

driving our future





Making headway in a rough economy takes unyielding resolve and a steady course. BCLC has worked diligently these 12 months to reinforce our core infrastructure and engineer innovative systems and products to drive future success.



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Honourable Rich Coleman
Minister of Housing and Social Development
and Minister responsible for BCLC

statement of accountability

On behalf of BCLC, our Board of Directors, senior leadership team and employees, it is my privilege to submit the Annual Service Plan Report for the fiscal year ended March 31, 2010.

BCLC's 2009/10 Annual Service Plan Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of this report, including what is contained in the report and how it has been reported.

The information presented has been prepared in accordance with the B.C. Reporting Principles and reflects the actual performance of BCLC for the 12 months ended March 31, 2010, in relation to the Service Plan Update 2009/10–2011/12. The measures presented are consistent with BCLC's mission and goals, and focus on aspects critical to the organization's performance.

All significant decisions, events and identified risks, as of March 31, 2010, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any significant changes in mandate direction, goals, strategies, measures or targets made since the Service Plan Update was released in September 2009, and any significant limitations in the reliability of data, are identified in the report.

The Board is responsible for ensuring that management has developed and implemented appropriate internal controls to ensure that performance information is measured and reported accurately and in a timely fashion.

Respectfully submitted,



John McLernon
Chair, Board of Directors

on course



MICHAEL GRAYDON
PRESIDENT & CEO

JOHN MCLERNON
CHAIR, BOARD OF DIRECTORS

As we celebrate 25 years of providing outstanding gambling entertainment, we are reflecting on the significant contribution we have made to support provincial and local priorities since 1985, generating over \$12.4 billion in net income to benefit the people and communities of B.C. Today, we have a renewed focus on driving new opportunities to enhance player experiences and secure sustainable net income for the continued benefit of British Columbians.

BCLC made key decisions in 2009/10 that will set the course for our future.

As consumer patterns and preferences shift with the convergence of technology, the prominence of social media and interactive forms of entertainment, we are enhancing our core brands while investing in innovative new products to meet evolving player interests. Perhaps the most exciting example of this is when we announced BCLC would be the first regulated gambling company in North America to offer peer-to-peer poker and other casino games on PlayNow.com, our secure online gambling site. We also launched LOTTO MAX, the first new national lottery game in 15 years, and opened new community gaming centres in Abbotsford and Squamish.

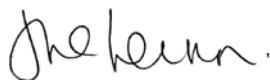
We continue to balance these strategic investments with prudent cost management during economically challenging times. For the fourth consecutive year, we delivered over \$1 billion in net income to our shareholder, the Government of B.C. While this year's net income of \$1.08 billion was \$50.9 million less than target, it is just \$11.6 million short of the record net income we delivered in 2008/09. Total net win of \$1.94 billion was \$90.6 million short of target and \$10.8 million less than last year. We were again successful at achieving savings in capital spending, which at \$92.5 million was \$35 million less than budget and \$4.9 million less than last year.

Looking ahead, renewed infrastructure and new technologies are key to sustained revenue growth. Our five-year plan is to build new levels of connectivity into our systems, to deliver seamless customer service across all of our business channels and establish a platform for sustainable revenue generation.

Equally integral to our future is a firm, ongoing commitment to corporate social responsibility (CSR). In the midst of a tough economy, we formalized our commitment to act in an economically, environmentally and socially responsible manner with BCLC's CSR Charter: Playing it Right. The charter was developed with direct input from all BCLC employees, a testament to our high levels of employee engagement and status as one of Canada's best employers. Responsible gambling and our GameSense program are also central pillars of our CSR strategy. This year, BCLC attained the highest level of responsible gambling certification from the World Lottery Association and was recognized as a "leader in North America."

Finally, in February and March we joined all British Columbians in welcoming the world as an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games. We're proud to say that BCLC gave over 1,000 British Columbians the chance to experience the 2010 Winter Games first-hand through lottery prizes and community contests, and brought the spirit of 2010 to communities throughout B.C. with our BCLC 2010 Winter Games Dome.

As we move forward with our goals and priorities, driven by the passion, dedication and innovation of our employees, we are confident that BCLC is on course for continued success. With an enhanced focus on our customer and a fortified commitment to CSR, we are taking steps to ensure BCLC continues to deliver strong results to the Province of B.C. in the years ahead. In short, our actions today are driving our future.



John McLernon
Chair, Board of Directors



Michael Graydon
President & CEO

geared to benefit B.C.

Our mission and values reflect the vital connection we share with the people and province of British Columbia. We believe that superior and sustained performance is tied to superior and sustained social responsibility. It's about more than being a good corporate citizen. It's a part of who we are, because we live here too.

For more, please visit www.bclbc.com/cm/aboutbclbc



OUR MISSION

We create outstanding gaming experiences.

OUR VALUES

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

Social Responsibility: everything we do is done with consideration of its impact on and for the people and communities of British Columbia.

Respect: we value and respect our players, service providers and each other.

OUR MANDATE

Following amendments to the *Criminal Code of Canada* in 1969 and enabling legislation, BCLC was incorporated in October 1984 and operates under the *Gaming Control Act* (2002) of British Columbia. On behalf of the Government of B.C., BCLC is mandated to conduct, manage and operate:

- lottery gaming, including the marketing of nationwide and regional lottery games with other Canadian provinces
- casino gaming
- commercial bingo gaming
- eGaming

REGULATION AND AUTHORITY

The gaming industry in B.C. is operated and regulated under the authority and direction of the Minister of Housing and Social Development. The Gaming Policy and Enforcement Branch (GPEB) of the Ministry develops and oversees policy, legislation and standards, licenses charitable events and horse racing, registers gaming workers and service providers, certifies gaming supplies and equipment, investigates allegations of wrongdoing that may affect the integrity of gaming, conducts audits of the gaming industry to ensure compliance and directs all of Government's responsible gambling initiatives.

GPEB also distributes Government gaming proceeds, such as community gaming grants, to local and charitable organizations and conducts audits of charitable gaming to ensure compliance.

BCLC ACROSS B.C.

Most BCLC products are sold by private sector service providers who provide day-to-day operations under contract to BCLC. This includes over 4,000 lottery retailers, 17 casinos, 15 community gaming centres and 13 commercial bingo halls. Online play of select games is offered on PlayNow.com in a secure, regulated environment.

Our corporate offices include Kamloops, our Head Office, mainly responsible for finance, administration and information technology, and Richmond, which oversees sales and marketing. Our operations are further supported by staff in field locations throughout B.C.

B.C. Lottotech International Inc. is our wholly owned subsidiary that purchases capital assets for lease to BCLC. All acquisitions are budgeted, reviewed and approved by our Board of Directors and consolidated in BCLC financial statements.

PARTNERING IN BUSINESS

BCLC business partnerships play a key role in providing service to customers across the province. In turn, significant income is generated for these family stores, shops, pubs, corporate accounts and gaming facility service providers. In 2009/10, BCLC paid \$569.9 million in commissions to our private sector service providers.

BENEFITING BRITISH COLUMBIANS

Once prizes are awarded, service provider commissions are paid and BCLC operating costs are covered, the remaining net income is delivered to the Government of B.C. to support health care, education, social, charitable and municipal programs that benefit British Columbians every day. A small portion of BCLC net income is also remitted to the Government of Canada. For more information, see the Annual Benefits to B.C. chart on page 07 or visit www.bclc.com/cm/wherethemoneygoes/home.htm.

This year, more than 5,000 community and charitable organizations in B.C. benefited from community gaming grants administered by GPEB in the areas of public safety, youth and disabled sports, people in need, fairs, festivals, museums and community services such as preschools. For more information, please visit www.eia.gov.bc.ca/gaming/grants.

WORKING FOR B.C.

In addition to our direct workforce, BCLC provides livelihoods for citizens across B.C. About 26,000 people are directly or indirectly employed in gaming operations, related government agencies and charities, as well as support services.*

* Data source: Economic Impact of the Canadian Gaming Industry: Key Findings Report—HLT Advisory Inc. (April 2008).

2009/10 milestones

FINANCIAL DASHBOARD

In 2009/10, BCLC achieved \$1,079.1 million in net income, \$50.9 million less than target and slightly under 2008/09 levels by \$11.6 million. We delivered \$1,070.4 million to our shareholder, the Government of British Columbia, to support public programs, and \$8.7 million was remitted to the Government of Canada. See details in Management Discussion and Analysis.

PERFORMANCE

In 2009/10, BCLC had four corporate goals with 13 performance measures as detailed in our 2009/10–2011/12 Service Plan Update (September 2009). We met our player satisfaction and public support for gaming targets, and exceeded our targets for player awareness of responsible gambling activities, greenhouse gas emissions and employee engagement. Our net income and net win targets were not achieved, though we surpassed our target for operating cost ratio. We were just short of reaching our player participation and public trust and confidence in BCLC games targets. For more information, please see Report on Performance.

PIVOTAL PLAY

In 2009/10, we introduced new games and refreshed our current products to deliver new levels of entertainment to our players. The fall 2009 launch of LOTTO MAX marked the first new national lottery game in over 15 years and quickly set a record for the largest total top-prize money in Canadian history. We made history again in August when we announced that BCLC would be the first regulated gambling company in North America to offer online casino-style games like poker, Blackjack and Roulette on PlayNow.com, our secure gambling website.

Proposition betting was added to our Sports Action lineup, giving players the chance to bet on a range of sports moments within a game. We also revitalized Keno, one of our core lottery products, introducing four-minute Keno and adding Pattern Play in response to customer demand.

FORWARD-LOOKING FACILITIES

Chances community gaming centres opened in Squamish and Abbotsford, each with 125 slot machines, electronic bingo stations and full-service eateries. 2009/10 highlights for our other gaming facilities include a dedicated room for poker players at River Rock Casino Resort in Richmond, upgrades to Great Canadian Casinos View Royal and cutting-edge, fully electronic table games with virtual dealers at Lake City Casino Vernon.

LEADING RESPONSIBLY

We formalized our commitment to social, economic and environmental responsibility in BCLC's Corporate Social Responsibility (CSR) Charter: Playing it Right. We also achieved the highest level of responsible gambling certification, Level 4, from the World Lottery Association, who deemed BCLC a "leader in North America."

GameSense, our responsible gambling program, was central to this achievement. In 2009/10, we continued to build our GameSense profile in all gaming facilities across the province, and aired GameSense public service announcements on television, the first-ever responsible gambling TV ads in B.C.

STEERING SUSTAINABLY

This year, we reduced our reportable carbon emissions and recruited a dedicated environmental sustainability specialist to further integrate "green" strategies into our programs, products and partnerships. We also spearheaded an environmental sustainability working group with membership from gaming organizations across Canada, to explore and share sustainability ideas, best practices and benchmarks.

CONNECTING CUSTOMERS

We invested in several major infrastructure projects to streamline our operations and build new levels of customer understanding into our products and services. Behind the scenes, we're connecting systems and linking information across our gaming channels to:

- provide more consistent, seamless service to customers regardless of where and how they choose to play
- gain greater insight into player preferences and trends so we can quickly adapt to evolving customer interest and continue to deliver innovative new products and services

annual benefits to B.C. Every year, BCLC net income supports a variety of government initiatives. Here is a summary of how Government distributed BCLC's 2009/10 net income of \$1,079.1 million.

\$ 648.8 MILLION

Government dedicated the largest portion of net income, which totalled \$648.8 million, to consolidated revenue.

\$ 147.3 MILLION

Government dedicated \$147.3 million to the Health Special Account for the administration, operation and delivery of health care, research, education and promotion.

\$ 112.5 MILLION

More than 5,000 charitable and community organizations received \$112.5 million in gaming grants administered by the Gaming Policy and Enforcement Branch (GPEB). For more information, please visit www.hsd.gov.bc.ca/gaming/grants/index.htm.

\$ 47.6 MILLION

GPEB allocated \$47.6 million to support Government priorities not traditionally funded by gaming grants, such as CommunityLink and the B.C. Arts Council. Responsibility for funding these programs has been returned to their respective ministries for 2010/11.

\$ 81.9 MILLION

Host local governments with a casino or community gaming centre receive a share of net income from that facility to support programs in their community. \$81.9 million was distributed to 28 host communities.

\$ 14.6 MILLION

GPEB received \$14.6 million for regulatory oversight of BCLC, gaming service providers and workers, B.C.'s horse racing industry, lottery retailers and licensed charitable gaming events.

\$ 8.7 MILLION

The Government of Canada received \$8.7 million under a long-standing agreement with the provinces on the withdrawal of the Federal Government from the lottery field.

\$ 6.9 MILLION

The horse racing industry received \$6.9 million, which was divided among standardbred and thoroughbred sectors.

\$ 5.6 MILLION

Development Assistance Compensation of \$5.6 million helped B.C. casino, racecourse casino and community gaming centre service providers upgrade or renovate facilities to enhance amenities and player experiences.

\$ 5.2 MILLION

Government directed \$5.2 million to responsible gambling research, treatment and prevention initiatives, including the Problem Gambling Program managed by GPEB.

The BCLC casino and community gaming revenue tables show all revenue generated by B.C. gaming facilities on behalf of BCLC for 2009/10 as compared to 2008/09. Slot machine and table game revenue is recorded as “net win,” which is revenue after prizes are paid. Bingo revenue is recorded as “sales,” which is revenue before prizes are paid.

Each year, local governments that host casinos or community gaming centres receive a share of net income generated by those facilities. The host local government share tables show provincial payments made to host local governments in 2009/10 as compared to 2008/09.

BCLC casino revenue

Casino	Service Provider	No. of Slot Machines	Slot Machine Revenue 2009/10	No. of Tables	Table Game Revenue 2009/10	Total Casino Revenue 2009/10	Total Casino Revenue 2008/09
(in thousands of dollars)							
Billy Barker Casino, Quesnel	585 Holdings Ltd.	138	\$ 9,102	5	\$ 325	\$ 9,427	\$ 10,170
Boulevard Casino, Coquitlam	Great Canadian Casinos Inc.	1003*	118,053	68	43,194	161,247	173,996
Cascades Casino, Langley	Gateway Casinos and Entertainment Inc.	811	99,979	28	19,055	119,034	115,196
Casino of the Rockies, Cranbrook	SEM Resort Limited Partnership	226	14,121	11	1,025	15,146	16,025
Edgewater Casino, Vancouver	Edgewater Casinos ULC	520	60,355	76	57,477	117,832	120,451
Fraser Downs Racetrack and Casino, Surrey	Orangeville Raceway Ltd.	461	45,469	11	5,581	51,050	54,741
Grand Villa Casino, Burnaby	Gateway Casinos and Entertainment Inc.	1002*	125,018	49	61,724	186,742	172,798
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	406	40,838	8	3,322	44,160	47,614
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	602*	70,744	14	8,328	79,072	80,292
Hastings Racecourse Casino, Vancouver	Hastings Entertainment Inc.	596	22,709	-	-	22,709	18,006
Lake City Casino Kamloops	Gateway Casinos and Entertainment Inc.	301	30,894	8	2,645	33,539	35,316
Lake City Casino Kelowna	Gateway Casinos and Entertainment Inc.	367	34,333	11	4,014	38,347	45,733
Lake City Casino Penticton	Gateway Casinos and Entertainment Inc.	250	26,330	12	2,225	28,555	29,423
Lake City Casino Vernon	Gateway Casinos and Entertainment Inc.	406*	35,135	-	260	35,395	29,477
River Rock Casino Resort, Richmond	Great Canadian Casinos Inc.	985	108,659	113	116,795	225,454	233,014
Starlight Casino, New Westminster	Gateway Casinos and Entertainment Inc.	864	73,909	54	38,707	112,616	116,365
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	500	38,951	10	2,348	41,300	42,623
Total		9,438	\$ 954,599	478	\$ 367,025	\$ 1,321,625	\$ 1,341,240

* No. of Slot Machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

Lake City Casino Vernon moved to a new location and discontinued the use of table games effective June 10, 2009. Table Game Revenue reflects revenue from April 1, 2009 to June 10, 2009.

BCLC community gaming revenue

Community Gaming Centre or Commercial Bingo Hall	Service Provider	No. of Slot Machines	Slot Machine Revenue 2009/10	No. of Bingo Seats	Bingo Revenue 2009/10	Total Community Gaming Revenue 2009/10	Total Community Gaming Revenue 2008/09
(in thousands of dollars)							
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	-	\$ -	193	\$ 4,793	\$ 4,793	\$ 5,242
Boardwalk Gaming Centre, Burnaby	427967 BC Ltd. (DBA Bingo Country)	-	-	526	4,931	4,931	5,139
Chances Abbotsford	Playtime Peardonville Ventures Ltd.	125*	10,762	258	1,388	12,150	1,411
Chances Boardwalk Mission	Boardwalk Gaming Mission Inc.	100*	9,792	238	1,438	11,230	11,662
Chances Boardwalk Squamish	Boardwalk Gaming Squamish Inc.	125*	830	156	93	923	-
Chances Campbell River	Playtime Community Gaming Centres Inc.	125*	10,336	232	1,837	12,173	12,761
Chances Courtenay	Playtime Community Gaming Centres Inc.	100*	11,971	223	2,039	14,010	13,712
Chances Cowichan, Duncan	Duncan Dabber Bingo Society	100*	13,039	295	2,820	15,859	15,824
Chances Dawson Creek	Great Canadian Entertainment Centres Ltd.	142*	11,667	228	871	12,538	13,060
Chances Fort St. John	243045 Alberta Ltd.	142*	12,896	110	693	13,589	15,231
Chances Good Time Prince George	Good Time Bingo Hall Inc.	-	698	-	1,793	2,491	14,390
Chances Kamloops	Enterprise Entertainment Ltd.	72	6,366	586	4,774	11,140	12,457
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	150	22,994	518	8,058	31,052	25,846
Chances Prince Rupert	0733244 BC Ltd.	100*	7,055	120	1,582	8,637	10,080
Chances RimRock, Port Alberni	Alberni Valley Gaming Association	75*	7,008	180	1,689	8,697	9,462
Chances Signal Point, Williams Lake	Lucky's Ventures Ltd.	100*	8,905	349	2,979	11,884	13,460
Chances Terrace	Lucky Dollar Bingo Management Ltd.	75*	7,656	184	2,146	9,802	5,491
Chilliwack Bingo	Chilliwack Bingo Association	-	-	500	11,133	11,133	11,305
Fairweather Bingo Hall, Vernon	Terrim Properties Ltd.	-	-	300	4,221	4,221	4,298
Haney Bingo Plex, Maple Ridge	Great Canadian Entertainment Centres Ltd.	-	-	350	6,529	6,529	6,989
Harbour City Bingo Hall, Nanaimo	Harbour City Bingo Society	-	-	656	5,483	5,483	5,870
Playtime Gaming, Langley	Playtime Community Gaming Centres Inc.	50	1,984	352	5,918	7,902	7,450
Newton Bingo Country, Surrey	427967 BC LTD. (DBA Bingo Country)	-	-	653	9,276	9,276	10,383
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	-	-	450	2,571	2,571	3,213
Planet Bingo, Vancouver	Community Gaming Management Association	-	-	654	10,115	10,115	11,416
Playtime Bingo Nanaimo	Playtime Community Gaming Centres Inc.	-	-	476	2,551	2,551	2,863
Playtime Bingo Victoria	Playtime Community Gaming Centres Inc.	-	-	531	3,291	3,291	3,595
Rocky Mountain Bingo, Cranbrook	Terrim Properties Ltd.	-	-	220	1,394	1,394	1,459
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	-	-	628	6,851	6,851	-
Total Community Gaming Centres & Commercial Bingo Halls		1,581	\$143,959	10,166	\$ 113,257	\$ 257,216	\$ 254,069
Independent Bingo Hall Ka-Chingo Sales						352	411
Paper Bingo Distribution Revenue						243	246
Total						\$ 257,811	\$ 254,726

* No. of Slot Machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

Abbotsford Bingo closed on September 13, 2008 and reopened as Chances Abbotsford on June 18, 2009.

Chances Boardwalk Squamish opened in February 2010.

Chances Good Time Prince George closed June 6, 2009. Effective June 18, 2009, the site's bingo operations moved to Treasure Cove Casino. Treasure Cove Casino slot machine revenue is reported on the BCLC casino revenue table.

Lucky Dollar Bingo Palace closed January, 2009 and reopened as Chances Terrace.

host local government share of casino revenue

Local Government	Casino	Total 2009/10	Total 2008/09
(in thousands of dollars)			
Burnaby	Grand Villa Casino	\$ 10,274	\$ 9,894
Coquitlam	Boulevard Casino	8,811	9,677
Langley	Cascades Casino	6,728	6,745
Kamloops	Lake City Casino	2,007	2,148
Kelowna	Lake City Casino	2,262	2,755
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies	1,426	1,681
Nanaimo	Great Canadian Casinos Nanaimo	2,639	2,899
New Westminster	Starlight Casino	6,058	6,346
Penticton	Lake City Casino	1,635	1,717
Prince George	Treasure Cove Casino	2,404	2,510
Quesnel	Billy Barker Casino	576	633
Richmond	River Rock Casino Resort	11,659	12,100
Surrey	Fraser Downs Racetrack and Casino	2,955	3,209
Vancouver	Edgewater Casino	6,266	6,464
	Hastings Racecourse Casino	1,356	1,077
Vancouver Total		7,622	7,541
Vernon	Lake City Casino	2,079	1,800
View Royal	Great Canadian Casinos View Royal	4,596	4,798
Total		\$ 73,731	\$ 76,453



host local government share of community gaming centre revenue

Local Government	Community Gaming Centre	Total 2009/10	Total 2008/09
(in thousands of dollars)			
Abbotsford	Chances Abbotsford	\$ 566	\$ -
Campbell River	Chances Campbell River	551	637
Courtenay	Chances Courtenay	623	658
Dawson Creek	Chances Dawson Creek	614	700
Cowichan Indian Band	Chances Cowichan	706	753
Fort St. John	Chances Fort St. John	683	823
Kamloops	Chances Kamloops	347	386
Kelowna	Chances Kelowna	1,249	1,028
Langley	Playtime Gaming Langley	101	24
Mission	Chances Boardwalk Mission	519	583
Port Alberni	Chances RimRock	365	425
Prince George	Chances Goodtime Prince George	42	204
Prince Rupert	Chances Prince Rupert	356	521
Squamish Nation	Chances Boardwalk Squamish	49	-
Terrace	Chances Terrace	406	93
Williams Lake	Chances Signal Point	436	572
Total		\$ 7,613	\$ 7,407

Chances Good Time Prince George closed June 6, 2009.
Chances Boardwalk Squamish opened in February 2010.
Chances Abbotsford opened in June 2009.



sustainability in motion

playing it right captures the essence of BCLC's commitment to social responsibility. It echoes our resolve to deliver outstanding gambling experiences while always considering the impact of our business on and for the people and communities of B.C. In the past 12 months, we have taken key steps to further embed social responsibility into the heart of our business.

Corporate Social Responsibility Charter

Our CSR Charter: Playing it Right is the product of direct and meaningful input from all our employees. It is a formal accord that captures the opportunity everyone at BCLC has to be a positive catalyst economically, socially and environmentally, as well as BCLC's accountability to be a transparent creator of benefits in the areas our business touches.

SOCIAL

Doing right by British Columbians: Everything we do is made possible by the trust that British Columbians have in us, so we want to give back by fostering responsible play, community growth and a great workplace.

ENVIRONMENTAL

Doing right by where we live: We will find innovative ways to reduce our environmental impact where and how we work.

ECONOMIC

Uplifting B.C.'s communities: We're dedicated to generating sustainable income for the people of B.C. and making positive economic contributions in the communities where we operate.

You can find BCLC's CSR Charter online at bclc.com

RESPONSIBLE PLAY

In addition to the \$5.4 million of BCLC's net income that Government directed towards responsible gambling research, treatment and prevention initiatives, BCLC spent more than \$3 million this year on responsible and problem gambling programs, including GameSense advertising.

BCLC's Level 4 accreditation in responsible gambling from the World Lottery Association earned our company accolades as a "leader in North America" that "should be considered for development of a case study as a best practice in the world." BCLC is one of just 13 jurisdictions to achieve this status.

GameSense public service announcements debuted in 2009/10 and became the first responsible gambling messages ever televised in B.C. GameSense helps customers make informed decisions when using our products or services, offering helpful information and dispelling common myths in an approachable, accessible manner. Today, responsible play information through GameSense spans all BCLC public touch points including:

- Interactive GameSense Information Centres in every casino and community gaming centre in the province. Trained GameSense Advisors staff information centres in casinos and interact with players, answering questions and giving information about how to keep gambling safe and fun.
- Prominent responsible play information available on electronic media, posters, brochures and decals in gaming facilities and lottery retailers provincewide.

PlayNow.com features industry-leading security and responsible gambling controls to provide a safe, fun environment for customers who choose to play online, including:

- Strict age and residency controls and identity verification using a leading Canadian credit bureau.
- Visible session logs that show a player's time and amount spent.
- Purchase history so players can track their spending for up to 52 weeks.
- Responsible play messaging on PlayNow.com and a dedicated GameSense web page on bclc.com.
- Username and password-protected accounts, secure payment methods and strict privacy measures.

Appropriate Response Training (ART) is an education program in B.C. designed to increase responsible gambling awareness and equip employees in the gaming industry with tools and knowledge to assist players. Mandatory ART training is provided to all new front-line gaming staff, management, security and lottery retailers by BCLC and GPEB prevention specialists. This year, we launched a new integrated learning platform to effectively deliver real-time online ART training to staff across B.C. Today, nearly 12,000 gaming partners are ART-certified.

The Voluntary Self-Exclusion (VSE) program helps players in their choice to abstain from gambling in B.C. gaming facilities or on PlayNow.com for a set timeframe determined by the individual. When someone enters the VSE program, they are encouraged to access free problem gambling counselling provided by Government, and may not reduce the length of their exclusion term or rescind the VSE agreement. This year, BCLC expanded the use of vehicle license plate recognition technology to identify and help impede self-excluded individuals from entering a gaming facility. The technology is now being successfully used at six B.C. casinos.

ENVIRONMENTAL INROADS

As a Crown corporation, BCLC must meet the carbon neutrality requirements set by Government. We're also interested in going beyond Government requirements to find creative ways of reducing our emissions and building sustainability into our business. In 2009/10, we focused on developing our sustainability strategy for the future while not losing sight of the actions we can take today.

- We hired a dedicated environmental sustainability specialist to provide vision and direction to our carbon neutrality and sustainability activities.
- We spearheaded a sustainability committee with membership from gaming organizations across Canada to collaborate on sustainability ideas, best practices and benchmarks.
- We began to formalize how we manage our environmental impacts through corporate policy and employee recognition schemes, and our employee-led green committee continued to drive workplace sustainability at the grassroots level.
- With fleet fuel as the second highest source of emissions at BCLC, we continued our program to convert our corporate vehicle fleet to hybrid technology. Over 40 per cent of BCLC's fleet now consists of hybrid vehicles.
- Our environmental efforts resulted in a reduction of 48 tonnes in our reportable carbon emissions, from 1,667 tonnes in 2008 to 1,619 tonnes in 2009.
- As part of ongoing efforts to "green" the places we work, we are committed to pursuing Leadership in Energy and Environmental Design (LEED) certification for our corporate offices in Kamloops and Metro Vancouver.
- For complete details about BCLC's sustainability efforts, please see our 2009 Carbon Neutral Action Report, available at www.livesmartbc.ca.

FUELLING OUR ECONOMY

BCLC provides income opportunities to about 4,000 lottery retailers, including family stores, retail shops, corporate accounts and age-restricted hospitality locations like pubs and bars. Each earns industry-standard sales commissions with potential to increase income through added incentive programs. We also contract with private sector service providers who operate casinos and community gaming centres for a percentage of the net win they generate.

In 2009/10, BCLC paid \$569.9 million in commissions and service fees to private sector service providers.



THE SPIRIT OF 2010

We are proud to have welcomed the world to B.C. as an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games. BCLC gave over 1,000 British Columbians once-in-a-lifetime opportunities to experience the 2010 Winter Games with coveted event ticket prizes awarded through SportsFunder products and contests. We also donated more than 130 event tickets to charity, including four tickets to Children's Wish Canada and over 100 tickets to KidSport™ Canada for children who may not have otherwise had the opportunity to experience this unforgettable event.

We believe the 2010 Winter Games belonged not just to Vancouver, but to all British Columbians. That's why we used the BCLC 2010 Winter Games Dome to help share the spirit of the Games with communities throughout the province. The massive, 5,000 sq. ft. four-dome tent visited 14 B.C. communities on its summer 2009 tour of fairs and festivals, giving visitors the opportunity to experience through sight, scent and touch what it's like to compete as a member of Canada's Olympic team. More than 140,000 people visited the Games Dome and over 60 event tickets were given away, including one pair of gold medal speed skating tickets at each of the communities the Games Dome visited on its provincewide tour.

For complete details on our Vancouver 2010 Winter Games sponsorship, please visit www.bclc.com/cm/aboutbclc/2010_sponsorship.htm.

COMMUNITY ENGAGEMENT

BCLC hosts community engagement forums with elected officials, municipal staff, police, health authorities, chambers of commerce and charities to discuss the social and economic impacts of gaming on a community and gain important feedback to support our operations. In 2009/10, we hosted community engagement forums in eight B.C. communities. Since 2006, BCLC has hosted 38 forums in 28 different communities. Meeting summaries are available online at www.bclc.com/cm/wherethemoneygoes/communityengagement.htm

on pace with players

Insight into what our players want today and expect in the future is helping us enhance the entertainment value and integrity of our products and customer service.

In 2009/10, we worked to gain greater insight into customer perspectives, purchasing patterns and trends, and made key investments in our products and infrastructure. Today more than ever, customers are driving our success as we look to keep pace with evolving player interests and innovatively provide outstanding gambling experiences.

REDEFINING PLAY

This year, we announced our plans to add casino-style games to PlayNow.com in response to growing customer demand for more diversity and dynamic online play. Soon, players in B.C. will be able to play popular games like peer-to-peer poker, Blackjack and Roulette on our secure, regulated gambling website. With millions of dollars being spent in British Columbia on offshore Internet gambling sites every year, we are excited to give our customers the opportunity to keep that money in the province, for the benefit of all British Columbians.

In Vernon, we piloted a new lottery retail environment that uses digital technology and advanced self-service features to provide a more convenient and simple customer experience. The digital signage provided players with faster, more accurate information about jackpots while the ability to check tickets and make new selections in one place reduced time spent in line. Over the next year, we plan to pursue this and other innovative market solutions to provide a holistic customer experience in our lottery environments.

Lake City Casino Vernon was the first gaming facility in B.C. to offer fully electronic table games with touch screens, digital inlays and virtual dealers to explain games in easy terms. Virtual Baccarat and electronic table game systems were introduced with great success at River Rock, Starlight and Boulevard casinos, and will be expanded in the coming years.

MAXIMIZING FUN

LOTTO MAX had a strong national debut last fall, giving players across the country the opportunity to share in record-setting jackpots. The \$25 million LOTTO MAX jackpot won in March was the largest win ever in B.C., capping off “Millionaire March,” a month that saw 4,100 lottery prize winners take home a record total of nearly \$53 million in prizes.

We made strides this year to enhance our suite of lottery products sold in age-restricted hospitality locations like pubs and bars. Sports Action Props, a 2009/10 addition to our Sports Action line-up, gives customers even more reasons to enjoy the big game with good company, as players can now bet on a variety of events within a sports game—from powerplay goals to touchdowns—in addition to game outcomes. Props is available at hospitality locations and other lottery retailers, and will be added to lottery self-service terminals in late 2010. Four-minute Keno gives players the chance to enjoy more games, while Pattern Play has added a fresh twist for long-time fans and new customers alike.

Tournaments and championships were a big hit with players again this year, from world-class events like the 2009 B.C. Poker Championships to provincial, regional and local tournaments in Blackjack, Mahjong, slot machines and more.

ENTERTAINING ANEW

Chances Squamish opened in 2009/10 bringing new excitement and player experiences to the Sea to Sky corridor, while Abbotsford saw its own Chances facility open in June 2009. Both facilities feature 125 slot machines, electronic bingo stations and full food and beverage services.

BCLC invested over \$3 million this year to enhance our product offerings at River Rock Casino in Richmond. Western Canada's largest casino now features a dedicated room for poker players, more space for table games and an additional 150 slot machines—including more space for the popular Race to Win games. Great Canadian Casinos View Royal was also upgraded with 120 more slot machines.

SECURING PLAYERS AND PARTNERS

We introduced bar code technology on new Scratch & Win products to allow players to instantly and securely validate Scratch & Win tickets using the Check-a-Ticket (CAT) terminals located at all BCLC lottery retailers. Customers can look for the “use the Check-a-Ticket” symbol on tickets featuring the CAT bar code. Please visit www.bclc.com/cm/aboutbclc/playerfirst for more.

Protecting the private information of our customers is paramount. In 2009/10, we worked to strengthen privacy processes throughout our organization, including building privacy impact assessments into the process for all new corporate projects, so our customers and partners can continue to feel confident their personal and private information is secure.

We continued to work with our casino and community gaming service providers to add to the top-quality security of B.C. gaming facilities. In 2009/10, we:

- Piloted the use of embedded computer chip technology in casino chips to reduce the potential for counterfeiting and other criminal activity.
- Increased online security training options for security staff in casinos and community gaming centres across the province.
- Collaborated with the RCMP and police departments throughout the lower mainland to help prevent loan-sharking and money laundering activities in B.C. casinos.
- Worked to improve our systems and processes for reporting suspected criminal activity to GPEB.

DRIVING CUSTOMER UNDERSTANDING

This year, we completed marketplace research to give us deeper insight into the game preferences, purchasing patterns and trends of our consumer base. Through this research, we're seeing a more complete view of our customers and how they use our products and services, which is guiding our efforts to meet their current and future needs.

leading by example

GOVERNANCE FRAMEWORK

As an agent of the Crown regulated by GPEB (Ministry of Housing and Social Development), BCLC is in compliance with Government disclosure requirements for public accountability and transparency detailed in *Best Practices Guidelines–B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations*, including Section 3 of the Board Resourcing and Development Office stipulations.

BCLC also has a formal governance framework outlining our:

- corporate mandate and mission
- principles and guidelines for our Board of Directors, Chair, Standing Committees and President & Chief Executive Officer (CEO)
- processes for strategic and succession planning
- procedures for Board performance evaluations

For more information on corporate governance at BCLC, please visit www.bclc.com/cm/aboutbclc/corporategovernance.htm

SHAREHOLDER'S LETTER OF EXPECTATIONS

Key to our governance framework is the Shareholder's Letter of Expectations (SLE), which clearly outlines our mutual commitment to deliver on performance expectations for the benefit of B.C. The SLE is reviewed annually with Government, updated as required and forms the basis for our three-year Service Plan and Annual Service Plan Report.

BOARD OF DIRECTORS

As per the *Gaming Control Act* (B.C.), and appointed by order of the Lieutenant-Governor in Council, BCLC's Board of Directors comprises nine members independent of management, chosen on the basis of expertise and experience. While BCLC's senior management attends all Board meetings, autonomy is maintained by convening an in-camera session at the end of every meeting.

Fundamentally, the Board provides stewardship and ethical leadership of BCLC with a view to BCLC's long-term success in the best interests of the shareholder, the Government of B.C., as well as ensuring our governance framework reflects strong business practices aligned with Crown principles.

Overall Board duties include:

- overseeing the conduct of BCLC management, which is responsible for day-to-day operations
- participating with management in the development of BCLC's mission, vision, values, business and service plans, priorities, capital and operational budgets, and approving the same
- providing advice on major policies relating to human resources, compensation, stakeholder communications and risk management
- reviewing risk factors and implementing resolution strategies
- evaluating annual financial results and measuring performance against objectives

COMMITTEE STRUCTURE

The Board creates specific committees to fulfil responsibilities, formulate recommendations and provide advice. An appointed committee Chair reports to the Board with findings and recommendations. The Board Chair and BCLC President & CEO are ex-officio members of all committees.

CHAIR

As the presiding Director responsible for the effective leadership and performance of the Board, the Chair is the liaison between the Board and the Minister of Housing and Social Development.

DIRECTORS

Upon appointment, and each subsequent year, Directors must agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines, including performing in honest, good faith in the best interests of BCLC and exercising due skill, care and diligence that is reasonably prudent.

BOARD MEMBERS

CHAIR

John McLernon, Vancouver

VICE-CHAIR

Arthur Willms, Vancouver

DIRECTORS

Trudi Brown, Victoria; David Gillespie, Kamloops; Cindy Grauer, Vancouver; Walter Gray, Kelowna; Moray Keith, Delta; D. Neil McDonnell, North Vancouver; Michael Riley, Surrey

AUDIT COMMITTEE

- liaise with BCLC internal and external auditors to review financial operations
- advise the Board regarding approved financial statements and quarterly reports
- review financial information provided to Government and the public
- oversee information systems, audit compliance, risk management and internal controls to ensure effective, accurate, appropriate and timely management

CHAIR

Michael Riley

MEMBERS

Arthur Willms, David Gillespie, Moray Keith

GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

- focus on governance to improve BCLC's overall performance
- oversee and enhance BCLC's scope of corporate social responsibility
- evaluate and make recommendations on Board effectiveness
- develop criteria and succession planning for future Board composition

CHAIR

David Gillespie

MEMBERS

Trudi Brown, Walter Gray, Moray Keith

HUMAN RESOURCES AND COMPENSATION COMMITTEE

- evaluate current strategies, practices and succession plans and recommend future considerations
- assess performance and compensation of the President & CEO
- review employee compensation and benefits, management succession plans, human resource allocation and staff training programs to enhance performance-driven culture

CHAIR

D. Neil McDonnell

MEMBERS

Cindy Grauer,
John McLernon

BCLC SENIOR MANAGEMENT AND EXECUTIVES**PRESIDENT & CEO**

Michael Graydon

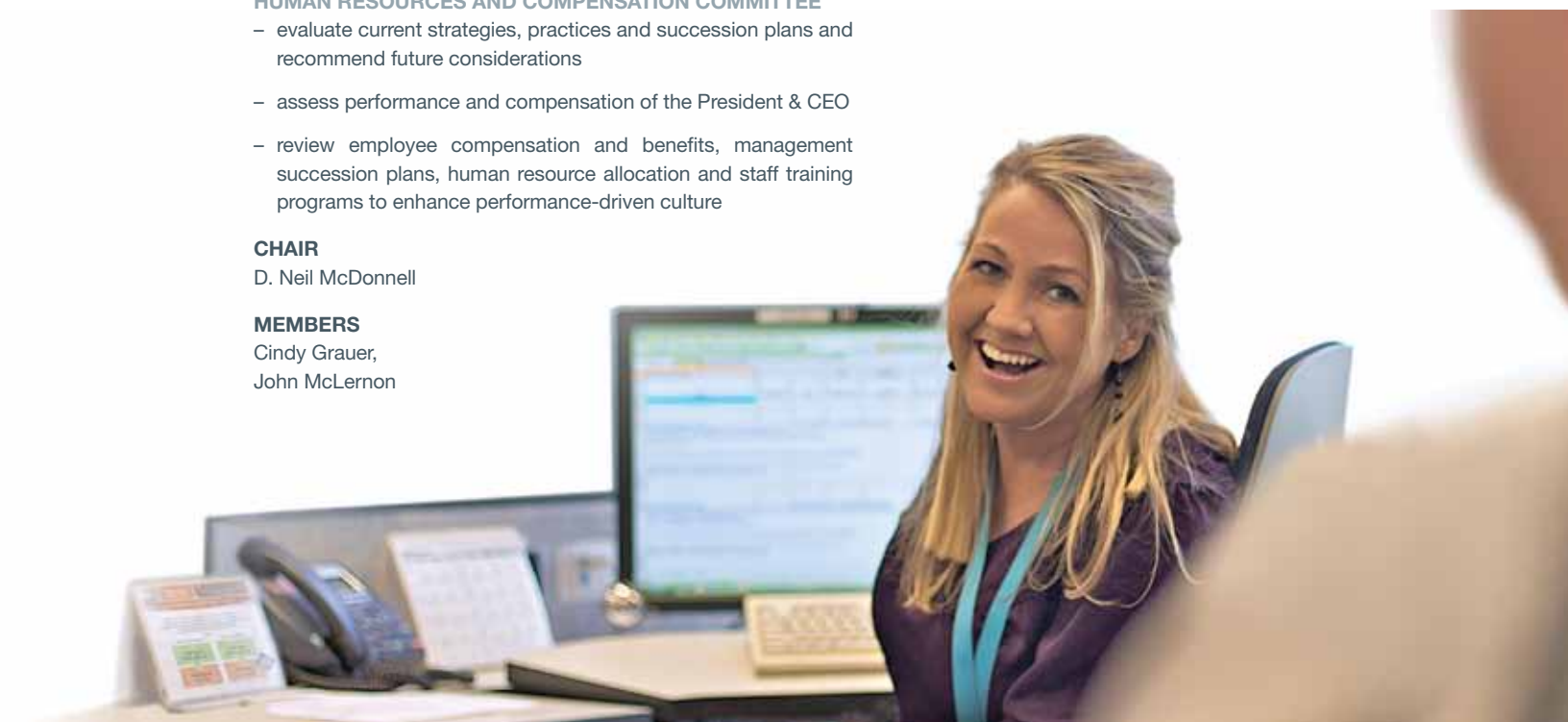
VICE-PRESIDENTS

- | | |
|----------------|--|
| Debbie Toole | – Human Resources |
| Kevin Gass | – Corporate Affairs |
| Lynette Hughes | – Business Transformation |
| Jim Lightbody | – Lottery Gaming |
| Scott Norman | – Information Technology and Chief Information Officer |
| Darryl Schiewe | – Casino & Community Gaming |
| Terry Towns | – Corporate Security & Compliance |
| Marsha Walden | – Customer Strategy & Corporate Marketing |
| Tom Williamson | – Finance & Corporate Services |

B.C. LOTTOTECH INTERNATIONAL INC.

B.C. Lottotech International Inc. (Lottotech) is a wholly owned subsidiary of BCLC. The management and oversight of Lottotech is consolidated within BCLC operations (Kamloops/Richmond) and the Board reviews and approves capital purchases through the annual business planning and budget process.

Lottotech's Board is comprised of all appointed Board members in 2009/10 as listed. The Officers of Lottotech are BCLC's President & CEO and all Vice-Presidents in 2009/10 as listed.



shareholder's letter of expectations

The Province of British Columbia establishes the legislative, regulatory and policy framework under which BCLC conducts and manages gaming. BCLC optimizes our financial performance within the gaming and social policy framework established by the Province of British Columbia, providing our games and services in a socially responsible manner consistent with our responsibilities reflected in British Columbia's Responsible Gambling Strategy.

A key component of our governance framework is the Shareholder's Letter of Expectations, an agreement which clearly outlines our mutual commitment to deliver on performance expectations for the benefit of British Columbians.

This letter, intended to define and promote a positive and cooperative working relationship, supports BCLC's mandate and identifies Government's strategic priorities and performance expectations for BCLC. Government directs BCLC to take specific actions. Our actions and the status of our activities to implement them are shown in the following chart.

GOVERNMENT DIRECTION	BCLC ALIGNMENT
Optimize the Corporation's financial performance and propose new revenue opportunities within the gaming and social policy framework established by the Shareholder;	<p>Within the gaming and social policy framework established by the Province of British Columbia, in 2009/10 BCLC achieved \$1.08 billion in net income, \$50.9 million below our budget of \$1.13 billion. The result is a 1.1 per cent decrease from our previous year's net income result.</p> <p>While the economy is improving, the recovery of consumer spending on entertainment is expected to lag. BCLC is continuing to focus on games and services that increase the entertainment value of BCLC gaming while diligently managing the costs of operating our business.</p>
Enhance the performance, integrity and efficiency of casino, bingo, lottery and eGaming in response to customer and marketplace demand, through products, services and technology consistent with the Corporation's mandate;	<p>BCLC is increasing our focus on the player and forecasting net income growth through innovative new games, services and marketing, continued improvements to casino and community gaming facilities and customer relations management. Processes and technology to support the performance, integrity and efficiency of the business continue to be a key focus to sustain the current business and provide future growth potential.</p>
Ensure the Corporation's products and services are provided in a socially responsible manner and strengthen the Corporation's activities related to its social objectives in a manner consistent with the Province's Responsible Gambling Strategy and the Corporation's responsibilities reflected in that Strategy;	<p>BCLC delivers gaming in a manner that encourages responsible gambling and healthy choices. Our efforts continue to be focused on enhancing responsible gambling programs for our players and communication about the availability of and access to programs, including voluntary self-exclusion. We have revitalized our responsible gambling resources with GameSense, a program designed to offer approachable and accessible materials to help players make informed decisions about our gaming products. BCLC has GameSense information centres in all casino and community gaming locations, for which GPEB provides staffing, and continues to provide Appropriate Response Training for gaming staff.</p> <p>We support the Province of British Columbia in its efforts to reduce the incidence and harmful impacts of problem gambling and to educate and raise public awareness of responsible and problem gambling. BCLC also actively participates with other Canadian jurisdictions to strengthen the industry commitment to share responsible gambling best practices. In 2010, BCLC achieved Level 4 certification from the World Lottery Association, which recognizes that our business operations incorporate the highest level of responsible gambling standards.</p>
Ensure gaming products and services offered by the Corporation are consistent with the objectives of gaming security and integrity;	<p>The integrity and security of BCLC's gaming systems is paramount to ensuring public trust and confidence in the games and services we offer our players. BCLC's priority to modernize our business infrastructure, including processes and technology, is key to continuing to provide integrity and security in our gaming systems.</p>

GOVERNMENT DIRECTION

BCLC ALIGNMENT

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

BCLC has one Ombudsman's recommendation remaining to complete in 2010/11 to further enhance the fairness, integrity, transparency, security and player focus of our lottery system.

Implement recommendations made by Deloitte and Touche LLP in their independent audit of lottery operations in British Columbia undertaken in 2007 as directed by the Shareholder;

BCLC has two of these recommendations remaining to implement, and estimates completion in 2010/11.

Notify the Shareholder of the Corporation's resolution of any significant issues related to the implementation of recommendations of either the Ombudsman or Deloitte and Touche LLP;

As we implement these recommendations, BCLC is working closely with our Shareholder to maintain a shared understanding of any issues, including the increased costs, workload and regulatory, audit, compliance and enforcement activities.

Operate in a manner consistent with the Gaming Policy and Enforcement Branch's regulatory responsibilities as they apply to the Corporation;

BCLC operates its gaming business and financial activities within the legislative, regulatory and policy framework established by the Province of British Columbia.

BCLC and GPEB continue to meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPEB's independent role as regulator.

Build public and key stakeholder trust/support, by continuously improving the quality of service to customers and relationships with service provider partners;

Building public and stakeholder trust and support by improving the service for our players is a key strategy for BCLC. Continuous improvement is planned through programs such as player-focused training, ongoing management oversight, and collaboration with our service providers.

Comply with the policy directives that may be issued from time to time by the Minister responsible for the *Gaming Control Act* and with policies, directives and standards that may be issued from time to time by the regulatory agency (the Gaming Policy and Enforcement Branch) established under the *Gaming Control Act*;

BCLC continues to comply with policy directives issued by the Minister, as well as directives and standards issued by GPEB.

Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact on the Corporation's achievement of its Service Plan targets either negatively or positively;

BCLC reports financial results to our Shareholder on a quarterly basis and regularly notifies our Shareholder of any major changes occurring or likely to occur that may impact the achievement of our Service Plan targets.

Operationalize carbon reduction plans developed by the Corporation in compliance with the Climate Action Secretariat's Framework for Greenhouse Gas Measurement and Reporting: Guidance for Crown Corporations; and

While the Province of British Columbia requires carbon emissions reporting starting in 2010, BCLC began reporting in 2008/09 and continues to develop and implement plans to reduce and offset these emissions as part of business operations.

We are extending our efforts to advance environmentally sustainable behaviours in our organizational culture through actively encouraging the development of ideas and solutions from employees at all levels of the organization.

Identify and implement healthy living policies, programs and client service objectives that contribute meaningfully to ActNow BC goals.

BCLC's creation and ongoing support of a healthy workplace, including promoting healthy living and environmentally sustainable behaviour, has been recognized as a contributing factor in our selection as a top employer in Canada and in British Columbia. We will continue to review and improve program content and our delivery of these programs to our employees.

BCLC delivers gaming in a manner that encourages responsible play and healthy choices, supported with programs such as voluntary self-exclusion and GameSense, which provides players with information about responsible gambling resources.

report on performance



BCLC's 2009/10 performance

Along with other Crown corporations, BCLC produces public Service Plans that detail our business plan and Annual Service Plan Reports that detail our progress in achieving those plans. These plans include financial information, consistent with the *Budget Transparency and Accountability Act* and the *Financial Information Act* requirements.

Within the overall framework of Government gaming policy and BCLC's mandate, BCLC's Board and senior management have established four goals to guide the organization in the achievement of our mission statement. To manage and direct performance against each of these goals, BCLC annually establishes specific strategies with associated performance measures and targets. These goals, strategies and performance measures form the framework that guides planning and decision-making at all levels of the organization.

Performance measures are reviewed each year as part of BCLC's annual business planning process. This process includes an assessment of the business insight and strategic value of each performance measure, as well as reviewing and setting targets for future years.

Our results are reported against the targets we set. If our strategies are successful, we should be reaching our targets. If BCLC has a rating below our target, we'll need to adjust the programs we're implementing or how we're delivering them. If BCLC is continually exceeding a target, we may need to adjust the measure, the way we survey or how we calculate results in order to improve insight into our level of success.

We also benchmark our performance results against the results of other gaming organizations on an annual basis. The organizations selected for benchmarking provide geographical coverage across Canada and internationally, and were selected for the relevance of their operations in comparison to BCLC, as well as the public availability of their results.

These organizations are the Ontario Lottery and Gaming Corporation (OLG), Loto-Quebec (LQ), the Swedish gaming company Svenska Spel (Svenska) and the Canadian (Cdn) and United States (US) gaming totals. Svenska is widely regarded as the most innovative international lottery and Internet gaming jurisdiction. The Canadian and United States gaming totals provide insight into BCLC's financial performance against national and United States norms. Data for benchmarking our performance results against other gaming organizations is obtained from publicly available reporting. An assessment of the performance results published by other gaming organizations in September 2009 did not find additional benchmarking opportunities.

Data used to set BCLC's performance targets is obtained from internal and external sources. BCLC net win and net income results for previous years are obtained from our audited financial statements. Net win and net income forecasts and targets and other financial measures are obtained from internal management reports. BCLC contracts with external professional agencies to conduct surveys to assess our level of success. These agencies conduct surveys by asking questions pertinent to our performance measures. BCLC refers to BC Stats for population information.

For performance measures that BCLC is able to benchmark with the organizations listed above, BCLC calculates a "benchmark average" using the annually reported results for each comparator organization (not including BCLC) and presents charts that display our results along with the benchmark average.

BCLC is reviewing the methodology and the associated costs to gather and report on performance measure results. This may result in further refinements to performance measures in 2010/11.

alignment of 2009/10 goals, strategies and performance measures

PERSPECTIVE	GOALS	→ STRATEGIES	→ PERFORMANCE MEASURES
PUBLIC/ PLANET	1. Build public trust and support for BCLC gaming	1. Demonstrate a high level of corporate citizenship and social responsibility in all of our activities	<ul style="list-style-type: none"> – Public support for gaming (%) – Public trust and confidence in BCLC games (%) – Player awareness of responsible gambling activities (%) – Level of greenhouse gas (GHG) emissions (CO₂e)
PLAYER	2. Provide facilities and games to develop the business	2. Transform to a player-centric company 3. Create an integrated multichannel player community	<ul style="list-style-type: none"> – Player participation (%) – Player satisfaction (%) – Net win (\$ millions) – Net win per capita (\$)
FINANCIAL/ OPERATIONS	3. Invest in infrastructure to support current business operations and future growth	4. Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency	<ul style="list-style-type: none"> – Net Income (\$ millions) – Operating cost ratio (% net win) – Electronic gaming devices per capita
PEOPLE	4. Have a workforce passionately driving the success of our business	5. Make BCLC a great place to work	<ul style="list-style-type: none"> – Employee engagement (%) – Employee vacancy rate (%)

PUBLIC/PLANET

Goal 01: build public trust and support for BCLC gaming

PUBLIC SUPPORT FOR GAMING (%)**CALCULATION**

In a continuous tracking study conducted by an external research supplier, adult British Columbians are asked to use a 7-point scale whereby “1” is “strongly disagree” and “7” is “strongly agree” to rate the statement, “I fully support the existence of legalized gaming in British Columbia.” Support for gaming is based on the results of the top three box responses.

RATIONALE

This metric measures the percentage of adult British Columbians who support legalized gaming, which is central to BCLC’s management and growth of our business. Public issues experienced in other gaming jurisdictions can negatively impact public opinion in B.C.

MANAGEMENT COMMENTS

The public places importance on BCLC’s overall effect on B.C. communities. Providing the public with more information about how Government uses BCLC net income to fund programs for the benefit of British Columbians is important for public support of gaming.

BCLC continues to manage our gaming market, seeking ways to make playing more convenient and secure. Recent developments include the planned introduction of casino-style games on our eGaming web site PlayNow.com and continuing the market assessment and redevelopment of gaming facilities.

Managing the market also includes our responsible gambling program GameSense, which offers approachable and accessible materials to help players make informed decisions about our gambling products. BCLC also promotes awareness of, and access to, government provided problem gambling services.

TARGET MET**PUBLIC SUPPORT FOR GAMING****Benchmarking availability and reliability**

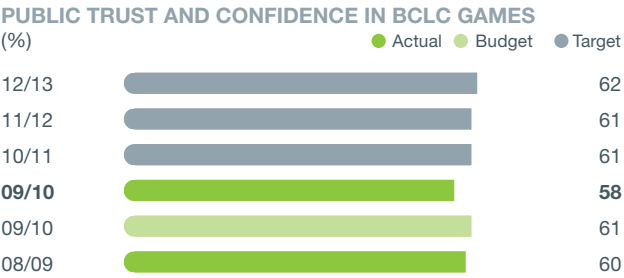
As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source

Research and Incite Consultants

TARGET NOT ACHIEVED



Benchmarking availability and reliability
As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source
Research and Incite Consultants

PUBLIC TRUST AND CONFIDENCE IN BCLC GAMES (%)

CALCULATION
In a continuous tracking study conducted by an external research supplier, adult British Columbians are asked to use a 7-point scale whereby “1” is “strongly disagree” and “7” is “strongly agree” to rate the statement, “I have trust and confidence in the games offered by BCLC.” Results are based on the top three box responses.

RATIONALE
This performance metric measures the percentage of adult British Columbians who have confidence in the integrity of BCLC’s games. BCLC uses this metric to gauge our success in achieving a high level of gaming integrity and security, so that our players continue to play our games with confidence.

MANAGEMENT COMMENTS
Improving BCLC’s results for this metric is dependent upon publicly communicating our commitment to strengthening the security and integrity of our gaming systems, facilities and products. Providing the public with more information about how Government uses BCLC net income to fund programs for the benefit of British Columbians is also important for public trust.

BCLC is strategically focused on transforming our infrastructure and technology to integrate our gaming channels and create a foundation to support future business in ways that maintain security and integrity for our players. We also continue to strengthen responsible gambling awareness, systems and programs that enhance player security and the integrity of gaming.

PLAYER AWARENESS OF RESPONSIBLE GAMBLING ACTIVITIES (%)

CALCULATION

In a continuous tracking study conducted by an external research supplier, players of BCLC games are asked questions about their awareness of specific responsible gambling initiatives. The calculation represents the percentage of players who are aware of at least one of these initiatives.

In 2010/11, we are updating the questions used to calculate net awareness for this measure by reducing the number of initiatives we include. This will result in a lower percentage achievement, but will provide greater insight into the level of success of our responsible gambling initiatives.

RATIONALE

A key component of BCLC's provision of commercial gaming is our commitment to strengthening responsible gambling programs and their delivery. This measure is intended to track the success of BCLC's player education efforts about responsible gambling over time.

MANAGEMENT COMMENTS

Creating a healthy gaming industry is a priority for BCLC. Our recent achievement of the highest level of responsible gambling certification from the World Lottery Association recognizes BCLC's adoption and implementation of international best practices for responsible gambling and the ongoing review of responsible play and problem gambling research.

Our GameSense program is designed to increase player and public awareness of how to make informed gambling choices. GameSense offers responsible play information through staffed GameSense Information Centres at all B.C. casinos, self-service information centres at all community gaming centres, printed materials and public service announcements on TV. The program is aimed at dispelling myths and misinformation about gambling and promoting healthy and informed choices.

BCLC is also continuing to improve the curriculum of our responsible play education programs for BCLC employees, service providers and retailers, and the availability and accessibility of our Voluntary Self-Exclusion program.

TARGET EXCEEDED

PLAYER AWARENESS OF RESPONSIBLE GAMBLING ACTIVITIES (%)



PLAYER AWARENESS OF RESPONSIBLE GAMBLING ACTIVITIES (historical) (%)



Benchmarking availability and reliability

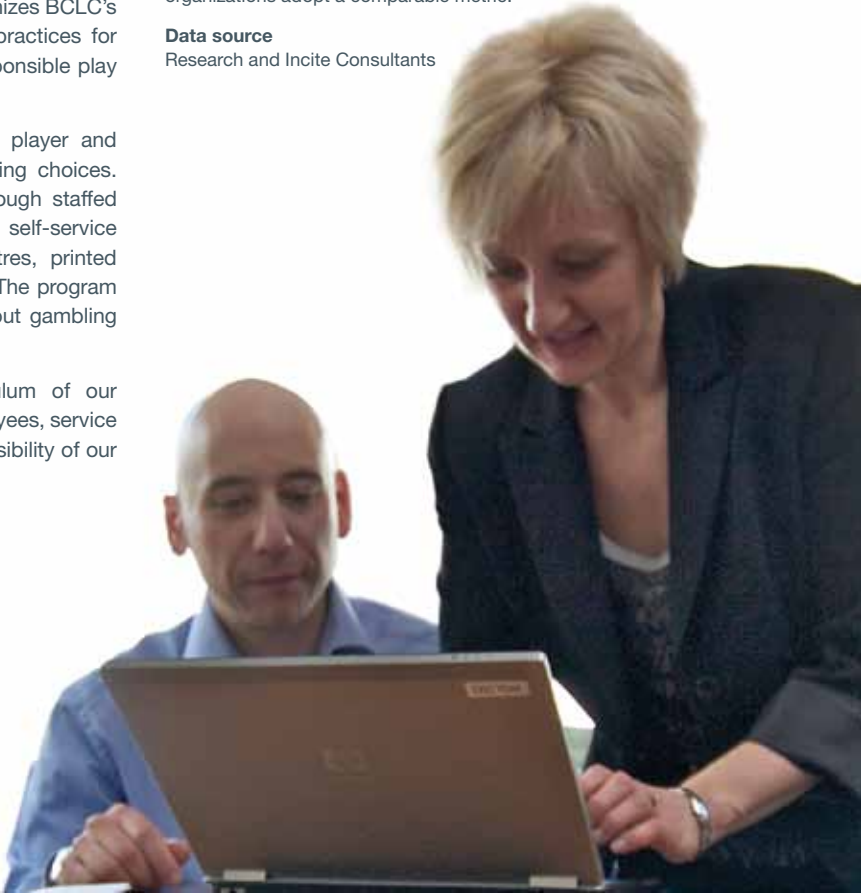
BCLC plans to change the way this measure is calculated, so new targets have been set.

As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

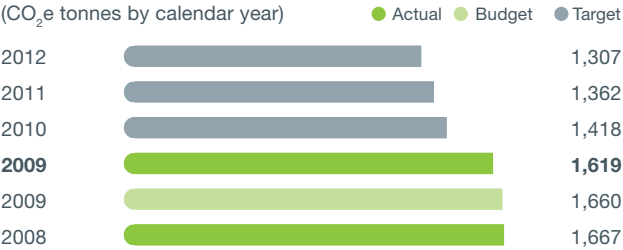
Data source

Research and Incite Consultants



TARGET EXCEEDED

LEVEL OF GREENHOUSE GAS EMISSIONS



Benchmarking availability and reliability

This metric will be used by Government to ensure BCLC is meeting the provincial reduction requirements, and for benchmarking against other Crown agencies.

Data source

External suppliers, BCLC internal reporting

LEVEL OF GREENHOUSE GAS EMISSIONS (CO₂e)

CALCULATION

BCLC uses standard calculations provided by Government to record and report our emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) for the calendar year. Data is obtained from suppliers of electricity, natural gas, fleet fuel and paper suppliers, and from internal financial and procurement reporting.

RATIONALE

From 2010 onward, BCLC must meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act* and pursue actions to minimize greenhouse gas (GHG) emissions. BCLC's reportable GHG emissions result from buildings, fleet vehicles and certain office paper supplies.

BCLC views sustainability as a key component of corporate social responsibility and is advancing environmentally sustainable behaviors in our organizational culture as an integral component of business modernization.

MANAGEMENT COMMENTS

BCLC is formalizing our sustainability management approach to seek further GHG reduction opportunities and was instrumental in bringing together a working group of Canadian gaming organizations to share sustainability ideas and best practices. Led by an environmental sustainability specialist and supported by an employee committee, all levels of the organization are actively being encouraged to develop sustainability ideas and solutions.

BCLC plans to reduce our reportable emissions by 40 per cent by 2020, exceeding the provincial requirement of 33 per cent. This will require an approximate four per cent reduction annually to reach 940 CO₂e tonnes in 2020.

In 2009/10, some of the initiatives to reduce our carbon footprint included replacing aging corporate fleet vehicles with hybrid alternatives, enhancing procurement practices to include sustainable criteria, exploring alternative power sources for building upgrades, recycling end of life equipment and upgrading video conferencing equipment.

We plan to continue the conversion our fleet to hybrid vehicles and the solar energy pilot project at our Kamloops office. Our relocation to a new Vancouver office in 2010 will include the application of LEED standards.

PLAYER

Goal 02: provide facilities and games to develop the business

PLAYER PARTICIPATION (% PAST YEAR)**CALCULATION**

In a continuous tracking study conducted by an external research supplier, adult British Columbians are asked when, if ever, they last participated in each of the games offered by BCLC. Past year participation rates are calculated within each gaming channel and for the enterprise.

In 2010/11, we plan to transition to a measure of the percentage of adult British Columbians who play a BCLC game or visit a BCLC gaming facility at least monthly.

RATIONALE

This metric measures the percentage of adult British Columbians who have participated in BCLC gaming in the past year, which has successfully monitored shifts in the size of BCLC's player base. Due to large jackpots and casino promotions, our survey results show a high percentage of British Columbia's population has played within the past year, which does not provide the desired insight into which of our programs are successful.

Considering the percentage of the population opposed to gambling, we do not anticipate achieving a score higher than 85 per cent.

MANAGEMENT COMMENTS

BCLC's lower than expected result is attributed to an overall decline in participation in the second half of the 2009/10 year, with participation at casinos remaining lower than expected during the Vancouver 2010 Olympic Winter Games.

Increasing player participation depends on our ability to provide exciting and relevant entertainment experiences for players, where and when it is convenient for them to play. BCLC's player-focused strategies are expected to positively impact player participation in 2010/11.

TARGET NOT ACHIEVED**PLAYER PARTICIPATION (historical)**

(% past year)

● Actual ● Budget

09/10	<div><div></div></div>	80
09/10	<div><div></div></div>	82
08/09	<div><div></div></div>	84
07/08	<div><div></div></div>	81

Benchmarking availability and reliability

As this survey has a methodology specific to BCLC, this metric was analyzed on a time-series basis.

Data source

Research and Incite Consultants

PLAYER PARTICIPATION (% AT LEAST MONTHLY)**CALCULATION**

In 2010/11, BCLC will continue to use a continuous tracking study conducted by an external research supplier.

We are shifting to a measure of the percentage of adult British Columbians who play a BCLC game or visit a BCLC gaming facility at least monthly, measured using a survey which asks how frequently they participated in each of the games offered. The results will be comprised of the percentage of players who played "at least weekly" and those who played "at least monthly."

RATIONALE

Starting in 2010/11, this metric will measure the percentage of adult British Columbians who participated at least monthly in BCLC games.

This change is being made so that we can more clearly determine if program changes are successfully resulting in an increase in player participation, particularly amongst infrequent players.

MANAGEMENT COMMENTS

As this metric will not be implemented until 2010/11, BCLC will publicly report our achievements in our Annual Service Plan Report for that year.

In 2009/10, BCLC's result was 46 per cent, which will be used for comparison purposes only.

PLAYER PARTICIPATION

(% at least monthly)

● Target

12/13	<div><div></div></div>	54
11/12	<div><div></div></div>	53
10/11	<div><div></div></div>	52

Benchmarking availability and reliability

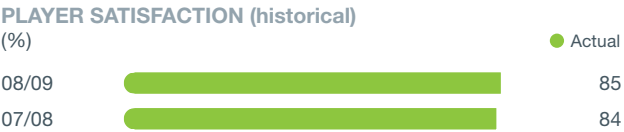
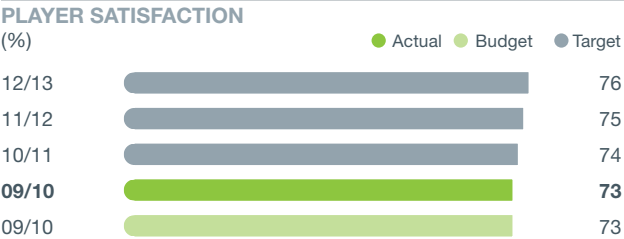
As this survey will continue to have a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source

Research and Incite Consultants

TARGET MET



Benchmarking availability and reliability
As this survey has a methodology specific to BCLC, this metric is best analyzed on a time-series basis.

BCLC will monitor and update if/when other lottery and gaming organizations adopt a comparable metric.

Data source
Ipsos Reid

PLAYER SATISFACTION (%)

CALCULATION
This metric is an overall composite average of the player/visitor satisfaction metrics in the lottery retail and hospitality networks, eGaming, casino, community gaming and commercial bingo gaming facilities, weighted with the gaming channel’s contribution to net win.

In 2009/10, BCLC significantly changed how player satisfaction is measured so we could apply consistent measurement across all of our gaming channels. A third-party service provider asks BCLC players from each gaming channel to rate their overall satisfaction with BCLC; results are based on the top five box scores from a standard 10-point scale.

BCLC’s results from previous years are not comparable to our new targets and future results.

RATIONALE
This performance metric measures player satisfaction for the games, services and facilities offered in all of BCLC’s gaming channels. It is directly linked to BCLC’s ability to continue to generate net income.

MANAGEMENT COMMENTS
Player satisfaction remained relatively constant in all gaming channels, with a slight increase at casino facilities and very high results on PlayNow.com.

BCLC is increasing our focus on managing the relationship with our players. By examining player needs and preferences across all of our gaming channels, we will better understand where programs for improvements to player-facing activities can improve the level of satisfaction and grow our business.

NET WIN (\$ MILLIONS)

CALCULATION

Net win is the amount of revenue after prizes have been paid to players.

Net win is calculated for lottery and bingo games by deducting prizes from total revenue. Casino game prizes are paid during game play.

RATIONALE

Net win is used to compare revenue across gaming channels.

MANAGEMENT COMMENTS

BCLC optimizes our financial performance within the gaming and social policy framework established by Government.

In 2009/10, consumers continued to react to the downturn in the economy with reduced spending on discretionary and entertainment activities. BCLC's net win was \$90.6 million, or 4.5 per cent below our target and a 0.6 per cent decrease from our 2008/09 results.

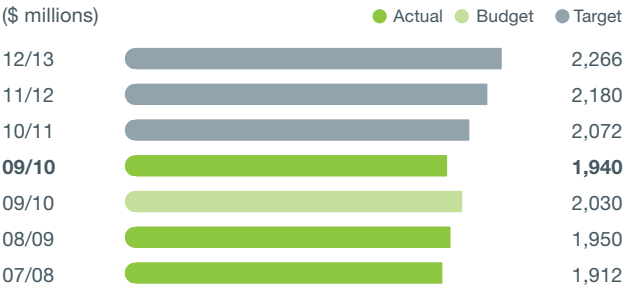
This has slowed our trend of year-over-year growth as our players have decreased their frequency and amount spent on gaming; recovery is expected to continue to lag that of the overall economy.

The growth of privately owned casino gaming facilities in neighbouring jurisdictions and an increasing presence of privately owned gambling sites on the Internet continue to compete with BCLC's business. As these other companies seek to grow their businesses, they are including British Columbians in marketing activities aimed at expanding their player base and revenue.

BCLC's plans for providing entertaining games, player-focused services, marketing promotions and contests are ways we will attract and retain players to maximize net win, so that the resulting net income from gaming by British Columbians continues to provide benefits within our province.

TARGET NOT ACHIEVED

NET WIN
(\$ millions)

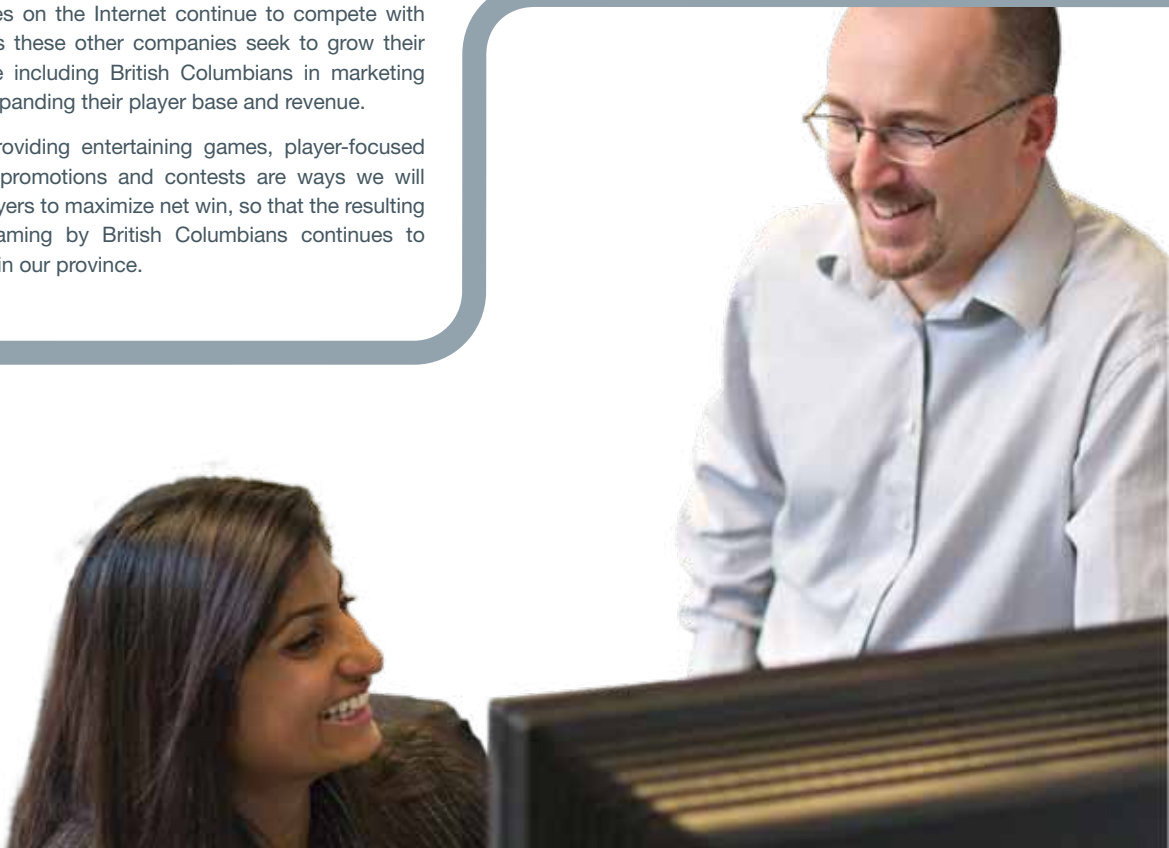


Benchmarking availability and reliability

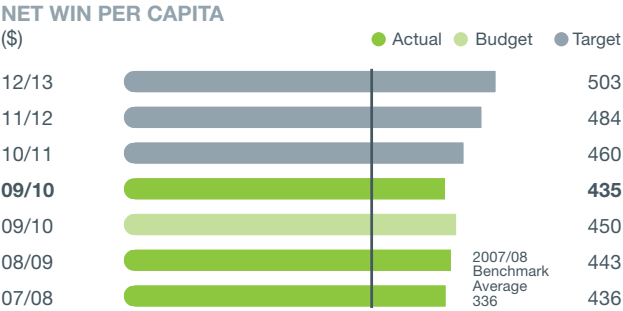
BCLC net win is not benchmarked with other jurisdictions due to differences in the types of gaming offered, differing gaming models and population levels. BCLC's net win is analyzed on a time-series basis.

Data source

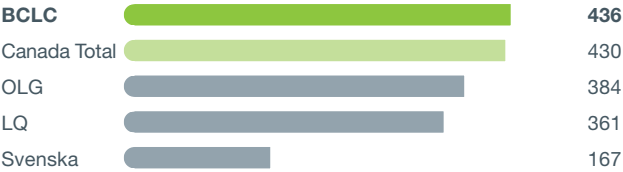
BCLC audited financial statements



TARGET NOT ACHIEVED



2007/08 NET WIN PER CAPITA BENCHMARKS (\$)



Data source
BC Stats, BCLC, LQ and Svenska annual reports, OLG audited financial statements, BCLC audited financial statements

NET WIN PER CAPITA (\$ PER 1,000 POPULATION)

CALCULATION

Net win is the calculation of our revenue after prizes are paid, and is available publicly in BCLC’s audited financial statements. The net win is divided by the total population based on publicly reported population figures.

Video Lottery Terminal (VLT) revenue is included in benchmarking results from Loto-Quebec, the Canada Total and Svenska comparators to give a complete picture of total spending on gambling. The Province of British Columbia does not permit VLTs.

RATIONALE

This measure indicates the extent to which BCLC is able to balance offering gaming entertainment with responsible play to grow income. Net win per capita is widely used in the gaming industry, making consistent benchmarking possible. BCLC benchmarks amongst organizations with similar gaming offerings.

Although this was a new measure in 2009/10, BCLC has provided historical information for comparison purposes.

MANAGEMENT COMMENTS

To entertain our players, BCLC strives to design innovative games and player services, and high quality gaming facilities. Growth in recent years has come primarily from the casino business and the upgrades that transform commercial bingo halls to community gaming centres.

We deliver our games in a manner that encourages responsible play and healthy choices and continue to focus our efforts on enhancing our GameSense program for players, along with voluntary self-exclusion and other responsible gambling programs and services.

Our results in 2009/10 did not meet our target as a result of lower net win than forecast.

BCLC’s plans for providing entertaining games, player-focused services, marketing promotions and contests are ways we will attract and retain players to maximize net win in all of our gaming channels.

FINANCIAL/OPERATIONS

Goal 03: invest in infrastructure to support current business operations and future growth

NET INCOME (\$ MILLIONS)**CALCULATION**

Net income is the calculation of total revenue after prizes and operating expenses have been deducted.

Net income is determined in accordance with Generally Accepted Accounting Principles and subject to audit verification.

RATIONALE

Net income is the total amount of income generated from BCLC gaming after all expenses have been deducted. Net income is distributed to the Province of British Columbia and is used to fund public health care, education and charitable and community programs that benefit all British Columbians.

As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

MANAGEMENT COMMENTS

BCLC optimizes our financial performance within the gaming and social policy framework established by Government.

In 2009/10, BCLC net income exceeded \$1 billion for the fourth consecutive year. Our net income result was \$50.9 million or 4.5 per cent below our target, and a 1.1 per cent decrease from 2008/09. Our results compare favorably with the overall B.C. economy, which experienced an estimated decline in GDP of 2.7 per cent¹.

Despite an increased focus on revenue-generating programs, reduced consumer discretionary and entertainment spending continued to be evident in BCLC's operations, as well as those of our retailers and service providers over the past year. BCLC successfully implemented cost management programs to reduce our expenses below our budget and mitigate the negative impact on gaming income.

BCLC will continue to focus on revenue-generating initiatives, strategically balancing our costs to operate the business and modernize our business infrastructure in order to sustain current operations and support the future growth of net income.

¹ B.C. Ministry of Finance estimates, February 2010

TARGET NOT ACHIEVED**NET INCOME**

(\$ millions)

● Actual ● Budget ● Target

12/13	<div><div></div><div></div><div></div></div>	1,205
11/12	<div><div></div><div></div><div></div></div>	1,162
10/11	<div><div></div><div></div><div></div></div>	1,115
09/10	<div><div></div><div></div><div></div></div>	1,079
09/10	<div><div></div><div></div><div></div></div>	1,130
08/09	<div><div></div><div></div><div></div></div>	1,091
07/08	<div><div></div><div></div><div></div></div>	1,089

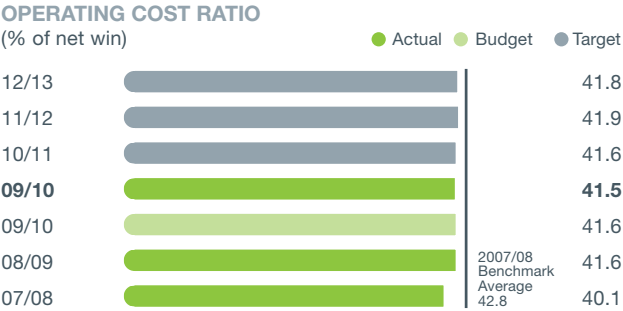
Benchmarking availability and reliability

BCLC net income is not benchmarked with other jurisdictions due to differences in the types of gaming offered, differing gaming models and population levels. BCLC's net win is analyzed on a time-series basis.

Data source

BCLC audited financial statements

TARGET EXCEEDED



2007/08 OPERATING COST BENCHMARKS
(% of net win)



Benchmarking availability and reliability
BCLC operating cost results are benchmarked with other gaming jurisdictions that have similar gaming offerings.

Data source
BCLC, OLG, LQ and Svenska annual reports, Lafleur's Lottery Almanac

OPERATING COST RATIO (% OF NET WIN)

CALCULATION
This metric is the result of Consolidated Operating Costs divided by Consolidated Net Win, calculated from information available publicly in BCLC's audited financial statements and expressed as a percentage.

Operating costs include BCLC service provider commissions, which serve to more closely normalize the different operating models of other jurisdictions (i.e. instead of operating our bricks and mortar facilities directly, BCLC pays commissions to service providers).

RATIONALE
This performance indicator measures the ratio of consolidated operating costs as a percentage of net win. BCLC uses this measure to assess our success in balancing the generation of revenue with the cost of operating the business, providing insight into our effectiveness.

MANAGEMENT COMMENTS
BCLC's operating cost ratio for 2009/10 was 0.1 per cent below our target. This is the result of our shift in focus to revenue-generating initiatives and the successful implementation of cost management programs to reduce our expenses below our budget in order to mitigate the negative impact on gaming income.

While BCLC has been focused on growing the business, we have also invested more heavily in infrastructure, technology, compliance and people in order to modernize our business infrastructure, systems and processes.

These investments in modernizing our business elevated our costs, but BCLC's operating expenses were still lower than our 2009/10 target and remain below the 2007/08 benchmark average of comparator gaming jurisdictions. We anticipate that benchmarking with other jurisdictions in September 2010 will provide us with a more current perspective of BCLC's operating costs relative to our comparators.

ELECTRONIC GAMING DEVICES PER CAPITA**CALCULATION**

This metric is the result of the number of slot machine and Video Lottery Terminal (VLT) electronic gaming devices, divided by the total population, multiplied by 1000 and expressed as a ratio.

In 2008/09, BCLC began using “total population” for this measure. This change was made in order to benchmark with jurisdictions where the age of participation in gambling differs from B.C.

BCLC does not set annual targets for this metric.

RATIONALE

This metric provides a measure of the accessibility of BCLC gaming to British Columbians and compares it over time. In British Columbia, electronic gaming devices are limited to slot machines located in casino and community gaming centre facilities, where access is limited to adults.

We compare the accessibility of electronic gaming devices in B.C. across various jurisdictions. Differences in government policy regulate the types of gaming devices that are available in each Canadian province.

MANAGEMENT COMMENTS

Gaming policy varies across the Canadian provinces. In British Columbia, government gaming policy excludes VLTs, providing for a responsible gambling model that limits participation in this category of gaming to slot machines located in casino and community gaming facilities, where accessibility is limited to adults. OLG also does not have VLTs.

This socially responsible gambling model provides comparable revenue to other jurisdictions. BCLC is continuing with the strategies to develop casinos and community gaming centres to meet market demand, with a focus on entertainment and domestic and international tourism market opportunities.

In 2007/08, BCLC ranked third amongst comparators. The number of devices in B.C. has grown as BCLC has worked with our service providers to transform commercial bingo halls into community gaming centres in selected market locations.

DEVICES PER CAPITA

(per 1,000 population)

**2007/08 DEVICES PER CAPITA BENCHMARKS**

(per 1,000 population)

**Data source**

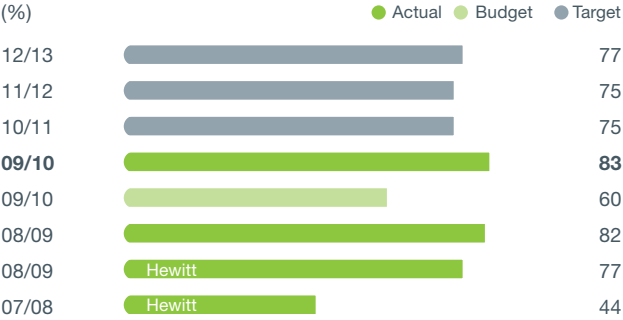
BC Stats, specific data prepared by BCLC

PEOPLE

Goal 04: have a workforce passionately driving the success of our business

TARGET EXCEEDED

EMPLOYEE ENGAGEMENT



* Performance targets for this measure were set before our 2009/10 result was available and will be reviewed during the next business planning process.

Benchmarking availability and reliability

BCLC's engagement survey is a reflection of a broad range of attributes that are important to BCLC: player-centricity, delivering an outstanding gambling experience, social responsibility and making BCLC a great place to work.

The survey results cannot be directly benchmarked and are best analyzed on a time-series basis.

Data source

Hewitt Associates (results pre-2008/09) and Ipsos Reid

EMPLOYEE ENGAGEMENT (%)

CALCULATION

In 2008/09, BCLC transitioned to a new model of measuring employee engagement that better reflects our unique culture, values and business objectives. Ipsos Reid was selected as the new vendor and developed a customized engagement survey that included questions which allowed us to compare our results with previous years.

The results of our 2008/09 survey were better than expected, reaching 82 per cent. Our objective for 2009/10 was to maintain engagement at existing levels.

RATIONALE

This performance metric measures the engagement level of BCLC employees. Employee engagement is defined as the intellectual and emotional involvement employees have in an organization.

Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's success. Organizations with high employee engagement are more successful at retaining and recruiting employees.

MANAGEMENT COMMENTS

The goal of BCLC's leadership team during this challenging economic period was to maintain engagement at existing levels.

The survey conducted in January 2010 provided an engagement result of 83 per cent, exceeding our result for the previous year by one per cent.

BCLC's improvement is attributed to a continued focus and commitment to employee engagement through programs to develop our leadership teams, communication of our corporate goals and strategies, development of workforce management and support for employee recognition. We will continue to support these programs and develop further improvements in the areas of employee training and development, career advancement and workforce productivity.



EMPLOYEE VACANCY RATE (%)**CALCULATION**

This metric provides the average percentage of vacant positions in the process of being filled (replacement or additional positions actively being recruited internally and externally) as a proportion of BCLC's total headcount. The year-end result is calculated by averaging the month-end rates.

The samplings done in order to set targets for this measure approximated BCLC's vacancy at 6.3 per cent for 2007/08 and 4.6 per cent for 2008/09.

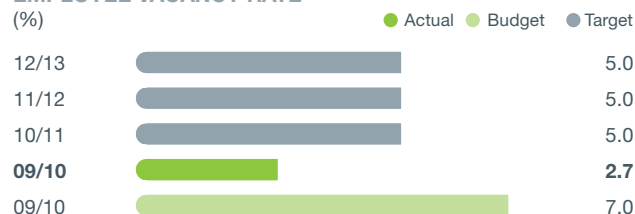
RATIONALE

This measure was new in 2009/10. It is intended to measure BCLC's employee morale and turnover, competitiveness and the effectiveness of recruitment processes.

MANAGEMENT COMMENTS

The vacancy rate provides a high-level metric that is subject to considerable variation based on factors such as organizational growth, internal personnel movement, employee demographics and external market conditions. As such, it must be interpreted within the context of the timeframe that it is being measured.

BCLC's result of 2.7 per cent was well below our target, which was set during a period when we anticipated workforce growth. In response to a number of external and internal factors, BCLC's focus changed to resource management. As a result, the number of vacancies and our recruitment levels were very low.

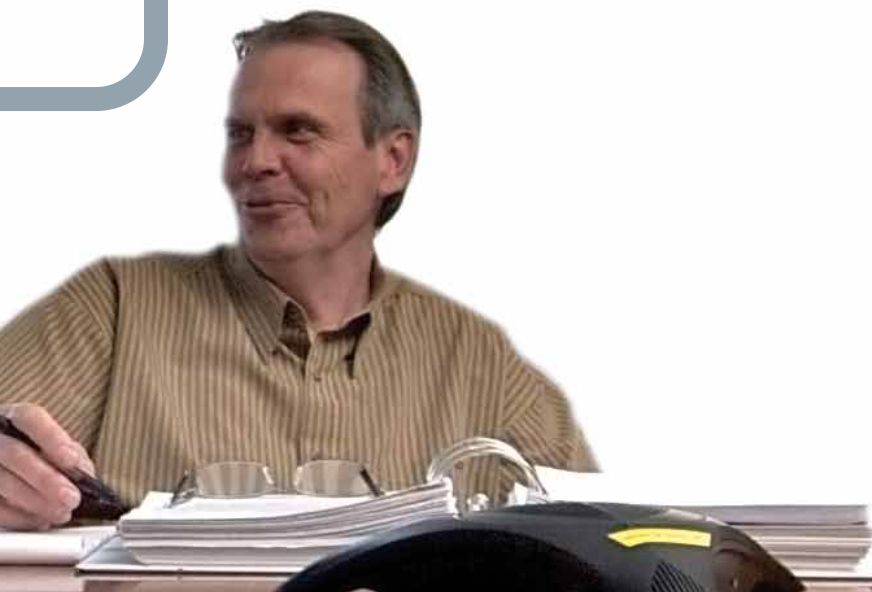
TARGET EXCEEDED**EMPLOYEE VACANCY RATE****Benchmarking availability and reliability**

This measure is not calculated by other gaming comparators. This measure may be implemented by other commercial Crowns to facilitate benchmarks across B.C. Crown entities in future years.

BCLC will report this measure on a time-series basis.

Data source

BCLC internal reporting



risk and capacity

BCLC has implemented an organization-wide risk management program with a strong focus on integrity and safety aligned with corporate goals and performance measures.

Our approach is underpinned by international best practices, in particular through adopting the principles laid out in the international Risk Management Standard.

Risk across the organization is assessed quarterly at a divisional and enterprise level, complemented by formal risk assessments for all significant initiatives and focused risk assessments of select processes. Consideration of risk is a key part of BCLC’s strategic and business planning processes, and an integral part of the management process.

BCLC’s Enterprise Risk Management Advisory Committee, which consists of senior representatives from all divisions, meets regularly to consider risk issues. The committee submits a quarterly report, including an updated enterprise risk register and progress against our annual risk plan, to BCLC senior management and the Audit Committee of the Board of Directors.

In 2010/11, we are focusing on developing complementary risk management approaches across key areas of the organization, including our internal audit and project management teams, with a strong focus on controls assurance and contingency planning. As our risk approach matures, new areas of risk will be identified while other areas may no longer be prioritized. The top three areas identified for a risk management focus over the past year were:

PLAYER EXPECTATIONS

ISSUE	ACTIVITIES IN 2009/10
Our ability to generate income and meet or exceed shareholder expectations is threatened if BCLC does not provide trustworthy, accessible, innovative and enjoyable gambling experiences for our players.	<p>Two key goals and strategies support this area:</p> <p>GOAL 1: BUILD PUBLIC TRUST AND SUPPORT FOR BCLC GAMING Demonstrate a high level of corporate citizenship and social responsibility in all of our activities</p> <p>GOAL 2: PROVIDE FACILITIES AND GAMES TO DEVELOP THE BUSINESS Transform to a player-centric company</p> <p>Corporate social responsibility (CSR) is an essential part of the way BCLC does business. Key activities include implementing our responsible gambling strategy through an active program of education and communication. Trained advisors staff GameSense Information Centres in all B.C. casinos, providing players with information about game odds, tips for keeping it fun and problem gambling resources such as voluntary self-exclusion and the Province’s free problem gambling counselling program. Self-service GameSense Information Centres are also in place in all community gaming centres and responsible gambling information is available at lottery retailers and on bclc.com. All front-line gaming staff, supervisors and managers must complete Appropriate Response Training (ART), which equips staff with knowledge to assist players in distress. BCLC is one of only 13 organizations worldwide to achieve the highest level of responsible gambling certification from the World Lottery Association.</p> <p>Focus on the customer experience is provided through the research and expertise of our Customer Strategy & Corporate Marketing division, which also works to champion player interests and perspectives internally to employees across the organization. Dedicated new product development teams in our lottery, casino and eGaming business units launched a variety of new games in 2009/10, including LOTTO MAX, Sports Action Props, Lightning Poker and virtual Baccarat, as well as new slot machine platforms and themes. A number of facilities were upgraded, and two new facilities, Chances Squamish and Chances Abbotsford, were opened.</p>

SYSTEMS, DATA AND GAMING INTEGRITY

ISSUE

BCLC's business depends on information technology and internal business processes. Potential failures of, or deficiencies in, these systems and processes could impact our ability to operate our gaming business through a breach in data continuity, privacy or data integrity.

It is essential to BCLC's success that our players are certain BCLC's gaming and prize payout systems are trustworthy. Should players feel the integrity of their experience is undermined, or cease to enjoy the games that BCLC offers, our revenues, strategic and operational objectives would be at risk.

ACTIVITIES IN 2009/10

One key goal and strategy support this area:

GOAL 3: INVEST IN INFRASTRUCTURE TO SUPPORT CURRENT BUSINESS OPERATIONS AND FUTURE GROWTH

Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency.

Integrity continues to be one of BCLC's core values, central to all activities across the organization. BCLC's Corporate Security & Compliance division conducted a range of audits, inspections and investigations, while our internal audit team provided independent, objective audits of internal risk management, control and governance processes. Assurances, processes, systems and controls were strengthened in a number of areas. We also put into action our business modernization strategy, with a focus on increasing business effectiveness and operational efficiency while embedding high levels of integrity and internal controls.

BCLC operations are supported by a complex portfolio of technology infrastructure and systems. An enterprise architecture approach has been adopted with a planned program of replacing legacy systems with leading flexible, scalable applications to maintain and improve system integrity, integration and resiliency.

Specific projects in 2009/10 focused on corporate records management, privacy and information classification. Our business continuity program considered issues of resiliency and disaster recovery, and managed H1N1 pandemic issues.

SERVICE PROVIDERS

ISSUE

BCLC is reliant on a number of key private sector service providers, especially for the operation of our casinos and community gaming centres. Due to the difficult economic environment, some of our service providers have had to delay or limit planned upgrades to gaming facilities, with a negative impact on revenue growth estimates, which in combination with reduced levels of play, has affected revenue and in some cases the service provider's financial viability.

ACTIVITIES IN 2009/10

BCLC has monitored the financial performance and stability of our private sector service providers throughout the year. Contingency and risk reduction plans have been developed to manage potential service provider disruptions and other scenarios. BCLC receives regular financial reports from all its key service providers and a new financial liaison role has been created. All casinos and community gaming centres operate under BCLC casino and community gaming standards, policies and procedures, which are regularly updated and audited for compliance.

BCLC works with a variety of private sector businesses that provide specialist services to the Corporation, such as gaming technology. Over the course of 2009/10, procurement and contract management processes were strengthened in response to new regulations under the Trade Investment and Labour Mobility Agreement (TILMA). We are also collaborating with other Canadian jurisdictions to upgrade systems and provide new gaming services.

CAPACITY

In the latter part of this fiscal year as part of BCLC's cost containment measures, an emphasis was placed on meeting organizational objectives with limited increases in staff. This conservative approach to increasing resources was done strategically to ensure that business goals and objectives were not adversely impacted. BCLC managed its business and people resources through strategies such as internal resource reallocation and attrition, and achieved a resource level below the budget that had been allocated. Moving forward into 2010/11, BCLC will continue to focus on managing resource growth and is formally implementing strategic workforce planning to proactively address the organization's future capacity needs.

financial report

management discussion and analysis

The Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for the fiscal year ended March 31, 2010 and should be read in conjunction with the Corporation's audited financial statements.



MANAGEMENT DISCUSSION AND ANALYSIS

Year ended March 31, 2010
(in millions of dollars)

financial overview

	2005/06	2006/07	2007/08	2008/09	2009/10	2009/10	2009/10	2009/10	2010/11	2011/12	2012/13
	Actual	Actual	Actual	Actual	Actual	Budget	Variance	Variance from prior Year	Target	Target	Target
REVENUE											
Lottery	\$ 967.4	\$ 997.4	\$ 976.9	\$ 954.2	\$ 937.9	\$ 969.0	\$ (31.1)	\$ (16.3)	\$ 1,023.0	\$ 1,089.0	\$ 1,164.0
Casino	1,085.3	1,208.9	1,322.1	1,341.3	1,321.6	1,399.0	(77.4)	(19.7)	1,396.0	1,454.0	1,490.0
Community Gaming	208.0	218.9	260.2	254.7	257.8	258.0	(0.2)	3.1	281.0	288.0	295.0
	2,260.7	2,425.2	2,559.2	2,550.2	2,517.3	2,626.0	(108.7)	(32.9)	2,700.0	2,831.0	2,949.0
Prizes	641.5	650.8	647.1	599.7	577.6	595.7	18.1	22.1	627.6	650.8	682.8
Net Win	1,619.2	1,774.4	1,912.1	1,950.5	1,939.7	2,030.3	(90.6)	(10.8)	2,072.4	2,180.2	2,266.2
EXPENDITURES											
Lottery	163.9	170.4	170.2	176.0	165.9	178.0	12.1	10.1	193.6	205.4	213.6
Casino	463.7	510.3	560.3	583.2	590.3	614.6	24.3	(7.1)	647.6	691.6	722.9
Community Gaming	68.9	74.9	92.7	100.6	104.4	107.7	3.3	(3.8)	116.2	121.2	124.7
	696.5	755.6	823.2	859.8	860.6	900.3	39.7	(0.8)	957.4	1,018.2	1,061.2
NET INCOME											
Lottery	273.2	283.5	263.9	256.4	266.7	258.2	8.5	10.3	265.6	285.8	317.9
Casino	621.6	698.6	761.8	758.1	731.3	784.4	(53.1)	(26.8)	748.3	762.5	767.1
Community Gaming	27.9	36.7	63.2	76.2	81.1	87.4	(6.3)	4.9	101.1	113.7	120.0
	\$ 922.7	\$ 1,018.8	\$ 1,088.9	\$ 1,090.7	\$ 1,079.1	\$ 1,130.0	\$ (50.9)	\$ (11.6)	\$ 1,115.0	\$ 1,162.0	\$ 1,205.0
Profit Margin	40.8%	42.0%	42.6%	42.8%	42.9%	43.0%	(0.1)%	0.1%	41.3%	41.0%	40.9%
Debt	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 60.0	\$ 82.9	\$ 22.9	\$ (60.0)	\$ 127.8	\$ 151.0	\$ 163.0
Capital Expenditures	\$ 82.9	\$ 43.9	\$ 60.5	\$ 97.4	\$ 92.5	\$ 127.5	\$ 35.0	\$ 4.9	\$ 106.7	\$ 120.0	\$ 120.0

In 2009/10, BCLC's net income broke the \$1 billion mark for the fourth consecutive year. At \$1.079 billion, this year's net income was just \$11.6 million below the record set in 2008/09, but \$50.9 million less than budget.

This year, competition for consumers' discretionary entertainment dollars was intensified by a slower-than-expected economic recovery and direct competition from the numerous Vancouver 2010 Olympic and Paralympic Winter Games events. However, in spite of these factors, BCLC's net income slipped only 1.1 per cent from the prior year. This performance compares favourably with that of the overall B.C. economy, which experienced an estimated decline in real GDP of 2.7 per cent¹.

In September, 2009, BCLC submitted a Service Plan Update for 2009/10–2011/12. As part of this process, the Corporation undertook a strategic cost reduction initiative aimed at trimming total expenditures by \$30 million. BCLC exceeded those targets, delivering savings of \$39.7 million in operating costs and \$35.0 million in capital costs.

During 2009/10, BCLC was proud to have been an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games. We are also proud to have introduced a number of new and innovative products, including LOTTO MAX and sports proposition betting, and made key enhancements to existing games. We also opened two new community gaming centres in Abbotsford and Squamish and upgraded several existing facilities.

1 B.C. Ministry of Finance estimates, February 2010

PERFORMANCE MEASUREMENT

BCLC's performance measurement framework is updated annually as part of our business planning process. This framework guides decision-making at all levels of the organization and has been used to assess our 2009/10 operational performance against the targets and budgets established in the Service Plan (www.bclc.com/documents/ServicePlan_1011-1213.pdf). BCLC also compares its performance to other gaming organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Canadian Accounting Standards Board (AcSB) announced that for fiscal years commencing on or after January 1, 2011, all publicly accountable enterprises are required to report their financial results using IFRS as issued by the International Accounting Standards Board (IASB).

Currently, the Corporation meets the definition of a Government Business Enterprise (GBE). The Public Sector Accounting Standards Board (PSAB) states that GBEs should adhere to the accounting principles applicable for publicly accountable enterprises.

The Corporation has commenced a project to identify and evaluate the implications and impacts of IFRS. BCLC will continue to accumulate and assess IFRS information in order to be prepared to comply with the directions of PSAB.

ECONOMIC OUTLOOK

Current economic indicators suggest that the B.C. economy is beginning to stabilize and that modest growth can be expected over the next fiscal year.

BCLC's strategy will be to continue to invest in new revenue generation opportunities, strategically manage costs and upgrade critical infrastructure in order to optimize corporate performance throughout the recovery.

A more detailed discussion of initiatives and opportunities can be found in our three year Service Plan and on bclc.com.

MANAGEMENT DISCUSSION AND ANALYSIS

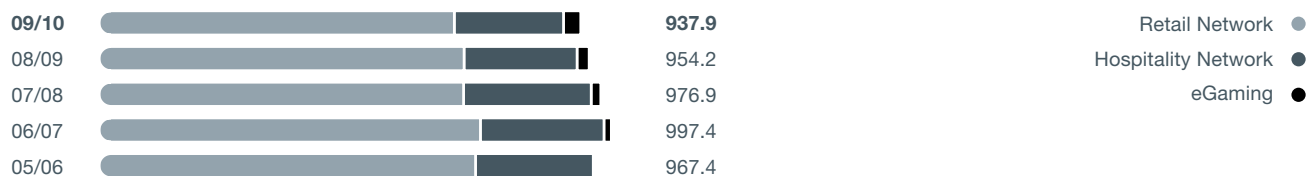
Year ended March 31, 2010
(in millions of dollars)

lottery operations

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Budget	2009/10 Variance	Variance from Prior Year
REVENUE								
Retail Network	\$ 733.0	\$ 742.5	\$ 709.7	\$ 710.7	\$ 691.7	\$ 705.0	\$ (13.3)	\$ (19.0)
Hospitality Network	229.2	240.6	248.5	220.0	212.6	230.0	(17.4)	(7.4)
eGaming	5.2	14.3	18.7	23.5	33.6	34.0	(0.4)	10.1
	967.4	997.4	976.9	954.2	937.9	969.0	(31.1)	(16.3)
Prizes	530.3	543.5	542.8	521.8	505.3	532.8	27.5	16.5
Net Win	437.1	453.9	434.1	432.4	432.6	436.2	(3.6)	0.2
Direct Expenses	83.5	85.4	79.0	75.5	71.3	73.5	2.2	4.2
Operating Expenses	80.4	85.0	91.2	100.5	94.6	104.5	9.9	5.9
Net Income	\$ 273.2	\$ 283.5	\$ 263.9	\$ 256.4	\$ 266.7	\$ 258.2	\$ 8.5	\$ 10.3
Lottery Retailers	4,397	4,321	4,033	4,046	4,044	4,002	42.0	(2.0)
Lottery Terminals	4,081	4,074	3,969	3,995	4,002	3,950	52.0	7.0

LOTTERY REVENUE

(\$ millions)



Lottery net income of \$266.7 million exceeded plan by \$8.5 million and the previous year by \$10.3 million. While revenue declined by 1.7 per cent, net income actually increased by four per cent on the strength of higher margin products and successful cost saving initiatives.

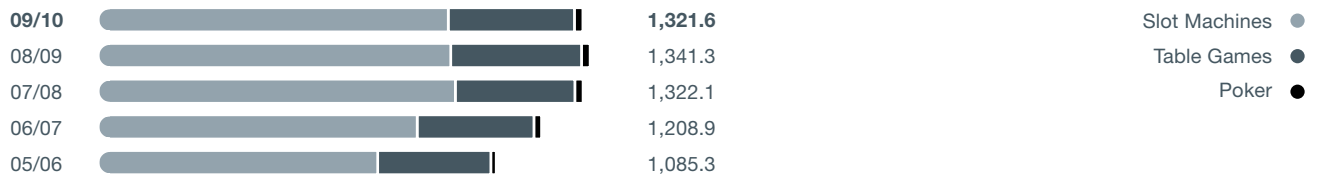
This year, BCLC introduced a number of new revenue-generating initiatives aimed at widening its player base, including the new nationwide LOTTO MAX game, Sports Action Props and four-minute Keno with Pattern Play. In addition, the Lottery Business Unit piloted a new merchandising approach in the retail environment in Vernon. Nevertheless, a maturing market for certain lottery products and a tight economy did have an impact on performance.

BCLC's PlayNow.com eGaming business continues to demonstrate strong growth. This year, eGaming generated net income of \$5.0 million, under budget by \$1.3 million but outperforming the previous year by \$1.3 million. The number of registered players grew from 116,000 in 2008/09 to 134,000 this year, attracted by the convenience of the channel and new product offerings.

casino operations

	2005/06	2006/07	2007/08	2008/09	2009/10	2009/10	2009/10	Variance
	Actual	Actual	Actual	Actual	Actual	Budget	Variance	from Prior Year
REVENUE								
Slot Machines	\$ 762.3	\$ 869.9	\$ 973.9	\$ 961.4	\$ 954.6	\$ 1,025.5	\$ (70.9)	\$ (6.8)
Table Games	306.6	318.2	325.8	356.4	343.9	350.0	(6.1)	(12.5)
Poker	16.4	20.8	22.4	23.5	23.1	23.5	(0.4)	(0.4)
	1,085.3	1,208.9	1,322.1	1,341.3	1,321.6	1,399.0	(77.4)	(19.7)
Prizes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Win	1,085.3	1,208.9	1,322.1	1,341.3	1,321.6	1,399.0	(77.4)	(19.7)
Direct Expenses	369.9	408.9	450.4	473.6	461.5	482.8	21.3	12.1
Operating Expenses	93.8	101.4	109.9	109.6	128.8	131.8	3.0	(19.2)
Net Income	\$ 621.6	\$ 698.6	\$ 761.8	\$ 758.1	\$ 731.3	\$ 784.4	\$ (53.1)	\$ (26.8)
Casinos	18	16	17	17	17	17	0	0
Slot Machines	7,149	6,951	7,837	8,818	9,438	9,946	(508)	620
Tables	454	464	481	485	478	509	(31)	(7)

CASINO REVENUE (\$ millions)



Casino revenues of \$1.322 billion were \$77.4 million less than plan and \$19.7 million lower than last year. The casino business was particularly hard-hit by traffic restrictions during the Vancouver 2010 Olympic Winter Games that resulted in the closure of Hastings Park Racetrack Casino for 30 days and reduced access to Edgewater Casino.

Players did not show the propensity for slot machine play that was anticipated in the 2009/10 plan. Consequently, slot machine revenue fell short of budget by \$70.9 million, or almost seven per cent.

General economic conditions continued to be a major influence on spending not only for customers, but also for our casino service providers who delayed a number of facility improvements planned for this year.

MANAGEMENT DISCUSSION AND ANALYSIS

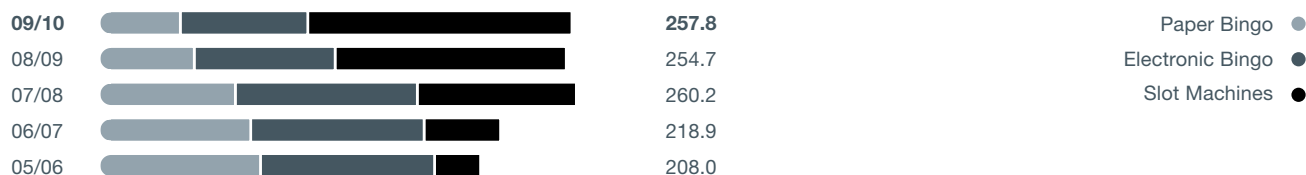
Year ended March 31, 2010
(in millions of dollars)

community gaming operations

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Budget	2009/10 Variance	Variance from Prior Year
REVENUE								
Paper Bingo	\$ 88.0	\$ 82.7	\$ 74.3	\$ 51.9	\$ 44.3	\$ 42.0	\$ 2.3	\$ (7.6)
Electronic Bingo	94.9	94.5	99.2	76.8	69.5	66.0	3.5	(7.3)
Slot Machines	25.1	41.7	86.7	126.0	144.0	150.0	(6.0)	18.0
	208.0	218.9	260.2	254.7	257.8	258.0	(0.2)	3.1
Prizes	111.2	107.3	104.3	77.9	72.3	62.9	(9.4)	5.6
Net Win	96.8	111.6	155.9	176.8	185.5	195.1	(9.6)	8.7
Direct Expenses	50.9	53.8	66.9	70.7	74.0	74.3	0.3	(3.3)
Operating Expenses	18.0	21.1	25.8	29.9	30.4	33.4	3.0	(0.5)
Net Income	\$ 27.9	\$ 36.7	\$ 63.2	\$ 76.2	\$ 81.1	\$ 87.4	\$ (6.3)	\$ 4.9
Commercial Halls	24	20	15	13	13	10	3	0
Independent Operators	15	15	15	14	7	14	(7)	(7)
Community Gaming Centres	5	6	12	14	15	18	(3)	1
Slot Machines	355	497	1,105	1,378	1,581	1,778	(197)	203

COMMUNITY GAMING REVENUE

(\$ millions)



Community gaming performance continued to be strong this year. Revenues of \$257.8 million were virtually on budget and were \$3.1 million greater than 2008/09. The opening of two new community gaming centres (CGCs) was a significant factor in this performance, as was the fact that fewer CGCs were impacted by Vancouver 2010 Olympic Winter Games traffic restrictions.

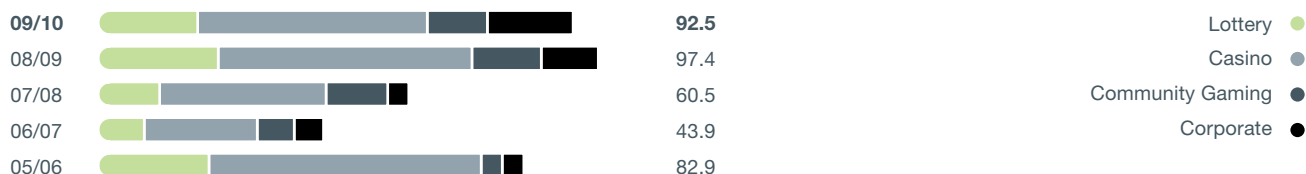
Despite the solid performance by CGCs overall, traditional bingo games continue to decline in popularity as players demonstrate a preference for casino-style games. While CGC slot machine revenue was \$6 million less than plan this year, it still exceeded 2008/09 results by \$18 million.

capital spending

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Budget	2009/10 Variance
Lottery	\$ 21.6	\$ 9.0	\$ 12.0	\$ 23.4	\$ 19.4	\$ 22.9	\$ 3.5
Casino	53.0	22.0	32.4	49.4	44.7	60.1	15.4
Community Gaming	4.1	7.2	12.0	13.5	11.7	18.9	7.2
Corporate	4.2	5.7	4.1	11.1	16.7	25.6	8.9
Capital Expenditures	\$ 82.9	\$ 43.9	\$ 60.5	\$ 97.4	\$ 92.5	\$127.5	\$ 35.0

From year to year, capital spending varies significantly in response to revenue and gaming facility initiatives. In 2009/10, capital spending of \$92.5 million was \$35.0 million under budget and \$4.9 million less than last year. The positive budget variance this year was due in part to delays in completing eGaming and infrastructure programs, and in part to strategic cost management activities.

CAPITAL SPENDING (\$ millions)



B.C. LOTTOTECH INTERNATIONAL INC.

The consolidated statements of the British Columbia Lottery Corporation include B.C. Lottotech International Inc. (Lottotech), a wholly owned subsidiary of the Corporation. The primary purpose of Lottotech is to purchase capital assets for BCLC. These assets are leased back to BCLC and the major expense is the amortization on the capital acquisitions. The management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

	2009/10	2008/09
REVENUE (\$ thousands)		
Lease revenue	\$ 65,971	\$ 60,929
EXPENSES		
Amortization	66,119	61,367
Other expenses (income)	(625)	408
	65,494	61,775
Net income (loss)	\$ 477	\$ (846)

Management's responsibility for financial reporting

The financial statements of British Columbia Lottery Corporation (BCLC) have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of BCLC as at March 31, 2010, and the results of its operations and cash flow for the year then ended.

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

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



Tom Williamson
Chief Financial Officer and Vice-President
Finance & Corporate Services

Auditor's report

To the Directors and Minister Responsible of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2010 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Kamloops, Canada
April 19, 2010

	2010	2009
ASSETS		
Current assets:		
Cash (note 4)	\$ 33,538	\$ 46,288
Funds held in trust (note 5)	–	3,445
Short-term investments (note 6)	29,628	58,520
Accounts receivable (note 7)	25,859	47,042
Receivable from Interprovincial Lottery Corporation	4,247	–
Prepaid expenses	3,708	7,184
Inventories	9,379	6,267
	106,359	168,746
Accrued pension plan asset (note 8)	32,404	21,739
Property, plant and equipment (note 9)	147,390	143,169
Intangible assets (note 10)	16,183	4,815
	\$ 302,336	\$ 338,469

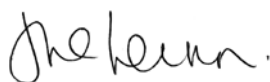
LIABILITIES

Current liabilities:		
Cheques issued in excess of funds on hand	\$ 5,635	\$ 7,820
Prizes payable	25,483	41,719
Accounts payable and accrued liabilities	44,095	51,906
Short-term financing (note 11)	59,996	–
Due to Government of British Columbia	128,715	201,736
	263,924	303,181
Accrued post retirement benefit obligation (note 8)	38,412	35,288
	\$ 302,336	\$ 338,469

Commitments and contingencies (notes 18 and 19)

See accompanying notes to consolidated financial statements.

Approved:



John McLernon
 Chair, Board of Directors



Michael Riley
 Chair, Board Audit Committee

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

	2010	2009
Revenue (note 12):		
Lottery	\$ 937,920	\$ 954,208
Casino	1,321,625	1,341,240
Community gaming	257,811	254,726
	2,517,356	2,550,174
Prizes	577,611	599,745
Net win	1,939,745	1,950,429
Direct expenses:		
Commissions	569,854	577,818
Ticket printing and bingo paper	15,453	17,134
Equipment supplies, leases, and licenses	21,426	24,780
	606,733	619,732
Net win less direct expenses	1,333,012	1,330,697
Operating expenses:		
Administrative expenses	149,259	138,145
Amortization	68,869	64,138
Other expenses	32	4,898
Marketing Trust Account (note 13):		
Marketing Trust Account income	–	(15,642)
Marketing Trust Account expenditures	–	15,642
	218,160	207,181
Income from operations	1,114,852	1,123,516
Non-operating income (expenses):		
Net horse racing betting fees (note 14)	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses (note 15)	–	(981)
Goods and Services Tax expense (note 22)	(37,650)	(33,727)
	(35,772)	(32,830)
Net income, being comprehensive income	\$ 1,079,080	\$ 1,090,686
Allocation of net income:		
Government of British Columbia	\$ 1,070,404	\$ 1,081,989
Government of Canada (note 16)	8,676	8,697
	\$ 1,079,080	\$ 1,090,686

Sector activity information (note 21)

See accompanying notes to consolidated financial statements.

	2010	2009
Balance, beginning of year	\$ 201,736	\$ 192,880
Net income	1,079,080	1,090,686
	1,280,816	1,283,566
Payments to Government of British Columbia	1,143,425	1,073,133
Payments to Government of Canada (note 16)	8,676	8,697
	1,152,101	1,081,830
Due to Government of British Columbia	\$ 128,715	\$ 201,736

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

	2010	2009
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Net income	\$ 1,079,080	\$1,090,686
Adjustments for:		
Amortization of property, plant and equipment	66,026	62,935
Amortization of intangible assets	2,843	1,203
Loss (gain) on disposal of property, plant and equipment	(398)	(513)
	1,147,551	1,154,311
Changes in non-cash operating items:		
Accounts receivable	21,183	(3,989)
Receivable from Interprovincial Lottery Corporation	(4,247)	(1,685)
Prepaid expenses	3,476	(1,463)
Inventories	(3,112)	(2,064)
Accrued pension plan asset	(10,665)	(5,990)
Prizes payable	(16,236)	(2,118)
Accounts payable and accrued liabilities	(7,811)	5,587
Accrued post retirement benefit obligation	3,124	3,521
	1,133,263	1,146,110
FINANCING:		
Short-term financing	59,996	—
Payments to Government of British Columbia	(1,143,425)	(1,073,133)
Payments to Government of Canada (note 16)	(8,676)	(8,697)
	(1,092,105)	(1,081,830)
INVESTMENTS:		
Additions to property, plant and equipment	(71,139)	(91,404)
Additions to intangible assets	(14,211)	(6,018)
Proceeds on disposal of property, plant and equipment	1,290	864
	(84,060)	(96,558)
Decrease in cash and cash equivalents	(42,902)	(32,278)
Cash and cash equivalents, beginning of year	100,433	132,711
Cash and cash equivalents, end of year	\$ 57,531	\$ 100,433

Cash and cash equivalents are comprised of:

Cash (note 4)	\$ 33,538	\$ 46,288
Funds held in trust (note 5)	—	3,445
Short-term investments (note 6)	29,628	58,520
Cheques issued in excess of funds on hand	(5,635)	(7,820)
Cash and cash equivalents, end of year	\$ 57,531	\$ 100,433

See accompanying notes to consolidated financial statements.

1. Nature of the Corporation:

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

2. Significant accounting policies:

(A) BASIS OF PRESENTATION:

- (i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).
- (ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation, as well as the Marketing Trust Account, a variable interest entity for which the Corporation is deemed the primary beneficiary (see note 13).

(B) CASH:

Cash includes cash balances on deposit and gaming bankrolls.

(C) SHORT TERM INVESTMENTS:

Short-term investments include investments in overnight deposits with financial institutions having an original maturity date of 90 days or less. Short-term investments are highly liquid and form an integral part of the Corporation's cash management. As such, they are a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(D) FINANCIAL INSTRUMENTS:

The Corporation has designated or classified its financial assets and liabilities as follows:

Cash, funds held in trust, short-term investments, and cheques issued in excess of funds on hand have been designated as held for trading and are measured at their fair values, with changes in fair value recognized in the consolidated statement of income.

Accounts receivable and receivable from Interprovincial Lottery Corporation have been classified as loans and receivables and are measured at amortized cost; and

Accounts payable and accrued liabilities, short-term financing, prizes payable, and amounts due to the Government of British Columbia have been classified as other financial liabilities and are measured at amortized cost.

(E) INVENTORIES:

Inventories are recorded at the lower of cost (determined on a first-in, first-out basis) and net realizable value. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is not estimated to be recoverable.

2. Significant accounting policies (continued):

(F) PROPERTY, PLANT AND EQUIPMENT:

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

The Corporation's property, plant and equipment is recorded at its cost less accumulated amortization. Amortization is taken over the estimated useful lives of the assets on a straight-line basis starting when the assets are available for use. Amortization is taken at the following annual rates:

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

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

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(G) INTANGIBLE ASSETS:

Costs incurred in developing or acquiring computer software products or systems that will benefit future periods through revenue generation and/or cost reduction are capitalized as intangible assets.

The cost of internally developed intangible assets comprises developmental costs that are directly attributable to creation, production, and preparation of the asset to be capable of operating in the manner intended by management. These costs are capitalized if they meet all of the following criteria:

- The technical feasibility of completing the software for use has been demonstrated,
- The Corporation has demonstrated its intention to use the software,
- The Corporation has demonstrated its ability to use the software,
- The usefulness of the software in generating probable future economic benefit has been demonstrated,
- There are adequate technical, financial and other resources to complete the development of the software, and
- The expenditure attributable to the software can be measured reliably during its development.

Capitalized software is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to five years). An intangible asset that is subject to amortization is tested for impairment only when events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss for an intangible asset is not reversed upon subsequent increase of the fair value of such assets.

2. Significant accounting policies (continued):

(H) EMPLOYEE FUTURE BENEFITS:

The Corporation has defined benefit pension plans (the registered plan and supplementary plan) covering substantially all of its employees. The benefits are based on length of service and the average of the 60 consecutive months of highest pensionable earnings. The cost of the registered plan is funded by employee and employer contributions. The supplementary plan is not funded.

The Corporation also sponsors post-retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligations based on estimates provided by independent actuaries.

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

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method and management's best estimate of expected plan investment performance, salary escalation, membership data and expected health care costs.
- The expected return on plan assets is based on the fair value of plan assets.
- Past service costs from plan amendments or initiations are amortized on a straight-line basis over the expected average remaining service life (EARS�) of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market-related value of plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plans. The EARS� for the registered plan and the supplementary plan are 13 years and eight years respectively.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*. A funding excess may be applied immediately to reduce required employer current service contributions; however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Furthermore, the use of a funding excess must be amortized over a minimum of five years.
- There were no changes in plan provisions, actuarial cost methods or the asset valuation method since the last disclosure as of March 31, 2009.

(I) REVENUE RECOGNITION:

LOTTERY:

The recognition of lottery sales and the corresponding direct expenses for online games is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue, and the associated direct costs are recorded as prepaid expenses.

The recognition of lottery sales and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

CASINO:

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

2. Significant accounting policies (continued):

(I) REVENUE RECOGNITION (CONTINUED):

COMMUNITY GAMING:

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

(J) PRIZE EXPENSES:

Lottery prize expenses are recorded based on the actual prize liability experienced for each online game, and theoretical prize liabilities for instant ticket games.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the nature of games of chance. Over the life of a game, the actual prize expense will equal the theoretical expense.

Expired prizes are recorded as reductions in prize expense in the year of expiry.

(K) COMMISSIONS:

Commissions paid to retailers are based on revenue earned. BCLC recognizes these commissions as revenue is earned.

Commissions paid to service providers are based on net win earned. BCLC recognizes these commissions as net win is earned.

BCLC employs a commission structure that enables casino, community gaming and bingo service providers to earn additional compensation (facility development commission (FDC) and accelerated facility development commission (AFDC)), up to contractually determined limits, based on net win generated for properties where facility enhancements have been undertaken by the service providers.

The FDC and AFDC are recognized as a commission expense to BCLC as net win is earned.

(L) INCOME TAXES:

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

(M) ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include employee future benefits, and prize liabilities and expenses. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in income in the year they become known.

(N) SECTOR ACTIVITY REPORTING:

The Corporation's reportable sectors are strategic business units that represent distinct distribution channels that offer similar and unique products and services. These sectors are lottery, casino, community gaming and horse racing. The sector activity is illustrated in note 21. The accounting policies of the sectors do not differ from the accounting policies of the Corporation.

3. Changes in accounting policy:

(A) ACCOUNTING PRONOUNCEMENTS ADOPTED DURING THE YEAR:

Effective April 1, 2009, the Corporation adopted the following CICA Handbook sections, which became effective for the Corporation on that date:

- (i) In 2009, the CICA amended Section 3862 Financial Instruments – Disclosures to improve fair value and liquidity risk disclosures. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchical levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:
 - Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets.
 - Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly.
 - Level 3: Inputs used in a valuation technique that are not based on observable market data in determining fair values of the instruments.
- (ii) The new CICA Handbook Section 3064 Goodwill and Intangible Assets replaced Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new standard provides further guidance on the recognition and treatment of internally developed intangibles and establishes further criteria for intangible costs that do not qualify for capitalization. The Corporation's intangible assets are comprised of software costs which were previously recorded as property, plant and equipment prior to the adoption of Section 3064. The adoption of this standard, which has been applied retroactively, resulted in a reclassification of software costs as "Intangible assets" in the consolidated balance sheet. Reclassification of prior year amounts resulted in an increase in intangible assets and a corresponding decrease in property, plant and equipment of \$4,815.

(B) ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE:

- (i) International Financial Reporting Standards (IFRS):

The Canadian Accounting Standards Board (AcSB) announced that for fiscal years commencing on or after January 1, 2011, all publicly accountable enterprises are required to report their financial results using IFRS as issued by the International Accounting Standards Board (IASB).

Currently, the Corporation meets the definition of a Government Business Enterprise (GBE). The Public Sector Accounting Standards Board (PSAB) states that GBEs should adhere to the accounting principles applicable for publicly accountable enterprises.

The Corporation has commenced a project to identify and evaluate the implications and impacts of IFRS. BCLC will continue to accumulate and assess IFRS information in order to be prepared to comply with the directions of PSAB.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2010
(in thousands of dollars)

4. Cash:

	2010	2009
Casino and community gaming cash floats	\$ 24,104	\$ 41,962
Funds held for security deposits	7,958	3,095
Funds held for eGaming wallets	1,476	1,231
	\$ 33,538	\$ 46,288

Casino and community gaming cash floats are owned by the Corporation and provided by the Corporation to its service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gaming locations and are not available for other purposes. These amounts are secured by Irrevocable Standby Letters of Credit.

Funds held for security deposits include security deposit amounts provided by lottery retailers to BCLC. These funds are deposited into a separate bank account and returned to retailers, including any interest earned, in accordance with the retailer agreements. Also included in this balance is a standing security deposit of \$4,750 (2009: \$ nil) to secure amounts for casino net win balances owing to BCLC that are not covered by Irrevocable Standby Letters of Credit. All security deposit amounts are internally restricted by BCLC exclusively for funding the security deposit liability.

A corresponding security deposit liability in the amount of \$7,958 (2009: \$3,095) is included in accounts payable and accrued liabilities.

Funds held for eGaming wallets represent funds provided to BCLC by eGaming players through player wallets on PlayNow. These amounts are deposited into a separate bank account and are internally restricted by BCLC exclusively for funding the eGaming wallet liability.

A corresponding eGaming wallet liability in the amount of \$1,476 (2009: \$1,231) is included in accounts payable and accrued liabilities.

5. Funds held in trust:

Prior to being returned to casino service providers during the 2010 fiscal year, funds held in trust was money held in the Marketing Trust Account, in accordance with the Casino Operational Services Agreement (COSA) between BCLC and the participating service providers.

A corresponding trust liability in the amount of \$ nil (2009: \$3,445) was included in accounts payable and accrued liabilities (see note 13).

6. Short-term investments:

	2010	2009
BC INVESTMENT MANAGEMENT CORPORATION:		
Canadian Money Market Fund (overnight deposit)	\$ 29,507	\$ 58,370
US Dollar Money Market Fund (overnight deposit)	121	150
	\$ 29,628	\$ 58,520

7. Accounts receivable:

	2010	2009
Trade accounts receivable:		
Lottery retailers	\$ 18,552	\$ 16,608
Casino service providers	3,726	25,761
Community gaming and bingo service providers	1,582	1,401
	23,860	43,770
Other	1,999	3,272
Total accounts receivable	\$ 25,859	\$ 47,042

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2010
(in thousands of dollars)

8. Employee future benefits:

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

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

	Pension Plans		Post Retirement Benefit Plans	
	2010	2009	2010	2009
Accrued benefit obligation:				
Balance at beginning of year	\$ 58,197	\$ 75,855	\$ 29,828	\$ 35,520
Current service cost	1,645	3,536	1,439	1,823
Interest cost	5,006	4,809	2,691	2,354
Plan amendments	—	193	—	—
Employee contributions	2,213	1,977	—	—
Benefits paid	(2,657)	(3,426)	(600)	(567)
Actuarial loss (gain)	29,162	(24,747)	(131)	(9,302)
Balance at end of year	93,566	58,197	33,227	29,828
Plan assets:				
Fair value at beginning of year	76,344	83,019	—	—
Actual return (loss) on plan assets	17,760	(13,864)	—	—
Employer contributions	11,807	8,638	600	567
Employee contributions	2,213	1,977	—	—
Benefits paid	(2,657)	(3,426)	(600)	(567)
Balance at end of year	105,467	76,344	—	—
Funded status—excess (deficiency)	11,901	18,147	(33,227)	(29,828)
Unamortized (negative) past service cost	580	721	(4,076)	(4,483)
Unamortized net actuarial loss (gain)	19,923	2,871	(1,109)	(977)
Accrued employee future benefit plan asset (obligation)	\$ 32,404	\$ 21,739	\$ (38,412)	\$ (35,288)

8. Employee future benefits (continued):

Plan assets by asset category:

	2010	2009
Equity securities	61%	58%
Debt securities	39%	42%
	100%	100%

An actuarial valuation is required at minimum every three years to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made as of December 31, 2007 by Mercer, a firm of consulting actuaries. The next required valuation will be at a date not later than December 31, 2010, with results available in early 2011. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations for accounting purposes are as follows:

	Pension Plans		Post Retirement Benefit Plans	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
AT BEGINNING OF FISCAL PERIOD:				
Discount rate	8.60%	6.25%	8.70%	6.35%
Expected rate of return on plan assets	7.00%	7.00%	—	—
Rate of compensation increase	4.75%	5.00%	—	—
Health care cost trend rate:				
2009/2010	—	—	6.44%	6.24%
Ultimate	—	—	4.35%	4.50%
Year ultimate reached	—	—	2029	2012
AT END OF FISCAL PERIOD:				
Discount rate	6.25%	8.60%	6.35%	8.70%
Rate of compensation increase*	4.27%	4.75%	—	—
Health care cost trend rate:				
2009/2010	—	—	6.84%	6.44%
Ultimate	—	—	4.50%	4.35%
Year ultimate reached	—	—	2029	2029

* A long-term estimate of a 3.00% rate of compensation increase has also been factored into the actuarial assumptions adopted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2010
(in thousands of dollars)

8. Employee future benefits (continued):

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

	Pension Plans		Post Retirement Benefit Plans	
	2010	2009	2010	2009
Current service cost, net of employees' contributions (including provision for plan expenses)	\$ 1,645	\$ 3,536	\$ 1,439	\$ 1,823
Interest cost	5,006	4,809	2,691	2,354
Plan amendment	—	193	—	—
Actual loss (return) on plan assets	(17,760)	13,864	—	—
Actuarial loss (gain) on accrued benefit obligation	29,162	(24,747)	(131)	(9,302)
Costs arising in the year	18,053	(2,345)	3,999	(5,125)
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	12,136	(19,883)	—	—
Actuarial loss (gain)	(29,187)	24,776	131	9,620
Plan amendment	141	(76)	—	—
(Negative) past service cost	—	—	(407)	(407)
Net benefit cost recognized	\$ 1,143	\$ 2,472	\$ 3,723	\$ 4,088

9. Property, plant and equipment:

			2010	2009
	Cost	Accumulated Amortization	Net	Net
Land	\$ 700	\$ –	\$ 700	\$ 700
Corporate facilities and equipment	35,708	28,869	6,839	5,127
Corporate information systems	33,716	23,447	10,269	8,546
Lottery gaming systems and equipment	127,050	91,056	35,994	40,390
Casino gaming systems and equipment	213,825	139,156	74,669	67,659
Community gaming systems and equipment	67,519	48,600	18,919	20,747
	\$ 478,518	\$ 331,128	\$ 147,390	\$ 143,169

10. Intangible assets:

			2010	2009
	Cost	Accumulated Amortization	Net	Net
Software	\$ 20,229	\$ 4,046	\$ 16,183	\$ 4,815

11. Short-term financing:

	2010	2009
Province of British Columbia, loan, payable in a single instalment of \$60,000 including interest of \$8 at 0.17%, unsecured, due April 16, 2010	\$ 59,996	\$ –

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2010
(in thousands of dollars)

12. Revenue:

	2010	2009
LOTTERY:		
Lotto 6/49	\$ 210,848	\$ 240,487
Keno	209,075	210,239
Scratch & Win	148,684	158,325
LOTTO MAX	73,330	—
Extra	50,188	53,965
Sports Action	49,843	52,911
Pacific Hold'em Poker	47,521	39,926
BC/49	47,108	51,878
Pull Tab	46,510	54,918
Lotto Super 7	34,094	68,550
SportsFunder	11,520	15,255
eBingo	4,057	779
Special Event	2,879	—
Interactives	1,491	1,338
Knockout 21	772	—
Millionaire Life	—	5,637
	937,920	954,208
CASINO—revenue net of prizes paid:		
Slot machines	954,600	961,408
Table games	343,885	356,370
Poker	23,140	23,462
	1,321,625	1,341,240
COMMUNITY GAMING:		
Slot machines—revenue net of prizes paid	143,959	125,997
Electronic Bingo	62,662	66,335
Paper Bingo	44,371	51,924
Linked Bingo	6,819	7,675
Handheld Bingo	—	2,795
	257,811	254,726
Total revenue	\$ 2,517,356	\$ 2,550,174

13. Marketing Trust Account:

The Marketing Trust Account (MTA) was established in 2004 between BCLC and casino service providers who were provided with more than 300 slot machines. Under the terms of the COSA, casino service providers were required to contribute to this account for the purpose of funding casino marketing and responsible gambling programs.

BCLC and the casino service providers mutually agreed to the termination of contributions to the MTA as of December 27, 2008. The remaining MTA balance as at March 31, 2009 was returned to the casino service providers during the current fiscal year.

The Corporation included the activities of the MTA in its consolidated financial statements pursuant to Accounting Guideline 15—Consolidation of Variable Interest Entities, as it was deemed to be the primary beneficiary of the MTA.

Amounts related to the MTA are as follows:

	2010	2009
MTA contributions and interest	\$ —	\$ 12,176
MTA earned contributions	—	3,466
MTA income	—	15,642
MTA expenditures	—	(15,642)
Net MTA income	\$ —	\$ —

Amounts included in funds held in trust (note 5) and accounts payable and accrued liabilities related to the MTA are as follows:

	2010	2009
Opening MTA trust assets and liabilities	\$ 3,445	\$ 6,911
Current year earned MTA contributions	(3,445)	(3,466)
Ending MTA trust assets and liabilities	\$ —	\$ 3,445

14. Net horse racing betting fees:

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

	2010	2009
Revenue collected from the horse racing industry	\$ 5,754	\$ 6,572
Less: revenue returned to the horse racing industry	(3,876)	(4,694)
Net horse racing betting fees	\$ 1,878	\$ 1,878

15. Integrated Illegal Gaming Enforcement Team expenses:

In February 2003, based on direction from the provincial government, the Integrated Illegal Gaming Enforcement Team (IIGET), a specialized division of the Royal Canadian Mounted Police, was established. The expenditures required to fund the IIGET were provided by BCLC pursuant to a Sponsoring Agreement with the Province. This Sponsoring Agreement ended March 31, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2010
(in thousands of dollars)

16. Payments to the Government of Canada:

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

17. Interprovincial Lottery Corporation expenses and interest revenue:

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

18. Commitments:

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


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

2011	\$ 3,709
2012	4,730
2013	4,521
2014	4,212
2015	3,856
Thereafter	41,821

19. Contingencies:

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

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



20. Related party transactions:

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

21. Sector activity information:

Year ended March 31, 2010:

	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	\$ 937,920	\$ 1,321,625	\$ 257,811	\$ –	\$ 2,517,356
Prizes	505,329	–	72,282	–	577,611
Net win	432,591	1,321,625	185,529	–	1,939,745
Direct expenses:					
Commissions	54,992	446,263	68,599	–	569,854
Ticket printing and bingo paper	14,199	–	1,254	–	15,453
Equipment supplies, leases and licenses	2,049	15,204	4,173	–	21,426
	71,240	461,467	74,026	–	606,733
Net win less direct expenses	361,351	860,158	111,503	–	1,333,012
Operating expenses:					
Administrative expenses	70,517	65,201	13,541	–	149,259
Amortization	19,013	38,427	11,429	–	68,869
Other expenses	(3,535)	2,637	930	–	32
	85,995	106,265	25,900	–	218,160
Income from operations	275,356	753,893	85,603	–	1,114,852
Non-operating income (expenses):					
Net horse racing betting fees	–	–	–	1,878	1,878
Goods and Services Tax expense	(10,488)	(22,612)	(4,550)	–	(37,650)
	(10,488)	(22,612)	(4,550)	1,878	(35,772)
Net income	\$ 264,868	\$ 731,281	\$ 81,053	\$ 1,878	\$ 1,079,080

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2010
(in thousands of dollars)

21. Sector activity information (continued):

Year ended March 31, 2009:

	Lottery	Casino	Community Gaming	Horse Racing	Consolidated
Revenue	\$ 954,208	\$ 1,341,240	\$ 254,726	\$ –	\$ 2,550,174
Prizes	521,851	–	77,894	–	599,745
Net win	432,357	1,341,240	176,832	–	1,950,429
Direct expenses:					
Commissions	57,548	455,828	64,442	–	577,818
Ticket printing and bingo paper	15,680	–	1,454	–	17,134
Equipment supplies, leases and licenses	2,184	17,760	4,836	–	24,780
	75,412	473,588	70,732	–	619,732
Net win less direct expenses	356,945	867,652	106,100	–	1,330,697
Operating expenses:					
Administrative expenses	73,646	51,560	12,939	–	138,145
Amortization	17,167	37,267	9,704	–	64,138
Other expenses	810	3,185	903	–	4,898
Marketing Trust Account:					
Marketing Trust Account income	–	(15,642)	–	–	(15,642)
Marketing Trust Account expenditures	–	15,642	–	–	15,642
	91,623	92,012	23,546	–	207,181
Income from operations	265,322	775,640	82,554	–	1,123,516
Non-operating income (expenses):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming					
Enforcement Team expenses	(224)	(671)	(86)	–	(981)
Goods and Services Tax expense	(10,605)	(16,852)	(6,270)	–	(33,727)
	(10,829)	(17,523)	(6,356)	1,878	(32,830)
Net income	\$ 254,493	\$ 758,117	\$ 76,198	\$ 1,878	\$ 1,090,686

22. Goods and Services Tax:

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

23. Financial risk management:

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

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

GENERAL

The Board of Directors (the Board) is responsible for the oversight of management including its policies related to financial and risk management issues. The Board has delegated responsibility to the Audit Committee to consider on an ongoing basis the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

The Audit Committee oversees the review of the Corporation's information systems, risk management function and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

BCLC has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems, and to adopt risk treatment plans when appropriate. An Enterprise Risk Management Advisory Committee (ERMAC), with representation from Risk Management, Audit Services, and senior management from all divisions, has been established to ensure risk management is implemented across the Corporation, to consider and recommend risk management strategies, plans, processes and policies to the Corporation, and to provide advice to the Executive Committee (CEO and Vice Presidents) on risk management at BCLC. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive and Audit Committees.

BCLC also has a division focused on corporate security and compliance, and has a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control and compliance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2010
(in thousands of dollars)

23. Financial risk management (continued):

CREDIT RISK

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables and investment securities.

TRADE RECEIVABLES AND CASH FLOATS

The major third parties transacting with the Corporation, which include lottery retailers, casino service providers, community gaming service providers and bingo service providers, require registration with GPEB before doing business with BCLC. The Corporation is not materially exposed to any one individual lottery retailer or service provider except as noted below.

The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is requested, while not exposing the Corporation to unacceptable risks. Credit assessments are completed for all new retailers (with the exception of registered charities) and may be completed for retailers who have experienced insufficient fund occurrences or where there is a concern a retailer might be experiencing financial difficulties.

Retailer security is obtained from retailers who are considered high financial risk or from retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits or personal guarantees.

Casino and community gaming cash floats owned by the Corporation and provided by the Corporation to casino and community gaming service providers are secured by Irrevocable Standby Letters of Credit. These letters of credit also cover an estimated amount for the net win less commissions that would be outstanding from each service provider at any point in time. In the case where a letter of credit is not provided, BCLC holds a security deposit from the service provider covering the estimated amount owing to BCLC at any point in time. While the Corporation is materially exposed to two different casino service providers, the letters of credit and security deposits held partially mitigate the material risk of default for trade receivables and cash floats owned by the Corporation. Bingo cash floats provided by the Corporation to bingo service providers (commercial bingo halls) are unsecured.

The Corporation's eGaming sales are through credit card, debit card, or online bill payment purchases where customers pay in advance of transactions.

The Corporation's two largest service providers, account for \$1,282 of the accounts receivable carrying amount at March 31, 2010 (2009: \$22,263).

The maximum exposure to credit risk for trade accounts receivable at the reporting date by type of debtor represents the carrying amounts, as detailed in note 7, less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

	2010	2009
Lottery retailers	\$ 14,681	\$ 12,806
Casino service providers	–	6,961
Community gaming service providers	–	73
Other	6,246	3,272
	\$ 20,927	\$ 23,112

All accounts receivable are within credit terms.

Bad debts in the amount of \$26 were recognized during the year (2009: \$77).

23. Financial risk management (continued):

CREDIT RISK (CONTINUED)

INVESTMENTS

The Corporation limits its exposure to investment credit risk by investing only in short term debt securities with high credit ratings (as noted below) and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Corporation has a formal policy and guidelines in place for short-term investments that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

Specifically, the Corporation may invest in the following short-term investments:


- Fixed income securities issued, insured, or guaranteed by the Government of Canada, a provincial or municipal government, or the Government of the United States;
- Short-term financial and corporate commercial paper rated R-1 by the Dominion Bond Rating Service (DBRS) or an equivalent rating agency;
- Short-term paper issued by savings institutions;
- Fixed income securities from corporate issuers with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency; and
- Canadian dollar denominated fixed income securities issued, insured or guaranteed by a non-Canadian sovereign government or a supranational entity (e.g., the World Bank), with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency.

An asset mix has been established that outlines various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

SUPPLIER CONCENTRATION

The Corporation has significant business arrangements with two casino service providers which account for the majority of its casino business. The Corporation also has arrangements with other casino service providers, community gaming service providers, and a large number of lottery retailers.

The Corporation has a number of strategic relationships with suppliers of goods and services. Among these are arrangements for ticket printing, as well as critical gaming hardware and software. In addition, the Corporation maintains a significant number of other business relationships with suppliers of goods and services which are within the normal parameters of the Corporation's business and the gaming industry.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2010
(in thousands of dollars)

23. Financial risk management (continued):

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Province under its Fiscal Agency Loan (FAL) program. Under this arrangement BCLC may borrow up to \$150 million. In making a loan to the Corporation, the Province uses reasonable efforts to comply with the borrowing requirements of the Corporation by supplying funds at commercial rates; however, the interest rate of any loan will be determined at the sole discretion of the Province. The short-term financing is unsecured and there are no pre-established repayment terms.

The Corporation also has a \$10 million overdraft facility that is unsecured. Interest is payable at prime plus 0.5%. A standby fee of 0.25% is payable on the unused balance of the overdraft facility.

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an on-going basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money, and money from normal operations held in advance of its transfer to the Government of British Columbia. As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity.

The carrying values of financial liabilities approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand. At the reporting date, these values are as follows:

	Carrying amount	
	2010	2009
Cheques issued in excess of funds on hand	\$ 5,635	\$ 7,820
Prizes payable	25,483	41,719
Accounts payable and accrued liabilities	44,095	51,906
Short-term financing	59,996	–
Due to Government of British Columbia	128,715	201,736
	\$ 263,924	\$ 303,181

The contractual maturities of financial liabilities are as follows:

March 31, 2010:

	Carrying amount	Contractual cash flows	3 months or less	3–12 months
Cheques issued in excess of funds on hand	\$ 5,635	\$ (5,635)	\$ (5,635)	\$ –
Prizes payable	25,483	(25,483)	(19,112)	(6,371)
Accounts payable and accrued liabilities	44,095	(44,095)	(44,095)	–
Short-term financing	59,996	(59,996)	(59,996)	–
Due to Government of British Columbia	128,715	(128,715)	(128,715)	–
	\$ 263,924	\$ (263,924)	\$ (257,553)	\$ (6,371)

23. Financial risk management (continued)

LIQUIDITY RISK (CONTINUED)

The contractual maturities of financial liabilities were as follows:

March 31, 2009:

	Carrying amount	Contractual cash flows	3 months or less	3-12 months
Cheques issued in excess of funds on hand	\$ 7,820	\$ (7,820)	\$ (7,820)	\$ –
Prizes payable	41,719	(41,719)	(27,279)	(14,440)
Accounts payable and accrued liabilities	51,906	(51,906)	(51,906)	–
Due to Government of British Columbia	201,736	(201,736)	(201,736)	–
	\$ 303,181	\$ (303,181)	\$ (288,741)	\$ (14,440)

Prizes payable are recorded based on the actual prize liability experienced for each online game and theoretical prize liabilities for instant ticket games. The present value of discounted future contractual and estimated contractual cash flows is presented above.

MARKET RISK

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of a financial instrument. Market risk is comprised of currency risk, interest rate risk and other market price risk.

CURRENCY RISK

The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily U.S. dollars (USD)) and by holding bank accounts and investments in USD.

The Corporation limits its exposure by holding minimal USD investments and only maintaining required funds in USD bank accounts. Gains and losses due to foreign exchange rate fluctuations are also minimized by settling USD obligations as quickly as possible.

The Corporation's exposure to currency risk, based on notional amounts, is as follows:

	March 31, 2010		March 31, 2009	
	CAD	USD*	CAD	USD*
Short-term investments	\$29,507	\$ 121	\$58,370	\$ 150
Cash held (including funds held in trust)	31,076	545	43,702	595
Accounts payable and accrued liabilities	(43,655)	(440)	(50,825)	(1,081)
Net exposure	\$ 16,928	\$ 226	\$51,247	\$ (336)

* Note: All USD balances are shown in Canadian dollar (CAD) equivalents.

Sensitivity analysis:

A one per cent increase in the CAD against the USD will decrease net income (with a foreign exchange loss) for any positive net exposure (for USD held). A one per cent increase in the CAD against the USD will increase net income (with a foreign exchange gain) for any negative net exposure (for USD owed). As at March 31, 2010, net income would have decreased by \$2 CAD (2009: increased by \$3 CAD). A one per cent decrease in the CAD would have had the equal, but opposite effect. This analysis assumes that all other variables, including interest rates, remain constant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2010
(in thousands of dollars)

23. Financial risk management (continued):

MARKET RISK (CONTINUED)

INTEREST RATE RISK

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Province. Each time a loan is requested from the Province under this agreement, the terms are set by the Province. These terms are determined based on market conditions available at the time.

The Corporation mitigates this risk by borrowing from the Province for the minimum time necessary.

The Corporation is also exposed to interest rate risk through the Corporation's line of credit which is subject to interest charged at its bank's prime interest rate plus 0.5% (2009: prime rate plus 0.5%) .

The Corporation mitigates this risk by minimizing the use of the overdraft facility.

The Corporation's interest-bearing assets are typically invested for a short period due to liquidity considerations. As a result, exposure to interest rate risk is minimized for these assets.

The Corporation's interest-bearing financial instruments at the reporting date are as follows:

	2010	2009
Short-term investments (fixed rate instruments)	\$ 29,628	\$ 58,520
Short-term financing (fixed rate instruments)	(59,996)	—

Sensitivity analysis:

The Corporation has designated its fixed-rate short-term investments as "held for trading". Therefore, changes in their fair values (due to changes in interest rates) are reported through net income. A one per cent change in interest rates at the reporting date would have increased (decreased) net income by the amounts shown below. This analysis assumes that all other variables, including foreign currency rates, remain constant.

	Net Income		Net Income	
	March 31, 2010		March 31, 2009	
	1% increase	1% decrease	1% increase	1% decrease
Short-term investments	\$ (296)	\$ 296	\$ (585)	\$ 585

The Corporation accounts for its short-term financing at amortized cost and therefore a change in the interest rate at the reporting date would not affect net income.

23. Financial risk management (continued):

MARKET RISK (CONTINUED)

OTHER MARKET PRICE RISK

The Corporation offers the Sports Action brand of lottery products in the marketplace. The Corporation manages risks associated with these products by setting odds for each event within a short time frame before the actual event, by establishing sales liability thresholds by sport, by providing credit management controls, by posting conditions and prize structure statements on www.bcllc.com, and by limiting the aggregate amount of prizes that may be won on any given day for all Sports Action products. The Sports Action group also has the authority to suppress sales of any game at any time when liability risk is a concern.

CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities are equal to their fair values as shown at the reporting date:

	Carrying amount	
	2010	2009
FINANCIAL ASSETS		
Held for trading	\$ 57,531	\$ 100,433
Loans and receivables	30,106	47,042
FINANCIAL LIABILITIES		
Other financial liabilities	258,289	295,361

BASIS FOR DETERMINING FAIR VALUE

Investments in debt securities:

The fair value of these financial assets designated as "held for trading" is determined by reference to their quoted bid price at the reporting date.

Cash and cash floats:

The fair value of these financial assets designated as "held for trading" is based on face value of the cash.

Trade and other receivables:

These financial assets are designated as loans and receivables. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items, or because they are receivable on demand.

Non-derivative financial liabilities:

These financial liabilities are designated as other financial liabilities. The carrying values of amortized cost approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand.

23. Financial risk management (continued):

CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED):

FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value on a recurring basis in the consolidated balance sheet as at March 31, 2010, classified using the fair value hierarchy described in note 3(a)(i):

	Level 1
FINANCIAL ASSETS	
Cash	\$ 33,538
Short-term investments	29,628
FINANCIAL LIABILITIES	
Cheques issued in excess of funds on hand	5,635

24. Capital management:

The Corporation does not retain any earnings. Net income, after deducting contractual amounts due to the Government of Canada, is returned to the Province of British Columbia.

The Corporation's policy is to maintain a structure which allows the Corporation to have sufficient liquidity to meet both operational demands and payments to the Province.

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money, and money from ongoing operations held in advance of its transfer to the provincial government. As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity.

The Corporation has a formal policy and guidelines in place for short-term investments that provides direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.

Due to the Corporation's low risk tolerance, short-term horizon, and liquidity objectives, an asset mix has been established that outlines various policy range percentages for investments restricted to short-term pooled money market funds or bond investments.

The Board of Directors is responsible for the oversight of management including its policies related to financial and risk management issues.

There were no changes in the Corporation's approach to capital management during the year.

25. Comparative figures:

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



HEAD OFFICE

74 West Seymour Street
Kamloops, B.C. V2C 1E2
Telephone: 250.828.5500
Fax: 250.828.5631

RICHMOND OFFICE

10760 Shellbridge Way
Richmond, B.C. V6X 3H1
Telephone: 604.270.0649
Fax: 604.276.6424

CONSUMER SERVICES

Telephone: 1.866.815.0222
consumerservices@bclC.com

BCLC's Service Plan is available at bclC.com

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