theme, "The Value of One . . . The Power of Many," is the driving force that makes so many things possible. We applaud the dedication of the thousands of volunteers who share their time and energy in their communities.

Sponsorship Support

During fiscal 2006/07, through corporate and product sponsorships, BCLC supported a wide variety of events and community causes in the areas of arts and culture, business, entertainment, recreation and sports.

SportsFunder was prominently featured at the Canada Cup in Surrey, BC Summer Games in Kamloops, Vancouver Island Exhibition in Nanaimo, Canadian Olympic Committee golf tournament in Whistler, Countdown to 2010 celebrations in Vancouver and Richmond, and Special Olympics BC Winter Games in Kelowna.

BCLC and Lake City Casino were partners for the Kelowna Arts & Life Festival, Penticton Peach Festival and Vernon Winter Carnival, while

the Taiwanese Cultural Festival in Vancouver was jointly sponsored by BCLC and Edgewater Casino. Great Canadian Casinos View Royal and BCLC presented the Times Colonist Open to benefit the official charity, The Vancouver Island Prostate Cancer Research Foundation.

As presenting sponsor, BCLC and British Columbia casinos were proud to support the 2006 David Foster Star Search and the David Foster and Friends Charity Gala.

The Star Search is a showcase of young artists pursuing their musical ambitions. Regional competitions were held in six communities, and the finalists were judged by a panel of celebrities. The star-studded gala, where the winner performed, raised \$2.9 million for the David Foster Foundation, which supports children in need of life-saving major organ transplants.

BCLC supported numerous other events, including Fraserfest in New Westminster, Williams Lake Stampede, HSBC Celebration of Light, Pentastic Jazz Festival, Gift of Time Gala for Canuck Place Children's Hospice and the Spirit of Vancouver® campaign.

Among the events sponsored in Kamloops, home of BCLC's head office, were the Rotary Invitational Golf Tournament fundraiser for local charities, Kamloops Art Gallery, Western Canada Theatre, Kamloops Symphony, Music in the Park free evening performances, and the British Columbia Wildlife Park's annual Wildlights attraction.

Business Relationships

BCLC forges relationships with business and professional organizations throughout British Columbia by supporting conferences, annual general meetings, workshops, and business excellence awards.

Each spring, we attend a series of local government conferences to discuss issues with hundreds of elected officials and municipal employees. At the Okanagan Mainline Municipal Association conference in Revelstoke, we created a mock casino environment to give delegates an opportunity to learn about our commitment to high-quality gaming and integrity.

BCLC supported the BC Crime Prevention Association as a sponsor of the 28th annual Training Symposium in Richmond. The Association, an integrated team of citizens and police, provides education and awareness through community partnerships.

Business awards ceremonies celebrate innovation, team work and results, values that are important to BCLC.

Employee Spirit

BCLC employees demonstrate their commitment to our workplace and the communities where we live and work by participating in Corporate initiatives and volunteer activities.

We continued to show our dedication through United Way, Christmas Charity Committee, Easter Seals 24 Hour Relay, Relay for Life and the Green Committee, and by supporting BCLC sponsorship initiatives as hosts, presenters, facilitators, teachers and helpers.

Computers for Schools

A sound technology infrastructure is essential to BCLC's operations, so upgrades are routinely made to our hardware.

The equipment that we can no longer use is donated to Computers for Schools, a non-profit provider of refurbished computers to schools and communities. Over the past nine years, BCLC donations have included monitors, laptops, printers, servers, scanners and assorted items.



Responsible Play Information Centres are one of the initiatives undertaken by the British Columbia Partnership for Responsible Gambling, a strategic alliance comprising GPEB, BCLC, service providers and municipal governments.



Our Commitment to Responsible Play

British Columbia Lottery Corporation is committed to ensuring that we conduct and manage gaming with integrity and that our products and programs are offered with a high degree of social responsibility.

In developing new, innovative games and delivering fun and entertaining gaming experiences, BCLC remains deeply committed to our value of social responsibility and the responsible use of our products. This commitment means that, in short, everything we do is done with consideration of its impact on the people and communities of British Columbia.

We want to ensure that the best responsible play and problem gambling programs are in place and that people have access to the information and resources that are available.

BCLC offers gambling as an entertainment option for adults aged 19 and older. Among adults who choose to participate in gambling, about 95% make responsible decisions about their play. For others, problem gambling issues occur when an individual's behaviours compromise, disrupt or damage personal, family or vocational pursuits.

Partnerships

To address problem gambling issues and promote responsible play, BCLC has engaged in an approach of shared responsibility and action. Each year, we build upon the partnerships between Government, gaming service providers, local governments, and health and social agencies involved in the prevention and treatment of problem gambling.

BCLC has an established partnership with the Gaming Policy and Enforcement Branch (GPEB), which manages the province's comprehensive Problem Gambling Program (www.pssg.gov.bc.ca/gaming/responsible_gambling/index.htm). The program includes community-based counselling services and a 24-hour, toll-free Help Line (1-888-795-6111).

The British Columbia Partnership for Responsible

Gambling (www.bcreponsiblegambling.ca) is a strategic alliance comprising GPEB, BCLC, service providers and municipal governments who work together to:

- reduce the incidence of problem gambling,
- reduce the harmful impacts of excessive gambling,
- and ensure the delivery of gambling in a manner that encourages responsible gambling and healthy choices.

In fiscal 2006/07, a Responsible Gambling Forum was held to further expand the Partnership. Representatives from GPEB, BCLC, municipal governments and gaming service provider companies formed a working group to recommend a formal operational structure.

BCLC is continuing in our role as an advisor with the Canadian Partnership for Responsible Gambling (www.cprg.ca), a collaboration of non-profit organizations, gaming service providers, research centres and regulators working to find and promote effective ways to reduce the risk of problem gambling.

Responsible Play Information Centres

Responsible Play Information Centres are one of the initiatives undertaken by the British Columbia Partnership for Responsible Gambling. New centres opened at Cascades Casino and Boulevard Casino during fiscal 2006/07. Existing locations at Edgewater Casino and River Rock Casino, installed as a pilot project in the previous fiscal year, were moved to more visible locations on the gaming floors.

All centres are staffed by Responsible Gambling Information Officers who provide customers and employees with on-site information and support, as well as referral to free, professional counselling and treatment services available through the Problem Gambling Program.

Self-service responsible play terminals, a new interactive tool for customers, were installed at each centre and at Gateway Casino Burnaby.

Appropriate Response Training

BCLC's Appropriate Response Training (ART) program began in fiscal 2004/05. This program develops and enhances the knowledge, awareness, attitudes and skills of gaming industry employees to help them respond to difficult situations involving customers who may be in distress. ART aims to give employees a better understanding of their role in delivering gaming products and an appropriate level of customer service, while respecting an adult's right to choose gaming as an entertainment option.

By the end of fiscal 2006/07, a total of 4,500 employees from casinos, bingo halls and community gaming centres had been trained by facilitators from BCLC, gaming service provider companies and the Problem Gambling Program. An e-course for frontline bingo hall employees launched in November, while a pilot project for lottery retail locations began in March through which open discussions will take place with some 500 retailers.

Practices

Among our social responsibility practices, we ensure that:

- the responsible play message, "Know your limit, play within it," is included in point-of-sale materials;
- our games are operated with a high degree of security and integrity;
- our products carry the Problem Gambling Help Line number;
- our product information includes the odds of winning and losing;
- laws concerning the legal age to participate in gaming in British Columbia are upheld and extensively publicized through a 19+ program;
- our new gaming initiatives are developed with appropriate consideration for responsible play practices;
- our values of integrity, social responsibility and respect are posted on BCLC.com;
- Responsible Gambling Standards and Advertising and Marketing Standards for the BC Gambling Industry are followed.

In addition, BCLC administers the Time Out program that allows individuals to voluntarily exclude themselves from casinos, commercial bingo halls, community gaming centres or from purchasing lottery products through our PlayNow website for a period of six months or one, two or three years.

Authority and Regulation

British Columbia's gaming industry is operated and regulated in accordance with the *Gaming Control Act* and under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

BCLC, as an agent of the Crown, has responsibility to conduct, manage and operate lottery, casino and commercial bingo gaming.

The Gaming Policy and Enforcement Branch (GPEB), a branch of the Ministry of Public Safety and Solicitor General, regulates all aspects of the gaming industry in British Columbia. The branch develops and manages gaming policy, legislation and standards, licenses charitable gaming events and horse racing, registers gaming service providers and gaming workers, certifies gaming equipment, and investigates allegations of wrongdoing in all gaming sectors.

GPEB conducts charitable and commercial audits to ensure compliance, and manages distribution of Government's gaming proceeds, including community gaming grants to charitable and community organizations. The branch administers Government's Problem Gambling Program and ensures that policies and standards are in place to help minimize the harm from gambling and promote responsible gambling practices.

Governance Practices

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

Government is committed to achieving and maintaining exemplary standards of governance and has established a best practices governance and accountability model. In 2005, Government released Best Practice Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations with a view to implementation by April 1, 2006. The guidelines establish broad provincial standards for board governance practices and provide for greater public accountability and transparency through standardized disclosure requirements.

BCLC complies with each of the disclosure requirements and by the end of April 2006 was fully compliant with the standards and guidelines. Information about BCLC's corporate governance is available at (www.bclc.com/cm/aboutbclc/corporategovernance.htm).

The Board continuously reviews and evaluates BCLC's governance framework with a view to maintaining good corporate governance practices that are aligned with the Corporation's business and consistent with Government's guiding principles for corporate governance in Crown corporations. As part of its governance practices, the Board regularly evaluates its own performance with the objective of continuously improving performance and performing its oversight role in the most efficient and effective manner.

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

Board of Directors

In accordance with the *Gaming Control Act*, a maximum nine-member Board is appointed for BCLC by order of the Lieutenant-Governor in Council. The Board currently consists of eight directors, independent of management, who are chosen on the basis of their skills, expertise and experience.

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

The Board has a primary responsibility to foster BCLC's long-term success, to oversee the conduct of the Corporation's business and to supervise management who are responsible for day-to-day operations. The Board is responsible for participating with management in developing, and ultimately approving, BCLC's mission, vision and values, strategic and service plans, business plans, and operating and capital budgets.

The Board regularly receives information on financial results and monitors BCLC's performance against the approved strategic and operating plans. The Board is also responsible for setting and revising as necessary major policies, including policies related to human resources and compensation matters, financial and risk management issues, and stakeholder communications. Through the strategic planning process and the operation of committees, the Board also reviews the principal risks facing BCLC to ensure that strategies are implemented to manage such risks.

The Board met five times in fiscal 2006/07. In addition, as part of the strategic planning process, the Board held its annual strategic planning retreat with management with the focus of establishing BCLC's strategic direction for the upcoming years. Senior management attend all Board meetings. However, the Board also ensures its independence by meeting in camera at every Board meeting without management present.

Standard of Conduct for Directors

In carrying out the Board's mandate, each director is responsible for acting honestly and in good faith with a view to the best interests of BCLC and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Upon appointment as a director and each year thereafter, directors are required to agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines.

Chair

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

Committee Structure

To assist the Board in fulfilling its oversight responsibilities, the Board has established committees and has specifically set out the terms of reference for each committee. BCLC committees are responsible for advising and formulating recommendations to the Board.

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

Standing Committees Audit

Chair: Kathy Stevenson¹

Members: Arthur Willms, John Bell²,
David Gillespie³
Met six times in fiscal 2006/07

Liaises between the external and internal auditors and the Board.

- Oversees the review of BCLC's financial operations by the external auditors and makes recommendations to the Board with respect to approval of audited financial statements and quarterly results.
- Reviews the financial information that will be provided to Government and the public.
- Oversees the review of BCLC's information systems, risk management and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

Governance and Corporate Social Responsibility

Chair: David Gillespie

Members: Arthur Willms, Tazeem Nathoo⁴
Met three times in fiscal 2006/07

- Provides focus on corporate governance to enhance BCLC's performance.
- Implements the evaluation process for the Board and makes recommendations regarding Board effectiveness.
- Oversees the development of a long-term Board composition and succession plan and leads the process for developing potential director criteria.
- Reviews, monitors and makes recommendations regarding the orientation and ongoing development of directors.
- Oversees the review of BCLC's corporate social responsibility policy.

Human Resources and Compensation

Chair: Tazeem Nathoo

Members: Neil McDonnell, Eric Sorensen⁵
Met eight times in fiscal 2006/07

- Examines BCLC's strategies and practices that relate to human resource and compensation matters and succession planning issues, and provides advice on these matters to the Board for consideration.
- Oversees matters related to the compensation and performance assessment of the President and CEO.
- Reviews management's succession plans, staff resourcing allocation plans, and staff development and training programs with a view to enhancing a performance-based culture.

Marketing and Sponsorship

Chair: John Bell²

Members: Neil McDonnell, Eric Sorensen⁶
Met four times in fiscal 2006/07

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

Ex-officio members of all committees:

The Chair and President and CEO are ex-officio members of all Board committees.

Notes:

¹ Note: Kathy Stevenson was appointed as committee Chair May 3, 2006.

² Note: John Bell resigned from the Board June 8, 2007.

³ Note: David Gillespie was appointed as a committee member January 24, 2007.

⁴ Note: Tazeem Nathoo was appointed as a committee member January 24, 2007.

⁵ Note: Eric Sorensen was appointed as a committee member January 24, 2007.

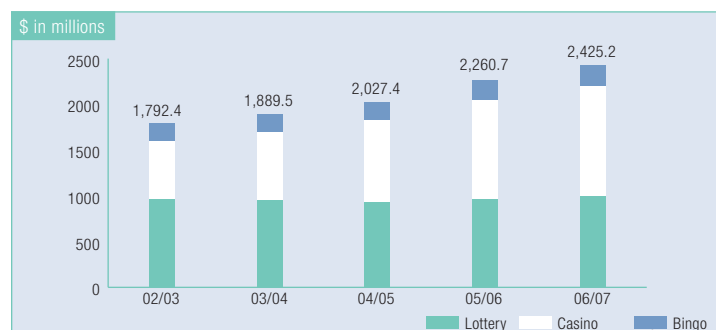
⁶ Note: Eric Sorensen was appointed as a committee member May 3, 2006.

This Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for the fiscal year ended March 31, 2007, and should be read in conjunction with the Corporation's audited financial statements.

Financial Overview

Financial Results (\$ in millions)	2002/03	2003/04	2004/05	2005/06	Actual	2006/07 Budget	Variance
Revenues							
Lottery	\$ 968.6	\$ 960.4	\$ 938.0	\$ 967.4	\$ 997.4	\$ 1,000.0	\$ (2.6)
Casino	628.1	733.4	892.9	1,085.3	1,208.9	1,140.0	68.9
Bingo	195.7	195.7	196.5	208.0	218.9	225.0	(6.1)
	1,792.4	1,889.5	2,027.4	2,260.7	2,425.2	2,365.0	60.2
Direct Expenses	\$ 987.0	\$ 1,014.8	\$ 1,048.8	\$ 1,145.8	\$ 1,198.9	\$ 1,184.1	\$ (14.8)
Operating Expenses	134.5	147.1	159.7	192.2	207.5	240.9	33.4
Net Income	\$ 670.9	\$ 727.6	\$ 818.9	\$ 922.7	\$ 1,018.8	\$ 940.0	\$ 78.8
Profit Margin	37.4%	38.5%	40.4%	40.8%	42.0%	39.7%	2.3%
Capital Expenditures	\$ 29.6	\$ 49.0	\$ 93.5	\$ 82.9	\$ 43.9	\$ 80.2	\$ 36.3
Employees (FTEs)	536	560	569	575	596	600	4

Gaming Revenue Trends (\$ in millions)



Fiscal 2006/07 represented a record year for BCLC, with the Corporation establishing new benchmarks for both revenue and net income. With total gaming revenue of \$2.4 billion, BCLC surpassed last year's revenue by \$164.5 million and budget by \$60.2 million. Highlights during the year included the introduction of Pacific Hold'Em Poker, a new lottery game developed by BCLC that exceeded revenue projections, the replacement of older-style slot machines in the casino network with higher entertainment games that resulted in record sales, and the continuing build-out of new higher entertainment community gaming centres that offer slot machine gaming.

Direct costs of \$1.2 billion were \$14.8 million greater than budget and \$53.1 million greater than last year. Additional expenditures for prizes, retailer commissions, operator fees and ticket printing were incurred to support the increase in revenue.

At \$207.5 million, total operating costs were \$33.4 million less than budget and \$15.3 million greater than last year. With the slower than anticipated build-out of community gaming centres and the Hastings Racecourse casino not opening as planned, operational cost savings of \$4.5 million were realized. Amortization was \$10.3 million less than budget as a result of lower than anticipated capital spending, again

reflecting delays in the build-out of new gaming facilities. A reduction in GST from 7% to 6%, lower than expected capital spending and a GST tax recovery resulted in overall taxes being \$14.8 million less than budget.

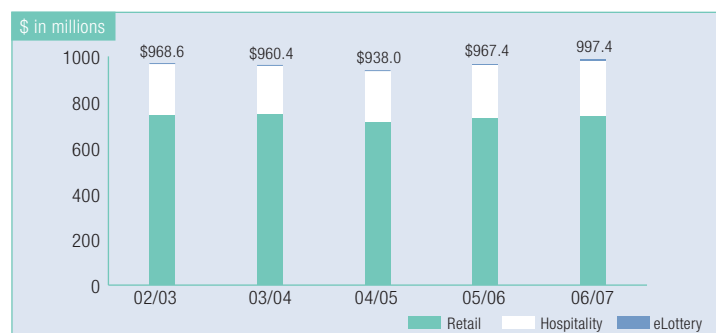
At \$1,018.8 million, net income exceeded budget by \$78.8 million and the previous year by \$96.1 million. Strong revenue performance, a shift in product mix to higher contribution games and operational cost savings resulted in BCLC exceeding the billion dollar milestone in net income.

Lottery Operations

Financial Results (\$ in millions)	2002/03	2003/04	2004/05	2005/06	Actual	2006/07 Budget	Variance
Revenues							
Retail Network	\$ 742.4	\$ 747.0	\$ 712.4	\$ 733.0	\$ 742.5	\$ 730.0	\$ 12.5
Hospitality Network	226.2	213.4	225.3	229.2	240.6	237.0	3.6
eLottery	—	—	0.3	5.2	14.3	33.0	(18.7)
	\$ 968.6	\$ 960.4	\$ 938.0	\$ 967.4	\$ 997.4	\$ 1,000.0	\$ (2.6)
Direct Expenses	\$ 610.3	\$ 602.3	\$ 581.4	\$ 613.8	\$ 628.9	\$ 631.2	\$ 2.3
Operating Expenses	\$ 66.7	\$ 71.1	\$ 73.7	\$ 82.3	\$ 86.9	\$ 92.0	\$ 5.1
Net Income	\$ 291.6	\$ 287.0	\$ 282.9	\$ 271.3	\$ 281.6	\$ 276.8	\$ 4.8
Lottery Retailers	4,152	4,513	4,490	4,397	4,321		
Lottery Terminals	3,747	4,072	4,082	4,081	4,074		

Lottery revenues of \$997.4 million were \$2.6 million less than budget and \$30 million greater than the previous fiscal year. While lottery sales were slightly less than budget, fiscal 2006/07 represented the second year of consecutive growth for the lottery division, continuing the reversal of the downward trend in lottery sales that was experienced until 2004/05. Strong performance in the retail network traces to Lotto 6/49, Sports Action, Keno and the new Millionaire Life game. The growth in the hospitality network stems from the launch of Pacific Hold'Em Poker. The eLottery channel, PlayNow, was behind budget and is still developing.

Lottery Sales Trends (\$ in millions)

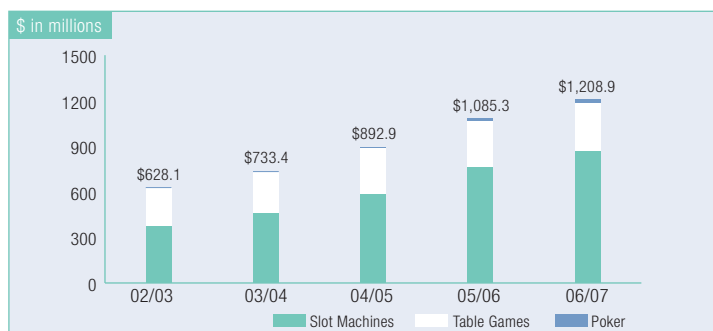


Casino Operations

Financial Results (\$ in millions)	2002/03	2003/04	2004/05	2005/06	Actual	2006/07 Budget	Variance
Revenues							
Slot Machine	\$ 373.6	\$ 463.5	\$ 588.6	\$ 762.3	\$ 869.9	\$ 810.0	\$ 59.9
Table Games	254.5	269.9	298.9	308.4	318.2	315.0	3.2
Poker	—	—	5.4	14.6	20.8	15.0	5.8
	\$ 628.1	\$ 733.4	\$ 892.9	\$ 1,085.3	\$ 1,208.9	\$ 1,140.0	\$ 68.9
Direct Expenses	\$ 218.3	\$ 252.3	\$ 307.3	\$ 369.9	\$ 408.9	\$ 385.5	\$ (23.4)
Operating Expenses	\$ 55.2	\$ 62.8	\$ 70.3	\$ 93.8	\$ 101.4	\$ 124.8	\$ 23.4
Net Income	\$ 354.6	\$ 418.3	\$ 515.3	\$ 621.6	\$ 698.6	\$ 629.7	\$ 68.9
Casinos	20	20	19	18	17		
Slot Machines	3,304	3,832	6,307	7,149	6,951		
Table Games	392	377	419	454	464		

Casino revenues of \$1.2 billion were \$68.9 million greater than budget and \$123.6 million greater than last year. The replacement of 1,000 older-style slot machines with newer-style games, a full year of operation of the new Cascades casino and the upgraded Coquitlam facility, and a change in product mix to lower denomination games are credited for the strong performance. The planned opening of the Hastings Racecourse casino did not occur.

Casino Sales Trends



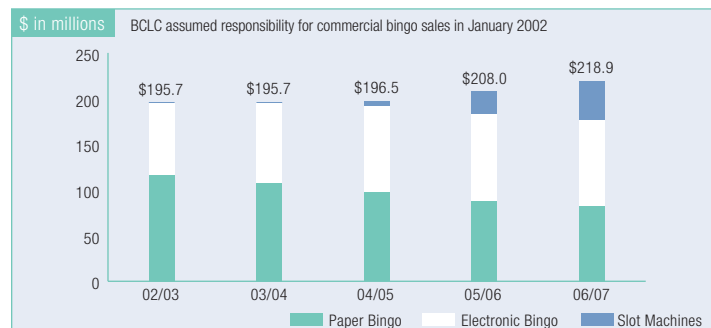
Bingo Operations

Financial Results (\$ in millions)	2002/03	2003/04	2004/05	2005/06	Actual	2006/07 Budget	Variance
Revenues							
Paper Bingo	\$ 116.2	\$ 107.5	\$ 98.2	\$ 88.0	\$ 82.7	\$ 90.3	\$ (7.6)
Electronic Bingo	79.5	88.2	93.5	94.9	94.5	94.7	(0.2)
Slot Machines	—	—	4.8	25.1	41.7	40.0	1.7
	195.7	195.7	196.5	208.0	218.9	225.0	(6.1)
Direct Expenses	158.4	160.2	160.1	162.1	161.1	167.4	6.3
Operating Expenses	14.5	15.1	17.6	18.0	21.1	26.0	4.9
Net Income	\$ 22.8	\$ 20.4	\$ 18.8	\$ 27.9	\$ 36.7	\$ 31.6	\$ 5.1
Commercial Halls	33	32	27	24	20		
Community Gaming Centres	—	—	4	5	6		
Electronic Bingo Terminals	2,366	2,750	3,244	3,240	3,234		
Slot Machines	—	—	253	355	497		

Bingo revenues of \$218.9 million were \$6.1 million less than budget and \$10.9 million greater than last year. While the bingo division did not achieve its revenue targets, the division's net income of \$36.7 million exceeded budget by \$5.1 million. The opening of a new community

gaming centre in Duncan, the relocation and upgrade of the Dawson Creek facility, the introduction of new higher entertainment products including Ka-Chingo and DJ Bingo, and the introduction of a Guest Service training program contributed to the strong results

Bingo Sales Trends



Fiscal 2006/07 Capital Expenditures

	2005/06 Actual	2006/07 Actual	2007/08 Forecast	2008/09 Forecast	2009/10 Forecast
Gaming systems					
Lottery	\$ 21,911	\$ 9,306	\$ 23,000	\$ 15,000	\$ 15,000
Casino	53,007	22,001	44,500	43,000	43,000
Bingo	4,063	7,224	10,500	15,000	15,000
	\$ 78,981	\$ 38,531	\$ 78,000	\$ 73,000	\$ 73,000
Corporate facilities and equipment					
Facilities	\$ 1,603	\$ 463	\$ 2,500	\$ 2,000	\$ 2,000
Corporate Systems	2,296	4,933	4,500	5,000	5,000
	\$ 3,899	\$ 5,396	\$ 7,000	\$ 7,000	\$ 7,000
Total Capital	\$ 82,880	\$ 43,927	\$ 85,000	\$ 80,000	\$ 80,000

BCLC's capital spend was \$43.9 million for fiscal 2006/07, about \$39 million less than fiscal 2005/06 actuals. The decision not to proceed with the opening of the Hastings Racecourse casino and the delay in the opening of some community gaming centres resulted in a lower capital spend.

B.C. Lottotech International Inc.

BCLC's consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the Corporation. The primary purpose of B.C. Lottotech is to purchase capital assets for lease to BCLC. The management and oversight of B.C. Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process. Of BCLC's total consolidated capital expenditures of \$43.9 million, \$42.1 million was acquired through B.C. Lottotech International Inc.

Financial Results (\$ in thousands)	2006/07	2005/06
Revenue		
Lease Income	\$ 60,821	\$ 48,725
Expenses		
Amortization	60,674	48,604
Income from Operations	147	121
Interest and Other Income	697	112
Net Income	\$ 844	\$ 233

(as at March 31, 2006)

With revisions to Government gaming policy in 1997 that allowed for the introduction of slot machines, gaming revenues in British Columbia have increased significantly over this period. On a per capita basis, net gaming expenditures in British Columbia remain moderate compared to other provinces in Canada.

As illustrated in the table below, in fiscal 2005/06, the most current year available, British Columbia per capita net gaming expenditures are ranked eighth in Canada and British Columbia has fewer gaming devices per thousand adult population than any other province. This moderate expenditure is consistent with Government's gaming policy and BCLC's objective to market gaming in British Columbia in a socially responsible manner.

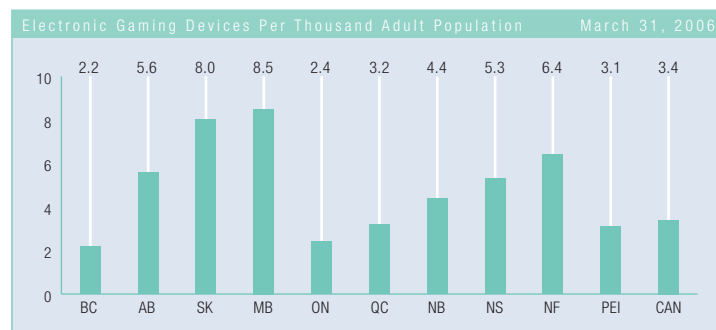
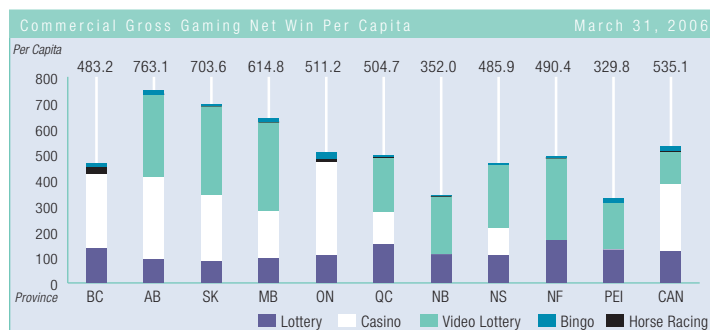
Commercial Gaming Expenditure by Province, Net of Prizes for the Year Ended March 31, 2006

Total Net Expenditure (thousands)

	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Lottery	\$ 437,100	\$ 249,800	\$ 67,955	\$ 85,059	\$ 1,140,521	\$ 951,267	\$ 75,205	\$ 93,074	\$ 78,399	\$ 14,370	\$ 3,192,750
Casino	1,085,345	864,000	202,609	131,122	3,657,284	752,862	–	85,388	–	–	6,778,611
Video Lottery	–	828,200	232,581	321,954	–	1,299,000	135,115	182,205	122,885	19,393	3,141,333
Bingo	96,800	–	22,844	5,033	11,567	39,900	–	172	–	–	176,316
Horse Racing	49,278	38,220	1,158	8,978	256,489	43,935	1,452	3,235	314	1,980	405,039
Total	\$ 1,668,524	\$ 1,980,220	\$ 527,147	\$ 552,146	\$ 5,065,861	\$ 3,086,964	\$ 211,772	\$ 364,074	\$ 201,598	\$ 35,743	\$ 13,694,049

Electronic Gaming Devices in Canada as at March 31, 2006

Electronic Gaming Devices	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Slot Machines	7,504	8,662	1,990	2,125	23,434	5,911	–	1,082	–	–	50,708
Video Lottery	–	5,995	3,978	5,509	–	13,516	2,631	2,912	2,644	338	37,523
Total Gaming Devices	7,504	14,657	5,968	7,634	23,434	19,427	2,631	3,994	2,644	338	88,231
Gaming Devices per 1,000 population	2.2	5.6	8.0	8.5	2.4	3.2	4.4	5.3	6.4	3.1	3.4



Notes

1. Net Gaming Expenditures:

Amount spent by players after deducting money returned as prizes, for all forms of gaming.

2. Information Sources:

a) Population represents Statistics Canada estimate of the population (18 and over) as of July 1, 2006. Estimates current as of December 2006.

b) Gaming information:

- British Columbia Lottery Corporation
- Atlantic Lottery Corporation
- Saskatchewan Liquor and Gaming Authority
- Canadian Pari-Mutuel Agency

- Ontario Lottery and Gaming
- Alberta Liquor and Gaming Commission
- Manitoba Lotteries Corporation

- Loto-Québec
- Sask Sport Inc.
- Nova Scotia Gaming Corporation

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

Government Strategic Plan BCLC Service Plan

Government Goals	BCLC Alignment
<ul style="list-style-type: none"> • To make British Columbia the best educated, most literate jurisdiction on the continent. • To lead the way in North America in healthy living and physical fitness. • To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors. • To lead the world in sustainable environmental management, with the best air and water quality and the best fisheries management, bar none. • To create more jobs per capita than anywhere else in Canada. 	<ul style="list-style-type: none"> • Fiscal 2006/07 net income of just more than \$1 billion was generated for key Government programs, including health care, education and physical fitness. • Community gaming grants of \$142.4 million were provided through the Gaming Policy and Enforcement Branch to 6,000 charitable organizations, including many that support healthy living, physical fitness and parent advisory groups that support education in British Columbia. • Gaming revenues of \$147.3 million were directed by Government to support British Columbia's health care system. • SportsFunder, a suite of lottery games, supports amateur sports in British Columbia. • Environmentally friendly practices include using recycled paper for ticket printing, recycling computers into the school system, Power Smart facility initiatives and an employee Green Committee. • About 10,000 people are directly employed in the gaming business in British Columbia. Close to \$1 billion has been invested in property assets, pursuant to contracts established and managed by BCLC.

Alignment with Shareholder's Letter of Expectations

Requirement	Status
<ul style="list-style-type: none"> Optimize BCLC's financial performance within the gaming and social policy framework established by the shareholder. Improve the performance of casino, bingo and lottery gaming through new products and approaches in response to customer and marketplace demand. Ensure BCLC's products are provided in a socially responsible manner. Improve the quality of the casino product with better locations and casinos sized to suit the market. Develop and maintain a sound, responsive and adaptive technology infrastructure. Build public and key stakeholder trust/support, improve the quality of service to customers and improve relationships with service providers. Comply with policy directives issued by the Minister. Operate the business in an efficient and effective manner for the benefit of customers and the shareholder. Meet and/or improve on BCLC's financial and non-financial performance going forward. Participate with the Ministry of Public Safety and Solicitor General in the preparation and presentation of a strategic plan for conducting and managing gaming, including the proposed Consent to Operate Strategy. 	<ul style="list-style-type: none"> Within the gaming and social policy framework established by Government, BCLC generated just more than \$1 billion in revenue for Government in fiscal 2006/07. BCLC is projecting revenue and net income growth for each of its business units over the current three-year planning period. The Corporation will continue to focus on developing new, innovative products and distribution channels that provide an exceptional gaming entertainment experience to the player. BCLC and GPEB have jointly developed and implemented the Province's Responsible Gambling Strategy, which engages municipalities, the gaming industry and social agencies on three goals: <ul style="list-style-type: none"> i. Reduce the incidence of problem gambling. ii. Reduce the harmful impacts of excessive gambling. iii. Ensure the delivery of gaming in a manner that encourages responsible gambling and healthy choices. Over the last several years, BCLC has made significant progress in upgrading existing casino facilities. Specifically, major upgrades have been completed at River Rock Casino Resort in Richmond, Edgewater Casino in Vancouver, Boulevard Casino in Coquitlam, Cascades Casino in Langley and Treasure Cove Casino in Prince George. BCLC's Service Plan provides for the continued improvement and enhancement of existing casinos to provide the player with high-quality gaming entertainment. BCLC continues to invest in its gaming and technology infrastructure. Over the last several years, the Corporation has replaced its online lottery gaming system and made major improvements and enhancements to the casino and bingo systems. Currently, BCLC is in the process of upgrading the lottery network from older, analog technology to new Internet Protocol technology that will result in greater data transmission speeds, greater bandwidth and reduced cost. Building public and stakeholder trust, improving the quality of service to customers, and improving relationships with service providers remain key objectives for BCLC. BCLC complies with all policy directives issued by the Minister, including all directives and standards issued under the <i>Gaming Control Act</i>. BCLC continues to manage the business with the goals of achieving the highest levels of operational efficiency and effectiveness. Since fiscal 1999/00, BCLC has been successful in reducing operating costs as a percentage of sales from 6.0% to 4.4% BCLC's Service Plan includes initiatives that are aimed at maintaining or improving the results from all key performance measures. Over the next three-year planning period, net income is projected to increase by \$124 million or 12%. BCLC is currently working in conjunction with Government to prepare a new three-year strategic plan for conducting and managing gaming, including further program development for responsible and problem gambling.

Managing Risk

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

BCLC's Approach to Managing Risk

In 2006/07, BCLC introduced an Enterprise Risk Management (ERM) control framework to more formally identify and manage risks. Strategic risk identification occurred through an Executive assessment. Risk management strategies development and implementation have begun to mitigate the negative consequences of identified risks.

BCLC's ERM management committee meets monthly to review the enterprise-wide risks and to ensure that appropriate risk treatment plans are in place. The quarterly principal risk report is presented to the Executive and Audit Committee of the Board of Directors to ensure significant risks are communicated and risk management plans are in place.

Key Risks that BCLC Faces

This year, guided by risk management standards, senior management identified risks that could threaten the achievement of BCLC's mission and goals.

Competition Risk

Impact and Likelihood	Results for 2006/07
<p>If BCLC cannot adapt, in a timely manner, to changes in the entertainment environment or market conditions, it could threaten the Corporation's long-term viability.</p> <p>The inability to renew and sustain products or brands could threaten the demand for BCLC products to the point that it may impair the ability to develop future revenues.</p> <p>The gaming industry is particularly vulnerable to these risks, as the player demand for traditional products decreases while the availability of other entertainment options increases.</p>	<p>Strategy 1: Transform and reinvent the lotteries to a growth business.</p> <p>BCLC has concentrated its efforts in this regard on new product innovation, balanced with social responsibility.</p> <p>In the lottery business unit, BCLC implemented extended service hours for sales, launched seven of eight planned product additions in the SportsFunder category, launched Pacific Hold'Em Poker in the hospitality network, and completed the first offering of a new national game, Millionaire Life.</p> <p>Strategy 2: Build player participation and loyalty by providing a fun and entertaining gaming experience.</p> <p>BCLC prioritized player satisfaction, tourism and a loyalty program for British Columbia casinos. BCLC focused on improved product offerings and positioning casinos and community gaming centres as entertainment facilities that include food, beverage and entertainment options. Initiatives to support this strategy included the successful replacement of 1,000 obsolete slot machines, expanded casino tournament play, including four major poker tournaments and one pilot slot tournament, and the development of long-term tourism marketing strategies. The BC Gold membership of 244,795 fell short of the 400,000 goal.</p> <p>Strategy 4: Develop a viable eLottery business.</p> <p>BCLC has focused on several new product offerings on PlayNow at BCLC.com. During the year, 15 Interactive games were launched, exceeding the planned 13 launches.</p> <p>Player registrations, targeted for 70,000 active registrations at year-end, reached 68,015. This will continue as an ongoing strategy to ensure continued development of the PlayNow player base.</p> <p>Strategy 5: Grow our business through innovative product development.</p> <p>A significant upgrade to the lottery network was successfully undertaken to move onto a new Internet protocol network. Some 2,200 sites were converted during the year and the roll-out continues at more than 200 sites per week. This allows BCLC to provide a more resilient and consistent network platform for the provincewide retailer network.</p> <p>BCLC focused on the implementation of a focused innovation program for lottery gaming, which resulted in the monitor poker platform implementation. The casino and bingo environments continued to improve product offerings through robust industry research and development.</p>

Host Local Government Approval Risk

Impact and Likelihood	Results for 2006/07
<p>The <i>Gaming Control Act</i> requires that local governments provide approval for acceptance or relocation of casinos and bingo halls in their communities.</p> <p>Delays or inability to obtain such approvals present a risk to delivery on revenue targets.</p>	<p>Strategy 3: Develop a viable Community Gaming Centre model.</p> <p>BCLC continued to pursue the opening of new community gaming centres. Of the seven facilities scheduled to open, only Dawson Creek and Duncan were achieved.</p> <p>Hastings Racecourse has again been delayed in the approval process.</p> <p>A key component of the host local government approval process continues to be the extensive consultation and relocation process that ensures community groups and key stakeholders have adequate information to make informed decisions.</p>

Public Acceptance Risk

Impact and Likelihood	Results for 2006/07
<p>Without strong public support and acceptance, BCLC's ability to achieve its business and revenue objectives are placed at risk.</p> <p>Given that public policy often follows public opinion, an event that breaches the public trust, e.g., coverage of lottery procedures in Ontario and British Columbia, could directly impact the operational programs supporting BCLC's strategic initiatives. BCLC mitigates the likelihood and impact of such events through a strong focus on product integrity, highly regulated facilities and continued development of robust industry practices that promote responsible play.</p>	<p>Strategy 6: Build public and stakeholder trust and support, including the communication of beneficiaries of gaming revenues and responsible gaming programs.</p> <p>BCLC continued to be committed to taking immediate action against breaches to assure British Columbians that gaming in British Columbia remains a secure and safe entertainment option. BCLC will fully implement the recommendations of the Gaming Policy and Enforcement Branch and the Ombudsman of British Columbia to assure players of the integrity of lottery gaming in British Columbia. This year's focus was on obtaining a better understanding of the mass communication solutions necessary to communicate this strategy and achieve measurable improvement in increasing the public's awareness of the beneficiaries of gaming and responsible gambling. However, this has not yet commenced.</p> <p>BCLC opened Responsible Play Information Centres in the Cascades and Boulevard Casinos to supplement existing locations at Edgewater and River Rock Casinos. These kiosks are staffed by two Responsible Gaming Officers during peak hours.</p> <p>BCLC has contracted with the BC Centre for Social Responsibility to begin a four-year study to evaluate the Voluntary Self-exclusion Program.</p>

Insufficient Skills and Capacity Risk

Impact and Likelihood	Results for 2006/07
<p>Significant changes in the labour market, such as shifting workforce demographics or the availability of technical skills, adversely affect BCLC's ability to attract and retain highly skilled and motivated employees.</p> <p>BCLC is heavily reliant on technology and, as such, recognizes the need to focus on building resources to meet the complexity and integration needs of the business.</p>	<p>Strategy 7: Instil a high-performance culture.</p> <p>BCLC has recognized that having a flexible, adaptable workforce requires employees to be motivated to continually learn and keep up with the pace of change, develop new skills, acquire new knowledge, continuously improve business processes, and seek out new markets/products.</p> <p>During the year, the focus was on strengthening talent management with the implementation of a more robust infrastructure, succession planning and career development.</p> <p>A leadership development program was successfully completed by all Executive and leaders.</p>

Fiscal 2006/07

In July 2000, the *Budget Transparency and Accountability Act (BTAA)* was passed in the British Columbia Legislature. The primary objectives of the BTAA are to make the Government budget process more accountable and accessible to the public, to improve the reliability and credibility of budget forecasts, to improve accountability for results, to improve the accounting and quality of financial information provided by Government, and to improve the timeliness, consistency, comparability and transparency of information provided to the public. In August 2001, the BTAA was amended to require that three-year Service Plans for Government organizations be made public annually with the budget on the third Tuesday in February.

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

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

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

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

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

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

This year's Annual Service Plan Report is the companion document to BCLC's Fiscal 2006/07 – 2008/09 Service Plan and reports on the goals, strategies, performance

measures and targets that were established in this plan. While BCLC's goals, strategies and performance measures remain unchanged from the 2006/07 – 2008/09 Service Plan, targets for the years 2007/08 to 2009/10 have been updated in the 2006/07 Annual Report to reflect management's best estimates and the most current information contained in BCLC's current Service Plan.

Availability and Reliability of Data

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

Linking Goal and Results

Goals	Strategies	Measures	Service Plan Target	2006/07 Results	
To generate net income for the public good.	Transform and reinvent lotteries to a growth business.	Revenue	\$ 2,365	\$ 2,425.2	Exceeded
		Net Income	\$ 940	\$ 1,018.8	Exceeded
	Build player participation and loyalty by providing a fun and entertaining gaming experience.	Operating Cost Ratio (%)	4.7 %	4.4 %	Exceeded
		FTEs	600	596	Achieved
	Develop a viable community gaming centre model.	Player Participation	65 %	61 %	Not Achieved
		Player Satisfaction	84 %	85 %	Achieved
	Develop a viable eLottery business.				
Grow our business through innovative new product development.					
To be a respected organization that has a broad base of public support.	Build public and stakeholder trust/support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs.	Public support of BCLC	66 %	68 %	Achieved
		Public support of gaming	52 %	56 %	Achieved
		Public recognition of social responsibility	56 %	58 %	Achieved
		Public awareness of the beneficiaries of gaming	32 %	37 %	Achieved
To have a workforce passionately driving the success of our business.	Instil a high-performance culture through strong leadership, employee development and engagement.	Employee engagement	70 %	54 %	Not Achieved

Goal 1: To Generate Net Income for the Public Good

Strategies	Performance Measures	Fiscal 2005/06 Actual	Fiscal 2006/07 Actual	Fiscal 2007/08 Targets	Fiscal 2008/09 Targets	Fiscal 2009/10 Targets
1. Transform and reinvent lotteries to a growth business.	Revenue (in millions)					
	Lottery	\$ 967.4	\$ 997.4	\$1,025.0	\$ 1,090.0	\$ 1,170.0
	Casino	1,085.3	1,208.9	1,240.0	1,285.0	1,330.0
	Bingo	208.0	218.9	230.0	250.0	260.0
	Total	\$ 2,260.7	\$ 2,425.2	\$ 2,495.0	\$ 2,625.0	\$ 2,760.0
	Operating Cost Ratio	4.5%	4.4%	4.6%	4.5%	4.5%
	Net Income (in millions)					
	Lottery	\$ 271.3	\$ 281.6	\$ 285.6	\$ 303.9	\$ 328.5
	Casino	621.6	698.6	701.3	726.5	749.5
	Bingo	27.9	36.7	44.2	54.7	62.1
2. Develop a viable community gaming centre model.	Horse Racing Fees	1.9	1.9	1.9	1.9	1.9
	Total	\$ 922.7	\$ 1,018.8	\$ 1,033.0	\$ 1,087.0	\$ 1,142.0
	FTEs	575	596	625	650	650
	Player Participation	61%	61%	67%	67%	68%
	Player Satisfaction	84%	85%	88%	90%	90%
3. Develop eLottery as a viable business.						
4. Build player participation and loyalty by providing a fun and entertaining gaming experience.						
5. Grow our business through innovative product development.						

BCLC's Fiscal 2006/07 Service Plan included five strategies to support the achievement of our goal to generate net income for the public good.

1. Transform and reinvent lotteries to a growth business

The lottery business represents a mature market and revenues have been relatively flat over the last few years. BCLC has begun to address the current market situation through the introduction of new, innovative and entertaining games. Examples of recent product innovations include the introduction of SportsFunder, a suite of games that support amateur sports in British Columbia, and the introduction of a new monitor-style game in bars and pubs, Pacific Hold'Em Poker.

2. Develop a viable community gaming centre model

In February 2002, BCLC assumed responsibility for commercial bingo operations in British Columbia. In previous years, traditional bingo paper had been a declining industry with aging facilities and products that were unable to compete in the rapidly evolving gaming marketplace. Since BCLC assumed responsibility, the Corporation has worked with our business partners to revitalize and re-energize this gaming channel. Changes have included new improved facilities with a broader range of entertainment options, improved customer service, the introduction of

slot machines in community gaming centres and the introduction of new games, including Ka-Chingo and DJ Bingo.

3. Develop eLottery as a viable business

The introduction of PlayNow, BCLC's online gaming channel, represents a major strategic initiative for BCLC. Introduced in 2004, sales from this channel have increased from \$5 million in the first full year of operation to \$14 million in fiscal 2006/07. Through this channel, BCLC offers various games, including Lotto, Sports, Keno and Interactives, an electronic version of our Scratch & Win games. Along with new product development, BCLC has built "best of practice" responsible play controls into PlayNow, including age and residency verification, spending limits and self-exclusion.

4. Build player participation and loyalty by providing a fun and entertaining gaming experience

In 2006, just more than 60% of adult British Columbians participated in some form of gaming. To maintain and grow the player base, BCLC must provide the player with innovative and entertaining products, high-quality gaming facilities and outstanding customer service. The development of new casino facilities,

including River Rock, Cascades and Boulevard Casinos, with amenities such as fine dining and show theatres delivers on the promise of an entertaining gaming experience. In the hospitality network, new innovative lottery games such as Pacific Hold'Em Poker are providing more entertainment value for our players.

5. Grow our business through innovative product development

BCLC has provided gaming entertainment products in the British Columbia marketplace for more than 30 years. Evolving from a lottery-only business, BCLC now offers a full range of gaming products including casinos, bingo and online gaming through the eLottery channel, PlayNow.

Recent product innovations include Pacific Hold'Em Poker, a new monitor-style game in the lottery hospitality network, the replacement of 1,000 older-style slot machines with new higher entertainment games in the casino division, and the introduction of Ka-Chingo, a new provincewide linked bingo game.

Goal 1: To Generate Net Income for the Public Good (continued)

Measure – Gaming Revenue

Importance of the Measure

This performance indicator measures BCLC's total revenues as reported in the consolidated financial statements. This measure is important as it is directly linked to our mission of offering responsible gaming entertainment to generate income for the public good.

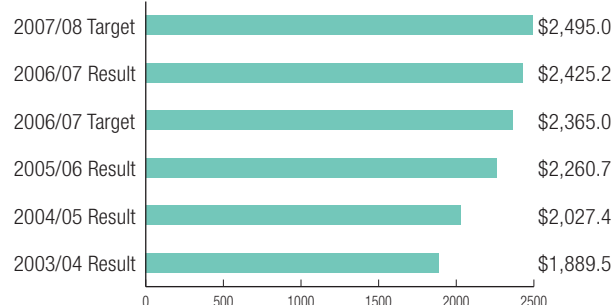
Performance Results 2006/07

In fiscal 2006/07, BCLC established new benchmarks for both revenue and net income. At \$2.4 billion, total gaming revenues exceeded budget by \$60.2 million and the previous fiscal year by \$164.5 million. Highlights included the continuing strong performance from the casino division, the introduction of Pacific Hold'Em Poker in the lottery network and the continuing build-out and development of community gaming centres.

Further discussion and analysis of BCLC's gaming revenue is included in the Management Discussion and Analysis.

Target Exceeded

Revenue in Millions



Data Source

BCLC Audited Financial Statements

Measure – Net Income

Importance of the Measure

This performance indicator measures BCLC's total net income as reported in the consolidated financial statements. This measure is important as it is directly linked to our mission of offering responsible gaming entertainment to generate income for the public good.

Performance Results 2006/07

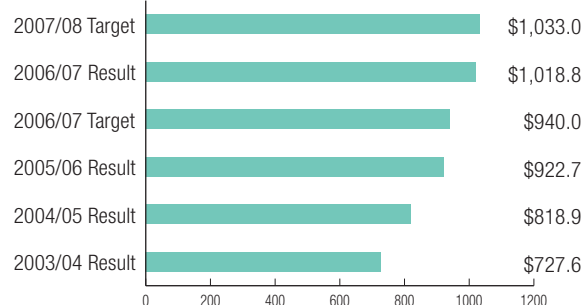
Fiscal 2006/07 was a milestone year for BCLC, with the Corporation exceeding the billion dollar level in net income. At \$1,018.8 million, BCLC's net income exceeded budget by \$78.8 million and the previous fiscal year by \$96.1 million.

Strong revenue performance from each of the gaming divisions, a continuing shift in product mix to higher contribution casino-style games, and operational cost savings resulted in BCLC achieving exceptional financial results.

Further discussion and analysis of BCLC's gaming income is included in the Management Discussion and Analysis.

Target Exceeded

Net Income in Millions



Data Source

BCLC Audited Financial Statements

Measure – Operating Cost Ratio

Importance of the Measure

This performance indicator measures the ratio of operating expenses as a percentage of total revenues. Operating costs include all costs excluding direct costs, amortization, other expenses and taxes. This measure is important as it directly impacts on our ability to generate net income for the Government of British Columbia.

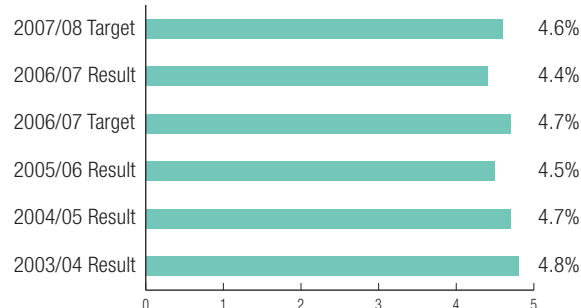
Performance Results 2006/07

At 4.4% of total gaming revenues, BCLC's operating cost ratio was .3% less than budget. Continuing strong revenue growth and effective cost management resulted in lower than budgeted operating costs.

Over the last five years, BCLC has been successful in reducing the Corporation's operating cost ratio as a percentage of total gaming revenues from 5.5% to 4.4%.

Target Exceeded

Operating Cost Ratio



Data Source

Internal management reports

Goal 1: To Generate Net Income for the Public Good (continued)

Measure – Full-time Equivalents (FTEs)

Importance of the Measure

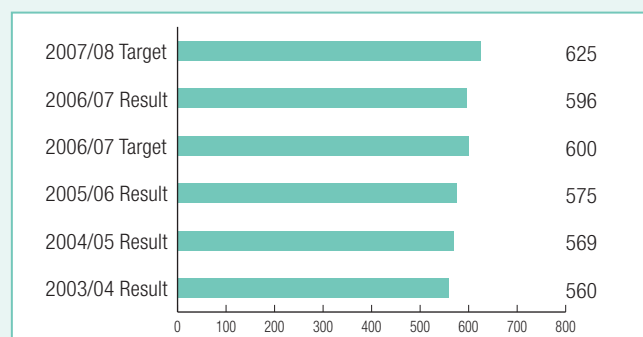
This performance indicator measures the number of full-time equivalents (FTEs) employed by BCLC. This measure is important as salaries represent BCLC's single largest operating cost.

Performance Results 2006/07

BCLC ended the year with 596 FTEs, four fewer than budget. Delays in the planned opening of several gaming facilities, along with longer employee recruitment periods, resulted in the positive variance.

Target Achieved

Full-time Equivalents



Data Source

Internal management reports

Measure – Player Participation (%)

Importance of the Measure

This performance indicator measures the participation of adult British Columbians who have played a lottery game or visited a bingo or casino facility in the past month. Within the framework of Government gaming policy, it is our objective to achieve a high level of participation while emphasizing responsible play.

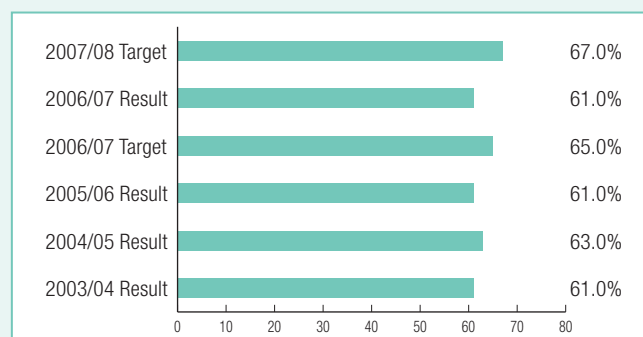
Performance Results 2006/07

At 61%, BCLC's player participation in fiscal 2006/07 remained level with the previous fiscal year, but less than the 65% target.

BCLC will continue to develop gaming facilities and products that are fun and entertaining and promote responsible play.

Target Not Achieved

Player Participation



Data Source

This information is obtained through a continuous tracking study completed by an external research agency.

Measure – Player Satisfaction (%)

Importance of the Measure

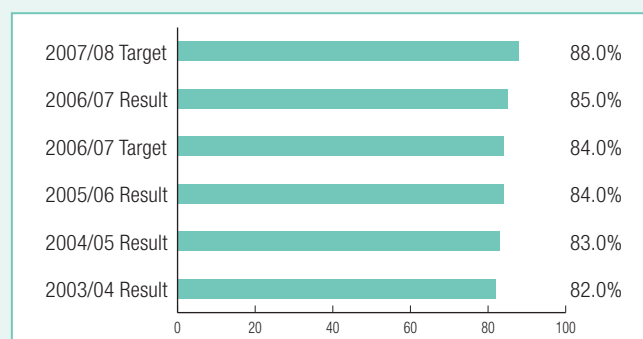
This performance indicator measures player satisfaction for the games and gaming facilities offered through the lottery, casino and bingo gaming channels. This performance measure is directly linked to our goal to provide outstanding gaming entertainment and is a key factor in our ability to generate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

Performance Results 2006/07

At 85%, BCLC's player satisfaction rate was slightly ahead of target and the previous fiscal year's results. The continuing development and improvement of casino and bingo gaming facilities, innovative new product development, including games such as Pacific Hold'Em Poker, Ka-Chingo and DJ Bingo, the continuing development of the eLottery channel, PlayNow, and continuing enhancements to the BC Gold Player Club casino loyalty program contributed to the high levels of player satisfaction.

Target Achieved

Player Satisfaction



Data Source

This information is obtained through tracking studies completed by an external research agency. Player satisfaction ratings by channel in fiscal 2006/07 were: lottery retail network – 87%; lottery hospitality network – 95%; casino – 85%; and bingo – 75%. From these ratings an overall composite average for gaming is calculated based on each channel's contribution to overall net win.

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

Strategies	Performance Measures	Fiscal 2005/06 Actual	Fiscal 2006/07 Actual	Fiscal 2007/08 Targets	Fiscal 2008/09 Targets	Fiscal 2009/10 Targets
5. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs	Public Support of Gaming	51	56	52	52	52
	Public Support of BCLC	67	68	65	65	65
	Public Recognition of Social Responsibility	56	58	56	56	56
	Public Awareness of Beneficiaries of Gaming	36	37	35	40	40

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

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

- Increase the public's awareness of the beneficiaries of gaming revenues. This will be accomplished through public communication programs.
- In partnership with GPEB, execute best-practice responsible gambling programs:
 - Continue the three-year responsible gambling strategic plan
 - Expand the British Columbia Partnership for Responsible Gambling
- Expand Responsible Play Information Centres
- Enhance youth prevention initiatives
- Continue responsible gambling training with frontline gaming workers
- Fully implement all of the recommendations of the Gaming Policy and Enforcement Branch's December 2006 report and the Ombudsman of British Columbia's May 2007 review.

Measure – Public Support of BCLC

Importance of the Measure

This performance indicator measures the percentage of adults surveyed in British Columbia who have a favourable impression of BCLC. This measure is important as public support for gaming is largely based on their perception of the integrity and fairness of the games offered by BCLC.

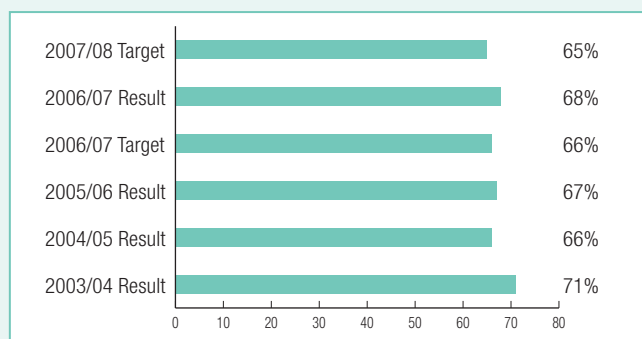
Performance Results 2006/07

BCLC has provided gaming entertainment products in British Columbia since 1985 and has established high levels of product brand awareness and public trust in the fairness of games. The Corporation maintains a strong focus on integrity of products, highly regulated facilities and continued development of industry practices that promote responsible play.

BCLC must continue to raise public awareness that games are offered in a socially responsible manner, that problem gambling prevention and treatment programs are available for those at risk, and that gaming net income is directed to Government for public service programs.

Enhanced responsible play and prevention programs, along with enhanced proactive strategies to communicate about responsible play initiatives and the beneficiaries of gaming revenue, are required.

Target Exceeded



Data Source

This information is obtained through a continuous tracking study completed by an external research agency.

Goal 2: To be a Respected Organization that has a Broad Base of Public Support (continued)

Measure – Public Support of Gaming

Importance of the Measure

This performance indicator measures the percentage of adults in British Columbia who have a favourable impression of how gaming is managed and conducted in British Columbia. This measure is important as public support for gaming is dependent on the public's view of how well gaming is managed and conducted by lottery retailers, casino and bingo service providers, GPEB and BCLC.

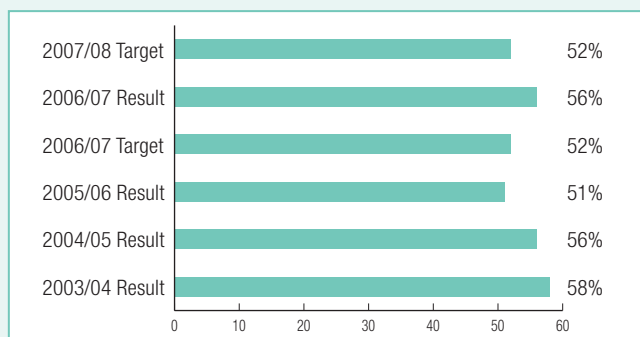
Performance Results 2006/07

Public trust and confidence in the integrity of BCLC's games and systems are paramount. Without strong public acceptance and support, BCLC's business and revenue objectives are at risk.

In fiscal 2006/07, GPEB investigated and reported on the integrity of BCLC's prize payout and validation policies and procedures. The Ombudsman of British Columbia began an investigation into how BCLC ensures that the lottery process in British Columbia is fair. The Ombudsman's report was tabled in the Legislature in May 2007. BCLC welcomed both of these reviews as opportunities to make improvements and set new standards within the lottery industry and provide the public with greater confidence in the integrity of lottery gaming.

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

Target Exceeded



Data Source

This information is obtained through a continuous tracking study completed by an external research agency.

Measure – Public Recognition of Social Responsibility

Importance of the Measure

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

Performance Results 2006/07

BCLC works in partnership with GPEB to ensure that problem gambling issues are addressed through public awareness, research, education, prevention and treatment programs.

BCLC and GPEB have developed the British Columbia Partnership for Responsible Gambling, which engages municipalities, the gaming industry and social agencies in goals to reduce the incidence of problem gambling, reduce the harmful impacts of excessive gambling, and ensure the delivery of gaming in a manner that encourages responsible gambling and healthy choices.

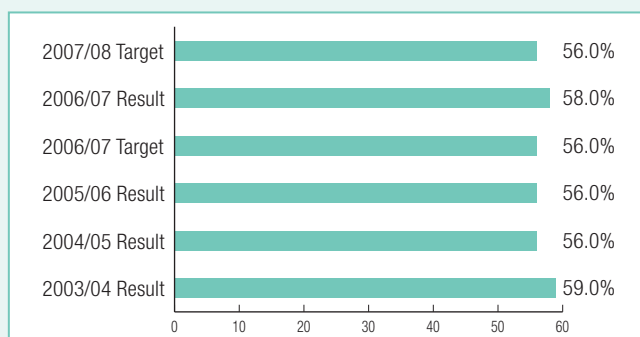
A Responsible Gambling Forum was held to further expand the Partnership, and a working group was formed to recommend a formal operational structure.

Responsible Play Information Centres are one of the initiatives undertaken by the Partnership. New centres opened at Cascades Casino and Boulevard Casino. Existing locations at Edgewater Casino and River Rock Casino were moved to more visible locations on the gaming floors.

Appropriate Response Training (ART) began in fiscal 2004/05. This program develops and enhances the knowledge, awareness, attitudes and skills of gaming industry employees to help them respond to difficult situations involving customers who may be in distress.

To date, 4,500 employees from casinos, bingo halls and community gaming centres have received ART training. An e-course for frontline bingo hall employees launched in November, while a pilot project for lottery retail locations began in March.

Target Exceeded



Data Source

This information is obtained through a continuous tracking study completed by an external research agency.

Goal 2: To be a Respected Organization that has a Broad Base of Public Support (continued)

Measure – Public Awareness of the Beneficiaries of Gaming

Importance of the Measure

This performance indicator measures the percentage of adults in British Columbia who have an awareness of how gaming net income supports key Government programs, charities, municipalities and other worthy programs. This measure is important because public awareness of the beneficiaries of gaming is directly related to public support for gaming.

Performance Results 2006/07

BCLC's net income distributed to Government benefits public programs for health, education, social, community, charitable and municipal purposes. Over the fiscal year, 6,000 community and charitable groups received \$142.4 million in community gaming grants.

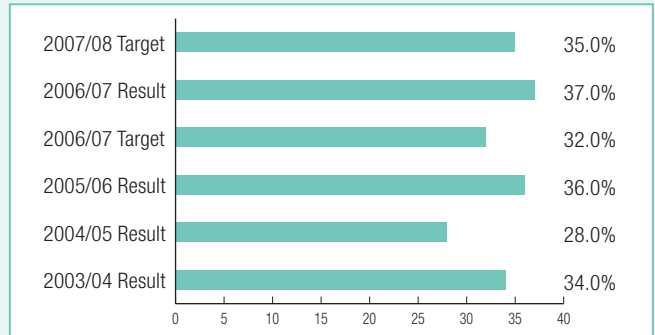
At 37%, BCLC exceeded the target for fiscal 2006/07 and exceeded the result of the previous fiscal year.

BCLC strives to improve public awareness of the beneficiaries of gaming revenue through messages that speak to "where the money goes."

Communication approaches include information shared through BCLC.com, public presentations and speaking engagements, corporate sponsorship advertising, electronic signage at lottery retail outlets and gaming facilities, employee education and various publications.

Community organizations that receive community gaming grants must acknowledge the financial assistance of the Province of British Columbia on promotional materials for funded programs, including any signage used for funded capital projects.

Target Exceeded



Data Source

This information is obtained through an independent survey completed by an external research agency.

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

Strategies	Performance Measures (%)	Fiscal 2005/06 Actual	Fiscal 2006/07 Actual	Fiscal 2007/08 Targets	Fiscal 2008/09 Targets	Fiscal 2009/10 Targets
6. Instil a high-performance culture through strong leadership, innovation, employee development and engagement.	Employee Engagement	not measured	54	60	65	70

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

- Ensure that BCLC leaders are aligned, demonstrating and accountable for managing the business and leading the organization

in a way that leads to high performance.

- Create a culture where people focus on the player, foster teamwork, innovation, growth and choose to be accountable for results.
- Develop clear, flexible and adaptable structures, roles and responsibilities to

ensure successful implementation of business goals.

- Provide leading, innovative programs and processes that meet the changing needs of the business and encourage organizational health and balance.

Measure – Employee Engagement

Importance of the Measure

This category measures the overall engagement of BCLC employees. In an independent survey, the level of passion and commitment employees have to their organization is measured. Engagement goes beyond just satisfaction and measures whether employees say great things about the company, stay, and strive to do their best.

This measure is important as it has a direct impact on BCLC's ability to achieve its goals and objectives.

Performance Results 2006/07

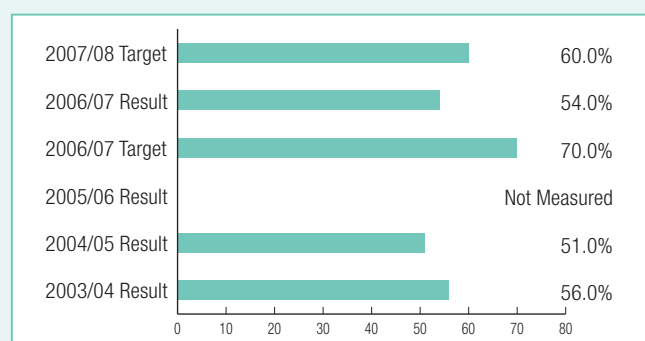
Although there was an increase in satisfaction in the engagement drivers of focus for fiscal 2005/06, there was not a significant increase in overall Corporate engagement as the engagement measurement only increased from 51% to 54%.

Following receipt of the survey results, BCLC took the following actions:

- Reviewed the results at the senior executive level to gain a complete understanding.
- Communicated the results to all employees and encouraged managers to have discussions with their employees.
- Held employee focus groups to better understand the key employee engagement issues.
- Developed an action plan to address specific employee issues that were identified through the focus group process.

Not Achieved

Revenue in Millions



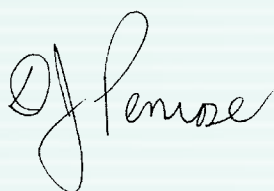
Data Source

This information is obtained through an independent survey completed by an external research agency.

The financial statements of British Columbia Lottery Corporation have been prepared by management in accordance with generally accepted accounting principles. The financial statements present fairly the financial position of British Columbia Lottery Corporation as at March 31, 2007, and the results of its operations and cash flow for the year then ended.

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

KPMG, LLP, Chartered Accountants have performed an independent audit of British Columbia Lottery Corporation and expressed an opinion on the financial statements of British Columbia Lottery Corporation.

A handwritten signature in black ink, appearing to read "D. Penrose". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Doug Penrose

Vice-President, Finance and Corporate Services

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2007 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kamloops, Canada

April 20, 2007


CONSOLIDATED BALANCE SHEET

March 31, 2007, with comparative figures for 2006

(in thousands of dollars)	2007	2006
ASSETS		
Cash and short-term investments (note 3)	\$ 107,546	\$ 81,310
Accounts receivable (note 4)	82,443	73,967
Prepaid expenses	9,483	7,504
Accrued pension plan asset (note 5)	11,933	6,646
Property, plant and equipment (note 6)	119,910	140,887
	\$ 331,315	\$ 310,314
LIABILITIES		
Prizes payable	\$ 40,514	\$ 42,475
Accounts payable and accrued liabilities	53,652	67,095
Accrued post retirement benefit obligation (note 5)	27,454	23,541
Payable to Interprovincial Lottery Corporation	4,161	1,669
Due to Government of British Columbia	205,534	175,534
Commitments and contingencies (notes 13 and 14)		
	\$ 331,315	\$ 310,314

See accompanying notes to consolidated financial statements.

Approved:



John McLernon

Director



Kathy Stevenson

Director

Year ended March 31, 2007, with comparative figures for 2006

(in thousands of dollars)	2007	2006
Revenue (note 7):		
Lottery	\$ 997,414	\$ 967,358
Casino	1,208,891	1,085,346
Bingo	218,903	208,002
	2,425,208	2,260,706
Direct expenses:		
Prizes	650,846	641,477
Commissions	528,446	483,665
Ticket printing and bingo paper	19,586	20,637
	1,198,878	1,145,779
Revenue less direct expenses	1,226,330	1,114,927
Operating expenses:		
Administrative expenses	106,728	103,161
Amortization	64,024	52,777
Interest and other expense	2,586	3,823
Marketing Trust Account (note 8):		
Marketing Trust Account income	(9,715)	(3,223)
Marketing Trust Account expenditures	9,715	3,223
Net income from operations	1,052,992	955,166
Non-operating income (expense):		
Net horse racing betting fees (note 9)	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses (note 10)	(1,600)	(1,474)
Goods and Services Tax expense	(34,472)	(32,873)
Net income	\$ 1,018,798	\$ 922,697
Allocation of net income:		
Government of British Columbia	\$ 1,010,387	\$ 914,410
Government of Canada (note 11)	8,411	8,287
	\$ 1,018,798	\$ 922,697

Sector activity information (note 17)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF AMOUNTS DUE TO GOVERNMENT OF BRITISH COLUMBIA

Year ended March 31, 2007, with comparative figures for 2006

(in thousands of dollars)	2007	2006
Balance, beginning of year	\$ 175,534	\$ 178,783
Net income	1,018,798	922,697
	1,194,332	1,101,480
Payments to Government of British Columbia	980,387	917,659
Allocation of income to Government of Canada	8,411	8,287
	988,798	925,946
Due to Government of British Columbia	\$ 205,534	\$ 175,534

See accompanying notes to consolidated financial statements.

Year ended March 31, 2007, with comparative figures for 2006

(in thousands of dollars)	2007	2006
Cash provided by (used in):		
OPERATIONS:		
Net income	\$ 1,018,798	\$ 922,697
Adjustments for:		
Amortization of property, plant and equipment	64,024	52,777
Loss (gain) on disposal of property, plant and equipment	(485)	426
	1,082,337	975,900
Changes in non-cash operating items:		
Increase in accounts receivable	(8,476)	(20,609)
Increase in prepaid expenses	(1,979)	(1,080)
Increase in accrued pension plan asset	(5,287)	(657)
Increase (decrease) in prizes payable	(1,961)	10,175
Increase (decrease) in accounts payable and accrued liabilities	(13,443)	10,069
Increase in accrued post retirement benefit obligation	3,913	4,095
Increase in payable to Interprovincial Lottery Corporation	2,492	91
	1,057,596	977,984
FINANCING:		
Payments to Government of British Columbia	(980,387)	(917,659)
Allocation of income to Government of Canada	(8,411)	(8,287)
	(988,798)	(925,946)
INVESTMENTS:		
Additions to property, plant and equipment	(43,927)	(82,880)
Proceeds on disposal of property, plant and equipment	1,365	793
	(42,562)	(82,087)
Increase (decrease) in cash and short-term investments	26,236	(30,049)
Cash and short-term investments, beginning of year	81,310	111,359
Cash and short-term investments, end of year	\$ 107,546	\$ 81,310

See accompanying notes to consolidated financial statements.

Years ended March 31, 2007 and 2006

(in thousands of dollars)

1. NATURE OF THE CORPORATION:

British Columbia Lottery Corporation (BCLC) is a Crown corporation. BCLC was incorporated under the *Company Act of British Columbia* on October 25, 1984, and is continued under the *Gaming Control Act* (August 2002). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games that are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PRESENTATION:

- (i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.
- (ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation, as well as the Marketing Trust Account, a variable interest entity (see note 8).

(B) SHORT-TERM INVESTMENTS:

Short-term investments are valued at the lower of cost and market.

(C) PROPERTY, PLANT AND EQUIPMENT:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year will be capitalized.

The Corporation's property, plant and equipment are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Corporate facilities and equipment	5 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
Casino gaming systems and equipment	3 years
Bingo gaming systems and equipment	3 years

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(D) EMPLOYEE FUTURE BENEFITS:

The Corporation has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the highest 60 consecutive months of pensionable earnings. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.

Years ended March 31, 2007 and 2006

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(D) EMPLOYEE FUTURE BENEFITS (CONTINUED):

- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the average remaining service period (EARSLS) of active members expected to receive benefits under the plans. The EARSLS for the Registered Plan is 15 years.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(E) REVENUE RECOGNITION:

Lottery games:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the consolidated statement of income in the period the ticket is sold.

Bingo games:

Revenue from the operation of paper, electronic, linked, and handheld bingo and the associated selling costs and prize expenses are included in the consolidated statement of income in the same period the game is played. Revenue from bingo slot machines is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

Casinos:

Revenues from casino slot machines and table games are recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

(F) PRIZE EXPENSES:

The Corporation has changed its accounting policy for prize expenses. Lottery prize expenses are recorded based on the actual prize liability experienced for each game. The adoption of this policy better reflects the actual results of the lottery business unit.

Prior to fiscal 2006-2007, lottery prizes were based on the theoretical prize liability. The actual expense incurred each year will vary from theoretical prize expense based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. The effect of this change on both the 2006 and 2007 fiscal years presented in these consolidated financial statements is not significant. As a result, there is no restatement of the prior period.

Expired prize funds are to be paid out to the player in the form of bonus prizes and/or bonus draw promotions.

(G) SOFTWARE DEVELOPMENT COSTS:

Software development costs are deferred if they meet certain criteria specified by Canadian generally accepted accounting principles, otherwise they are expensed as incurred.

(H) INCOME TAXES:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(I) ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include pension plan assets, liabilities and expenses, and Goods and Services Tax liability and expense. Actual results could differ from those estimates.

Years ended March 31, 2007 and 2006

(in thousands of dollars)

3. CASH AND SHORT-TERM INVESTMENTS:

The Corporation considers deposits in banks and short-term investments with original maturities of one year or less as cash and short-term investments. The Corporation's short-term investments are recorded at cost, which approximates current market value. The major components of cash and short-term investments are as follows:

	2007	2006
Cash (overdraft)	\$ (4,338)	\$ (2,568)
Short-term investments with the British Columbia Investment Management Corporation	111,884	83,878
	\$ 107,546	\$ 81,310

Cash and short-term investments include an amount of \$6,163 (2006 - \$3,478) held in trust in accordance with the Casino Operational Services Agreement (COSA) between BCLC and the participating Service Providers.

A corresponding trust liability in the amount of \$6,163 (2006 - \$3,478) is also included in accounts payable and accrued liabilities (see note 8).

4. ACCOUNTS RECEIVABLE:

	2007	2006
Trade accounts receivable:		
Lottery retailers	\$ 24,499	\$ 21,030
Casino service providers	15,698	13,060
Bingo service providers	3,426	2,025
	43,623	36,115
Casino cash floats	32,075	32,925
Other	6,745	4,927
Total accounts receivable	\$ 82,443	\$ 73,967

Casino cash floats provided by the Corporation are secured by Irrevocable Standby Letters of Credit.

Years ended March 31, 2007 and 2006

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan (RPP) and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2007	2006	2007	2006
ACCRUED BENEFIT OBLIGATION:				
Balance at beginning of year	\$ 68,658	\$ 62,570	\$ 33,128	\$ 32,189
Current service cost	2,912	2,908	1,792	1,893
Interest cost	3,813	3,802	2,073	2,036
Employee contributions	1,451	1,508	—	—
Past service cost	—	—	—	(5,704)
Benefits paid	(3,493)	(3,142)	(458)	(429)
Curtailments	—	—	—	(2,915)
Actuarial loss	8,161	1,012	3,384	6,058
Balance at end of year	81,502	68,658	39,919	33,128
PLAN ASSETS:				
Fair value at beginning of year	65,829	55,660	—	—
Actual return on plan assets	6,889	7,811	—	—
Employer contributions	7,377	3,992	458	429
Employee contributions	1,451	1,508	—	—
Benefits paid	(3,493)	(3,142)	(458)	(429)
Balance at end of year	78,053	65,829	—	—
Funded status - deficiency	(3,449)	(2,829)	(39,919)	(33,128)
Employer contributions after measurement date	179	—	—	—
Unamortized past service cost	762	879	(5,297)	(5,704)
Unamortized net actuarial loss	14,441	8,596	17,762	15,291
Accrued pension plan benefit asset (liability)	\$ 11,933	\$ 6,646	\$ (27,454)	\$ (23,541)

PLAN ASSETS BY ASSET CATEGORY:

	2007	2006
Equity securities	64%	59%
Debt securities	36%	41%
	100%	100%

Years ended March 31, 2007 and 2006

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS (CONTINUED):

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made as of March 31, 2006 by Mercer Human Resource Consulting, a firm of consulting actuaries. The next required valuation will be as of March 31, 2009, with results available in late 2009. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2007	2006	2007	2006
AT BEGINNING OF PERIOD:				
Discount rate	5.5%	6.0%	5.5%	6.0%
Expected rate of return on plan assets	7.0%	7.0%	—	—
Rate of compensation increase	3.0%	4.0%	—	—
Health care cost trend rate:				
2006/2007	—	—	7.02%	6.82%
Ultimate	—	—	4.52%	4.49%
Year ultimate reached	—	—	2012	2011
AT END OF PERIOD:				
Discount rate	5.3%	5.5%	5.4%	5.5%
Rate of compensation increase	5.0%	3.0%	—	—
Health care cost trend rate:				
2007/2008	—	—	6.60%	7.02%
Ultimate	—	—	4.50%	4.52%
Year ultimate reached	—	—	2012	2012

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2007	2006	2007	2006
Current service cost, net of employees' contributions (including provision for plan expenses)	\$ 2,912	\$ 2,908	\$ 1,792	\$ 1,893
Interest cost	3,813	3,802	2,073	2,036
Actual return on plan assets	(6,889)	(7,811)	—	—
Actuarial loss on accrued benefit obligation	8,161	1,012	3,384	6,058
(Negative) past service cost	—	—	—	(5,704)
Costs arising in the year	7,997	(89)	7,249	4,283
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	2,194	3,828	—	—
Actuarial gain	(8,039)	(602)	(2,471)	(5,463)
Plan amendment	117	117	—	—
(Negative) past service cost	—	—	(407)	5,704
Net benefit cost recognized	\$ 2,269	\$ 3,254	\$ 4,371	\$ 4,524

Years ended March 31, 2007 and 2006

(in thousands of dollars)

6. PROPERTY, PLANT AND EQUIPMENT:

	2007			2006
	Cost	Accumulated amortization	Net	Net
Land	\$ 700	\$ –	\$ 700	\$ 700
Corporate facilities and equipment	28,058	25,336	2,722	3,184
Corporate information systems	28,184	22,153	6,031	4,867
Lottery gaming systems and equipment	95,980	56,338	39,642	43,234
Casino gaming systems and equipment	176,836	119,035	57,801	75,963
Bingo gaming systems and equipment	44,049	31,035	13,014	12,939
	\$ 373,807	\$ 253,897	\$ 119,910	\$ 140,887

7. REVENUE:

	2007	2006
LOTTERY:		
Keno	\$ 230,023	\$ 231,619
Scratch & Win	169,684	185,544
Lotto 6/49	212,227	211,059
Lotto Super 7	86,243	84,934
Pull Tab	70,455	77,774
Extra	57,238	57,126
BC/49	53,105	57,452
Sports Action	45,259	38,351
Millionaire Life	11,555	–
Pacific Hold'Em Poker	35,558	–
Living Large Lottery	–	(178)
Daily 3	–	3,602
Chaser	–	3,942
Special Event	4,195	3,631
PayDay	7,108	2,706
Racetrax	1,564	4,260
SportsFunder	12,453	5,519
Interactives	747	17
	997,414	967,358
BINGO:		
Bingo Paper	82,685	87,996
Electronic Bingo	70,234	70,508
Linked Bingo	11,078	11,001
Handheld Bingo	13,222	13,385
Bingo slot machines – net win	41,684	25,112
	218,903	208,002
CASINO - NET WIN:		
Slot machines	869,855	762,298
Poker	20,794	14,599
Table games	318,242	308,449
	1,208,891	1,085,346
Total revenue	\$2,425,208	\$2,260,706

Years ended March 31, 2007 and 2006

(in thousands of dollars)

8. MARKETING TRUST ACCOUNT (MTA):

The Marketing Trust Account (MTA) was implemented between BCLC and Casino Service Providers who are provided with more than 300 slot machines. Under the terms of the Casino Operational Services Agreement (COSA), Service Providers are required to contribute to this account for the purpose of funding casino marketing programs promoting the Corporation's casinos in a socially responsible manner.

In the event that the amount contributed to the Trust Account by the Casino Service Providers in any fiscal year of BCLC commencing April 1, 2006 is not expended on marketing programs promoting the casinos by the last day of the following fiscal year of BCLC, any such balance shall be repaid to the Casino Service Providers.

The Corporation has included the activities of the MTA in its consolidated financial statements pursuant to Accounting Guideline 15 — Consolidation of Variable Interest Entities.

Amounts related to the MTA are as follows:

	2007	2006
MTA contributions and interest	\$ 12,400	\$ 4,984
MTA unearned contributions	(2,685)	(1,761)
MTA income	9,715	3,223
MTA expenditures	(9,715)	(3,223)
Net MTA income	\$ —	\$ —

Amounts included in cash (note 3) and accounts payable and accrued liabilities related to the MTA are as follows:

	2007	2006
Opening MTA trust assets and liabilities	\$ 3,478	\$ 1,717
Current year unearned MTA contributions	2,685	1,761
Ending MTA trust assets and liabilities	\$ 6,163	\$ 3,478

9. NET HORSE RACING BETTING FEES:

Pursuant to section 16 of the *Gaming Control Act*, BCLC is responsible for the collection and distribution of horse racing fees in the province of British Columbia. The rates of fee collection and the responsibility for their distribution are set forth in the *Act*. The amount shown as net horse racing betting fees in these statements is the portion of those fees collected by BCLC and then remitted to Government, and approximates the cost of regulating the industry as determined by the Gaming Policy and Enforcement Branch (GPEB).

	2007	2006
Revenue collected from the horse racing industry	\$ 6,588	\$ 6,794
Less: revenue returned to the horse racing industry	(4,710)	(4,916)
Net horse racing betting fees	\$ 1,878	\$ 1,878

Years ended March 31, 2007 and 2006

(in thousands of dollars)

10. INTEGRATED ILLEGAL GAMING ENFORCEMENT TEAM EXPENSES:

In February 2003, based on direction from the provincial government, the Integrated Illegal Gaming Enforcement Team (IIGET) was established. The expenditures required to fund the IIGET are provided by British Columbia Lottery Corporation pursuant to a Sponsoring Agreement with the Province. IIGET is a specialized division of the Royal Canadian Mounted Police that works cooperatively with Gaming Policy and Enforcement Branch to provide a comprehensive and integrated approach to the investigation and enforcement of the criminal code as it relates to illegal gaming activities in British Columbia.

11. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

12. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized as a direct expense. The Corporation's share of the ILC's interest income less operating expenses is included in interest and other expense.

13. COMMITMENTS:

The Corporation is committed to payments under operating leases for premises.

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

2008	2,314
2009	1,185
2010	884
2011	526
2012	162

14. CONTINGENCIES:

The Corporation has been named a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

15. RELATED PARTY TRANSACTIONS:

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. FINANCIAL INSTRUMENTS:

The carrying values of cash and short-term investments, accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation approximate their fair value due to the relatively short period to maturity of these items or because they are receivable or payable on demand.

Year ended March 31, 2007 and 2006

(in thousands of dollars)

17. SECTOR ACTIVITY INFORMATION:

Year ended March 31, 2007					
	Lottery	Casino	Bingo	Horse Racing	Consolidated
Revenue	\$ 997,414	\$ 1,208,891	\$ 218,903	\$ –	\$ 2,425,208
Direct expenses:					
Prizes	543,501	–	107,345	–	650,846
Commissions	67,836	408,897	51,713	–	528,446
Ticket printing and bingo paper	17,575	–	2,011	–	19,586
	628,912	408,897	161,069	–	1,198,878
Revenue less direct expenses	368,502	799,994	57,834	–	1,226,330
Operating expenses:					
Administrative expenses	58,790	39,782	8,156	–	106,728
Amortization	13,777	43,285	6,962	–	64,024
Interest and other expense	1,161	462	963	–	2,586
Marketing Trust Account:					
Marketing Trust Account income	–	(9,715)	–	–	(9,715)
Marketing Trust Account expenditures	–	9,715	–	–	9,715
Net income from operations	294,774	716,465	41,753	–	1,052,992
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming					
Enforcement Team expenses	(409)	(1,090)	(101)	–	(1,600)
Goods and Services Tax expense	(12,712)	(16,813)	(4,947)	–	(34,472)
Net income	\$ 281,653	\$ 698,562	\$ 36,705	\$ 1,878	\$ 1,018,798

Years ended March 31, 2007 and 2006

(in thousands of dollars)

17. SECTOR ACTIVITY INFORMATION (CONTINUED):

Year ended March 31, 2006					
	Lottery	Casino	Bingo	Horse Racing	Consolidated
Revenue	\$ 967,358	\$ 1,085,346	\$ 208,002	\$ –	\$ 2,260,706
Direct expenses:					
Prizes	530,263	–	111,214	–	641,477
Commissions	64,754	369,879	49,032	–	483,665
Ticket printing and bingo paper	18,757	–	1,880	–	20,637
	613,774	369,879	162,126	–	1,145,779
Revenue less direct expenses	353,584	715,467	45,876	–	1,114,927
Operating expenses:					
Administrative expenses	57,756	37,203	8,202	–	103,161
Amortization	11,389	36,365	5,023	–	52,777
Interest and other expense	15	2,794	1,014	–	3,823
Marketing Trust Account:					
Marketing Trust Account income	–	(3,223)	–	–	(3,223)
Marketing Trust Account expenditures	–	3,223	–	–	3,223
Net income from operations	284,424	639,105	31,637	–	955,166
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming					
Enforcement Team expenses	(398)	(989)	(87)	–	(1,474)
Goods and Services Tax expense	(12,747)	(16,474)	(3,652)	–	(32,873)
Net income	\$ 271,279	\$ 621,642	\$ 27,898	\$ 1,878	\$ 922,697

18. COMPARATIVE FIGURES:

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

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British Columbia Partnership for Responsible Gambling:
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Our Commitment to British Columbia

