



BCLC **service plan**

2010/11–2012/13

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MESSAGE FROM BCLC'S BOARD CHAIR AND PRESIDENT AND CEO

ON BEHALF OF THE BOARD OF DIRECTORS AND OUR EMPLOYEES, WE ARE PLEASED TO PRESENT OUR SERVICE PLAN 2010/11–2012/13 TO THE HONOURABLE RICH COLEMAN, MINISTER OF HOUSING AND SOCIAL DEVELOPMENT

BCLC is responsible for the conduct and management of lottery, egaming, casino, community and commercial bingo gaming in British Columbia. BCLC employees, along with our private sector service providers, are proud of the gaming experience we provide in a socially responsible way, and the resulting income generated for the Province of British Columbia to fund public, charitable and community programs.

As we enter our 25th year of operation, BCLC's employees are celebrating the gaming benefits we've generated for the Province of British Columbia. Since 1985, over \$11.30 billion in net income has funded public programs for British Columbians, including health care, education, sports, charitable and community organizations in B.C. We have a long heritage of trust and accountability with our players and continue our commitment to corporate social responsibility and sustainability.

Our continuing focus on revenue initiatives combined with the strategic management of our costs and expenditures has helped our performance in a challenging marketplace. Our investments continue to be focused on our core gaming business, as well as the infrastructure and technology supporting sustainable future net income.

For the 2009/10 year, BCLC's net income is forecast at \$1.09 billion, \$39.0 million below our target but consistent with the results of the previous year. Net win, the amount of revenue after prizes are paid, is expected to grow slightly from the previous year, reaching \$1.97 billion but will climb to \$2.26 billion by 2012/13. In total, over the three years covered by this plan, BCLC is forecasting \$3.48 billion in net income for the Province of British Columbia.

While infrastructure improvements are important, so is the measured growth of our business. BCLC will grow our business through the continued development of casino and community gaming centre games, facilities and services. We will also grow through game and customer service innovation on our PlayNow.com egaming site and in our lottery business.

BCLC's focus will continue to be on the integrity and security of all of our activities so that we provide players with an exceptional gambling experience while leading the way in social responsibility for our industry. Gaming is for fun, and one of the ways we are encouraging players to make healthy choices is through GameSense, a revitalization of our responsible gambling resources. Launched in 2009, GameSense offers a more approachable and accessible range of materials to help players make informed decisions about our gaming products.

BCLC views environmental sustainability as a key component of our social responsibility and is continuing to develop plans to reduce and offset our emissions to achieve carbon neutrality. We are extending our actions beyond provincial requirements to reduce emissions, and are formalizing our sustainability management approach and seeking further reduction opportunities through our facilities and business operations.

We have set targets so that we can measure our level of achievement, with the overall goal to reduce our emissions by 4% annually so that we achieve a 40% reduction by 2020.

For the first time, BCLC was selected as one of the best employers in the country, receiving recognition as one of Canada's Top 100 Employers in addition to our fourth year as a Top BC employer. Our people have passionately driven the success of the company over the past 25 years and our workplace programs, services and the experiences offered at BCLC make it a great place to work.

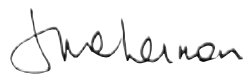
We will continue to modernize our business processes, infrastructure and technology as well as make investments in our people through workforce planning, performance management and development programs so that we can continue to be an employer of choice with a workforce that continues to drive the success of the business.

BCLC has continued with a balanced approach to our business, reflecting our external and internal business focus through our goals and performance measures. In addition to reviewing the benchmarks in our framework, we have updated the existing measures so that assessing our level of success in achieving our business plans is visible and continues to be compared with information publicly available from other gaming organizations.

BCLC's Service Plan 2010/11–2012/13 was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the *BC Reporting Principles*. The Board is accountable for the contents of this plan, including the content and how it has been reported. The plan is consistent with Government's strategic priorities and fiscal plan.

All significant assumptions, events, policy decisions and identified risks as of January 20, 2010 have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk and past performance.

January 20, 2010



John McLernon
Board Chair



Michael Graydon
President and CEO

ORGANIZATIONAL OVERVIEW

WHO WE ARE

Incorporated in October 1984 and pursuant to amendments to the *Criminal Code* of Canada (1969), British Columbia Lottery Corporation (BCLC) operates under the *Gaming Control Act* (2002) of British Columbia.

BCLC is the Crown Agency mandated to conduct, manage and operate lottery, egaming, casino and commercial bingo gaming in British Columbia.

We operate our commercial gaming business in accordance with the legislative, regulatory and policy framework established by the Province of British Columbia under the authority and direction of the Minister responsible for gaming, the Honourable Rich Coleman, Minister of Housing and Social Development.

Gaming is regulated by the Gaming Policy and Enforcement Branch (GPEB) of the Ministry. We comply with written directives to BCLC from the Minister and the Assistant Deputy Minister/General Manager of GPEB.

GPEB develops and oversees gaming policy, legislation and standards, licenses charitable events and horse racing, registers gaming workers, retailers and service providers, certifies gaming equipment, investigates allegations of impropriety and directs Government's responsible gambling initiatives. GPEB also distributes gaming proceeds, such as community grants to charitable organizations, conducts audits of commercial and charitable gaming for compliance and develops and implements a risk management framework for the industry.

Gaming is entertainment, and BCLC provides innovative gaming opportunities to players in British Columbia to generate income that the Province of British Columbia uses to fund public health care, education, charitable and community programs that benefit all British Columbians. A portion of net income is also remitted to the Government of Canada.

WHAT WE DO AND WHERE WE ARE

Since 1985, BCLC has grown from a lottery company with \$113.2 million in net income, to a commercial gaming entertainment organization generating a forecast \$1.09 billion in net income in 2009/10.

BCLC integrates responsible gaming and player security into the design and development of new games and services, markets and advertises our games, manages the technology necessary to run our gaming business, and oversees contracted retailer and service provider operations to maintain gaming integrity, security, compliance and performance. Our focus is on our players, from the design of the innovative games and gaming facilities to entertain them, through to the processes, technology and social responsibility that support our delivery of an exceptional experience.

BCLC employees work from two offices: one in Kamloops and a second office in Richmond. We also have employees located in communities around the province who work with our service providers.

Our Kamloops office is the primary location of our information technology, finance and administration functions. Gaming operations, security, sales, marketing, communications and product distribution functions are primarily in Richmond locations. With our Richmond office lease set to expire in 2011, BCLC is relocating to metro Vancouver to meet our combined Lower Mainland office and warehouse capacity requirements.

OUR GAMING PRODUCTS ARE SOLD THROUGH CONTRACTED PRIVATE SECTOR SERVICE PROVIDERS AND PLAYNOW.COM

Gaming is available in over 4,000 lottery retail and hospitality locations, 17 casinos, 15 community gaming centres and 12 commercial bingo halls as well as directly to over 125,000 registered players in British Columbia through our PlayNow.com egaming site.

In our lottery channel, our service providers earn an industry-standard commission rate. Six private sector casino service providers, 15 service providers for commercial, independent and charitable community gaming and service providers for bingo facilities earn a percentage of net win¹ for providing gaming facilities and day-to-day operational services. BCLC owns the gaming equipment, including lottery and bingo terminals, casino table games and slot machines.

These private sector service providers play an important role in providing the customer service that contributes to our players' enjoyment of our games and the facilities where gaming is available. Significant income and employment is generated in the private sector.

The gambling industry is continuing to grow, in particular privately owned internet gambling companies and casinos in neighbouring jurisdictions who are targeting B.C. consumers, while the bingo industry continues to decline. These trends are discussed further on page 8.

The consolidated financial statements of BCLC include a wholly owned subsidiary, BC Lottotech International Inc. (Lottotech). The sole business of Lottotech is the purchase of capital assets for BCLC, which are reviewed and approved by BCLC's Board through our annual business planning and budget process. The financial statements, management and oversight of Lottotech are consolidated within BCLC operations.

¹ Net win is the amount of gross sales revenue after prizes are paid to players. BCLC uses net win in order to compare our gaming business across our gaming channels and with other gaming jurisdictions.

CORPORATE GOVERNANCE

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.

Click here to read BCLC's full [*Shareholder's Letter of Expectations*](#).

BCLC'S SHAREHOLDER'S LETTER OF EXPECTATIONS SUMMARY

GOVERNMENT DIRECTION	BCLC ACTIONS
Optimize the Corporation's financial performance and propose new revenue opportunities within the gaming and social policy framework established by the Shareholder;	<p>Within the gaming and social policy framework established by the Province of British Columbia, in 2008/09 BCLC achieved \$1.09 billion in net income, \$19.3 million below the target of \$1.11 billion but \$1.8 million greater than was achieved the previous year. Our lower performance against our plan is directly attributed to the downturn in the economy.</p> <p>While the economy is beginning to show signs of improvement, the recovery of consumer spending on entertainment is expected to lag. BCLC has revised our net win and net income 2009/10 forecasts and the targets for the next three years and has implemented cost management programs to reduce our expenses below our 2009/10 budget. We are forecasting \$1.09 billion in net income in 2009/10, \$39.0 million lower than our target but equal to our achievement in 2008/09.</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;	BCLC is increasing our focus on the player and forecasting net income growth through innovative new games, services and marketing, continued improvements to casino and community gaming facilities and customer relations management. Processes and technology to support the performance, integrity and efficiency of the business continue to be a key focus to sustain the current business and provide future growth potential.
Ensure the Corporation's products and services are provided in a socially responsible manner and strengthen the Corporation's activities related to its social objectives in a manner consistent with the Province's Responsible Gambling Strategy and the Corporation's responsibilities reflected in that Strategy;	<p>BCLC delivers gaming in a manner that encourages responsible gambling and healthy choices. Our efforts continue to be focused on enhancing responsible gaming 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 gambling and problem gambling. BCLC also actively participates with other Canadian jurisdictions to strengthen the industry commitment to share responsible gambling best practices. In 2010 BCLC is hoping to achieve Level 4 certification from the World Lottery Association, which recognizes business operations incorporating 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;	The integrity and security of BCLC's gaming systems is paramount to ensuring public trust and confidence in the games and services we offer our players. BCLC's priority to modernize our business infrastructure, including processes and technology, is key to continuing to provide integrity and security in our gaming systems.

GOVERNMENT DIRECTION**BCLC ACTIONS**

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

BCLC has two Ombudsman's recommendations remaining to complete in 2010/11 to further enhance the fairness, integrity, transparency, security and player focus of our lottery system. Our final status report was publicly issued in June 2009. BCLC has continued to update the BC Ombudsman on our progress.

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 three 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 costs, workload and the increased regulatory, audit, compliance and enforcement activities.

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

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

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

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

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

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

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

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

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

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

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 environmentally sustainable behaviour, has been recognized as a contributing factor in our selection as a top employer in Canada and in British Columbia. Through the communication of information about ways to improve wellness, in areas such as nutrition and smoking cessation and a continual review of program content and our delivery, we will continue to promote healthy living for our employees and their families.

BCLC delivers 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.

OUR BOARD OF DIRECTORS

BCLC's Board of Directors (Board) is appointed by order of the Lieutenant-Governor in Council. The Board is fully compliant with the standards and guidelines and each of the disclosure requirements contained in the *Best Practice Guidelines–BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations* (2005). Our Board framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees, as well as processes for strategic planning, succession planning and Board performance evaluations.

Our Board has the primary responsibility to foster BCLC's short and long-term success, consistent with its responsibility to our Shareholder, the Province of British Columbia, and in consideration of the legitimate interests held by other stakeholders including players, employees, service providers, suppliers, communities and the public.

The nine Directors are stewards of BCLC, chosen on the basis of their expertise and experience. The Board has a collective responsibility to oversee the conduct of BCLC's business and to provide direction to BCLC's Senior Executive, who are responsible for day-to-day operations.

Upon appointment, and each subsequent year, the Directors agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines.

The Chair is the presiding Director responsible for the effective leadership and performance of the Board and is the liaison between the Board and Minister responsible for gaming.

Reporting to the President and CEO, the Corporate Secretary facilitates communication between the Board of Directors and Senior Executive and plays a key role in the administration of corporate and governance matters, working with the Board through the Chair.

Where not appointed as a full member, the Chair is an ex-officio member of Board Committees. The President and CEO is also an ex-officio member of all committees.

BCLC's Senior Executive team attends Board meetings. To maintain autonomy, the Board may convene in-camera sessions.

[Click here to learn more about BCLC's Corporate Governance](#) and about our [Board of Directors](#).

[Click here to learn more about the Province of British Columbia's Board Resourcing and Development Office.](#)

Minister Responsible for Gaming

The Honourable Rich Coleman, Minister of Housing and Social Development

Role: To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of our Shareholder, the Province of British Columbia. In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so:

- i) honestly and in good faith;
- ii) with a view to the best interests of the Corporation;
- iii) with the care, diligence, and skill of a reasonably prudent person; and
- iv) the powers of the Directors are conferred upon them to exercise on behalf of and for the benefit of BCLC.

Chair: John McLernon

Members: Arthur Willms (Vice-Chair), Trudi Brown, David Gillespie, Cynthia M. Grauer, Walter Gray, Moray Keith, D. Neil McDonnell, Michael Riley

Three standing Board committees have been established and other committees are established as needed. The committees are responsible for advising and formulating recommendations to the Board. Current Standing Board committees are:

Audit Committee

Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting provided to government and the public, the effectiveness of internal control systems, audit and risk management processes, performance and findings and compliance with laws, regulations and policies.

Chair: Michael Riley

Members: Arthur Willms, David Gillespie, Moray Keith

Governance and Corporate Social Responsibility Committee

Purpose: To provide focus on governance that enhances BCLC's performance and to provide oversight responsibility for corporate social responsibility policy.

Chair: David Gillespie

Members: Trudi Brown, Walter Gray, Moray Keith

Human Resources and Compensation Committee

Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan.

Chair: D. Neil McDonnell

Members: John McLernon, Cynthia Grauer

Ad Hoc Committees

Purpose: Established for a specific period of time to undertake a specific task, and then disbanded.

OUR SENIOR EXECUTIVE TEAM

The President and CEO reports to the Board of Directors and maintains open communication with the Board and Board Chair. All Vice Presidents report to the President and CEO.

BCLC's Senior Executive team members attend all Board meetings.

Our Director, Audit Services reports administratively to the President & CEO and functionally to the Board Audit Committee.

Click [here](#) to learn more about BCLC's [Senior Executive team](#).

Minister Responsible for Gaming The Honourable Rich Coleman, Minister of Housing and Social Development	
Board of Directors John McLernon (Chair)	
President and CEO Michael Graydon Responsible for BCLC's leadership and vision, directing and supporting his Senior Executive team in the development of the plans and actions required to realize the strategic goals of the organization.	
Corporate Affairs Kevin Gass, Vice President Responsible for corporate social responsibility, communications and ebusiness, including stakeholder and media relations, public affairs, sponsorship and promotions, PlayNow.com and bclc.com.	Casino and Community Gaming Darryl Schiewe, Vice President Responsible for the development and operation of casino, community and commercial bingo gaming, including products, marketing, sales and distribution and contracted private sector service providers.
Business Transformation Lynette Hughes, Vice President Responsible for business transformation and processes to align employees, business models and technology with business strategy, including business planning, corporate policy and the program management office.	Human Resources Debbie Toole, Vice President Responsible for human resources and organizational development programs, including recruitment, compensation, rewards and recognition, leadership and other development and training programs.
Lottery Gaming Jim Lightbody, Vice President Responsible for the development and operation of lottery gaming, including products, marketing, sales and distribution, and contracted private sector service providers.	Corporate Security and Compliance Terry Towns, Vice President Responsible for corporate security and compliance, including customer service complaint investigations, legal services, privacy and freedom of information administration, and employee and service provider compliance.
Information Technology Scott Norman, Vice President and Chief Information Officer Responsible for the technology architecture and infrastructure that supports BCLC's gaming and back office systems, including enterprise risk management.	Customer Strategy and Corporate Marketing Marsha Walden, Vice President Responsible for the strategic planning process, including player-centricity, advocacy and support, as well as corporate and casino marketing, innovation and research.
	Finance and Corporate Services Tom Williamson, Vice President Responsible for finance, including financial reporting and liaison with Government, and corporate services including administration, facilities and procurement.

STRATEGIC CONTEXT

2008/09 SUMMARY

FOR THE 24TH CONSECUTIVE YEAR, BCLC RECORDED AN INCREASE IN NET INCOME

In 2008/09 commercial gaming managed by BCLC provided \$1.09 billion in net income to the Province of British Columbia, a \$1.8 million increase from the previous year. There was a slight increase in the number of lottery retail and hospitality locations, primarily in bars and pubs. New games were added to PlayNow.com and two commercial bingo halls were upgraded to community gaming centres.

British Columbians won \$599.7 million in lottery, egaming and bingo prizes. Prizes won at casino table games and slot machines are paid during game play and are not reflected as prizing in our financial statements. Our gaming channel private sector service providers earned \$603.0 million in commissions, service fees, and other direct costs. BCLC purchased approximately \$200.0 million in goods and services. Gaming has created significant direct and indirect employment opportunities in British Columbia, as well as in 28 municipalities where host local governments shared \$83.9 million from casino and community gaming revenue.

(\$ millions)	LOTTERY	EGAMING	CASINO	COMMUNITY GAMING & BINGO	TOTAL
Sales Revenue	\$930.8	\$23.5	\$1,341.2	\$254.7	\$2,550.2
Net Win	421.8	10.7	1,341.2	176.8	1,950.5
Net Income	252.7	3.7	758.1	76.2	1,090.7
Channels	2,927 Retail locations 1,119 Hospitality locations including 878 self-service terminals	PlayNow.com	15 Casinos 2 Racecourse Casinos	14 Community Gaming Centres 13 Commercial Bingo Halls	
Games	Lottery Games	Lottery Games e-only Games	Slot Machines Table Games Poker Games	Slot Machines Paper Bingo Electronic Bingo	

Source: BCLC Annual Report 2008/09 (financial information) and internal reporting (distribution and games).

Click here to learn more about BCLC's results in our [2008/09 Annual Service Plan Report](#).

2009/10 FORECAST

NET INCOME IS FORECAST TO REMAIN AT CURRENT LEVELS

In 2009/10 net income managed by BCLC is forecast below targets due to the impact and duration of global economic events. Net income is estimated at \$1.09 billion, equal to our results in 2008/09.

The number of lottery locations is increasing slightly, but is not expected to exceed 4,100. BCLC is continuing its plan to upgrade commercial bingo halls to community gaming centres, and we anticipate the opening of a Squamish location in early 2010.

(\$ millions)	LOTTERY	EGAMING	CASINO	COMMUNITY GAMING & COMMERCIAL BINGO	TOTAL
Sales Revenue	\$930.0	\$34.0	\$1,351.0	\$250.0	\$2,565.0
Net Win	419.0	14.8	1,351.0	184.7	1,969.5
Net Income	255.7	3.1	752.9	79.3	1,091.0
Channels	2,943 Retail locations 1,113 Hospitality locations including 905 self-service terminals	PlayNow.com	15 Casinos 2 Racecourse Casinos	15 Community Gaming Centres 12 Commercial Bingo Halls	
Games	Lottery Games	Lottery Games e-only Games	Slot Machines Table Games Poker Games	Slot Machines Paper Bingo Electronic Bingo	

TRENDS, OPPORTUNITIES AND CHALLENGES

WHAT BCLC IS EXPERIENCING NOW AND IS ANTICIPATING FOR THE FUTURE

ECONOMY

Consumers have reduced their discretionary and entertainment spending, and the impact is evident in BCLC's operations and those of our service providers.

Our casino and community gaming centre service providers are changing how they operate their gaming facilities in reaction to the downturn in the economy and resulting weaknesses in credit markets that impact their access to capital. While activities associated with gaming integrity and compliance remain unchanged, planned investments in facility enhancements have slowed.

BCLC will continue to focus on revenue initiatives to generate sales in our core business, in conjunction with diligence in managing our costs to proactively mitigate any negative impact on gaming income.

CONSUMERS

Consumers continue to expect and seek out unique, more personalized and sophisticated experiences. Increasingly, factors such as transparency and trust, and the desire for little luxuries are also becoming important.

Entertainment and communication technologies are continuing to evolve rapidly, particularly for the home market, and we are living in an increasingly self-service world. Consumers are more likely to be attracted to social networking web sites than ever before, seeking two-way conversations rather than information that is "pushed". A growing number of consumers are using the Internet to provide entertainment and research their purchases, causing advertisers to shift their budgets to include more interactive forms of media.

Delivering high entertainment value and building loyal player relationships are increasingly important as competitive differentiators. BCLC must provide games and services that provide a complete entertainment experience for our players, with a focus on customer service and delivery when and where the player wants them.

We are continuing the shift to a player-centric organization, seeking ways to make playing more convenient and secure, addressing trends like changes in consumer shopping habits with the introduction of self-service terminals in the lottery network and new games and services for PlayNow.com.

LABOUR FORCE

The availability of and competition for highly skilled people remains a challenge despite the recent economic downturn. Although the number of recruitments has slowed as BCLC only fills vacancies in areas critical to ongoing revenue generation and the sustainability of our existing business, filling professional roles continues to be challenging. The shortage of gaming workers previously experienced by our service providers is no longer evident in the marketplace.

In order to enhance our ability to successfully attract and retain skilled employees, BCLC will focus on our employment brand, including our status as one of Canada's Top 100 Employers and one of BC's Top 55 Employers. We are involving our employees in defining what attributes make BCLC a great place to work so that we can focus on them when recruiting.

TECHNOLOGY

BCLC relies on technology to deliver gaming with a high degree of integrity and security. New technologies can lead to business advantages, such as product and service innovation for our players and operational efficiencies for BCLC. We continue to invest in technology in order to strengthen gaming integrity and modernize our processes and systems. This includes identification of the most promising developments and evaluating their potential application to gaming.

GAMING INDUSTRY

The gaming industry is one of the largest entertainment industries in Canada, employing more than 135,000 people directly and contributing \$15.3 billion to the Canadian economy. Governments and charities receive 57% or \$8.7 billion of this income and the remaining \$6.6 billion is spent to sustain operations, pay employees and purchase goods and services².

Gaming also has a significant presence in British Columbia's economy, in 2009/10 generating a forecast net win of \$1.97 billion and providing a forecast \$1.09 billion in net income. The Province of British Columbia's gaming policy promotes responsible play and BCLC's delivery of gaming supports that policy.

For 2009/10, gaming net win is not forecast to meet the targets BCLC set in 2008/09, as consumers have changed their spending habits, in particular on discretionary and entertainment activities. This has slowed our trend of year-over-year growth as our players decrease their frequency and amount they spend on gaming; recovery is expected to continue to lag that of the overall economy.

The growth of privately owned casino gambling facilities in neighbouring jurisdictions and an increasing presence of privately owned gambling companies on the Internet continues to compete with BCLC's business. A recent study³ estimates the Internet gaming market at \$87 million in British Columbia with an annual growth rate of 11%. The majority of this market activity is on sites hosted by private companies located outside of British Columbia and Canada. The global mobile gaming market is also growing as the usage of devices and the types and number of available features and applications continues to expand.

As other gaming companies seek to grow their businesses, they are including British Columbians in marketing activities aimed at expanding their player base and revenue. New games and services as well as marketing promotions and contests for our players are ways BCLC is attracting and retaining players, so that the resulting net income from gaming by British Columbians continues to provide benefits within our province.

Net income growth in recent years has come primarily from the redevelopment of the casino business and the upgrading of commercial bingo halls to community gaming centres. This development provides players with more entertainment options, including slot machines and enhanced food and beverage amenities.

² Source: *National Gaming Impact Study - Phase II*, Canadian Gaming Association, HLT Advisory Inc., April 2008

³ Source: *ILC Deloitte Internet Gaming Study*, Deloitte & Touche LLP, 2008

LOTTERY GAMING

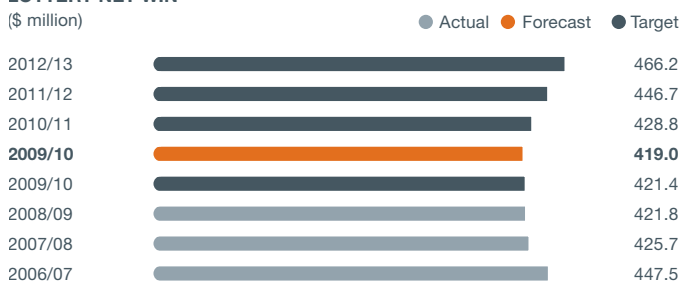
Following a period of strong growth in lottery revenue, sales declined in 2007/08 and 2008/09, in part as a result of BCLC's focus on the regulation, infrastructure and processes in the lottery system. This shift in focus, which occurred across Canada, led to the postponement of business development programs.

BCLC's lottery gaming is still a major profit generator and remains a strategic priority. While traditional lottery offerings continue to see some erosion in market share, lottery net income is expected to grow in 2009/10 (before taxes).

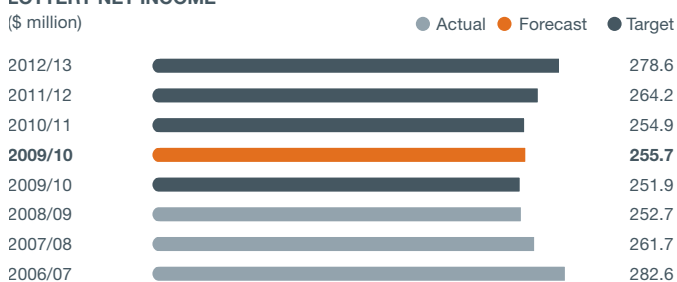
We are renewing our focus on innovation to provide more exciting and entertaining games. A more contemporary image and more convenient ways to purchase games, such as self-service terminals, are other ways we plan to increase player participation and income from this channel while strengthening player security and system integrity.

Lottery net win is calculated by deducting prizes paid to players from total sales revenue.

LOTTERY NET WIN



LOTTERY NET INCOME



Net win and net income figures for 2006/07 through 2008/09 are actual, 2009/10 are forecasts and approved budget and 2010/11 through 2012/13 are targets

EGAMING

Creating a successful eGaming business is a strategic priority for BCLC. Steady growth continues in this channel, which provides over 125,000 registered players in B.C. with the convenience and security of purchasing at PlayNow.com, our eGaming site.

Compared with other gaming jurisdictions that offer Internet gaming, particularly in Europe, BCLC's product line is more limited. We are also continuing to see increasing competition from privately operated Internet gambling sites who primarily offer casino-style games, including poker.

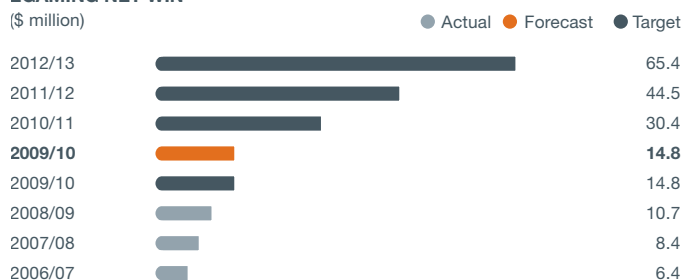
To provide the kinds of games our players are already familiar with elsewhere, BCLC is currently working to implement new casino-style games on PlayNow.com. We are also planning to improve our communication with our players while continuing to offer specials and promotions to them.

PlayNow.com incorporates social responsibility through player-set weekly wallet limits, age control limits, privacy protection and voluntary self-exclusion options.

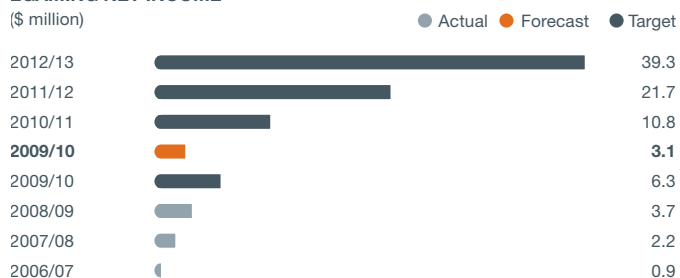
New site designs that offer a more engaging and entertaining experience to our players and improve ease of use, together with innovative games that leverage new technology, will continue to increase our acquisition and retention of players.

eGaming net win is calculated by deducting prizes paid to players from total sales revenue.

EGAMING NET WIN



EGAMING NET INCOME



Net win and net income figures for 2006/07 through 2008/09 are actual, 2009/10 are forecasts and approved budget and 2010/11 through 2012/13 are targets

CASINO GAMING

BCLC assumed responsibility for casino games in 1997 and was given the mandate to introduce slot machines in the B.C. market place.

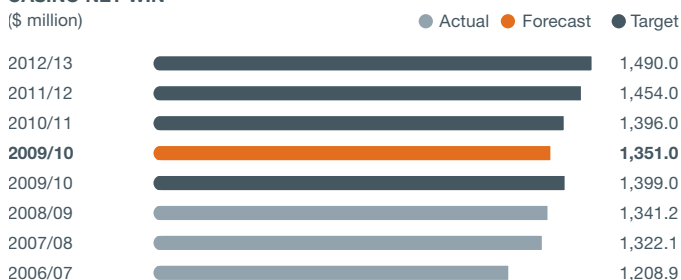
Our priority to upgrade existing casino facilities to higher quality properties has resulted in a more diverse entertainment experience for players that includes full-service restaurants and theatre-style show lounges, and in some cases, resort-style accommodations and conference facilities. This strategy is nearing completion.

We will continue to develop casino properties that provide players with an exceptional entertainment experience and position casino gaming as a major tourism attraction where market demand allows. To continue improving the gaming experience for our players, BCLC is analyzing the types of slot machine games and their placement in gaming facilities. Working closely with our service provider partners, we continue to provide our players with high quality and entertaining games, tournaments and services.

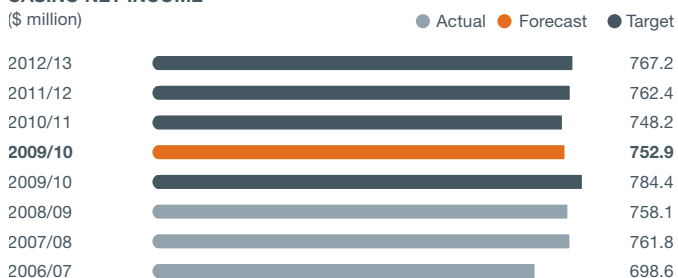
One of those services is free membership in BC Gold, a player rewards program, which provides players with exclusive contests and events, points for play, and savings at restaurants and hotels. With current membership at 455,000, BCLC is forecasting 480,000 members by the end of this fiscal year⁴. In the coming year we will be examining technology that would allow this program to be extended to table game players.

Casino revenue is shown as net win, which is the amount after prizes are paid to players during game play.

CASINO NET WIN



CASINO NET INCOME



Net win and net income figures for 2006/07 through 2008/09 are actual, 2009/10 are forecasts and approved budget and 2010/11 through 2012/13 are targets

COMMUNITY GAMING

Throughout this document, BCLC references to the community gaming channel include community gaming centres and commercial bingo halls except where noted otherwise.

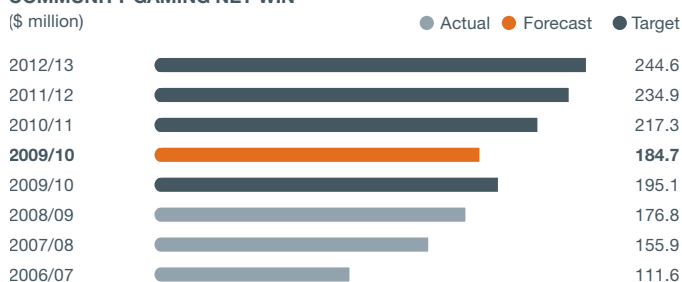
BCLC continues to work with bingo service providers to transform commercial bingo halls in key market locations to community gaming centres (CGCs). Community gaming centres are upgraded facilities with improved customer service and amenities such as restaurants and lounges, and offer more entertaining products, including slot machines and other electronic games. In 2009 BCLC extended membership in the BC Gold program to players at community gaming centres.

Because community gaming centres have been well received by players and their local communities, the net win generated from community gaming centres is increasing as more are developed. BCLC is working with service providers on plans to redevelop existing facilities in several municipalities.

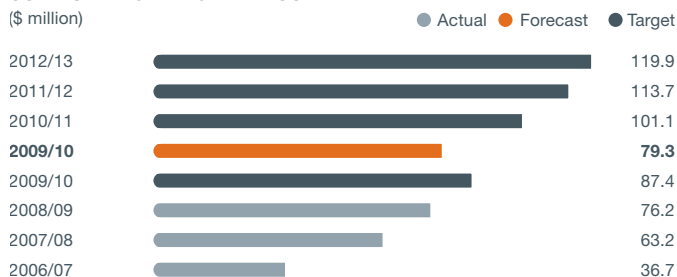
Bingo is one of the oldest forms of gaming in British Columbia and has been in a steady decline over the past decade as interest in the game diminishes. With an 18% decrease in bingo revenue forecast to occur in 2009/10, BCLC's challenge is to find more entertaining games for bingo players.

Community gaming net win is the amount after prizes are deducted from sales revenue and after prizes are paid to players during slot machine play.

COMMUNITY GAMING NET WIN



COMMUNITY GAMING NET INCOME



Net win and net income figures for 2006/07 through 2008/09 are actual, 2009/10 are forecasts and approved budget and 2010/11 through 2012/13 are targets

4 Membership numbers include casino and community gaming centre players

STRATEGIC FRAMEWORK

OUR PLAN FOR THE NEXT THREE YEARS

BCLC'S BOARD AND SENIOR EXECUTIVE REVIEW OUR MISSION, VALUES, GOALS, STRATEGIES, PERFORMANCE MEASURES AND THE ASSOCIATED TARGETS AND OUR RESULTS ON AN ANNUAL BASIS

OUR MISSION

We conduct and manage gambling in a socially responsible manner for the benefit of British Columbians

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 GOALS AND STRATEGIES

1. Build public trust and support for BCLC gaming
 - Demonstrate a high level of corporate citizenship and social responsibility in all of our activities
2. Create a player-centric company
 - Develop facilities and design innovative games to grow the business
 - Create an integrated multichannel player community
3. Invest in infrastructure and technology innovation to support current business operations and future growth
 - Design processes and implement technology that improves operational effectiveness and prepares for the future
4. Have a workforce passionately driving the success of our business
 - Make BCLC a great place to work

[Click here](#) to review a comparison of our strategic framework from the previous service plan to this Service Plan 2010/11–2012/13, located in the Appendix.

OUR PERFORMANCE FRAMEWORK PROVIDES VISIBILITY INTO OUR RESULTS

BCLC CONTINUES TO BENCHMARK OUR RESULTS WITH OUR PEERS

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 and 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 and/or how we're delivering them.

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's as well as the public availability of their results.

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

Data used to set BCLC's performance targets is obtained from internal and external sources. BCLC revenue, net win and net income results for previous years are obtained from our audited financial statements. Revenue, 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. Data for benchmarking our performance results against other gaming organizations is obtained from publicly available reporting.

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 in 2010/11. We are also making changes to the calculation method and scales used for our Player Satisfaction and Player Participation measures. Our results for previous years will not be comparable to our new targets and future results.

- Prior to 2009/10, Player Satisfaction was measured using the top three box scores from a 5-point scale in the lottery and community gaming channels, a 6-point scale in the casino gaming channel, and was not regularly being measured for PlayNow.com. For the enterprise calculation, these results were weighted with the channel's contribution to net win.

In 2009/10, BCLC significantly changed how player satisfaction is measured in order to apply consistent measurement in all of our gaming channels. Our results are now measured using responses from a standard 10-point scale.

- In 2010/11, Player Participation is changing from a measurement of the percentage of BC adults who played or visited at least once in the past year, to a measure of play at least once in the past month. The annual measure has monitored shifts in the size of BCLC's player base; due to large jackpots and casino promotions, previous surveys found a high percentage of British Columbia's population has played within the past year. Our new measure will provide visibility into our efforts to increase monthly frequency of play, particularly amongst infrequent players, which is tied to BCLC's efforts to increase net win.

PUBLIC / PLANET

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

PERFORMANCE MEASURES	2008/2009 ACTUAL	2009/2010 BUDGET	2009/2010 FORECAST	2010/2011 TARGET	2011/2012 TARGET	2012/2013 TARGET
1. Public Support for Gaming	65%	63%	61%	63%	63%	64%
2. Public Trust and Confidence in BCLC Games	60%	61%	58%	61%	61%	62%
3. Player Awareness of Responsible Gambling Activities ⁵	89%	88%	91%	60%	62%	65%
4. Level of Greenhouse Gas Emissions (CO ₂ e in metric tonnes) ⁶	1,667	n/a	1,660	1,418	1,362	1,307

BCLC BELIEVES THAT SUPERIOR AND SUSTAINED PERFORMANCE IS CLOSELY TIED TO SUPERIOR AND SUSTAINED SOCIAL RESPONSIBILITY

BCLC supports 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.

We deliver our games in a manner that encourages responsible play 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 gambling products. BCLC has GameSense information centres in all casino and community gaming locations and GPEB provides staffing at these information centres.

More than 8,000 gaming employees have taken the Appropriate Response Training (ART) provided by BCLC to gaming workers. The curriculum for front-line staff has been updated to incorporate the latest in responsible gambling research and education methods. We are committed to a continued assessment of our responsible gambling programs, including the ongoing development of GameSense programming to strengthen its application for and use by our players.

Our Internet gaming site PlayNow.com already provides strong player security, with measures such as age controls and proactive communication of player spending and session time. As BCLC enhances PlayNow.com to include new casino-style games, we will be drawing on the knowledge of internationally-recognized experts in responsible gambling so that we can continue providing a safe gaming environment for our players. Additional player education tools and gaming activity controls are being researched so that our responsible gambling resources on PlayNow.com will continue to evolve.

We also actively work with other Canadian jurisdictions in strengthening the industry commitment to share responsible gambling best practices. In 2010, BCLC is anticipating achievement of Level 4 certification from the World Lottery Association. This certification will demonstrate that our business operations incorporate the highest level of responsible gambling standards.

BCLC views environmental sustainability as a key component of corporate social responsibility and is promoting environmentally sustainable behaviours in our organizational culture as an integral component of our business. We will strive to provide additional benefits to the organization and our employees by making our operations and office facilities more environmentally friendly.

Our main sources of emissions are from natural gas and fleet fuel consumption, and these are the areas where we are targeting our largest reductions. This will be accomplished in part through BCLC's move from Richmond to a new Vancouver location, other facility upgrades, and through education and awareness that help to reduce energy consumption. As we formalize our sustainability management approach we expect to discover further reduction opportunities.

CORPORATE SOCIAL RESPONSIBILITY IS FUNDAMENTAL TO THE WAY WE OPERATE

In 2009/10 BCLC continued to replace aging fleet vehicles with hybrid alternatives. We were instrumental in forming a sustainable development working group to share best practices and benchmark performance across Canadian gaming jurisdictions. Our employee-driven Green Committee continues to be part of our Carbon Neutrality Steering Committee, as well as the forum for employees to provide ideas and assist in raising the level of awareness. Efforts to positively impact our service providers and suppliers are also increasing as this awareness becomes embedded in the BCLC culture.

BCLC employees have raised funds for the United Way since 1994, and also volunteer their time to help disadvantaged families in the community through employee groups such as Christmas Charity. The Thompson Nicola Cariboo Region United Way recognized BCLC's 2008 employee campaign with the "Team of the Year Spirit Award". This award celebrates those organizations and individuals whose outstanding generosity and support made the dreams of building stronger communities and improving lives a reality. In 2009, our employees were again generous, exceeding not only the targets they set for United Way fundraising, but also substantially exceeding their previous year's donations.

⁵ In order to provide improved visibility into the level of success of new responsible gambling programs, BCLC is removing questions about initiatives players are most aware of from the calculation for this measure, substantially decreasing our targets.

⁶ GHG reporting is calculated based on calendar years; actual, forecast and targets are for 2008, 2009, 2010, 2011 and 2012

PERFORMANCE MEASURES AND BENCHMARKS

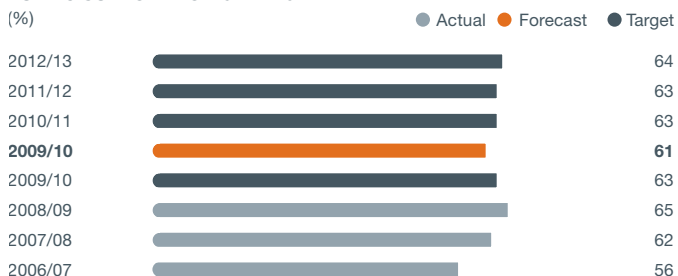
BCLC has four performance metrics to help us assess whether our corporate social responsibility programs are successfully reaching the public and our players.

PUBLIC SUPPORT FOR GAMING

This measure assesses the percentage of adult British Columbians who support legalized gaming, which is central to BCLC's successful management and growth of our gambling business. BCLC plans to continue to provide gambling in a socially responsible manner and strengthen responsible gambling awareness programs.

Our results are measured through a continuous tracking study conducted by Research and Incite Consultants. Adult British Columbians are asked to rate their level of support for the existence of legalized gaming in B.C.

PUBLIC SUPPORT FOR GAMING



PUBLIC TRUST AND CONFIDENCE IN BCLC GAMES

This measure helps BCLC assess whether adult British Columbians have confidence in the integrity of BCLC's games, which is central to our players continuing to play them. We continue our strong commitment to programs that improve player focus, security and the integrity of our gaming systems. These programs are focused on the processes, technology, training, policies and procedures in all of our gaming channels.

Our results are measured through a continuous tracking study conducted by Research and Incite Consultants. Adult British Columbians are asked to rate their level of trust and confidence in the games offered by BCLC.

PUBLIC TRUST AND CONFIDENCE IN BCLC GAMES



PLAYER AWARENESS OF RESPONSIBLE GAMING ACTIVITIES

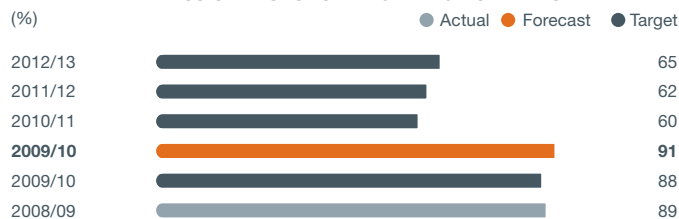
This measure helps BCLC to assess whether we are successfully delivering responsible gambling programs to our players, which is a key component of BCLC's management of gaming.

The recent introduction of the GameSense education program and the improvements to our responsible gambling messaging are aimed at dispelling gambling myths, educating players and promoting healthy choices.

Our results are measured through a continuous tracking study conducted by Research and Incite Consultants. Players of BCLC games are asked questions about their awareness of specific responsible gambling initiatives.

In 2010/11 BCLC plans to update the questions in the tracking study we use, removing questions about the most well recognized programs, which score very high, in order to improve the visibility of our efforts. We have significantly decreased our targets accordingly.

PLAYER AWARENESS OF RESPONSIBLE GAMING ACTIVITIES



LEVEL OF GREENHOUSE GAS EMISSIONS

From 2010 onwards, BCLC must meet the requirements for carbon neutrality under the *Greenhouse Gas Reductions Target Act*. We are pursuing actions to minimize our emissions that result from buildings, fleet vehicles and certain office paper supplies. We will reduce first and offset where needed.

To demonstrate our understanding and support publicly, BCLC is planning to exceed the provincial requirement to reduce our emissions by 33% by 2020. We are targeting a reduction of 40% by 2020, and estimate we will reach the 33% provincial target by 2017. This requires a total reduction of 632 tonnes.

Using the standard calculations provided by the Province of British Columbia, we are recording and continuing to refine the reporting of our emissions, which are measured in metric tonnes of carbon dioxide (CO₂e) on a calendar year basis. Data for this measure is obtained from suppliers of electricity, natural and fleet gas, paper suppliers and internal financial and procurement reporting.

LEVEL OF GREENHOUSE GAS EMISSIONS



PLAYER

GOAL #2: CREATE A PLAYER-CENTRIC COMPANY

DEVELOP FACILITIES AND DESIGN INNOVATIVE GAMES TO GROW THE BUSINESS AND CREATE AN INTEGRATED MULTI-CHANNEL PLAYER COMMUNITY

PERFORMANCE MEASURES		2008/2009 ACTUAL	2009/2010 BUDGET	2009/2010 FORECAST		2010/2011 TARGET	2011/2012 TARGET	2012/2013 TARGET
1. Player Satisfaction ⁷		85%	73%	73%		74%	75%	76%
2. Player Participation (past year) ⁸	➔	84%	82%	79%	➔	52%	53%	54%
3. Net Win (millions)		\$1,950.5	\$2,030.3	\$1,969.5		\$2,072.4	\$2,180.2	\$2,266.2
4. Net Win per Capita		\$443	\$450	\$437		\$460	\$484	\$503

HOW OUR PLAYER FOCUS WILL BENEFIT OUR BUSINESS AND GENERATE INCOME

BCLC will continue to develop exciting and innovative new games and services for our players with game concepts and casino and community gaming facilities that provide entertaining play experiences. We are continuing to integrate player focus into our culture so that as we operate the business and implement strategy, the impact on, and benefits for our players are our primary considerations.

In lottery gaming, BCLC has been piloting a more contemporary lottery retail model that provides a better experience for players, and recently launched the new nationwide game LOTTO MAX. Our ongoing product innovation efforts continue with the objective of meeting player expectations for new experiences through improvements to existing games as well as the creation of new games. Marketing efforts will focus on our lotto products, in particular LOTTO MAX.

We are looking at ways to make purchasing more convenient as our players change where and how they shop and the kind of service options they expect. As part of these efforts, BCLC is considering consumer trends, particularly in entertainment and leisure activities. We are also reviewing communication programs, including the use of display devices, advertising and loyalty programs, to be certain our offerings continue to evolve with consumer expectations.

BCLC is introducing casino-style games on PlayNow.com, providing B.C. players who gamble online with the choice of playing on a convenient and secure web site that is operated and regulated in British Columbia, and where the resulting net income stays in British Columbia. We will provide the tournaments and promotions players are already familiar with in order to keep these games entertaining and meet the market demand.

We will proceed with the planned redesign of the PlayNow.com web site that will result in a more engaging player experience and implement an infrastructure that is supportive of other new and innovative games and services to attract and retain our players.

Casino gaming will continue to focus on facilities that provide a variety of entertainment opportunities for the domestic and international tourism markets. In community gaming, BCLC will continue working with our service providers to transform commercial bingo halls into community gaming centres in selected market locations. We are working with our service

providers to improve customer service for our players, partnering to provide ongoing training programs for their employees.

BCLC is improving our business intelligence capabilities through more extensive analysis of the performance of our slot machines. In collaboration with our service providers, this greater insight into the selection and location of the latest themed slot machines and table games will ultimately provide players with a more interesting variety of casino gaming options. We are also looking at a more robust inventory management system that would reduce slot machine down time, improving the experience for our players.

We are investigating technology that enhances player services and business model efficiencies in all of our gaming channels, including those with the potential to help offset a continuing decline in bingo gaming.

We expect to complete the two remaining recommendations made by the B.C. Ombudsman in the coming year. The remaining three recommendations made by Deloitte & Touche LLP are also multi-year efforts that are anticipated to be complete in 2010/11.

OPTIMIZING OUR NET INCOME DEPENDS ON OUR ABILITY TO PROVIDE EXCITING ENTERTAINMENT EXPERIENCES THAT PROVIDE THE THRILL OF CHANCE AND WINNING FOR OUR PLAYERS

BCLC offers player-focused rewards and incentives to the more than 455,000 members of the BC Gold player card used at casino and community gaming centre facilities. This year, we are reviewing the ways in which we can extend the services and benefits offered by this card from slot machine play to table games. In partnership with our service providers, BCLC will continue to offer special tournaments for poker, blackjack, mahjong, and slot machine players.

We will further develop our management of the relationship with our players by examining player needs and preferences across all of our gaming channels more effectively. We are beginning that work with a focus on players who participate in lottery gaming. Special offers for players who purchase on PlayNow.com and in the lottery channels will continue.

⁷ In 2009/10, BCLC significantly changed how Player Satisfaction is measured in order to apply consistent measurement in all of our gaming channels. Refer to pages 12 and 16 for more detail.

⁸ In 2010/11, BCLC is significantly changing how Player Participation is measured in order to better gauge our success in attracting and retaining players. Refer to page 16 for more details.

PERFORMANCE MEASURES AND BENCHMARKS

BCLC has four performance metrics to help us assess whether our player-focused programs are successful.

PLAYER SATISFACTION

Player satisfaction with our games, services and facilities in our lottery, casino, community gaming, bingo and egaming channels is a key factor in our continuing ability to generate income.

In 2009/10, BCLC significantly changed how player satisfaction is measured in order to apply consistent measurement in 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 based on scoring in the top five from a standard 10-point scale.

PLAYER SATISFACTION (new)



PLAYER SATISFACTION (historical)



PLAYER PARTICIPATION

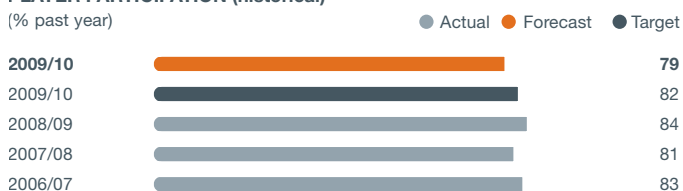
This measure provides insight into the percentage of adults in British Columbia who have participated in some form of gaming in B.C. in the past year and helps BCLC gauge our success in attracting and retaining players and building player loyalty. Participation began to decline in the latter half of 2009/10.

In 2010/11 BCLC plans to transition to measuring the frequency of play on a monthly basis so that we can better assess the relevancy of the gaming entertainment we offer and the effectiveness of player-focused programs in successfully increasing the frequency of play. The study will continue to be conducted by Research and Incite Consultants.

PLAYER PARTICIPATION (new)



PLAYER PARTICIPATION (historical)



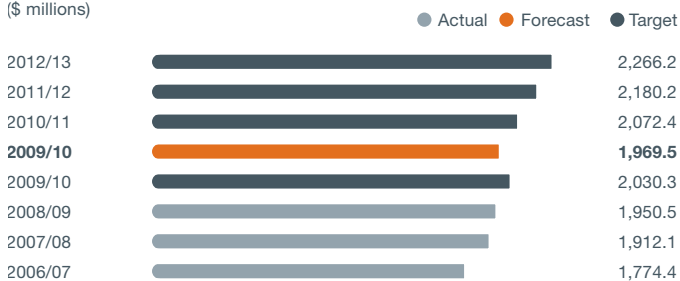
NET WIN

Net win, the level of sales revenue after prizes are paid to players, provides a consistent means of comparing our results across our gaming channels as well as with other gaming jurisdictions.

In 2009/10 our net win is forecast at \$60.8 million below our target, reflecting reduced consumer spending on gambling entertainment and a delay in our implementation of new casino-style games on PlayNow.com.

NET WIN

(\$ millions)



Sources:

BCLC Annual Reports and financial reporting

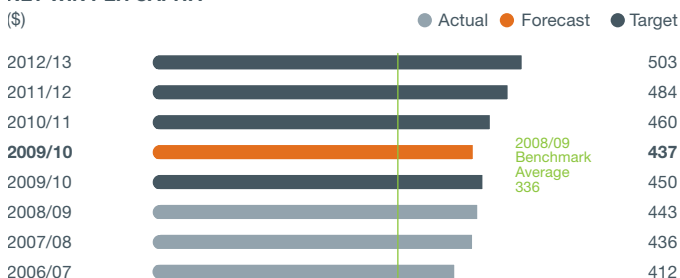
NET WIN PER CAPITA

This measure helps BCLC assess the extent to which we are able to balance the responsible delivery of gaming with our mandate to grow net income for the Province of British Columbia.

We will continue to have a player focus as we grow our business. To calculate this measure, BCLC's net win is divided by the total B.C. population.

NET WIN PER CAPITA

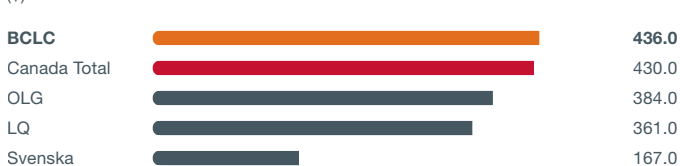
(\$)



BCLC benchmarks our net win per capita with the results achieved in other gaming jurisdictions with similar gaming offerings. Our growth has come primarily from casino and community gaming.

2007/08 NET WIN PER CAPITA BENCHMARKS

(\$)



Sources:

BC Stats, BCLC and Svenska Annual Reports, Lafleur's Lottery Almanac

FINANCIAL / OPERATIONS

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

DESIGN PROCESSES AND IMPLEMENT TECHNOLOGY THAT IMPROVES OPERATIONAL EFFECTIVENESS AND PREPARES FOR THE FUTURE

PERFORMANCE MEASURES		2008/2009 ACTUAL	2009/2010 BUDGET	2009/2010 FORECAST		2010/2011 TARGET	2011/2012 TARGET	2012/2013 TARGET
1. Operating Costs (% net win)	➔	41.6%	41.6%	41.8%	➔	41.6%	41.9%	41.8%
2. Net Income (millions)		\$1,090.7	\$1,130.0	\$1,091.0		\$1,115.0	\$1,162.0	\$1,205.0

BCLC IS FOCUSED ON SUSTAINING AND GROWING NET INCOME FROM GAMING

BCLC is continuing to modernize our business. Our work in creating a resilient, renewable and robust organization is focused on our capability to sustain current operations and support future growth of net income.

Each day, BCLC processes millions of transactions from locations across British Columbia that result from players purchasing on our Internet site, buying lottery tickets, or playing slot machines, table games or bingo at one of our gaming facilities.

We are modernizing, building a connected company, so that we can provide our players with a seamless integration of games and services across all of our gaming channels, and provide our employees with tools that improve their ability to provide great customer service.

The large volume of transactions requires continued work on our infrastructure, including the processes, structures and technology that directly support gaming, as well as back office operations and administration. In order for BCLC to continue to provide new innovative games and services our systems must always be operational, dependable, fault resistant and adapt quickly and effectively to changing business drivers. This requires robust systems that are simple and connected.

Our employees need to be at the forefront of technology, using information gathering, processing, disseminating and collaboration tools to manage a business that, while it has grown revenues year after year, has limited the investment of capital and resources in our infrastructure in order to focus on those revenue programs.

New technology will replace many of our legacy systems with centralized information sources that improve our effectiveness and efficiency, and streamline maintenance, support, auditing and oversight. We are reviewing the replacement of the gaming management system we use to manage the \$1.59 billion in net win at casino and community gaming facilities.

We are also reviewing other systems that support improvements to financial, procurement and other corporate systems. Legacy systems, duplicated information and manual processes are targeted for replacement with new technology that provides direct and authorized access to consistent, integrated information in a secure environment.

The majority of the priority programs for the organization continue to be implemented through the program management office, including those programs that focus on increasing revenue, improving risk and compliance efforts and implementing the processes, infrastructure and technology required to modernize the business.

We are also continuously strengthening our oversight and compliance programs, in ways such as increasing frequency of reviews, audits and reporting and adding technology solutions that speed our response time and improve our effectiveness. One example is the implementation of RFID⁹ technology in casino chips, for more efficient tracking and to reduce the potential for counterfeit chips within a gaming facility.

OUR SENSIBLE BUSINESS INVESTMENT IS FOCUSED ON SUSTAINABILITY AND GROWTH FOR OUR GAMING BUSINESS

BCLC is making the necessary changes to our procurement policies and processes to meet the requirements of the Trade, Investment and Labour Mobility Agreement (TILMA). We are also focused on a review of the policies and processes required to ensure a smooth transition to the Harmonized Sales Tax (HST) on July 1, 2010.

Our work also continues on strengthening risk and policy frameworks, systems and internal controls, including records management. Training programs, standards, policy and procedure manuals and testing is provided by BCLC to our service providers to make certain that their gaming operations are focused on providing the service, integrity and security our players expect.

BCLC continues with the programs that augment our oversight of these controls and gaming operations. These efforts include our oversight and reporting of large cash and suspicious currency transactions to the Government of Canada, as required by the *Proceeds of Crime* (Money Laundering) and *Terrorist Financing Act* of Canada.

9 RFID: Radio frequency identification, a technology that provides the ability to track individual items within a defined area

PERFORMANCE MEASURES AND BENCHMARKS

BCLC has three performance metrics to help us assess whether our activities are effectively improving our business operations.

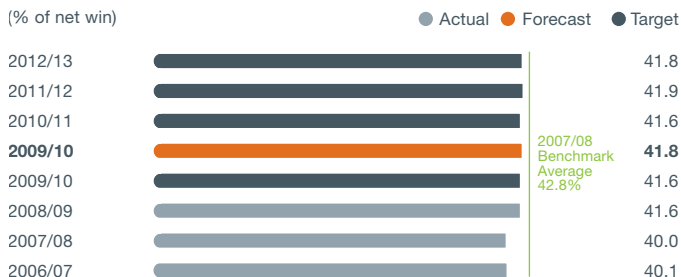
OPERATING COSTS (% OF NET WIN)

BCLC uses this measure to assess our success in balancing the generation of sales with the cost of operating the business, providing an insight into our effectiveness.

In addition to BCLC general operating costs, service provider commissions, amortization and other costs are also included in this calculation to more closely align BCLC's operating model with the models used in other gaming jurisdictions.

BCLC is forecasting the 2009/10 operating cost ratio at 0.2% above our target, the result of lower than expected net win.

OPERATING COST RATIO



Sources

BCLC Audited Financial Statements and financial reporting

BCLC benchmarks our operating cost results with other gaming jurisdictions who have similar gaming offerings. While BCLC has been focused on growing the business, we have also invested more heavily in infrastructure, technology, compliance and people in order to strengthen gaming integrity and player security. These investments elevated our costs, but BCLC operating expenses are still lower than most comparators and the benchmark average.

2008/09 OPERATING COST BENCHMARKS



Sources

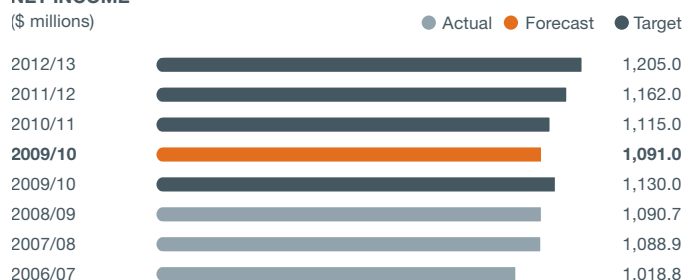
BC Stats, BCLC and Svenska Annual Reports, Lafleur's Lottery Almanac

NET INCOME

Net income is the amount after all expenses are paid. BCLC distributes net income to the Province of British Columbia, and as a result of a contractual agreement between federal and provincial governments, a portion is also distributed to the Government of Canada.

In 2009/10, our net income is forecast at \$39.0 million below our target, reflecting the extended duration of reduced consumer spending on gambling entertainment.

NET INCOME



Sources

BCLC Audited Financial Statements and financial reporting

ELECTRONIC DEVICES PER CAPITA

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.

This measure reflects the accessibility of electronic gaming to British Columbians, based on a measure of per 1,000 population. BCLC's results are now the same as the benchmark average.

BCLC DEVICES PER CAPITA



Sources

BC Stats, BCLC devices data

Differences in provincial policy regulate the types of gaming devices available in each Canadian province. BCLC compares the availability in British Columbia with other Canadian jurisdictions.

This benchmarking requires that we use total population, rather than adults, due to differing adult age definitions, gaming industry regulations, and the information publicly available in other gaming jurisdictions.

BCLC's results are below some comparators, but higher than OLG. Although LQ also has VLT's, these devices have not been included in these calculations.

2007/08 DEVICES PER CAPITA BENCHMARK



Source

Specific data prepared by BCLC

PEOPLE

GOAL #4: HAVE A WORKFORCE PASSIONATELY DRIVING THE SUCCESS OF OUR BUSINESS MAKE BCLC A GREAT PLACE TO WORK

PERFORMANCE MEASURES		2008/2009 ACTUAL	2009/2010 BUDGET	2009/2010 FORECAST		2010/2011 TARGET	2011/2012 TARGET	2012/2013 TARGET
1. Employee engagement	→	77%	60%	75%	→	75%	75%	77%
2. Employee vacancy rate		n/a	7%	2.5%		5%	5%	5%

WE ARE PROUD TO BE RECOGNIZED AS ONE OF CANADA'S TOP 100 EMPLOYERS

While we've been selected as a Top BC employer for four consecutive years, this is the first time BCLC has been selected by MediaCorp as one of the best employers in the country. This award recognizes that the programs, services and experiences offered at BCLC stand out as exceptional amongst Canadian employers. Our company is full of people who are passionate about their jobs, relationships and connections to the community, contributing to making BCLC a great place to work.

BCLC needs a passionate workforce to drive the successful management and operation of our gaming business. Working in areas identified by employees, we are significantly changing our business processes, infrastructure and supporting technology to modernize the business for the future.

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. Through strategic workforce planning, performance management and managing our employment brand, we will stay an employer of choice. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain the business and plan for the future leadership of the company.

BCLC is planning a review of the total rewards program to enhance competitiveness, cost sustainability and alignment with employee needs and reduce program administration. In partnership with the management team, we will continue to improve formal and informal employee recognition. Overall, these efforts will contribute to maintaining and improving employee engagement.

PERFORMANCE MEASURES AND BENCHMARKS

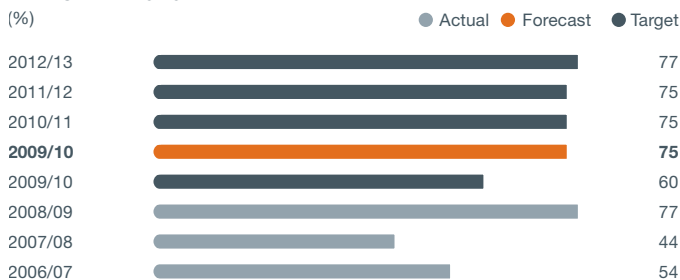
EMPLOYEE ENGAGEMENT

The employee engagement survey provides BCLC with insight into whether our leadership, development, performance management and recognition programs are successfully reaching our employees.

Engagement is defined as the intellectual and emotional involvement employees have in an organization. The level of engagement is directly linked to the effort and dedication employees will contribute to achieve success for the organization, and BCLC's ability to attract and retain employees.

In 2008/09, BCLC's 77% employee engagement score surpassed the targets we set for each of the next three years. BCLC's challenge will be in maintaining and enhancing this level of engagement to continue to positively impact BCLC's employee culture. The engagement survey will be conducted in early 2010 by Ipsos Reid. Our engagement results are received after we have already set targets for the coming year, so our target for 2009/10 is well below our previous achievement as well as our forecast.

EMPLOYEE ENGAGEMENT



EMPLOYEE VACANCY RATE

Used to measure the number of vacancies in the process of being filled (replacement or new positions, recruited internally and externally) as a proportion of BCLC's total head count, the annual result is an average of the month end rates as calculated by BCLC.

This new measure is subject to considerable variation based on factors such as organizational growth, internal personnel movement, employee demographics and external market conditions and must be interpreted within the time frame that it is being measured.

BCLC's 2009/10 forecast of 2.5% is the result of reductions to recruitments for new and replacement positions as part of our cost management efforts.

EMPLOYEE VACANCY RATE



STRATEGIC RISK AND CAPACITY

WHAT BCLC IS DOING TO MINIMIZE AND/OR MITIGATE THE IMPACT OF OUR RISKS

BCLC faces risks specific to our business that could impact our ability to conduct and manage gaming and achieve the mission and goals of this plan. All identified risks are prioritized through an assessment of the impact and likelihood in the current environment.

BCLC continues to develop and improve the risk management strategy, utilizing risk management as part of our strategic, business and project planning processes. These processes involve risk identification with our Board and Senior Executive teams, as well as internal teams who are focused on operational activities. Risk treatment plans are monitored through management systems.

Over the past year we have completed detailed assessments of the operational risks, controls and action plans in alignment with the four goals of the organization. Risk assessments have also taken place for significant projects. These efforts will continue, facilitated by a management role that supports risk management processes through focus on education, accountability and administration.

BCLC is also continuing to strengthen our business continuity, crisis management and disaster recovery programs, so that there are contingency plans in place covering major issues such as natural disasters and pandemics, as well as ensuring that our systems and processes have fault tolerance and backup capabilities.

SYSTEMS AND TECHNOLOGY

Issue	Status and Implications	Actions
Over the past years of rapid growth, BCLC has invested in a variety of technology, some of which are nearing the end of their operational lives.	<p>BCLC's gaming business is dependent on technology.</p> <p>While our technology infrastructure is sound, we have a complex portfolio of systems, with some disparity in platforms and between applications and lacking the adaptability and features that may be required for growth. Our existing systems were implemented with differing processes and standards. Risk and the cost of ownership is increasing as these systems and technologies age.</p> <p>The planned improvements to our technology will provide BCLC with substantial opportunities to better support our current business as well as provide a strong position for future growth.</p> <p>Implementation will increase productivity, positively impact employee engagement and improve overall organizational effectiveness and capacity.</p>	<p>BCLC is implementing an Enterprise Architecture approach that will guide the modernization of our business.</p> <p>We are leveraging opportunities within current and future planned investments in technology, pursuing more flexible, scalable and leading edge applications that improve our business.</p> <p>The proportion of legacy systems will decrease each year as we implement our business modernization strategy. This strategy will improve our business effectiveness and operational efficiency while continuing to provide a high level of integrity and internal controls. The modernization programs are planned to keep pace with the current needs of our gaming business and prepare us for the future.</p>

BUSINESS PROCESSES

Issue	Status and Implications	Actions
The ongoing integrity, security and resilience of BCLC operations is underpinned by key processes and workflows that need to be reviewed and updated regularly to reduce the potential for failures or deficiencies.	<p>To provide the security our players expect and sustain gaming net income, our processes and workflows need to be well documented, clearly understood and be effective.</p> <p>Without regular reviews and updates, these processes and workflows will become out of date. This may lead to negative impacts to our players as well as for our employees and overall would decrease organizational effectiveness and capacity.</p>	<p>BCLC has dedicated resources in the Business Transformation division to facilitate, support and implement BCLC's business modernization strategy.</p> <p>We have completed operational risk assessments and are regularly reviewing the treatment plans that are in place.</p> <p>The Policy Office is implementing a new framework for corporate and operational policies and procedures that includes regular reviews.</p> <p>The Corporate Security and Compliance division reviews, inspects, audits and investigates security and compliance issues in all of our gaming channels.</p> <p>Internal Audit provides independent, objective assurance of risk management, internal control and governance processes.</p>

CUSTOMER UNDERSTANDING

Issue	Status and Implications	Actions
The continued performance of BCLC is dependent on meeting customer expectations for high quality games and gaming experiences.	<p>Understanding customer behaviours, needs and desires is key to any successful organization.</p> <p>To successfully develop new games and services, deep customer understanding is required.</p> <p>BCLC also requires information about, and analysis of, play patterns and the performance of our existing games, services and facilities.</p>	<p>BCLC actively researches our market and performance, using internal research professionals as well as external agencies, to provide insights into consumer and player preferences.</p> <p>We have begun more detailed analysis into the performance of slot machines that will provide greater insights into game selection and location.</p> <p>During development, we also test and pilot potential new games and services before implementation, in order to gain player feedback.</p>

SERVICE PROVIDER AND SUPPLIER RELATIONSHIPS

Issue	Status and Implications	Actions
<p>BCLC relies on private sector service providers to sell our lottery games and operate casino, community gaming and commercial bingo facilities.</p> <p>We also rely on suppliers to provide specialized gaming supplies and services for the operation of our business.</p>	<p>BCLC has contracts with lottery service providers and works closely with them to review their operations for compliance and to achieve mutual success.</p> <p>Casino, community gaming and commercial bingo facilities are operated under contract with those service providers, with detailed standards, policies and procedures in place and monitoring, oversight and audits for compliance so that we achieve mutual success.</p> <p>We also have contracts with suppliers, including some who provide specialized gaming supplies and services required for the operation of our business.</p> <p>Some service providers and suppliers have been negatively affected by current economic conditions.</p>	<p>We work closely with our service providers to successfully manage our gaming business.</p> <p>BCLC's Corporate Security and Compliance division monitors compliance with BCLC contracts, standards policies and procedures and investigates issues and concerns from the public, including player complaints.</p> <p>Our Finance group works closely with our gaming service providers to monitor financial performance and results.</p> <p>BCLC operations include employees whose responsibilities include the procurement of services and the management and oversight of contracts. These areas and processes continue to be strengthened in order to increase the value they add to our business.</p>

INNOVATION

Issue	Status and Implications	Actions
BCLC needs to continually provide innovative games and services.	<p>Entertainment options continue to change rapidly.</p> <p>BCLC needs to leverage synergies, capabilities and technology to develop innovative and creative approaches, games, services and technology and bring them quickly to market.</p> <p>The focus on new products and experiences should be balanced with the new to support core business, such as lotto games, slot machines and casino table games.</p>	<p>BCLC marketing activities are focused on our core games and facilities.</p> <p>Along with other lottery jurisdiction partners across Canada, BCLC recently introduced LOTTO MAX; a dedicated team of employees is actively working to develop other innovative new games and services for our lottery channel.</p> <p>We are also planning the launch of casino-style games on PlayNow.com.</p> <p>Development of casino and community gaming facilities to provide better entertainment options is ongoing.</p>

OUR CAPACITY TO ACHIEVE RESULTS

The current and future needs of our business requires sound, responsive and adaptive business processes and technology. To develop and maintain these processes and technologies in an increasingly complex and changing business environment, BCLC must ensure that our workforce is responsive, adaptive and possesses the skills necessary to leverage our business systems in ways that satisfy our players.

To enhance capacity, BCLC continues to invest in leadership development as a driver of change. We are also strengthening our ability to develop our full workforce through the implementation of a new learning management system. To ensure our capacity is effectively utilized, BCLC continues to focus on developing organizational structures and resources that are effectively planned, organized and aligned with emerging business needs, as we modernize our business processes and systems.

Through the economic downturn, a softening of the employment market has reduced the challenges we were experiencing in recruiting new talent. This is expected to be temporary, reversing as the economy improves. Enhanced recruitment processes and our status as one of Canada's Top 100 Employers and one of BC's Top 55 Employers positions BCLC to compete in the talent market as the economy improves.

ASSUMPTIONS

WE PREPARED THIS PLAN UNDER THESE ASSUMPTIONS

- The planned reductions and delays to BCLC's programs and the associated operating budgets and capital spending are successfully implemented to offset the negative impact of the economy on gaming net income and without impacting the integrity and security of gaming.

PLAYERS

- Developing our focus on one integrated player across all BCLC gaming channels will be successful in improving marketing effectiveness and gaming efficiencies.
- BCLC's sponsorship of the 2010 Vancouver Olympic and Paralympic Winter Games and resulting ability to offer event ticket prizes on SportsFunder lottery games will be as successful as is expected in increasing 2009/10 forecast lottery net win.

GAMING MARKET

- Casino revenue will not be further impacted by cross-border competition.
- British Columbia casino and bingo marketplace capacity studies are accurate.
- Competition from unregulated Internet gaming will not increase, negatively impacting BCLC's eGaming market.
- BCLC market forecasts for new lottery and eGaming products are accurate.

LOTTERY

- Effective marketing focus on big lotto jackpots increases awareness and interest that results in purchases by infrequent players.
- Planned improvements to Keno increases the entertainment value for players.
- Planned releases of new lottery games will be on schedule.

CASINO

- Openings, upgrades and relocation of existing casinos will be on schedule.
- The increase in table game play continues.
- The decrease in slot machine play does not continue, and play increases as a result of more detailed analytics that provide new insights into game selection and machine locations.

COMMUNITY GAMING & COMMERCIAL BINGO

- The planned openings, upgrades and relocation of existing commercial bingo halls to community gaming centres will be on schedule.

EGAMING

- Planned product releases will be on schedule in 2009/10 and 2010/11.

TECHNOLOGY

- The capital cost estimates made in advance of completing procurement processes to select and contract for a new gaming management system are within the range that suppliers will propose in their responses.

ECONOMY

- The British Columbia economy will grow in 2010/11.

COST OF SERVICES

- Inflation has been assumed at 1.7% over the planning period.
- BCLC uses the three-month Canadian Treasury Bill rates as forecast by Treasury Board (rates as of December 4, 2009); interest rates have been assumed at 1.04% for 2010/11, 2.15% for 2011/12 and 3.33% for 2012/13.
- The cost of capital purchases made in US dollars has been based on an exchange rate of \$0.96 Canadian to \$1.00 US dollar.

GAMING POLICY

- No major changes will be made to BCLC's mandate or the Province of British Columbia's gaming and social policy.
- No major changes will be made to GPEB mandate, regulations or policy.

GOVERNMENT APPROVALS

- Net win and net income assumptions are based on BCLC obtaining the necessary provincial, host local government approval and regulator approvals required under the *Gaming Control Act* for the opening of new facilities and to launch new games.

OUR FINANCIAL OUTLOOK

HOW MUCH WE'RE SELLING, SPENDING AND PROVIDING IN NET INCOME

THE PROVINCE OF BRITISH COLUMBIA USES GAMING NET INCOME TO FUND PUBLIC, CHARITABLE AND COMMUNITY PROGRAMS THAT BENEFIT ALL BRITISH COLUMBIANS

REVENUE \$ millions	2007/08 ACTUAL	2008/09 ACTUAL	2009/10 BUDGET	2009/10 FORECAST	2010/11 TARGET	2011/12 TARGET	2012/13 TARGET
Lottery	\$958.2	\$930.8	\$935.0	\$930.0	\$970.0	\$1,016.0	\$1,064.0
eGaming	18.7	23.5	34.0	34.0	53.0	73.0	100.0
Casino	1,322.1	1,341.2	1,399.0	1,351.0	1,396.0	1,454.0	1,490.0
Community Gaming	260.2	254.7	258.0	250.0	281.0	288.0	295.0
Total Revenue	\$2,559.2	\$2,550.2	\$2,626.0	\$2,565.0	\$2,700.0	\$2,831.0	\$2,949.0
TOTAL NET WIN	\$1,912.1	\$1,950.5	\$2,030.3	\$1,969.5	\$2,072.4	\$2,180.2	\$2,266.2

DIRECT AND OPERATING COSTS

Lottery	684.8	667.0	671.8	663.8	694.2	727.8	760.3
eGaming	16.1	19.4	27.0	30.7	39.4	47.9	56.7
Casino	534.1	563.9	589.7	573.9	599.4	635.4	665.2
Community Gaming	191.3	171.6	164.6	164.3	169.2	162.1	162.6
Total Direct and Operating Costs	\$1,426.3	\$1,421.8	\$1,453.2	\$1,432.7	\$1,502.2	\$1,573.2	\$1,644.8

NET INCOME BEFORE TAXES

Lottery	273.4	263.8	263.2	266.2	275.8	288.2	303.7
eGaming	2.6	4.1	7.0	3.3	13.6	25.1	43.3
Casino	788.0	777.4	809.2	777.1	796.6	818.6	824.8
Community Gaming	68.9	83.1	93.4	85.7	111.8	125.9	132.4
Total Net Income Before Taxes	\$1,132.9	\$1,128.4	\$1,172.8	\$1,132.3	\$1,197.8	\$1,257.8	\$1,304.2
Income Growth Before Taxes	7.2%	-0.4%	3.9%	0.3%	5.8%	5.0%	3.7%
Total Taxes ¹⁰	\$44.0	\$37.7	\$42.8	\$41.3	\$82.8	\$95.8	\$99.2
Total Expenditures	\$1,470.3	\$1,459.5	\$1,496.0	\$1,474.0	\$1,585.0	\$1,669.0	\$1,744.0

NET INCOME AFTER TAXES

Lottery	261.7	252.7	251.9	255.7	254.9	264.2	278.6
eGaming	2.2	3.7	6.3	3.1	10.8	21.7	39.3
Casino	761.8	758.1	784.4	752.9	748.2	762.4	767.2
Community Gaming	63.2	76.2	87.4	79.3	101.1	113.7	119.9
Total Net Income	\$1,088.9	\$1,090.7	\$1,130.0	\$1,091.0	\$1,115.0	\$1,162.0	\$1,205.0
Income Growth	6.9%	0.2%	3.6%	0.0%	2.2%	4.2%	3.7%
Debt	\$0.0	\$0.0	\$82.9	\$104.6	\$127.8	\$151.0	\$163.0
Capital Expenditures	60.4	97.4	127.5	112.1	106.7	120.0	120.0

The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP).

10 Taxes from 2006/2007 to June 30th, 2010 include GST and PST on leases. Taxes from July 1, 2010 forward are HST, which replaces GST and PST.

FINANCIAL ANALYSIS

- BCLC is expecting to benefit from a slowly strengthening economy over the three-year period covered by this plan, returning to year-over-year growth.
- Increasing our focus on revenue initiatives combined with the strategic management of operating costs and capital expenditures is expected to help BCLC's performance through the economic recovery.
- By 2012/13, BCLC's total net win is forecast to increase by \$296.7 million or 15.1% over the forecast for 2009/10.
- Effective July 1, 2010, the Province of British Columbia intends to introduce HST to replace the current PST and GST. This introduction will reduce BCLC's net income; however it is expected that the overall effect of the HST on revenue for the Province of British Columbia will be neutral, and that any impact on BCLC's net income will be offset by the federal/provincial tax-sharing agreement.
- BCLC's total net income is forecast to increase by 2.9% annually over the three-year period, with 2012/13 net income expected to be \$114.0 million greater than the 2009/10 forecast. This increase reflects the continued introduction of innovative games and services in all of our gaming channels.
- Net income targets for each of the three years covered by this Service Plan reflect the anticipated marketplace conditions and the effect of HST.
- Lottery net win is expected to increase by \$47.2 million, or 3.6% annually over the three-year period. Growth in this channel will come from the introduction of new games and delivery options.
- Driven by the introduction of casino-style games, strong growth in eGaming net win of \$50.6 million is anticipated over the three-year period. BCLC will also improve the player experience on PlayNow.com and on bclc.com by launching new site designs.
- Casino net win is expected to grow by \$139.0 million, or 3.3% annually over the three-year period. This growth will primarily be driven by enhancements to existing facilities, the selection and location of slot machines and the development of tourism markets.
- Growth over the three-year period in community gaming is expected to be \$59.9 million in net win, or 9.8% annually. This growth will be the result of the continued development of community gaming centres. Bingo continues to experience a decline in popularity as players migrate to new, more entertaining games.
- Operating costs, which include service provider commissions, other direct costs, administration and amortization, are projected to remain relatively stable through 2012/13.
- Capital expenditures in 2010/11 will continue to support lottery, egaming, casino and community gaming operations as well as increased investment in responsible gambling programs. Additional capital expenditures will be incurred to modernize BCLC's gaming and back office systems to maintain a high level of gaming integrity and internal control.
- BCLC maintains a \$150 million short-term credit facility with the Province of British Columbia under the Fiscal Agency Loan program in order to finance capital expenditures.
- BCLC does not have retained earnings to report as the *Gaming Control Act* requires BCLC to remit our entire net income to the federal and provincial governments.

NET INCOME SENSITIVITY PROJECTIONS AND RISK FACTORS

NET INCOME THAT MAY BE AT RISK

BCLC net income estimates are made after consideration of the trends, opportunities, challenges and risks in conjunction with the mitigation strategies described in previous sections. Risk occurrences could negatively impact BCLC's targets resulting in a decrease in the net income delivered to the Province of British Columbia. Our forecasts of the possible variances are shown below.

NET INCOME FORECASTS

\$ millions	2010/11	2011/12	2012/13
High	\$1,150.0	\$1,200.0	\$ 1,250.0
Target	1,115.0	1,162.0	1,205.0
Low	1,025.0	1,060.0	1,085.0

QUANTIFIABLE RISKS

\$ millions	Lottery	eGaming	Casino	CGC	2010/11 Total	2011/12 Total	2012/13 Total
Failure to open/relocate planned gaming facilities	0.0	0.0	0.0	17.0	17.0	6.0	1.0

RISK FACTORS

- Fluctuations in interest and foreign currency rates;¹¹
- Economic issues continue to result in a reduction to personal disposable income and entertainment spending;
- Competition from regulated and unregulated gaming competitors increases;
- Public acceptance of gaming changes from current levels;
- Changes to gaming rules and regulations;
- Consumer preference shifts impact product mix and profitability;
- Service provider viability;
- Key suppliers of goods, services or technology become less economically viable;
- Delays occur in obtaining host local government permits and approvals for the development of gaming facilities;
- New games or services or changes to existing games and services do not meet expectations or are delayed; and
- The frequency and size of lottery jackpots are lower than expected.

¹¹ Change based on exchange rate of \$0.96 CDN dollar to \$1.00 US dollar

OUR CAPITAL PLAN

SPENDING ON OUR INFRASTRUCTURE AND TECHNOLOGY

\$ thousands	2007/08 ACTUAL	2008/09 ACTUAL	2009/10 BUDGET	2009/10 FORECAST	2010/11 TARGET	2011/12 TARGET	2012/13 TARGET
Gaming Systems							
Lottery	\$7,148	\$6,580	\$13,023	\$14,601	\$13,700	\$7,000	\$7,000
eGaming	1,926	2,923	9,920	11,719	1,350	2,850	3,350
Casino	32,359	49,421	60,090	49,639	52,755	81,150	80,650
Community Gaming	12,058	13,544	18,868	12,042	11,620	10,000	10,000
Player First	2,971	13,885	0	0	0	0	0
	\$56,462	\$86,353	\$101,901	\$88,001	\$79,425	\$101,000	\$101,000
Infrastructure & Corporate Systems							
Facilities	2,855	7,537	18,510	18,727	16,625	15,000	15,000
	1,137	3,532	7,050	5,325	10,612	4,000	4,000
	\$3,992	\$11,069	\$25,560	\$24,052	\$27,237	\$19,000	\$19,000
Total New Capital	\$60,454	\$97,422	\$127,461	\$112,053	\$106,662	\$120,000	\$120,000

- The primary driver of BCLC's capital expenditures is the acquisition of gaming equipment to support revenue generation in the lottery, eGaming, casino and community gaming channels. This includes gaming equipment to support revenue generation at over 4,000 lottery locations, our Internet site PlayNow.com, 17 casinos, and a growing number of community gaming centres.
 - The budget for the lottery channel includes \$11.1 million for the development of a new player card program, supporting new game delivery, providing players with promotions and other special offers and tracking preferences and trends. In addition to the ongoing maintenance and upgrade of equipment at lottery locations, BCLC is moving towards a more contemporary model focused on improving the experience for our players.
 - During the 2009/10 year, BCLC's Board approved an additional \$7.8 million in capital to fund the addition of new casino-style games and the supporting infrastructure and technology. 2010/11 funding will provide for future product and service offerings as well as the redesign of the PlayNow.com and bclc.com sites that will improve ease of access for players and the site's flexibility.
 - BCLC has initiated a formal competitive procurement process that will review the options for the replacement of our casino management system. The 2010/11 capital budget includes \$5.2 million for phase one of a three-year project implementation that is expected to exceed \$50 million. This foundational project will replace the legacy casino management system that supports over \$1.30 billion in net win and provides the foundation for future growth. It is a top corporate priority, receiving the highest level of focus, including project management, significant reviews, diligence, and Board approval of any decision to proceed with acquisition and implementation.
 - The refresh of slot machines and game themes will continue, as will the upgrading of casino facilities and the transition of commercial bingo halls to community gaming centres. We will investigate systems that will allow the extension of our BC Gold player card to table games.
- In 2010/11 our business system modernization investment is expected to be \$9.4 million. This includes:
 - Continued phased implementation of an integrated contact management system that will improve tracking of player and public requests and/or complaints, associated activities and reporting throughout the organization. Player self-service options and knowledge management tools are included.
 - Continued phased implementation of centralized business information sources and the infrastructure and workflows required to use that information throughout the organization and across other systems will be implemented. This program will reduce effort and time to market and enable future improvements in areas such as voluntary self-exclusion.
 - The replacement of the casino inventory system, which tracks the parts required to keep the gaming equipment maintained and operational at casinos, community and commercial bingo facilities will be examined, as well as the replacement of systems used to record and manage related information, including agreements and contracts with our service providers and suppliers.
 - Continued phased implementation of technology and business processes that improve enterprise marketing tools and the infrastructure of lottery sales and retail network support.
- As a result of the 2011 expiry of our Richmond office lease, BCLC has increased the budget for facilities by \$9.0 million in order to relocate to a new facility in metro Vancouver. This new facility meets the functional and space requirements to consolidate BCLC from the three existing, dated and inefficient Richmond office and warehouse locations.
- Cost of purchases made in US dollars has been based on an exchange rate of \$0.96 Canadian dollar to \$1.00 US dollar.

APPENDIX: SERVICE PLAN GOALS AND PERFORMANCE MEASURES COMPARISON

WHAT WE WILL DO DIFFERENTLY, AND WHY

OUR FRAMEWORK SETS DIRECTION FOR LONG TERM SUCCESS

Our Board and Senior Executive teams review our mission, goals, strategies, performance measures and the associated targets and results on an annual basis. In 2009/10, focus on the future of gaming and the long term success of BCLC led to some changes to our framework. We believe this framework will have longevity as we move forward to build the organization.

BCLC's mission statement has been updated and reflects our mandate for how we operate gaming in British Columbia.

"WE CONDUCT AND MANAGE GAMBLING IN A SOCIALLY RESPONSIBLE MANNER FOR THE BENEFIT OF BRITISH COLUMBIANS."

Our values of integrity, social responsibility and respect remain unchanged and will continue to guide the behaviours of all BCLC employees.

We have restated two of BCLC's four goals to broaden our focus in the areas of player and financial/operations.

This chart compares the goals in our previous Service Plan 2008/09–2010/11 to the goals in this Service Plan 2009/10–2011/12.

2009/10 – 2011/12 SERVICE PLAN GOALS	2010/11 – 2012/13 SERVICE PLAN GOALS	COMMENTS
Public/Planet	Public/Planet	
Build public trust and support for BCLC gaming	Build public trust and support for BCLC gaming	No change.
Player	Player	
Provide facilities and games to develop the business	Create a player-centric company	This goal provides organization-wide focus on the player to extend beyond games and facilities to the overall infrastructure that supports our players.
Financial/Operations	Financial/Operations	
Invest in infrastructure to support current business operations and future growth	Invest in infrastructure and technology innovation to support current business operations and future growth	This goal is a primary area of focus for the organization. Investing in our infrastructure through innovative improvements to our processes, reallocation of our capacity, and modernization of our technology is required in order to provide business integrity and operational efficiency for our core existing business as well as positioning us for the future.
People	People	
Have a workforce passionately driving the success of our business	Have a workforce passionately driving the success of our business	No change.

HOW WE'RE MEASURING OUR SUCCESS

This chart compares the performance measures and targets in our previous Service Plan 2009/10–2011/12 to the performance measures and targets in this year's Service Plan 2010/11–2012/13. The financial performance measures Net Win and Net Income are not included in this comparison.

PERFORMANCE MEASURES	2009/10 BUDGET	2009/10 FORECAST	2010/11 TARGET	COMMENTS
Public Support for Gaming	63%	61%	63%	No change to this measure.
Public Trust and Confidence in BCLC Games	61%	58%	61%	No change to this measure.
Player Awareness of Responsible Gambling Activities	88%	91%	60%	BCLC's performance in this area is exceeding expectations. For 2010/11, we are removing the initiatives players are most aware of from the calculation for this measure in order to provide improved visibility into our level of success for new responsible gambling programs. This has resulted in significant reductions to our targets.
Level of Greenhouse Gas Emissions	N/A	1,660	1,418	No change to this measure.
Player Satisfaction	73%	73%	74%	In 2009/10 BCLC significantly changed how Player Satisfaction is measured in order to apply consistent measurement in all of our gaming channels. In previous years, differing measurement scales and studies were weighted with the channel contribution to net win and consistent measurement had not been implemented for PlayNow.com. including the rating scale and calculation method, BCLC calculates results for this metric using the top five from a standard 10-point scale.
Player Participation	82%	79%	52%	In 2010/11 BCLC will change from measuring the percentage of BC adults who have played a BCLC game or visited a gaming facility within the past year, to assessing their monthly frequency of play. The yearly measure has monitored shifts in the size of BCLC's overall player base, which due to large jackpots and casino promotions, was very high. The monthly measure will provide us with better information on the success of our programs to increase play frequency, particularly amongst infrequent players, a major driver for increasing net win. This change to the measure required that we set new targets.
Net Win per Capita	\$450	\$437	\$460	No change to this measure.
Operating Costs (% of net win)	41.6%	41.8%	41.6%	No change to this measure
Employee Engagement	60%	75%	75%	No change to this measure.
Employee Vacancy Rate	7%	2.5%	5%	No change to this measure.

