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Annual
Service Plan
Report

strength in numbers





Statement of accountability

To the Honourable Michael de Jong, Minister of Finance
and minister responsible for BCLC:

On behalf of the Board of Directors and all our employees, I'm pleased to present the BCLC 2013/14 Annual Service Plan Report, for the twelve months ended March 31, 2014.

The Board is responsible for all the content of this report and the methods for how it was reported. The Board is also responsible for the internal controls that ensure the information contained within this report is consistent with the mandate and goals of the organization, is measured and reported accurately and completely in a timely manner, and aligns with Government's priorities.

The content of this report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. It reflects BCLC's performance for the twelve months ended March 31, 2014, against the goals and targets identified in our 2013/14–2015/16 Service Plan.

All significant decisions and changes to BCLC's strategies, measures, targets or data reliability are clearly identified within the report. Significant assumptions, events and identified risks also have been considered in the preparation of the report. Estimates and interpreted information represent the best judgment of management.

Respectfully,



Bud Smith
Chair, Board of Directors

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About this report

Numbers are our business, but people are our heart and soul. The people who play our games, the people of British Columbia who benefit from the more than \$1 billion each year BCLC provides to the public good and the dedicated professionals who work behind the scenes 24/7/365 to make it all possible.

Our employees are the driving force behind our success. In this report, we will demonstrate how our strength in numbers begins with them. This report provides information about our 2013/14 fiscal year. In addition, we offer some insight into the way our employees work and live in their communities, and a 'by the numbers' look at how BCLC works.

As the Crown corporation responsible for managing and operating gambling in the province of British Columbia, we employ approximately 900 people in our offices in Kamloops and Vancouver. We also support more than 37,000 direct and indirect jobs through our service providers.

Thousands of B.C. residents are registered on PlayNow.com to play our secure and regulated online and mobile games. We offer eCasino, ePoker, eBingo, sports betting and lotto games. We also work in partnership with the Province of Manitoba to provide the platform for PlayNow Manitoba's online and mobile business.

We work closely with our service providers across British Columbia to operate over 12,000 slot machines, nearly 500 table games, and 7,000 electronic and paper bingo seats, with other amenities and entertainment options, at 17 casinos (two with racetracks); 19 community gaming centres; and six bingo halls. While B.C. casinos and community gaming centres are privately owned and operated, BCLC owns the equipment and pays commissions to the service providers to operate the facilities. BCLC also sets policies and operating procedures.

In British Columbia, if you play national or provincial lottery games like LOTTO MAX, Lotto 6/49 or Scratch & Win; you play them with us. We manage the lottery network which offers sales online, through nearly 4,000 retailers and through our Lotto Express network which includes grocery and liquor stores in the province.

The Minister of Finance is responsible for BCLC and for the Gaming Policy and Enforcement Branch (GPEB). GPEB regulates gambling and oversees our compliance with B.C.'s *Gaming Control Act* (2002).

BCLC generates over \$2 billion in gambling revenues annually. The revenue covers operating costs, prizes and service provider commissions and remitting a portion to the Government of Canada. We forward the remainder, about \$1.2 billion in net income, to the Province of British Columbia. These funds are used for health care, education, municipal and charitable programs.



Organization overview

BCLC operates under the provincial *Gaming Control Act* (2002) and within the legislative, regulatory and policy framework established by the Province.

Our mission

We conduct and manage gambling in a socially responsible manner for the benefit of British Columbians. We offer exceptional gambling entertainment through:

- National and provincial lotteries
- Casino gambling
- Commercial bingo
- Online gambling

Our vision

Gambling is widely embraced as exceptional entertainment for adults.

Our values

Integrity: The games 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.

Core business areas

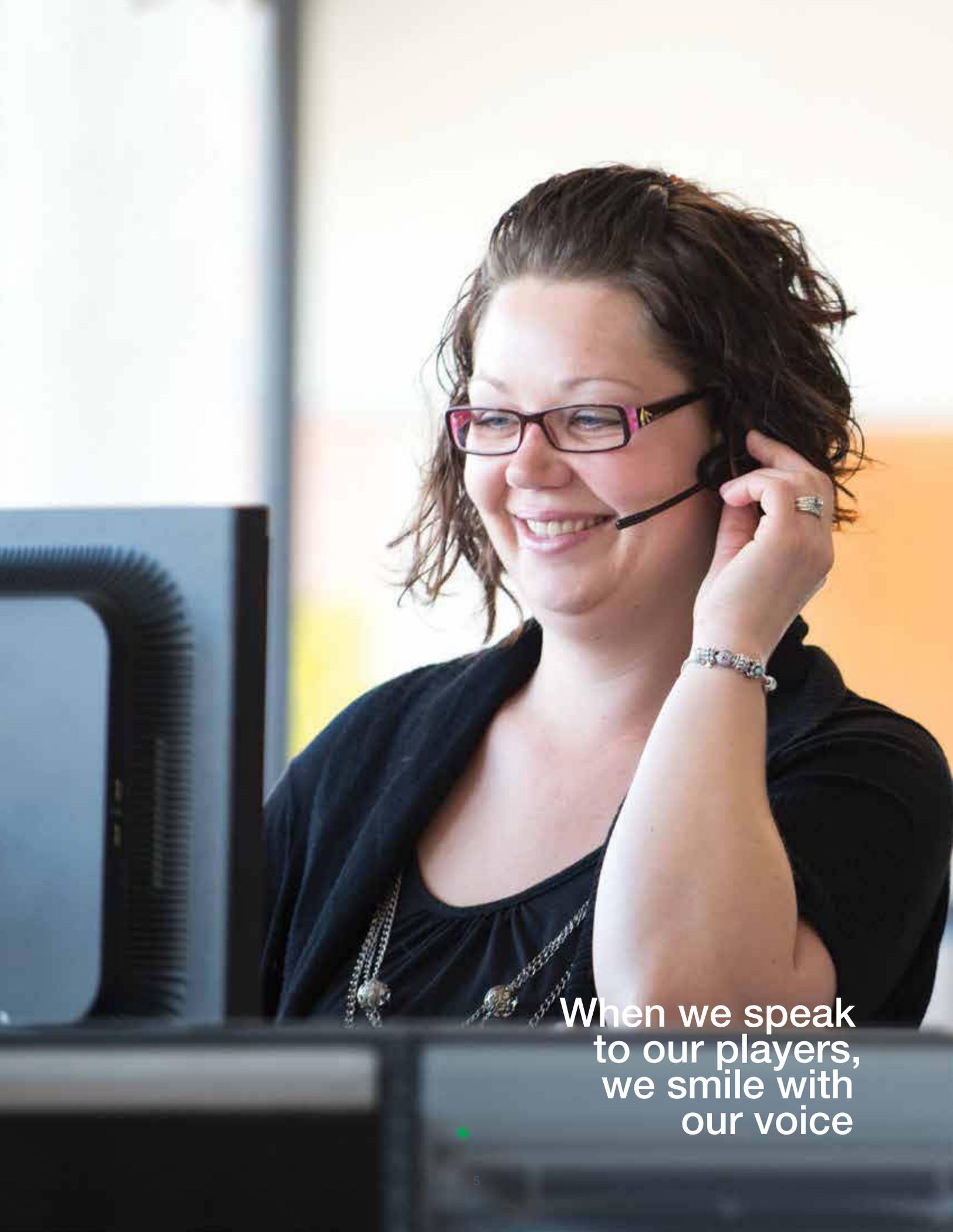
Gaming Facilities: BCLC conducts and manages gambling at casinos, racecourse casinos, community gaming centres and commercial bingo halls. Private sector partners provide and manage the facilities, and earn a percentage of the net win.

Lottery: We sell lottery tickets through nearly 4,000 outlets, operated by private sector retailers. They earn an industry-standard commission based on their sales of lottery products.

eGaming: Our online platform, PlayNow.com, offers secure, regulated lottery games, sports betting, eBingo, eCasino and ePoker. Private sector partners who provide the software earn a licence fee and/or a commission. We also provide business-to-business services including partnering with Manitoba Lotteries to offer regulated online gambling to Manitobans.

Our headquarters in Kamloops oversees finance, administration and information technology while our Vancouver corporate office manages sales, marketing and distribution. Field staff throughout the province also support our operations.





When we speak
to our players,
we smile with
our voice



Message from the Chair

In fiscal 2013/14, for the fifteenth consecutive year, BCLC delivered over \$1 billion in net income for British Columbia. We met our net income of \$1.175 billion—up 4 per cent from the previous year. We did this by minimizing our costs, maximizing our investments and leveraging our assets.

As the Crown corporation responsible to manage and conduct gambling for the province, BCLC is rising to meet challenging times. As the market matures, existing demand for gambling is increasingly being met by the industry; demographics are shifting; operating costs are rising due to increasing compliance commitments; and there is an ongoing need to invest in replacing aging technology.

The corporation met several of its performance targets for the year in addition to its net income target. This includes meeting our budget for operating costs but our net win was down so we did not meet our operating cost ratio. A significant cost management review at BCLC was undertaken to ensure it continues to operate its business as efficiently as possible. As a result, we identified \$20 million in current operating cost reductions.

In 2013/14 BCLC maximized investments and leveraged assets by taking advantage of efficiencies wherever possible. For example, the corporation manages more than 12,000 slot machines across the province. This year, the corporation implemented its new Gaming Management System (GMS) in 13 sites, and many of these were in the larger Lower Mainland casinos. As of March 31, 2014, 80 per cent of revenue in BCLC casinos and community gaming centres was being generated by GMS sites. This system is the technological engine that's increasing speed and efficiency to improve the player experience in the casino business. In the future, it will also provide ways to deliver responsible gambling information directly to players.

The BCLC online gambling platform PlayNow.com reflects a growing focus on its business-to-business service model. Leveraging assets and investing in them to build on BCLC's technological advantages enables the corporation to turn innovative ideas into real-world products and services to provide more convenience for our players.

Consistent with our vision that gambling is widely embraced as exceptional entertainment, BCLC set player satisfaction targets high. In 2013/14, the player satisfaction rate was 81 per cent. This is a great result, although it is slightly below target. One of the major milestones was the opening of Coquitlam's new Hard Rock Casino Vancouver, in December 2013. The Hard Rock brand and our approach to entertainment—with live music, restaurants, lounges and other amenities—is helping attract a younger, more diverse player base, including more light and casual players. This year BCLC brought more than two dozen new high-limit tables to the River Rock casino in Richmond and the Edgewater casino in Vancouver. Players, including tourists, have responded: table game net win during Chinese New Year 2014 was up over last fiscal by 30 per cent in Lower Mainland casinos.

In everything it does, BCLC considers the impact on and for the people and the communities of British Columbia. 2013/14 was an exceptional year for BCLC Responsible Gambling programs. This included partnering with six communities and the Gaming Policy and Enforcement Branch to deliver the third annual series of Responsible Gambling Awareness Weeks; hosting our second annual New Horizons in Responsible Gambling conference with experts from around the world; strengthening our GameSense program with larger, brighter, interactive self-serve booths at Chances locations across the province; delivering a GameSense education outreach program with tools and resources to Chances staff; and extending the use of the GameSense brand and messaging to Manitoba.

Public trust is essential to BCLC's social licence to operate. In 2013/14 public support for BCLC was 75 per cent. This is below the target of 80 per cent. The corporation will continue to work with stakeholder and community groups to demonstrate their ongoing commitment to their social responsibilities. This includes being open and forthcoming about our business, communicating about the benefits of gambling to communities and the province, continuously improving their responsible gambling programs, and delivering gambling entertainment choices with integrity and transparency.

To meet our commitment to grow net income for the Province, BCLC must continue to seek innovative new revenue generating opportunities, broaden our player base and focus on content that will engage players. To live up to the words BCLC is known for—playing it right—we are working hard to meet our commitments to be financially, socially and environmentally responsible while generating gambling revenue to support provincial services like health care and education.

I am proud of the work BCLC is doing, from the ground up. The economic and demographic landscape has changed, expectations have increased and become more complex, and the corporation will face unprecedented challenges in meeting its commitments over the next year. I believe the achievements of fiscal 2013/14 create a strong foundation. The goals reached this year will enable BCLC to continue meeting its targets, and to balance this work as a strong corporate citizen focused on strengthening its relationships with the communities of British Columbia.



Bud Smith
Chair, Board of Directors

Message from the Interim President & CEO

The end of this fiscal year marks the beginning of a period of renewal. BCLC has a major economic presence in British Columbia, and continues to be a very profitable business. Our strength is in our numbers. We provide well-paid jobs, directly and indirectly, for an estimated 37,000 people. Our employees work hard to ensure we consistently generate \$1 billion in net income each year for provincial health and education, for host local governments, and for thousands of community organizations who receive community gaming grants. These profits are generated through our business units that sell more than 300 million lottery tickets; offer online gambling to thousands of registered PlayNow.com players; and oversee 11 billion casino transactions.

We understand our social responsibility is the touchstone of our social license to operate. Paying attention to the needs of our communities means being committed to balancing the opportunity for revenue growth with the need for social responsibility. We found that balance in Surrey this year in deciding not to pursue a community gaming centre development in their Newton community. Our decision to pull all the slot machines from the Newton Bingo Country facility was done to respect Newton's social needs. It means looking for a more suitable location for this development, one that will better serve the community's entertainment needs. This is an example of our commitment to doing the right thing for our players and for our communities.

Just as we must continue to meet our social commitments and to hit our financial targets in order to provide new and exciting entertainment experiences, we remain focused on developing our single greatest strength: our employees. They are the face of BCLC in communities, the voice of BCLC on the customer support line, and the heart and soul of a business model that others are trying to duplicate.

However, our business is facing unprecedented challenges: our market is maturing and our costs are increasing. To meet these challenges we made strategic changes in 2013/14 to the way we run our business by laying a new foundation that will enable us to adapt. I believe we are now on the right footing to hit our short term goals and to continue to grow our net income in the long term.

We reduced our operating costs by \$20 million, including a reduction in our marketing and advertising budget. We reduced contracting costs and eliminated fleet vehicles. We also reviewed our organizational structure and changed or eliminated some roles. Wherever possible, this was accomplished through attrition and voluntary termination. In total, BCLC reduced its workforce by seven per cent.

These kinds of decisions are difficult for any business, but in the short term they are the right decisions to best position BCLC to continue to deliver strong net income to benefit British Columbians. We continue to compare well to other regulated gambling providers, with the highest net win and lowest operating cost ratio against which we benchmark, in Canada and internationally. And yet we must continually challenge ourselves to do better.

Our success to date has been driven by the implementation of a strong distribution strategy. Lottery, casino and bingo games are available in multiple channels. Our customers can easily access their favourite game through lottery retailers, in casinos, community gaming centers and bingo halls, and online. Our success in the future will require another strategy to leverage our strong distribution network. This strategy will require innovation to create exciting content to attract casual customers and continue to delight our core players.

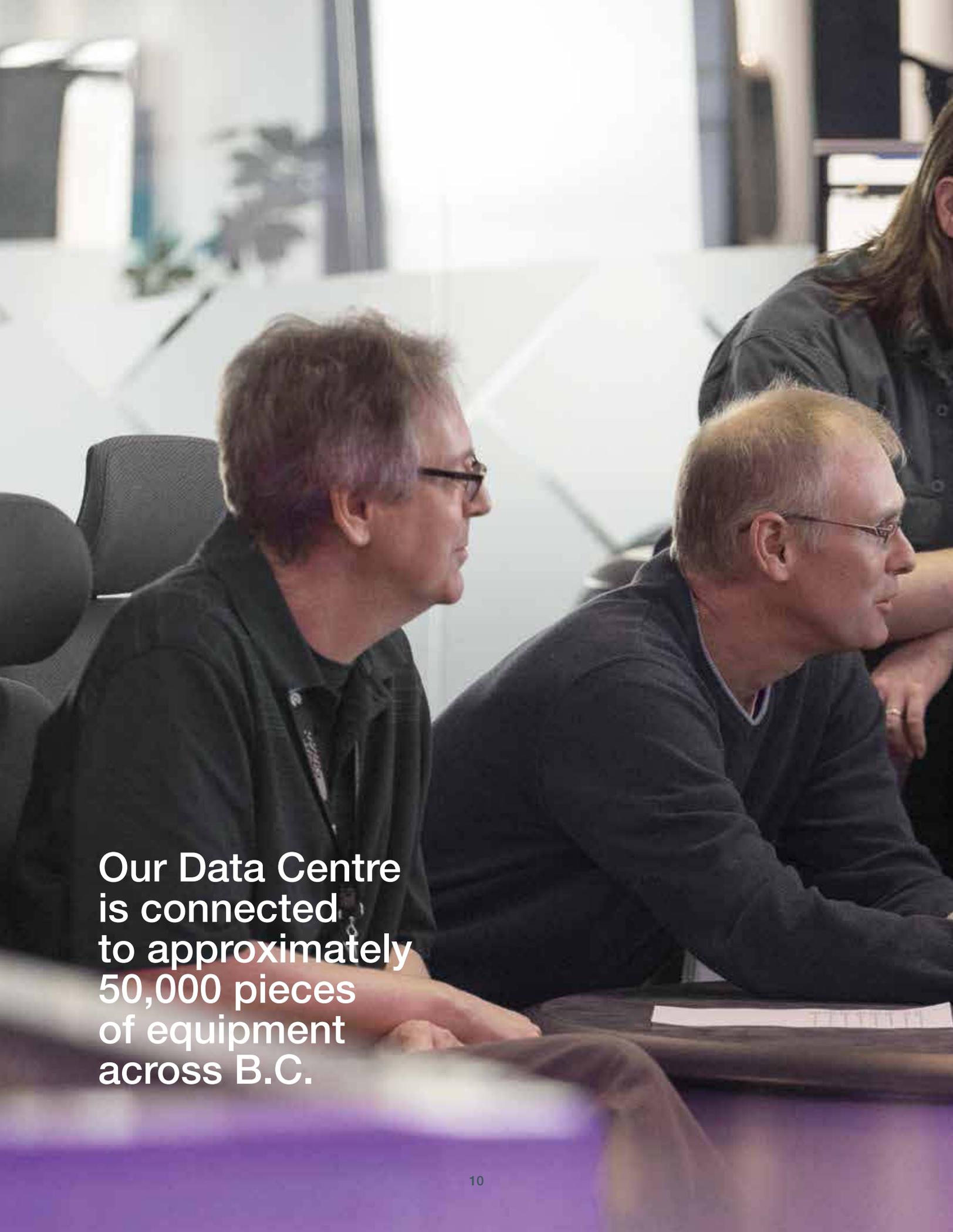
We will continue to depend on our valued service partners who deliver facilities and service in our channels. These private industry partners are critical to delivering outstanding experiences for our players and making our business model very effective and efficient. We will continue to collaborate with these private companies to strengthen our business going forward.

I am proud of our achievements. I am also proud of our employees' performance in 2013/14 because they not only rose to meet their daily challenges, they met the imperative of our cost management review and continued to deliver solid results. Congratulations to our staff and our partners for all their hard work in the past 12 months. I look forward to seeing how these strategic decisions translate into new relationships, new business and continued revenue growth in 2014/15.

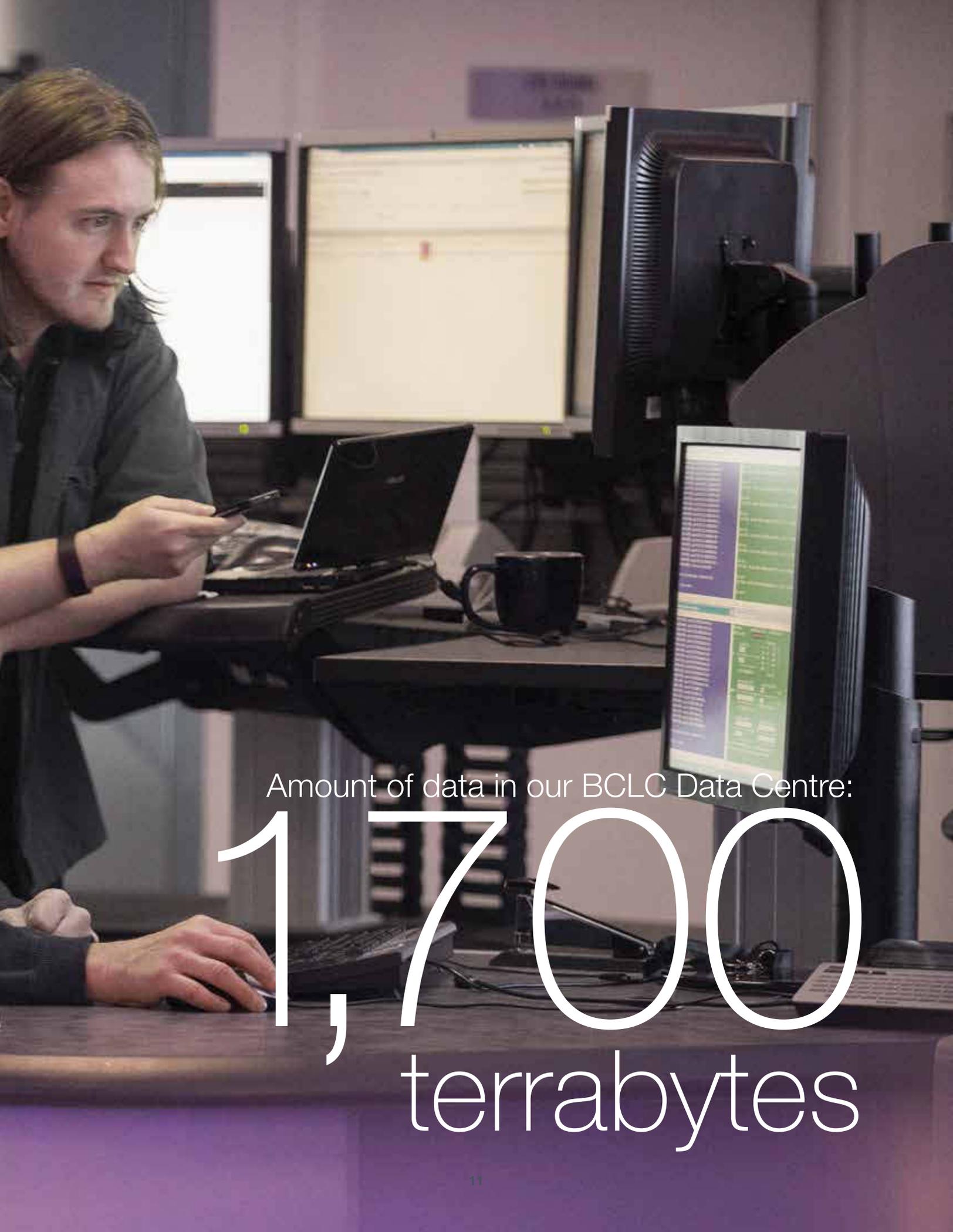


Jim Lightbody
Interim President & CEO



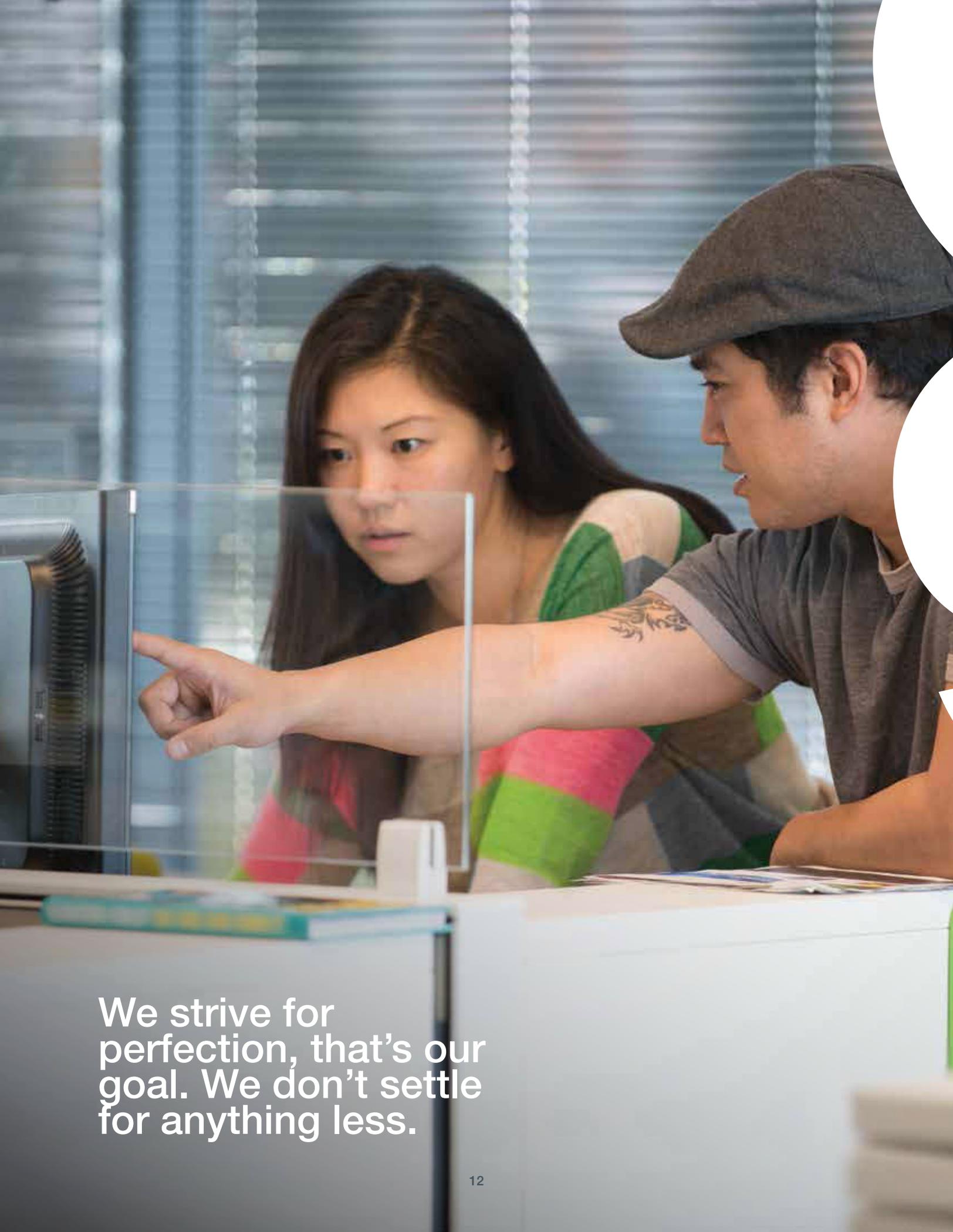
A photograph of two men in an office environment. They are seated at a desk, looking towards the right side of the frame. The man on the left has short brown hair and is wearing glasses and a dark jacket. The man on the right has short grey hair and is also wearing glasses and a dark sweater. In the background, there are office cubicles with glass partitions and a potted plant. The lighting is bright and even.

**Our Data Centre
is connected
to approximately
50,000 pieces
of equipment
across B.C.**



Amount of data in our BCLC Data Centre:

1,700
terabytes



We strive for perfection, that's our goal. We don't settle for anything less.

Leveraging our street smarts

One reason: the player experience

Play anytime, anywhere

A 30-year old man overhears a conversation about the upcoming jackpot while waiting for the bus. He signs in on PlayNow.com using his mobile phone and purchases his ticket before his bus even arrives. He gets instant access to secure, regulated online games—anywhere, anytime. With an optimized site for mobile users, it is this easy. We are focused on delivering the service our players are looking for. In 2013/14 this focus helped increase the number of new users joining PlayNow.com on mobile devices.

New technology goes to the front of the line

A couple is paying for a bottle of wine at their local government liquor store when they realize they still have time to get a ticket for tonight's \$50 million LOTTO MAX jackpot; and they can buy their ticket directly from the same pinpad. "Wow," says one. "You can do that?" says the other. That's amazing." It's true. Lotto Express—the program behind the pinpad purchase option—is an example of disruptive technology that speaks to the unique culture and spirit of innovation at BCLC. Available only in British Columbia (so far), Lotto Express is simple and seamless for customers: they can buy tickets at grocery and liquor store check-out counters. That means they don't have to stand in line a second time. It's winning customer satisfaction ratings of 94 per cent. And it's increasing sales: roughly three in four users surveyed in the 2012 pilot said they hadn't planned to buy a ticket, but then did so because of the convenience. Behind the scenes, this new technology is highly complex—and brimming with potential. First, it adds new distribution points for lotto sales that respond more effectively to changing customer traffic patterns, which will help maintain and build our player base. Second, because it relies on the retail partner's pinpads, it represents a whole new kind of business for BCLC, built around strengthening relationships with retailers. And it is growing. At the end of 2013/14, Lotto Express was live or in the planning stages for 1,650 lanes in more than 300 stores.

Rocking the house with a new casino experience

Great Canadian Casinos opened the newly renovated Boulevard Casino in Coquitlam as the Hard Rock Casino Vancouver in December, 2013. It's a different kind of casino experience and it's a rocking success. In the first three months after opening, we have seen growth in attendance from younger player segments and the entertainment amenities are helping to drive new visits. Most of these were light and casual players. There are more 25–34 and more 45–54 year-olds coming to play, and more players are willing to recommend this casino to friends. The Hard Rock brand is one of the most globally recognized entertainment brands in the world and this is the first Hard Rock Casino in Canada.

Table games peak during Chinese New Year

Chinese New Year celebrations are usually a peak time of the year for table games in Metro Vancouver, and in 2014 we experienced our highest volume ever. The strong performance of 2013/14 can be attributed to a few key strategies to refresh our table games. We added 28 high limit Baccarat tables to our network, introduced side bets, including a table progressive, and new table aggregate limits for high limit rooms in our casinos. Table game net win is usually higher during this time of year. Thanks to an enthusiastic response from regular players and tourists, this year broke records set for the past five years: 30 per cent higher than the average of the table game net win during Chinese New Years from 2009 to 2013.

Staying on top of our games

A BCLC gaming technician is in the warehouse helping his colleagues work on another shipment of old slot machines. These machines are being refreshed. That means they are stripped down, opened up, loaded with the latest software and given a new look. Makeover complete, and playing a whole new game, they will soon be shipped out to various casinos across the province. With more than 12,000 slot machines to manage, the systems we use are based on customer data analysis to determine timing, types and numbers of games, which machines need refreshing and where they need to be sent once they are refreshed. In 2013/14 we refreshed 2,000 games this way so players could experience new and exciting game themes.



Innovation

Ways we excel at what we do

Finding new ways to connect with vulnerable players

A senior boards a shuttle bus on her way to the Grand Villa casino in Burnaby. Staff from BCLC's Responsible Gambling (RG) team are on board, talking with passengers and handing out free Scratch & Learn cards. Just like Scratch & Win tickets, these are fun to play. The card offers her a chance to enter a draw, and it invites her to choose whether the two questions it contains are true or false. Will this tempt her to check out the GameSense Information Centre at the casino even before she starts to gamble? This is one question the RG team wondered about during their GameSense Scratch & Learn pilot. We are always looking for new ways to connect with players who have unique characteristics or who may face elevated risks related to gambling. We have recently focused on special populations, and our RG team developed this simple yet innovative approach following some intensive research. The results are clear. In our pilot conducted in two phases in February and March 2014 at the Grand Villa, over 70 per cent of the cards distributed on shuttle buses led to players visiting the GameSense Info Centre and engaging in a meaningful conversation about responsible gambling with a GameSense Advisor where some RG information or tools are shared. Even more important, they did this before they started to gamble. Our commitment to keeping gambling fun is just one part of our broader commitment to social responsibility.

Mastering complexity to deliver seamless service

BCLC's Manager of Software Release Services and his team begin the complex task of launching the new Lotto 6/49. It will offer Canadian lottery players a new \$1 million prize that's guaranteed to be won with each and every draw, jackpots that start at \$5 million, and new free play prizes that can be won by matching just two numbers. This is the second time the game has been overhauled since its launch in the early 1980s—and "complex" only begins to describe it. With the new \$1 million prize that's guaranteed to be won with every draw, Lotto 6/49 will be creating more millionaires every week. For players, it will be a seamless transition. Behind the scenes, the pressure is on. Technicians are coordinating upgrades to six internal technology systems and five player-facing systems across two major platforms (traditional and electronic) with four different software vendors. The work is completed in just four hours—an incredible accomplishment. It speaks to the value of BCLC's ongoing work to transform separate business streams into one massive engine—driven by a lean, collaborative workforce.

B.C.'s first Lotto 6/49 guaranteed \$1 million prize draw winner

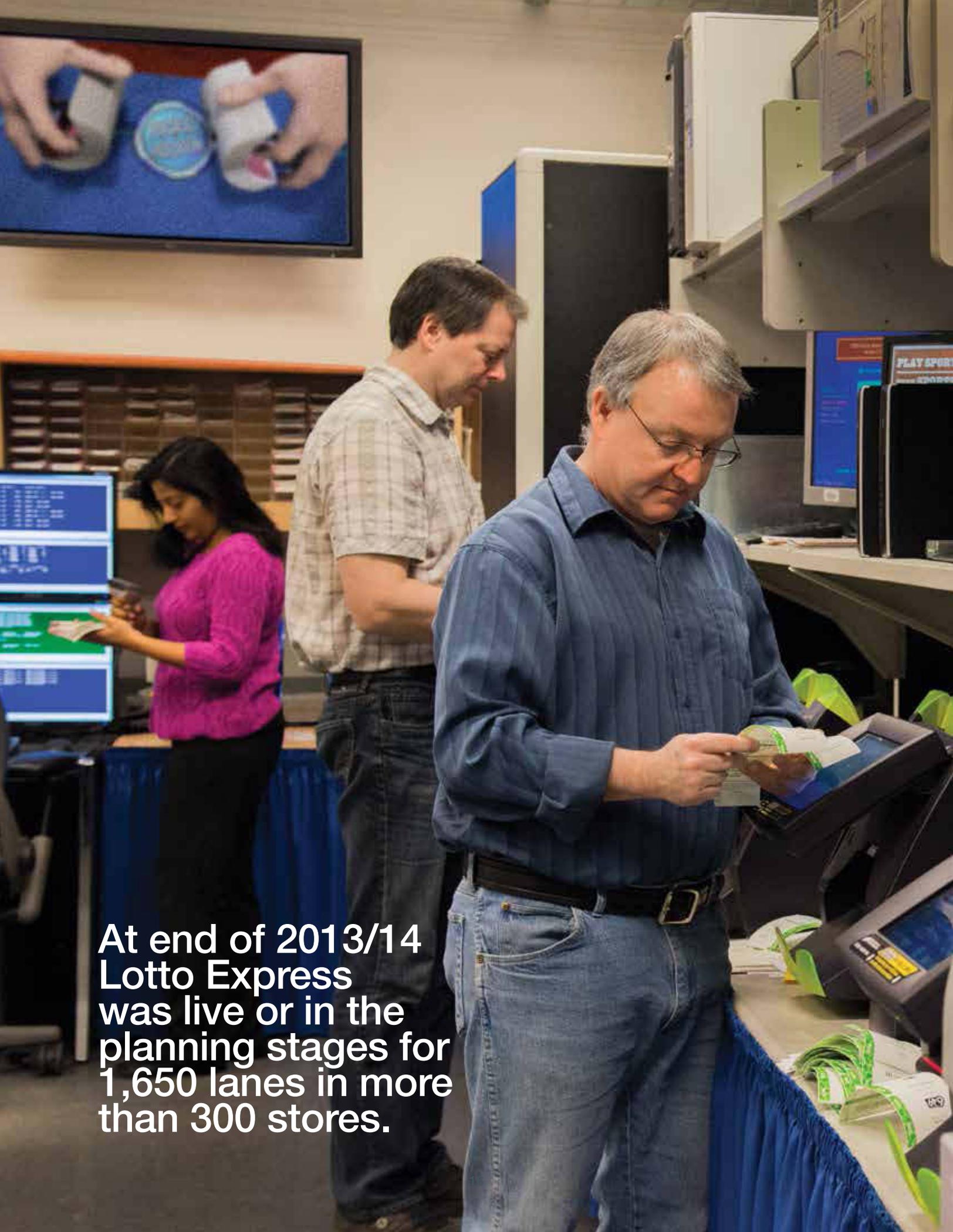
Congratulations to Lodrigo Arnuco of Coquitlam, who becomes B.C.'s first winner of the new Lotto 6/49 guaranteed \$1 million prize draw on PlayNow.com in November 2013. The 50-year-old plans to pay off his house, invest the rest and watch his winnings grow. BCLC sold 340 million lottery tickets in 2013/14, and validated 201 million tickets. This adds up to 541 million lottery transactions across the province last year.

Mission responsible: encourage research and dialogue

Parisa Hedayatmofidi, an emerging research scientist at the Centre for Addiction and Mental Health at the University of Toronto, prepares a presentation for a major international gambling conference. Her area of expertise? Opposing Effects of Controllable and Uncontrollable Stress in an Animal Model of Gambling Behaviour. Parisa is determined to make a difference in the field of responsible gambling, and she has our support. We are providing \$1,000 towards her conference registration, travel and accommodation—part of her prize after she was chosen as a winner of the poster session at BCLC's second annual New Horizons in Responsible Gambling conference. Eleven up-and-coming academics took part. Their research topics ranged from gambling and homelessness to decision-making behaviour. The exhibit floor was buzzing as delegates interacted with presenters and learned more about their research.



Our player support
call centre managed
an average of
96,000 interactions



**At end of 2013/14
Lotto Express
was live or in the
planning stages for
1,650 lanes in more
than 300 stores.**



Innovation

Ways we excel at what we do

Continued

Held in January 2014, the New Horizons conference brought together experts from the academic, industry and treatment and prevention communities to share insights and best practices, report on findings and generate discussion. It strives to be the leading forum for generating dialogue about responsible gambling.

Let's talk about Responsible Gambling

Several players are talking to the GameSense Advisor at the River Rock casino in Richmond—learning more about how gambling works and how to keep it fun. Pioneered by BCLC in 2009, GameSense is internationally recognized and proven. During 2013/14, 22 trained GameSense Advisors worked more than 35,000 hours at Information Centres in B.C. casinos. On average, they interacted with more than 4,500 players every month. Saskatchewan and Manitoba adopted the GameSense program this year, offering the full suite of tools for players—in person at casinos and online anytime. BCLC does not charge a fee or commission for the use of GameSense: spreading the word about responsible gambling is part of our commitment to social responsibility; and a national brand will help ensure Canadians are all focused on keeping gambling fun.

Is it GameSense or is it nonsense?

It's Responsible Gambling Awareness Week (RGAW) in Prince George. A GameSense Team Leader gives Rowdy Cat, the mascot of the Prince George Cougars hockey club, a lesson in responsible gambling at the GameSense kiosk set up in the arena. GameSense or nonsense? "I've been playing one slot machine all evening and it hasn't paid out yet. It must be due for a win." The correct answer is, "nonsense," and this is one way BCLC raises awareness about the myths associated with gambling. GameSense is all about making informed choices. It's designed to give people the tools they need to play responsibly. We do this with a fun, friendly approach to engage with people online, in person and at self-serve kiosks in community gaming centres around B.C. Informed gamblers are gamblers who play for fun, not for money, and who know when to stop. We also take the GameSense message out to places like libraries and shopping malls during our annual Responsible Gambling Awareness Week events. In 2013/14, Prince George was one of six communities hosting RGAWs, along with Kamloops, Greater Victoria, Langley, Richmond and Vernon. Vernon held the first B.C. RGAW in January 2012. BCLC's director of Corporate Social Responsibility was there.

Business to Business

Our business in four stories

Real time analysis to provide solid decision support

BCLC's Director of Decision Support sits in her office, deep in discussion with BCLC's marketing director for eGaming. Although it delivers a smaller share of revenues than long-established products like lottery, the PlayNow platform is giving eGaming unprecedented opportunities for growth—and the eGaming team has some new marketing ideas. This is where the decision support role

can make a difference. The Director of Decision Support has financial analysts in every BCLC business unit. Working side-by-side with the people they're supporting gives these analysts a clear understanding of how each part of the business works, adding great value to their expertise and insight. In the case of eGaming, they can help refine a wide range of options to help ensure the most effective and efficient use of their resources. The Decision Support team was established in the fall of 2013. BCLC is lowering its cost base and taking steps to increase efficiency, including this new approach to managing financial risk. For example, we have changed the way we focus on major projects by thinking hard about what we continue to do and what we will not do. This allows us to focus our efforts and resources on the projects with the greatest potential for results.

We stand behind your community's gaming grants

Teenaged members of the Bantam female Timberwolves hockey team take to the ice for an early morning practice at the Cariboo Memorial Complex in Williams Lake. You can't see us, but BCLC is part of the support team. We generate the revenue for community gaming grants. \$135 million is distributed by the Gaming Policy Enforcement Branch through community gaming grants to more than 5,000 community organizations every year. One of these groups is the Williams Lake Minor Hockey Association, which includes the Timberwolves hockey team.

2013/14 Gaming Grants

- to WLMHA: \$100,000
- to Williams Lake: (total) \$293,775
- to B.C.: (total) approximately \$135 million

Our Data Centre excels at round-the-clock service

There is an emergency alert at the BCLC Data Centre. A network link is down and eCasino games are temporarily unavailable. Even though it's the middle of the night, technicians are on it immediately. The issue is resolved and eCasino games are back online in minutes. This kind of fast response is crucial—not just for players, but for BCLC's growing number of business-to-business customers. We're leveraging platforms like PlayNow.com and our system for offering lotto sales on pinpads, and that puts us in a relatively new position. Examples of ways we are generating new revenues and serving our players, the public and other businesses include: working with the Manitoba Lotteries Corporation to keep PlayNow.com running smoothly halfway across the country; sharing our GameSense responsible gambling program with Saskatchewan; and optimizing pinpad lottery sales to suit our new retail partners. Our data centre in Kamloops, and all the people working there, are vital to developing this promising new revenue stream—managing massive quantities of data.

Help as needed, and room to grow

A new PlayNow.com player tries to access her account, but she can't remember her password. She clicks the Live Chat icon for help—and a BCLC technician in Kamloops is online, solving the problem, in less than 15 seconds. In 2013/14, the Player Support call centre managed an average of 96,000 interactions with customers. These include phone calls, emails and live chat conversations. From that volume, 9,000 interactions were with B.C. players. The other 600 interactions were with Manitoba players, because the call-in centre also services PlayNow Manitoba customers. Manitoba signed on in 2012, with BCLC providing not only the technology platform but all of the associated customer and player supports. Other jurisdictions are watching Manitoba's experience with keen interest and chances are good for PlayNow.com to grow even further.

We strive
to create

outstanding

gambling
experiences

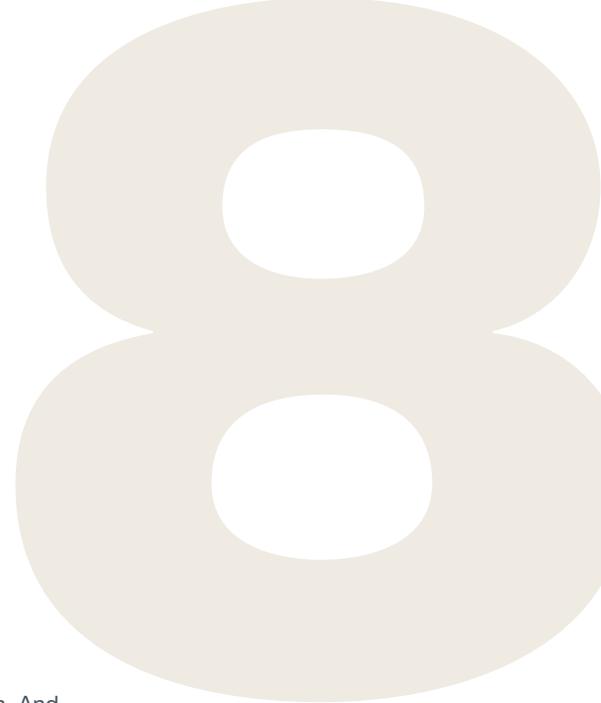




The number
of player
interactions at
GameSense
Info Centres
was 54,656

Our culture

8 days a week we walk the talk



Making mulch of lunch

Two employees scrape leftover food from their lunches into a compost bin. And the bin is more than just a plastic container. It's a symbol of the unique culture of BCLC employees. The City of Kamloops has no dedicated system for managing organic waste, so BCLC headquarters staff partnered with their facility manager to create their own on-site composter early in 2014. The finished materials are used for landscaping. Diverting waste from landfills is part of BCLC's commitment to social responsibility. In 2013, 89 per cent of the waste from the Vancouver office was diverted. The Kamloops office will be audited in 2014.

Combining precision with randomness to make the deadline, every day

An order processor works at her picking station in the Lottery Distribution warehouse at BCLC. She's well-trained in the use of multiple firewalls, both literal and procedural, to guarantee the security of the millions of lottery tickets that she and her crew process each year. Tickets are printed off site by a contracted service provider and they are subjected to a system combining precision with randomness so no one at BCLC knows which tickets are the winners in any given batch or box. Boxes are assigned to picking stations each day at random and the pickers have no idea whose order they are filling at any given time. Information appearing on screens are identified by order numbers, and everything is audited daily to ensure every ticket is accounted for. This team packs over 165,000 orders a year, or more than 400 per day. Day in and day out, every day of the week. And they have never missed their 5 pm shipping deadline.

Got input? Join xchange

A man checks his smart phone and sees he has an email from BCLC, inviting him to share his views as part of the *xchange* community panel. Today's topic is a Scratch & Win game; and he's invited to tell us what he thinks about Set for Life becoming a \$5 ticket and what prizes he thinks it should offer. He responds, and becomes part of a user group saying they prefer 12 instead of 10 top prizes of \$1,000 a week for 25 years and an additional 10 prizes of \$100,000. We follow this advice to feature these prize preferences on our brand new \$5 ticket, and we launch it in June 2013. The first month of sales are 21 per cent higher than Set for Life in the same period of 2012. This is one way customer-focused research guides decision making at BCLC.

We offer a new survey or discussion forum online every month or so and—since we are an entertainment company—there are, of course, prizes for participating. To learn more, go to <https://www.bclcxchange.com>

Coffee shop feedback fuels eGaming earnings

A BCLC eGaming analyst is at a coffee shop, talking to customers—showing them the graphics he's working on and asking for their feedback. This kind of outreach is not in his job description. He's just passionate about his work. And he's one reason for the burgeoning success of our eGaming business. We check in with our players regularly to ensure they have a great online experience with our online casino games. In 2013/14 our overall player satisfaction scores are strong and players told us the site is easy to use.

Volunteering to make a difference

When our BCLC Sports Product Specialist, Tim Whitehead, got the call from his old high school, he answered. He learned that the basketball team at Delta Secondary, badly needed a coach and—even though he works full time at BCLC—he jumped at the chance. By the end of 2013/14, he had logged about 300 volunteer hours as head coach for Delta's senior boys' team. And the team had earned an impressive 17–12 record. He's one of many BCLC employees making positive contributions to their communities. Another example is Curt Foidart, a Senior Systems Administrator with BCLC. He has traveled to Debre Birhan Ethiopia to make a difference. He used a pickaxe, sweating in the midday heat to dig the foundation for a family's new home. By the time he headed back to work



Our culture

8 days a week
we walk the talk

Continued

at BCLC, he experienced everything from mixing cement to weaving eucalyptus bark—not to mention the realities of daily life in this remote part of central Ethiopia. Believe it or not, this is how he spent his vacation, doing 100 hours of hard physical labour, book-ended by more than 80 hours of total travel time. “I have a sense of adventure,” he explains, adding that the highlight was “the smiles, tears and thanks we received on a daily basis” from the families they were helping. This kind of interest in the health and well-being of others is part of our culture at BCLC. And individual contributions like these are just one part of the picture.

Midsummer Music Jam

The 2013 BCLC Midsummer Music Jam in Kamloops celebrated the 20th year that BCLC has been the presenting sponsor of Music in the Park. The August event entertained a crowd of thousands, and more than one million people have enjoyed these concerts since 1993. This well-loved Music in the Park concert series presents free music by local and international entertainers at Riverside Park in Kamloops every night in July and August. This is the only free live music series in North America that takes place for 60 nights every summer. We are proud to support communities and make a meaningful impact through our sponsorships. BCLC also sponsored the 2014 Tim Hortons Brier in Kamloops, providing volunteers and generating excitement for the event through radio contests and VIP experiences.





We manage more than 12,000 slot machines around the province.

2013/14

Highlights

\$ Million

1,174.6	2013/14 Net income
756.9	B.C. government for public services
147.3	B.C.'s health special account for health care, research and education
135.0	5000 charities and community organizations
86.9	31 Host Local Governments with a community gaming centre or casino to fund local programs
12.7	Gaming Policy and Enforcement Branch (GPEB) for industry oversight
11.4	Development assistance compensation in local funding to New Westminster, Penticton and Cranbrook to encourage economic development
9.3	Government of Canada
8.9	Standard and thoroughbred sectors of the horseracing industry
6.2	Responsible gambling initiatives

Awards

Top Employer in B.C. by Mediacorp Canada Inc.

Gold MarCom award—Government—BCLC 2012/13 Annual Report

Gold MarCom award—Other: Conference—New Horizons Responsible Gambling concert

Launched

New Lotto 6/49

Gaming Management System in 13 gambling facilities

Hard Rock Casino Vancouver in Coquitlam

Chances Maple Ridge

Milestones

Lottery retail revenues—\$1,032.5 million, highest ever annual revenue

\$870.5 million in net income from Casino and Community Gaming, highest ever annual revenue

\$230.7 million from Scratch & Win Revenues

\$304.1 million in net income from Lottery and eGaming

\$27 million in table net win from Chinese New Year in Metro Vancouver

Social Responsibility

Responsible Gambling Awareness Week in six B.C. communities

New Horizons in Responsible Gambling Conference in Vancouver

\$2 million investment; and New Research Chair in Centre for Gambling Research at the University of British Columbia

Highlights 2013/14

Each year, local governments that host casinos or community gaming centres receive a share of net income generated by those facilities. The Host Local Government share charts show provincial payments made to Host Local Governments in 2013/14 as compared to 2012/13.

Host Local Government Share of Casino Revenue

Local Government	Casino	Total 2013/14	Total 2012/13
(in thousands of dollars)			
Burnaby	Grand Villa Casino	\$ 9,644	\$ 8,826
Coquitlam	Hard Rock Casino Vancouver ¹	6,386	7,386
Langley	Cascades Casino	5,623	5,793
Kamloops	Lake City Casino Kamloops	1,667	1,819
Kelowna	Lake City Casino Kelowna	1,912	1,977
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies	1,163	1,344
Nanaimo	Casino Nanaimo	2,452	2,431
New Westminster	Starlight Casino	5,735	5,702
Penticton	Lake City Casino Penticton	1,544	1,594
Prince George	Treasure Cove Casino	2,564	2,622
Quesnel	Billy Barker Casino	469	500
Richmond	River Rock Casino Resort	17,367	15,701
Surrey	Fraser Downs Racetrack and Casino	2,773	2,998
Vancouver	Edgewater Casino	7,186	6,085
	Hastings Racecourse Casino	1,067	1,215
Vancouver Total		8,253	7,300
Vernon	Lake City Casino Vernon	1,880	2,001
View Royal	View Royal Casino	3,974	4,143
Total		\$ 73,406	\$ 72,137

¹ Boulevard Casino rebranded to Hard Rock Casino Vancouver on December 20, 2013.

\$73.41M

Highlights 2013/14

Host Local Government Share of Community Gaming Centre Revenue

Local Government	Community Gaming Centre	Total 2013/14	Total 2012/13
(in thousands of dollars)			
Abbotsford	Chances Abbotsford	\$ 892	\$ 971
Campbell River	Chances Campbell River	676	684
Castlegar	Chances Castlegar	426	452
Chilliwack	Chances Chilliwack	1,228	496
Courtenay	Chances Courtenay	837	835
Cowichan Indian Band	Chances Cowichan	677	734
Dawson Creek	Chances Dawson Creek	779	831
Fort St. John	Chances Fort St. John	916	947
Kamloops	Chances Kamloops	700	659
Kelowna	Chances Kelowna	1,745	1,733
Langley	Playtime Langley	113	130
Maple Ridge	Chances Maple Ridge	912	820
Mission	Chances Mission	547	626
Port Alberni	Chances RimRock	444	427
Prince Rupert	Chances Prince Rupert	485	425
Squamish Nation	Chances Squamish	223	237
Surrey	Newton Community Gaming Centre	679	188
Terrace	Chances Terrace	675	626
Williams Lake	Chances Signal Point	531	579
Total		\$ 13,485	\$ 12,400

BCLC casino and community gaming revenue charts show all revenue generated by B.C. gambling facilities on behalf of BCLC for 2013/14 as compared to 2012/13. Slot machine and table game revenue is recorded as “net win,” which is revenue after prizes are paid. Bingo revenue is recorded as “sales,” which is revenue before prizes are paid.

\$1.371B

BCLC Casino Revenue

Casino	Service Provider	No. of Slot Machines*	Slot Machine Revenue 2013/14	No. of Tables	Table Game Revenue 2013/14	Total Casino Revenue 2013/14	Total Casino Revenue 2012/13
(in thousands of dollars)							
Billy Barker Casino, Quesnel ¹	585 Holdings Ltd.	138	\$ 8,200	5	\$ 181	\$ 8,381	\$ 8,296
Cascades Casino, Langley	Gateway Casinos and Entertainment Limited	832	83,882	27	19,672	103,554	106,025
Casino Nanaimo	Great Canadian Casinos Inc.	384	40,142	6	2,654	42,796	43,240
Casino of the Rockies, Cranbrook	SEM Resort Limited Partnership	234	12,098	11	642	12,740	14,091
Edgewater Casino, Vancouver	Edgewater Casino ULC	600	59,850	70	78,274	138,124	116,291
Fraser Downs Racetrack and Casino, Surrey	Orangeville Raceway Ltd.	475	42,324	22	6,495	48,819	52,728
Grand Villa Casino, Burnaby	Gateway Casinos and Entertainment Limited	1,038	111,534	58	71,930	183,464	167,359
Hard Rock Casino Vancouver, Coquitlam ²	Great Canadian Casinos Inc.	983	89,606	53	32,258	121,864	139,261
Hastings Racecourse Casino, Vancouver	Hastings Entertainment Inc.	596	19,726	–	–	19,726	20,788
Lake City Casino Kamloops	Gateway Casinos and Entertainment Limited	308	27,003	6	1,924	28,927	31,001
Lake City Casino Kelowna	Gateway Casinos and Entertainment Limited	459	30,664	16	4,831	35,495	36,616
Lake City Casino Penticton	Gateway Casinos and Entertainment Limited	308	25,741	9	1,321	27,062	27,593
Lake City Casino Vernon	Gateway Casinos and Entertainment Limited	408	33,630	–	–	33,630	34,849
River Rock Casino Resort, Richmond	Great Canadian Casinos Inc.	1,138	136,462	115	206,770	343,232	315,719
Starlight Casino, New Westminster	Gateway Casinos and Entertainment Limited	894	72,734	57	35,515	108,249	107,890
Treasure Cove Casino, Prince George	Treasure Cove Casino Inc.	547	43,373	9	2,120	45,493	45,888
View Royal Casino	Great Canadian Casinos Inc.	565	62,256	12	8,179	70,435	73,695
Total		9,907	\$ 899,225	476	\$ 472,766	\$1,371,991	\$ 1,341,330

* Number of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Table games (including poker) were re-introduced at Billy Barker Casino on July 12, 2013.

2 Boulevard Casino rebranded to Hard Rock Casino Vancouver on December 20, 2013.

BCLC Community Gaming Revenue

Community Gaming Centre or Commercial Bingo Hall	Service Provider	No. of Slot Machines*	Slot Machine Revenue 2013/14	Bingo Revenue 2013/14	Total Community Gaming Revenue 2013/14	Total Community Gaming Revenue 2012/13
(in thousands of dollars)						
Bingo Esquimalt	319968 BC Ltd.	–	\$ –	\$ 3,856	\$ 3,856	\$ 4,024
Chances Abbotsford	Playtime Peardonville Ventures Ltd.	190	15,574	535	16,109	17,052
Chances Campbell River	Playtime Community Gaming Centres Inc.	129	11,902	929	12,831	12,947
Chances Castlegar	Terrim Properties Ltd.	104	7,553	222	7,775	7,724
Chances Chilliwack ¹	Great Canadian Entertainment Centres Ltd.	189	21,142	5,665	26,807	17,049
Chances Courtenay	Playtime Community Gaming Centres Inc.	168	14,724	795	15,519	15,025
Chances Cowichan, Duncan	Duncan Dabber Bingo Society	154	11,923	1,935	13,858	14,488
Chances Dawson Creek	Great Canadian Entertainment Centres Ltd.	159	13,634	280	13,914	14,417
Chances Fort St. John	243045 Alberta Ltd.	201	16,386	407	16,793	16,560
Chances Kamloops	Enterprise Entertainment Ltd.	163	12,381	3,891	16,272	15,256
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	285	30,216	6,738	36,954	36,608
Chances Maple Ridge	Great Canadian Entertainment Centres Ltd.	182	15,782	2,987	18,769	17,382
Chances Mission	Gateway Casinos and Entertainment Limited	129	9,727	960	10,687	11,652
Chances Prince Rupert	0733244 BC Ltd.	115	8,626	1,001	9,627	8,228
Chances RimRock, Port Alberni	Alberni Valley Gaming Association	104	7,775	1,186	8,961	8,529
Chances Signal Point, Williams Lake	Lucky's Ventures Ltd.	133	9,333	1,630	10,963	11,667
Chances Squamish	Gateway Casinos and Entertainment Limited	111	4,191	375	4,566	4,308
Chances Terrace	Lucky Dollar Bingo Management Ltd.	79	11,742	954	12,696	11,834
Fairweather Bingo, Vernon	Terrim Properties Ltd.	–	–	3,066	3,066	3,519
Harbour City Bingo, Nanaimo	Harbour City Bingo Society	–	–	5,259	5,259	4,584
Newton Community Gaming Centre	Gateway Casinos and Entertainment Limited	158	11,473	5,629	17,102	10,719
Planet Bingo, Vancouver	Community Gaming Management Association	–	–	8,366	8,366	9,670
Playtime Langley	Playtime Community Gaming Centres Inc.	50	2,043	4,719	6,762	6,877
Playtime Nanaimo ²	Playtime Community Gaming Centres Inc.	–	–	–	–	1,500
Playtime Penticton	Playtime Community Gaming Centres Inc.	–	–	2,392	2,392	2,407
Playtime Victoria	Playtime Community Gaming Centres Inc.	–	–	3,544	3,544	3,634
Treasure Cove Casino, Prince George ³	Treasure Cove Casino Inc.	–	–	9,195	9,195	8,925
Total Community Gaming Centres & Commercial Bingo Halls		2,803	\$ 236,127	\$ 76,516	\$ 312,643	\$ 296,585
Paper Bingo Distribution Revenue					203	215
Total					\$ 312,846	\$ 296,800

* Number of slot machines includes electronic table games. Electronic table game revenue is reported within Slot Machine Revenue.

1 Chances Chilliwack opened October 30, 2012 and operated as Chilliwack Bingo up to October 21, 2012.

2 Playtime Nanaimo Closed October 27, 2012.

3 Treasure Cove Casino Slot Machine Revenue is reported on the BCLC Casino Revenue chart.

\$312.85M

Corporate governance

Corporate governance refers to clearly defined processes with respect to the selection and composition of the Board and senior management and the division of responsibilities, decision making and accountability among the Board, senior management and our Shareholder to ensure BCLC's short and long-term success is consistent with our mandate and mission.

Governance Framework

As a Crown agent, BCLC complies with Government disclosure requirements for public accountability and transparency detailed in Best Practices Guidelines—B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations and the Board Resourcing and Development Office's Part Three.

More information is available at corporate.bclc.com/who-we-are/governance-and-oversight/board-of-directors.html

The scope of our formal governance framework includes our:

- Corporate mandate, vision and mission
- Principles and guidelines for our Board of Directors, Chair, Board Committees, President & Chief Executive Officer
- Processes for strategic and succession planning
- Procedures for Board performance evaluations
- Government's Letter of Expectations outlining our commitment to deliver on performance expectations for the benefit of B.C.

Board of Directors

As set out in the *Gaming Control Act*, BCLC's Board comprises up to nine members who are appointed by the Lieutenant-Governor in Council. While BCLC's senior management attend all Board meetings, in accordance with best practice, Board members also meet in-camera at each meeting. The Board provides oversight and ethical leadership for long-term success for the Shareholder—the Government of British Columbia—and ensures our governance framework aligns BCLC business practices with Crown principles.

Overall Board duties are:

- Appoint the CEO, plan their succession, approve their terms of reference and review their performance
- Participate in the development of BCLC's strategic and service plans

- Ensure the implementation and integrity of BCLC's internal control and management information systems
- Monitor operational and financial results
- Ensure BCLC operates within applicable laws and regulations and to the highest ethical and moral standards
- Ensure BCLC has a plan/policy to enable management and the Board to communicate effectively with Government, stakeholders and the public

Board Members

Chair

Bud Smith, Kamloops
Presiding Director, liaison between the Board and the Minister responsible for BCLC

Vice-Chair

Arthur Willms, Vancouver

Directors

Trudi Brown, Victoria
David W. Gillespie, Kamloops
Bob Holden, Kamloops
Moray Keith, Delta
Wendy Lisogar-Cocchia, Vancouver
Michael Riley, Surrey

Per the Code of Conduct and Conflict of Interest Guidelines, Directors act with prudent skill and diligence in the best interests of BCLC.

Board Committees

The Board assigns specific committees to fulfil responsibilities and Committee Chairs report performance and recommendations to the Board. The Chair of the Board and BCLC's President & CEO are ex-officio members of all committees.

Audit Committee

Acts to liaise with auditors of BCLC financial operations; presents approved financial statements and quarterly reports to the Board; reviews financial information submitted to Government and the public; and oversees information systems, risk management and internal controls.

Chair

Michael Riley

Members

Trudi Brown, Moray Keith; Bob Holden

Risk Committee

Assists the Board of Directors in fulfilling its oversight responsibilities by helping to identify and deal with potential operational, strategic and reputational risks.

Chair

Moray Keith

Members

Art Willms, David Gillespie, Wendy Lisogar-Cocchia

Governance and Corporate Social Responsibility Committee

Aligns governance focus to optimize overall performance; advances scope of social responsibility; evaluates Board effectiveness; and plans succession for future Board composition.

Chair

David W. Gillespie

Members

Wendy Lisogar-Cocchia, Bob Holden, Michael Riley

Human Resources and Compensation Committee

Aligns strategies, practices and succession with future goals; evaluates performance and compensation of the President & CEO; reviews employee compensation, benefits, resource allocation and training to drive performance.

Chair

Trudi Brown

Members

Art Willms, David Gillespie, Bud Smith

BCLC Senior Management and Executives

Interim President & CEO

Jim Lightbody

Vice-Presidents:

Peter Charlton	Human Resources
Brad Desmarais	Corporate Security and Compliance
Susan Dolinski	Communications and Social Responsibility
Rhonda Garvey	eGaming
Kevin Gass	Lottery Gaming
Lynette DuJohn, CIO	Business Technology
Monica Bohm	Interim Casino and Community Gaming
Jervis Rodrigues, CFO	Finance and Corporate Services

B.C. Lottotech International Inc. (Lottotech)

This wholly owned subsidiary leases BCLC capital assets which are budgeted and approved by our Board of Directors and included in our financial statements. Lottotech Officers are BCLC's President & CEO and Vice-Presidents.

SR Governance and Management bclc.com/CSR-governance

Government's letter of expectations

Government's letter of expectations is an annual letter to BCLC reinforcing the corporation's mandate, identifying strategic priorities and setting out performance expectations, which are the cornerstones of the corporation's governance framework. The letter articulates the responsibilities and expectations of both parties to reinforce our positive collaborative working relationship—a relationship that benefits all British Columbians.

A summary of BCLC's work to fulfil the Government of British Columbia's expectations for 2013/14 can be found below; the full Letter of Expectations can be found at bclc.com/governance.

Government Direction

Operate the gambling business within the social policy framework established by Government and in alignment with the corporation's social responsibility objectives, building public trust and support in a manner consistent with the Province's Responsible Gambling Strategy.

Continue to support the joint responsibility between the corporation and the regulatory agency, the Gaming Policy and Enforcement Branch (GPEB), for the delivery of the strategy.

BCLC Actions

We deliver gambling within the social policy framework established by Government in a manner that encourages responsible gambling and healthy choices. We continuously focus on enhancing our responsible gambling programs and raising awareness about how to access them. Our programs include Voluntary Self-Exclusion and GameSense. GameSense helps players make informed decisions about our gambling products. There are GameSense Information Centres in all BC casinos and community gaming centres. Information is also available online at GameSense.ca, bclc.com and PlayNow.com.

We support the Province in its efforts to reduce the incidence and harmful impacts of problem gambling. We also support its efforts to educate players and to raise public awareness of responsible gambling and problem gambling information. BCLC works with other Canadian gaming jurisdictions to strengthen the industry's commitment to share responsible gambling best practices.

We hosted our second annual international conference, New Horizons in Responsible Gambling, in January 2014. The conference featured responsible gambling experts discussing developments in best practices, problem gambling response and problem gambling prevention.

BCLC also partnered with six communities and GPEB to deliver the third annual series of Responsible Gambling Awareness Weeks between January and March 2014. The objective: promoting responsible gambling practices and raising awareness of the resources available for problem gamblers.

In 2013/14, the Government of British Columbia dedicated \$2 million through BCLC for a new, independent Centre for Gambling Research at the University of British Columbia. The centre's research will help inform the Province's responsible and problem gambling programs.

Following government goals and direction, BCLC is striving to reduce reportable greenhouse gas emissions from the 2007 baseline by 33 per cent by 2020.

Government Direction

Operate within the Province’s legislative and regulatory framework, and comply with policies, directives, and standards that may be issued from time to time by the Minister of Finance or the Gaming Policy and Enforcement Branch.

Enhance the Corporation’s anti-money laundering compliance programs, including the continued implementation of measures to move the industry away from a cash basis, and other strategies in the Province’s Anti-Money Laundering Action Plan.

Optimize the corporation’s financial performance within the gaming framework established by Government, by responding to customer and marketplace demands for the distribution of products and services, and proposing new revenue opportunities as they arise.

Optimize the performance, security, integrity and efficiency of the corporation through the modernization of infrastructure, process, and technology.

BCLC Actions

We operate our business within the legislative, regulatory, and policy framework established by the Province of British Columbia.

The corporation continues to comply with all policy directives issued by the Minister, including directives and standards issued by the Gaming Policy and Enforcement Branch (GPEB).

BCLC has implemented a number of cash alternative options for players and continues to educate players about these alternatives.

BCLC is in the process of creating an Anti-Money Laundering Unit (AML), which will strengthen the anti-money laundering compliance programs and work with GPEB and other stakeholders in this delivery.

Within the gambling framework established by the Province of British Columbia, in 2013/14 BCLC achieved a record \$1.175 billion in net income, \$2.6 million over budget and \$49.4 million higher than last year.

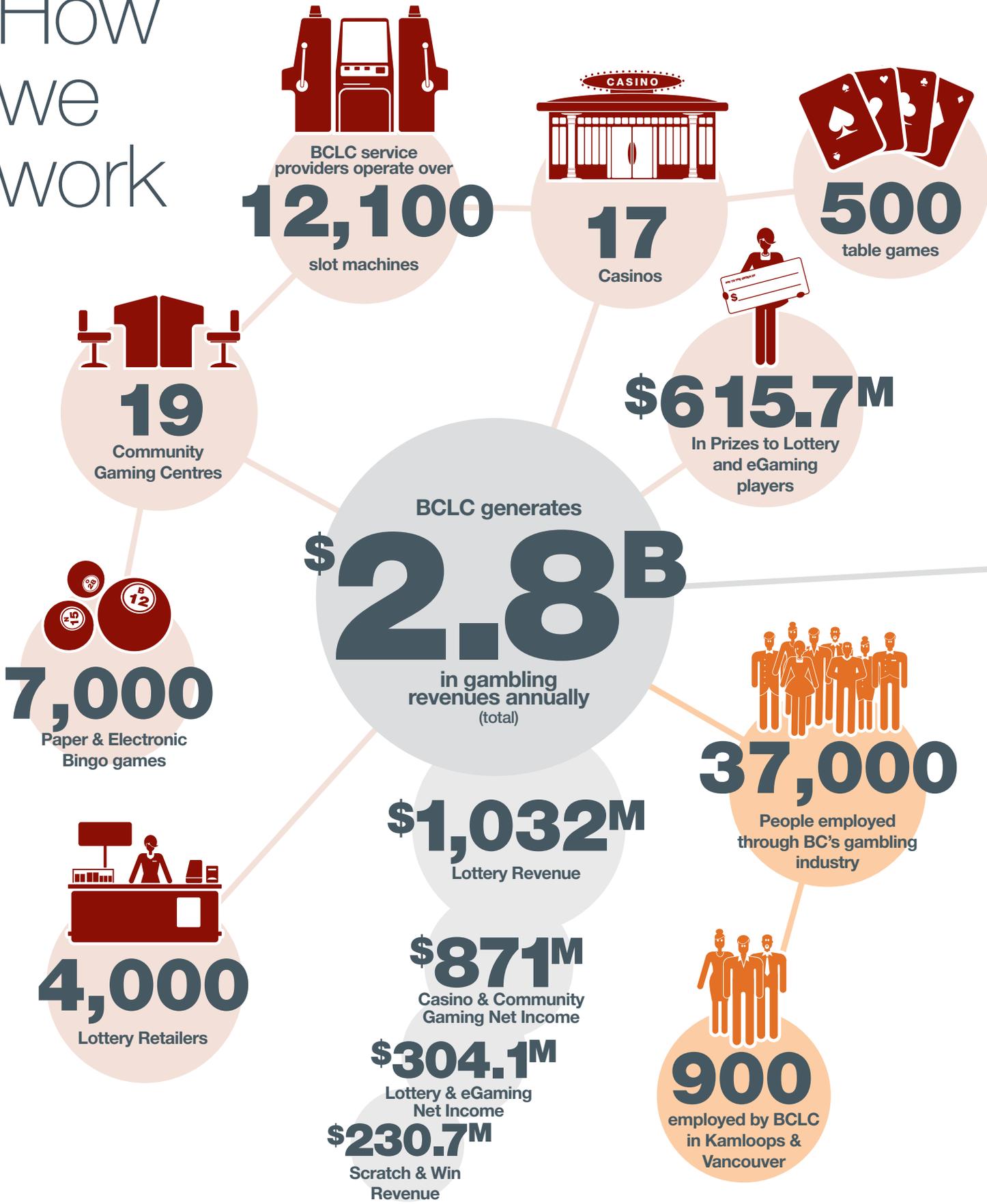
Net win was \$60.4 million higher than the previous year. We were able to increase net income by diligently managing our costs.

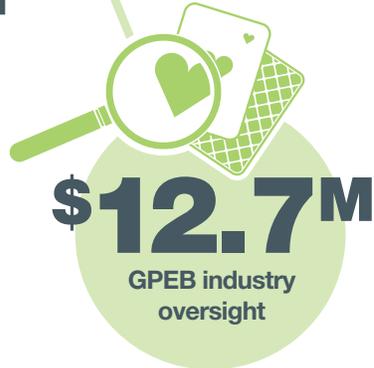
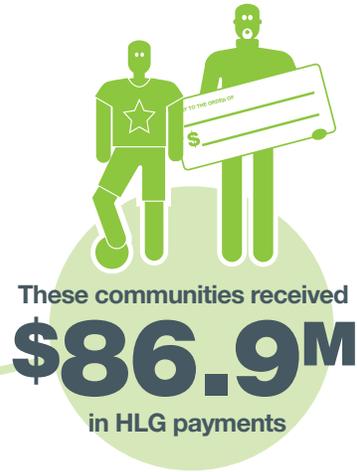
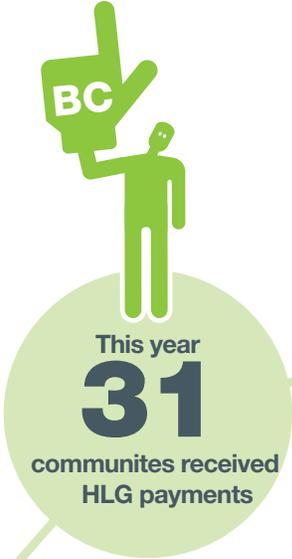
We are continuing to focus on our players and understanding what the consumer wants, so we can deliver on their expectations.

During 2013/14, BCLC continued to invest in the technology, systems and processes necessary to deliver optimal performance with efficiency, integrity and security.

A primary focus for the year continued to be the replacement of the gaming management system.

How we work





Our Performance

BCLC's Board of Directors and Senior Executive conduct an annual review of our performance framework. This includes our vision, mission, goals and objectives and our performance measures and associated targets. The review is to determine how successful we have been in achieving our goals. Our performance framework was identified in our 2013/14–2015/16 Revised Service Plan. Appendix 1 provides a comparison of our performance framework from the 2013/14–2015/16 Revised Service Plan to our new 2014/15–2016/17 Service Plan.

To assess our performance relative to comparable businesses, BCLC gathers benchmarking information from other gambling jurisdictions with similar operations. This benchmarking information is shown in Appendix 2 of this report.

This Annual Service Plan Report provides an overview of our performance results compared to our 2013/14 targets. It also gives an overview of BCLC's social responsibility (SR) performance framework outlining performance measures and related targets. BCLC uses a modified balanced scorecard to manage, measure and report on our business results, which includes Player, People, Public and Profit aspects. These four perspectives are used to manage the short, medium and long-term views of our business in a cohesive manner. The three pillars of Social Responsibility—social, environment and economic—are integrated into BCLC's scorecard. BCLC's Social Responsibility Performance Framework contains the metrics we use to track progress towards our social responsibility strategies, in alignment with BCLC's business priorities.

In 2012/13, BCLC externally published our Social Responsibility Performance Framework for the first time, as part of our Annual Service Plan Report. In establishing measures for the Social Responsibility Framework, BCLC engaged a committee of leaders from across the business to tailor reporting to our industry and business. While still emerging, the framework is one of the ways BCLC is becoming more transparent about how we manage and report on our business. Detailed information for each of the SR performance measures, targets and results can be found in BCLC's Social Responsibility report.

How we measure our performance

We set our performance targets based on current performance trends; the expected impact of our programs to maintain or improve our performance; and the anticipated impact of external environment and market factors.

For the categories of Player Satisfaction, Player Participation, Player Awareness of Responsible Gambling Activities and Public Support for BCLC, we contract with independent third-party market research professionals who conduct surveys comparing our performance results against our targets. We assess these results on a quarterly basis and analyze the data to see if our plans are achieving the desired results.

BCLC Employee Engagement is also contracted to an independent third-party market research firm which conducts an annual survey with BCLC employees. The data and calculations for Employee Vacancy Rate are obtained from BCLC internal records.

Data for the Level of Greenhouse Gas Emissions (GHG) is obtained from reports provided by external suppliers for

electricity, natural gas, fleet fuel, paper suppliers and from other internal reporting sources. This data is calculated by BCLC.

Net Win per Capita, Net Income and the Operating Cost Ratio is derived from BCLC's audited financial statements and from internal reporting. Population figures are sourced from B.C. Statistics, and from Statistics Canada.

To provide insight into our level of success relative to other gambling operations, we benchmark BCLC's performance against the national average and against other gambling jurisdictions. These are: Ontario Lottery and Gaming Corporation (OLG); Loto-Québec (LQ); the Swedish lottery Svenska Spel (Svenska); and the Canadian gambling average, exclusive of BCLC's results.

Benchmark results are obtained from the publicly available, audited financial results from these organizations and from the Canadian Gambling Digest. BCLC reviews the performance results published by other jurisdictions annually for additional benchmarking opportunities.

2013/14–2015/16 performance framework: goals, objectives, strategies and performance measures

Corporate Goals Where we want to be	Objectives What we need to achieve and why it is important	Strategies How we will achieve our objectives	Performance Measures How we will measure our success
Player			
We will put players first to create the entertainment experiences they enjoy	<p>Delight players so they will choose BCLC gambling over other entertainment options</p> <p>Broaden and diversify the player base and spending to strengthen our business and reduce risk</p> <p>Encourage responsible play so that players make informed choices about their gambling</p>	<p>Offer customizable, player-driven experiences</p> <p>Leverage the PlayNow.com platform across all channels and devices</p> <p>Continuously improve the entertainment value and distribution convenience of our core games</p> <p>Provide education and tools supporting informed gambling choices and responsible play behaviours</p>	<p>Player Satisfaction</p> <p>Player Participation</p> <p>Player Awareness of Responsible Gambling Activities</p> <p>Net Win per Capita</p>
People			
We will think differently, work together and act fast	<p>Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer</p> <p>Define our future workforce needs so we have the right people with the right skills at the right time</p>	<p>Foster innovation and simplify work processes in every area of the company to make BCLC more effective and increase job satisfaction</p> <p>Offer personal development opportunities and a competitive compensation package to retain and attract strong talent in critical roles</p> <p>Install a Human Resources Information System that creates a single, integrated view of our workforce</p>	<p>Employee Engagement</p> <p>Employee Vacancy Rate</p>
Public			
We will build public trust and support for BCLC	<p>Be a good corporate citizen so that our business is welcomed across B.C.</p> <p>Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed</p>	<p>Coordinate the many activities that contribute to our corporate reputation with a focus on key operating communities</p> <p>Build employee understanding of their role in strengthening our public trust</p>	<p>Public Support for BCLC</p> <p>Level of Greenhouse Gas Emissions</p>
Profit			
We will grow net income and invest in the long-term health of our business	<p>Grow net income from our core business</p> <p>Invest in innovative products and services that respond to consumer trends and create opportunities for growth</p> <p>Invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster</p>	<p>Define and implement the business and technology architecture and roadmap that will help us grow</p> <p>Build our business intelligence and analytics</p> <p>Work with best-in-class partners to drive innovation in the games, amenities, social settings, services and access that players want</p> <p>Complete the casino/community gaming centre property build-outs to capture unrealized market potential</p>	<p>Net Income</p> <p>Operating Costs as a % of Net Win</p>

2013/14 social responsibility (SR) framework: strategies and performance measures

In 2013/14, we continued to build our framework shown in the table below. Our SR framework encompasses all of the corporate performance measures shown on the previous page as well as the following performance measures that are specific to BCLC's SR performance detailed in our SR report.

Corporate Goals Where we want to be	SR Strategies How we will achieve our objectives	SR Performance Measures How we will measure our success
Player		
We will put players first to create the entertainment experiences they enjoy	Maintain a world-class responsible gambling program	World Lottery Association Certification Level Achieved
	Understand and improve the player experience	Casinos and Community Gaming Centers Certified by RG Check
	Protect player privacy	Number of Player Interactions at GameSense Info Centres (GSICs)
	Support our service providers in developing effective responsible gambling practices	Pass Rate in Lottery Retail Mystery Shop Program Substantiated PlayNow.com Player Complaints BCLC's Privacy Practices for PlayNow.com are TRUSTe Compliant New Service Provider Employees who Passed Appropriate Response Training (ART)
People		
We will think differently, work together and act fast	Create a workplace culture that supports employee mental, physical, social, and financial well-being	Average Hours of Training per Year per Employee
	Promote a community investment program that supports a workplace culture of social wellness and values both corporate and individual contributions	Employees who Passed "Where's your GameSense" Course
	Create a workplace that understands, supports and is engaged in SR	Employees who Understand what Social Responsibility Means to BCLC Employees who Agree that BCLC is a Good Corporate Citizen
Public		
We will build public trust and support for BCLC	Engage key stakeholders in an informative dialogue	Number of Stakeholder Engagement Sessions
	Integrate SR into governance and management systems	Waste Diverted from Landfill—Vancouver Office
	Offer games and conduct business in a way that is fair, honest and trustworthy	Waste Diverted from Landfill—Kamloops Office
	Reduce energy use, reportable greenhouse gas emissions, waste to landfill, water use and paper consumption	Office Water Use (m ³ /m ²)—Vancouver Office
	Engage employees and service providers in reducing their environmental impacts	Office Water Use (m ³ /m ²)—Kamloops Office Gambling Facilities That Use SR Reporting Tool Software
Profit		
We will grow net income and invest in the long-term health of our business	We do not have any SR strategies or SR performance measures in addition to the corporate strategies and performance measures listed on page 38	

2013/14–2015/16 performance measures: actual results, targets

The table below provides an overview of our corporate performance measures and social responsibility measures. The SR framework includes all of the corporate metrics highlighted in bold, which are reported in this Annual Service Plan Report, as well as the SR specific measures which are not highlighted in bold.

Performance Measures	2011/12 Actual	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target	2015/16 Target	2016/17 Target
Player							
Player Satisfaction	83%	85%	83%	81%	83%	84%	85%
Player Participation¹	62%	69%	62%	54%	57%	58%	59%
Player Awareness of Responsible Gambling Activities	80%	78%	80%	68%	68%	69%	70%
Net Win per Capita	\$450	\$450	\$467	\$468	\$454	\$457	\$464
World Lottery Association Certification Level Achieved	continuous improvement		re-certify level 4	re-certify level 4	continuous improvement		re-certify level 4
Casinos and Community Gaming Centres Certified by RG Check	25%	36%	72%	72%	97%	100%	100%
Number of player interactions at GameSense Info Centres (GSICs)	N/A	43,823	N/A	54,656	60,122	66,134	72,747
Pass Rate in Lottery Retail Mystery Shop Program ²	82%	88%	N/A	86%	N/A	N/A	N/A
Substantiated PlayNow.com Player Complaints ²	N/A	6%	N/A	16%	N/A	N/A	N/A
BCLC's Privacy Practices for PlayNow.com are TRUSTe Compliant	N/A	compliant	compliant	compliant	compliant	compliant	compliant
New Service Provider Employees who Passed Appropriate Response Training (ART)	N/A	97%	100%	96%	100%	100%	100%

1 2012/13 Player Participation results are based on survey results for the first three quarters for the year, excluding fourth quarter results due to a change in survey questions.

2 BCLC will need to collect several years of data to identify trends, hence targets for 2014/15 to 2016/17 have not yet been set.

Performance Measures	2011/12 Actual	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target	2015/16 Target	2016/17 Target
People							
Employee Engagement³	81%	82%	80%	N/A	82%	82%	82%
Employee Vacancy Rate⁴	1.9%	4.4%	4.0%	2.7%	no longer used		
Average Hours of Training per Year per Employee	N/A	15.3	N/A	19.2	25.0	25.0	25.0
Employees who Passed “Where’s your GameSense” Course	99%	99%	N/A	100%	100%	100%	100%
Employees who Understand what Social Responsibility Means to BCLC ³	N/A	91%	N/A	N/A	91%	91%	91%
Employees who Agree that BCLC is a Good Corporate Citizen ³	N/A	89%	N/A	N/A	90%	90%	90%
Public							
Public Support for BCLC⁵	77%	80%	80%	75%	no longer used		
Level of Greenhouse Gas Emissions (CO₂e metric tonnes)	2011: 1,506	2012: 1,403	2013: 1,439	2013: 1,374	2014: 1,382	2015: 1,326	2016: 1,273
Number of Stakeholder Engagement Sessions	N/A	44	N/A	68	75	85	2016: 95
Waste Diverted from Landfill – Vancouver Office	2011: N/A	2012: 91%	2013: N/A	2013: 89%	2014: 91%	2015: 91%	2016: 91%
Waste Diverted from Landfill – Kamloops Office	2011: N/A	2012: 36%	2013: N/A	2013: N/A ⁶	2014: 50%	2015: 60%	2016: 70%
Office Water Use (m ³ /m ²) – Vancouver	2011: N/A	2012: N/A	2013: N/A	2013: 0.37	2014: 0.37	2015: 0.37	2016: 0.37
Office Water Use (m ³ /m ²) – Kamloops	2011: N/A	2012: N/A	2013: N/A	2013: 0.25	2014: 0.25	2015: 0.25	2016: 0.25
Gambling Facilities That Use SR Reporting Tool Software	2011: N/A	2012: 0%	2013: N/A	2013: 14%	2014: 17%	2015: 20%	2016: 23%
Profit							
Net Income (millions)	\$ 1,107.4	\$ 1,125.2	\$ 1,172.0	\$ 1,174.6	\$ 1,193.0	\$ 1,216.0	\$ 1,256.6
Operating Cost Ratio (% of Net Win)	42.0%	41.2%	42.5%	43.4%	41.9%	41.8%	41.4%

A more detailed explanation of BCLC’s performance management system and benchmarks for each measure is contained in Appendix 2.

3 BCLC will conduct the survey to measure Employee Engagement in the spring 2014 and will make results for Employee Engagement available as soon as survey results are reported. This survey also measures Employees who Agree that BCLC is a Good Corporate Citizen, as well as Employees who Understand what SR Means to BCLC.

4 Starting Fiscal 2014/15, BCLC will transition from measuring Employee Vacancy Rate to measuring Employee Turnover Rate

5 Starting Fiscal 2014/15, BCLC will transition from measuring Public Support for BCLC to measuring Public Recognition of Positive Contributions and Public Perceptions of BCLC’s Transparency.

6 BCLC was unable to estimate a diversion rate from our Kamloops facility in 2013 as we did not carry out a waste audit. A pilot compost program will begin in 2014 and we aim to audit waste at the Kamloops facility later in 2014 to estimate the diversion.

SR Performance Measures Discontinued in 2013/14**Rationale**

Recommendations Implemented to Increase Board Oversight of social responsibility	This metric is not a good measure of best practice in SR governance, as it does not show continuous improvement beyond a set of initial recommendations.
Products and Promotions Covered by a Social Responsibility Assessment	This metric is not a good measure of performance, as 100 per cent of our products and promotions are currently covered by a Social Responsibility Assessment.
Service Provider Employees who Rated ART as Good or Excellent	This metric is not a good measure of ART training quality, based on international best practices.
Employees who Entered BCLC Volunteers Storytelling Contest	This metric is not a good representation of participation in volunteerism, and we do not have an accurate way of measuring it at this time.
Average Number and Duration of Short-Term Disability Claims and the Number that Transition to Long-Term Disability Cases	This metric is not a good measure of our performance in creating a workplace culture that supports employee mental, physical, social, and financial well-being, including work-life balance and professional development. We are in the process of developing improved metrics in this area.
Agreement to the Statement "I have trust and confidence in the games offered by BCLC"	This metric is not a good measure of SR performance, as a reflection of BCLC's public reputation. We are in the process of developing improved metrics in this area.
e-Waste Recycled	This metric is not a good measure of SR performance, as 100 per cent of e-waste is recycled at end-of-life.

Player

Player Satisfaction

Player Satisfaction measures the percentage of our players expressing satisfaction with their experience in each of BCLC's gambling channels.

How achieving the target will help demonstrate success

Our business is focused on our players. They have many entertainment options to choose where they will spend their discretionary time and dollars. Player Satisfaction measures BCLC's overall success in transforming to become more player-centric, to meet our players' expectations and to create outstanding entertainment experiences with our games and services.

Our performance

In 2013/14, 81 per cent of our players were satisfied with their experience. Although very positive, this result is slightly below our target due to lower satisfaction levels in the third quarter compared to other periods in 2013/14. While lottery players continue to express high satisfaction with their retail experience, one contributing factor to the lower overall satisfaction result may have been that PlayNow.com members were unable to purchase lottery games on our PlayNow.com website in December 2013 due to technical issues. Further, additional feedback from our facility customers indicates opportunities exist for BCLC to enhance the entertainment experience by enriching the play value of our games.

We will continue to listen to our players. Through active player engagement, we learn about their evolving needs and how to deliver the best player experience in the highly competitive entertainment market. This includes optimizing the player experience of PlayNow.com to deliver it through mobile devices. It also includes our new gaming management system in casinos, which is part-way through implementation. We are also exploring opportunities for growth through our casino loyalty program. In addition to these initiatives we are working with our service providers, with our retailers, and through our digital channels to enhance the player experience. We expect these enhancements will positively impact player satisfaction; increase player participation; and ultimately, help us grow our revenue.

Player satisfaction



Source: Research & Incite Consultants (2011/12 to 2012/13 Quarter 3) and Ipsos Reid Corporation (2012/13 Quarter 4 onwards).

Significant changes from previous service plan

There has been no change to the measure from our 2013/14 revised Service Plan. While our results are already very high, our target is to grow the level of satisfaction in conjunction with broadening our player base.

Player Participation

Player Participation measures the percentage of adult British Columbians who play a BCLC game in any of our gambling channels at least once a month.

How achieving the target will help demonstrate success

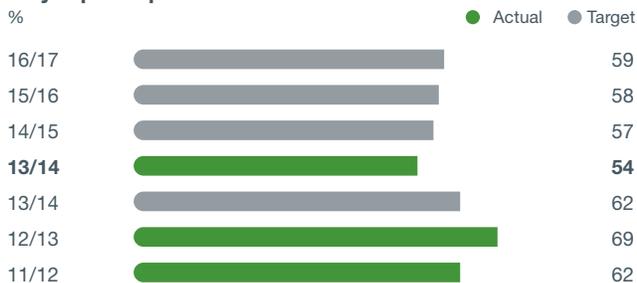
By measuring player participation, we gauge how successful we are in providing an exceptional player experience and in delighting our players. We do this to maintain existing play and to attract infrequent players to play our games.

Our performance

BCLC's 2013/14 result for Player Participation was below our target. While player participation via our PlayNow.com website has remained consistent compared to the previous year, there are a number of factors that may have contributed to lower than targeted participation results. In comparison to 2012/13, we experienced fewer high jackpot rolls on LOTTO MAX and Lotto 6/49 in the first three quarters of 2013/14. A reduction in our lottery marketing advertising budget compared to the previous year may also have negatively impacted participation results. Further, the Lotto 6/49 game was changed in the third quarter of 2013/14. While this game enhancement has positively impacted our revenue, the change may have resulted in lower participation rates as players are playing less, which may be due to the price increase.⁷

BCLC aspires to have one view of the player in all of our games and channels. We plan to enhance their entertainment experience by optimizing our marketing programs and delivering games across our distribution channels. The goal is to attract infrequent players to broaden and diversify our player base and achieve revenue growth.

Player participation



Source: Research & Incite Consultants (2011/12 to 2012/13 Quarter 3) and Ipsos Reid Corporation (2012/13 Quarter 4 onwards). 2012/13 Player Participation results are based on survey results for the first three quarters of the year, excluding fourth quarter results due to a change in survey questions.

Significant changes from previous service plan

Our targets for the next three years reflect our current lower than targeted results. They also reflect our plans to increase the entertainment value through new games and services to broaden our player base.

⁷ 2013/14 player participation results for our casino and community gaming centres channels are not comparable to the previous year due to a change in survey questions.

Player Awareness of Responsible Gambling Activities

Player Awareness of Responsible Gambling Activities measures the percentage of players in the past year who are aware of one or more of BCLC's five key responsible gambling activities. These are: a voluntary self-exclusion program which offers players the option to exclude themselves for a set period of time from entering any B.C. gambling venue that has slot machines or bingo, or accessing PlayNow.com; GameSense, a program that educates and reminds people about responsible gambling; the toll-free Problem Gambling Help Line; GameSense Information Centres in B.C. casinos and community gaming centres; and the ability to personally set a weekly wallet load limit for members of PlayNow.com.

How achieving the target will help demonstrate success

A key component of BCLC's gambling management is our commitment to strengthening responsible gambling programs and improving their delivery. This measure determines how effective we are at reaching players with our responsible gambling activities and messages so that players can make informed gambling choices.

Our performance

Player Awareness of Responsible Gambling Activities is influenced by our ability to communicate and connect with our players through appropriate programming and messaging. In 2013/14, BCLC began to target its responsible gambling activities to selected player segments while decreasing our mass media advertising about responsible gambling. Although this change reflects our continuing refinements to effectively reach our players, it may have negatively impacted our overall results as the measurement methodology is based on evaluating player awareness on a mass level.

Player awareness of responsible gambling activities



Source: Research & Incite Consultants (2011/12 to 2012/13 Quarter 3) and Ipsos Reid Corporation (2012/13 Quarter 4 onwards).

Significant changes from previous service plan

BCLC has adjusted its targets downwards based on historical and forecast information and the change in focus to reach specific population segments. Over the coming year, we will examine the need to adjust this measure so that we understand how successful we are in creating player awareness for our key responsible gambling activities.

People

Net Win per Capita

Net win is the calculation of sales less prizes. For lottery and bingo games, net win is calculated by deducting prizes from total sales. Casino game prizes are paid during game play. This measure is indexed to the total population allowing BCLC to benchmark to other jurisdictions.

Net win is divided by publicly reported population figures to obtain the per capita metric. Since legal gambling age varies between jurisdictions, total population figures are used. Population projections are updated based on the most recent information available.

How achieving the target will help demonstrate success

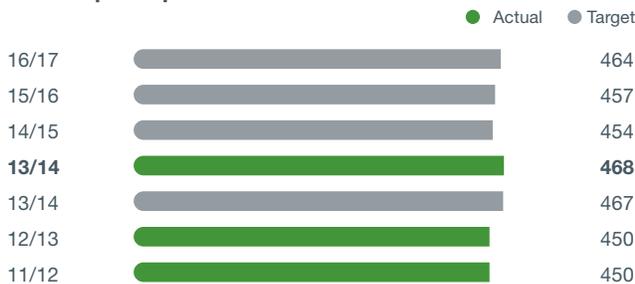
Net win per capita provides a gauge of our success in growing net win related to the provincial population. Net win per capita will not grow if the rate of population growth is higher than the rate of net win growth.

The net win per capita measure is widely used in the gambling industry so that consistent benchmarking is possible. BCLC benchmarks to Loto-Québec, Ontario Lottery and Gaming Corporation, and the Canadian average (without BCLC data). The benchmarking data is presented in Appendix 2.

Our performance

In 2013/14, BCLC's net win per capita has increased compared to the previous year and we exceeded our target of \$467 per capita. This is due to a higher rate of growth in net win compared to the rate of growth in population, increasing our results to \$468 per capita for 2013/14. BCLC's Net Win per Capita has consistently been higher compared to the benchmark organizations (please refer to Appendix 2 for more detail).

Net win per capita



Source: Audited Financial Statements and Statistics Canada

Significant changes from previous service plan

There are no changes to this measure; however the targets have been updated as a result of our latest review of our financial performance. Targets for the next three years are set based on our forecast performance against projected population growth. Our financial forecast takes into account standard economic indicators used by the Province and the planned introduction of new games, services and facility developments.

Employee Engagement

This performance metric measures the percentage of BCLC employees that are engaged with their work. Employee engagement is defined as the intellectual and emotional commitment employees have in an organization.

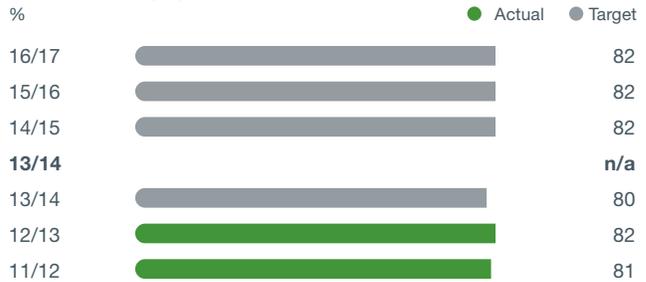
How achieving the target will help demonstrate success

Employee engagement reflects the effort and dedication employees exert to contribute to the organization's success. An inspired and engaged workforce will help drive the success of BCLC's business to deliver the great entertainment experiences our players expect.

Our performance

BCLC plans to conduct its 2013/14 Employee engagement survey in the spring of 2014, so results are not yet available. We will make the result for Employee engagement available once the survey results are reported.

Employee engagement



Source: Ipsos North America

Significant changes from previous service plan

There has been no change to the methodology used to measure Employee engagement. BCLC's employee engagement level has remained strong and we plan to maintain our strong engagement result over the next three years. Currently, BCLC is exploring the possibility of conducting its employee engagement survey every second year, which is becoming a standard industry practice for engagement surveys.

Public

Employee Vacancy Rate

Employee vacancy rate measures the percentage of vacancies relative to BCLC's total headcount.

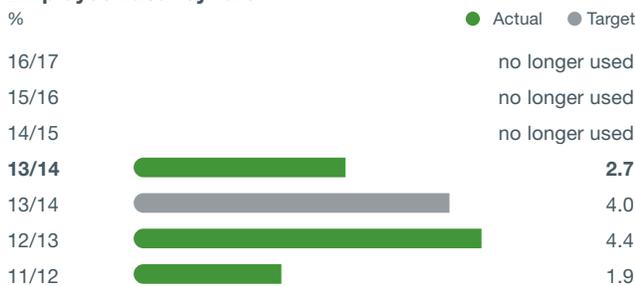
How achieving the target will help demonstrate success

As we continue to transform our business in a rapidly changing environment, our workforce needs to be able to adapt to change. Developing this capacity will require learning beyond traditional practices. Employee vacancy rate provides limited insights into how effective we are in attracting and retaining talent and developing a workforce that supports the transformation of our business. Starting in 2014/15, BCLC will use a new measure, employee turnover rate, to better gauge our competitiveness in the labour market and the effectiveness of our recruitment processes and retention programs.

Our performance

BCLC exceeded its target for employee vacancy rate in the last year by achieving a lower than targeted vacancy rate. This is due to a faster time to hire that is the result of our recruitment strategy in the market as well as fewer vacancies in the fourth quarter of 2013/14 due to cost containment measures.

Employee vacancy rate



Source: BCLC internal reporting.

Significant changes from previous service plan

There has been no change in the way we measure employee vacancy rate. Starting in 2014/15, BCLC will transition to using employee turnover rate measure as our corporate performance standard, replacing the employee vacancy rate measure.

Public Support for BCLC

Public support for BCLC measures the percentage of adult British Columbians who express support for BCLC.

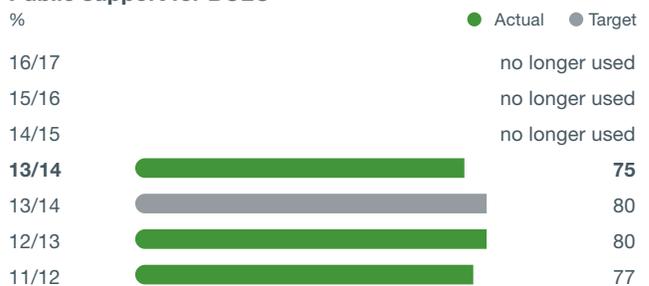
How achieving the target will help demonstrate success

Public opinion has a significant influence on BCLC's social license to operate. As we continue to transform our business to achieve our vision that gambling is a widely embraced form of entertainment, it is important the public understands both our business and the benefits it brings to British Columbians. Public support for BCLC provides limited insight into public sentiments about our organization, and the associated level of support for gambling in B.C. Beginning 2014/15, BCLC will transition to two new measures to gauge public perceptions: these will measure public recognition of positive contributions and public perceptions of BCLC's transparency.

Our performance

Our 2013/14 result for public support for BCLC is high at 75 per cent but is below our target of 80 per cent. One key driver of support for BCLC is a widespread understanding by the public of BCLC's positive impact in B.C. communities and this level of understanding could be improved. This may have contributed to our results being below target. We will continue to be open and forthcoming about our business; we will work to communicate the benefits of our business to communities in B.C. and the province; and we will continue to deliver gambling entertainment choices with integrity, social responsibility and transparency.

Public support for BCLC



Source: Research & Incite Consultants (2010/11 to 2012/13 Quarter 3) and Ipsos Reid Corporation (2012/13 Quarter 4 onwards).

Significant changes from previous service plan

There has been no change in how we measure public support for BCLC. Starting in fiscal 2014/15, we will begin using two new measures for corporate performance metrics. Over the coming year we will also explore other, yet-to-be determined metrics to improve our insight into how the public feels about our organization; the benefits our business brings to British Columbians; and the level of trust that results.

Profit

Level of Greenhouse Gas Emissions

BCLC's reportable Greenhouse Gas Emissions (GHG) are emissions from our buildings, fleet vehicles and certain office paper supplies.

BCLC uses calculations provided by the Province to convert and report our greenhouse gas emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) by calendar year. Data is obtained from suppliers of electricity, natural gas, fleet fuel, paper suppliers and from internal reporting. To align with government's reporting cycle, our data for this metric covers the calendar year.

Since 2010, BCLC has been required to meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act* and to pursue actions which minimize GHG emissions to meet the prescribed goal of a 33 per cent reduction in reportable emissions by 2020, from a 2007 baseline.

How achieving the target will help demonstrate success

We view sustainability as a key component of our SR efforts and we advocate environmentally sustainable behaviours in our organization's culture as an integral component of business modernization.

Our performance

In 2013, BCLC's reportable GHG emissions were lower than in 2012 and below the target level we had set, a better than targeted result. The most appropriate approach for reducing emissions from our Kamloops office is being assessed and we will continue to act to meet our long-term goal of a 33 per cent reduction by 2020.

Level of greenhouse gas emissions



Source: External supplier reporting and BCLC internal reporting

Significant changes from previous service plan

There was no change to the way the Level of GHG Emissions is measured and reported or to our targets for this measure. As BCLC is phasing out fleet vehicles in 2014/15, we will evaluate how this affects the calculation for this measure and the targets we have set.

Net Income

Net income is the total amount of income generated from BCLC gambling and is comprised of sales less: prizes, direct expenses, gaming support costs, general operating costs, amortization and taxes. It is calculated in accordance with International Financial Reporting Standards (IFRS).

BCLC's net income is delivered to the Province and used to benefit British Columbians through funding of public health care, education and charitable and community programs. Through an agreement between the federal and provincial governments, the Government of Canada receives a portion of the net income BCLC generates.

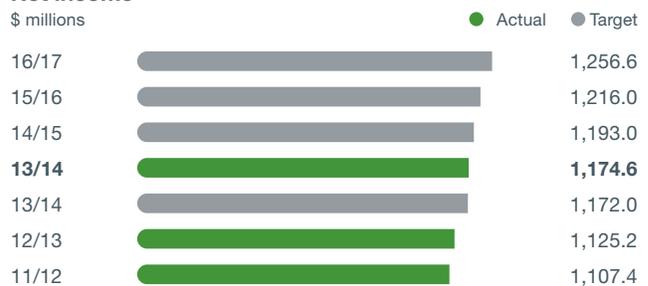
How achieving the target will help demonstrate success

This measure is a direct indicator of our success in meeting our mandate to generate income in a socially responsible way for the benefit of British Columbians.

Our performance

In 2013/14, BCLC exceeded its target and achieved a result of \$1,174.6 million in net income. The growth in net income is higher than the previous year with a 4.4 per cent increase in 2013/14 compared to a 1.6 per cent increase in 2012/13. The increase in net income growth is due to several factors including a higher net win growth (sales after prizes have been paid), an internal change in our amortization policy for slot machines, and the move from HST back to GST beginning April 1, 2013.

Net income



Source: BCLC Audited Financial Statements

Significant changes from previous service plan

Net income targets are updated based on a review of our latest financial performance and future growth opportunities. The targets are set taking into account the Province of B.C. forecasts for: population, Gross Domestic Product, and the short term interest rate.

Operating Cost Ratio

The Operating Cost Ratio is the sum of direct expenses (except prizes), gaming support costs, general operating costs and amortization, divided by BCLC's net win. We benchmark this metric to other comparable gambling jurisdictions.

How achieving the target will help demonstrate success

Our operating cost ratio is a measure of our operational efficiency. It indicates how successful we are in balancing the generation of revenue with the cost of operating our business.

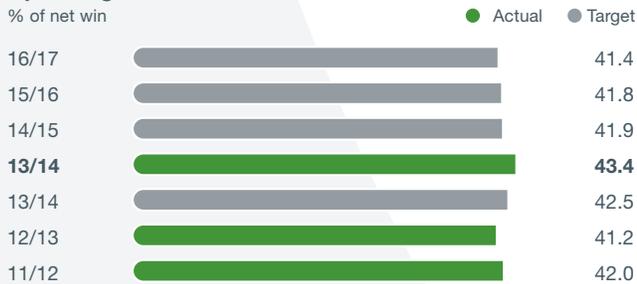
Our performance

In 2013/14, BCLC's Operating Cost Ratio was 43.4 per cent. This is higher than the target of 42.5 per cent and this means BCLC did not meet its 2013/14 target. This is mainly due to BCLC undergoing a restructuring in the fourth quarter of 2013/14 which led to higher than targeted operating costs. BCLC's operating cost ratio remains below all our benchmark comparisons. For more details, see Appendix 2.

BCLC is investing in modernizing its business, replacing legacy systems and in particular, replacing the technology that supports casino and community gaming centre operations. This modernization in investment will continue. BCLC is also implementing plans to reduce the cost of operating the business in the coming year and we are committed to maintaining the operating cost ratio at a relatively constant level.

Operating cost ratio

% of net win



Source: BCLC Audited Financial Statements

Significant changes from previous service plan

The operating cost ratio is updated based on a review of our latest financial performance, operational effectiveness and future growth opportunities. The forecasts take into account standard economic indicators used by the Province.

Risk and Capacity

BCLC has a formal enterprise risk management program, with ongoing evaluation of risks and quarterly reporting to the Executive and Board. All significant risks are reported and action plans are required and regularly monitored. Continuous monitoring of action plans ensures risks are adequately managed and mitigated. The risk management program is integrated into our strategic, business, and project planning processes.

Player

Risk	Impact/effect on results	Response/action to mitigate
BCLC may not understand or meet the needs and expectations of new and existing players for high-quality facilities, games, services and other touch points.	<p>Player satisfaction or participation levels may decline over time.</p> <p>Existing or potential customers may seek alternative entertainment.</p>	BCLC has continued to expand our Voice of the Customer program, which is focused on gathering and responding to customer insights. This year we have added Voice of the Customer touch points to GameSense, Encore, and Player Services. The program is a core part of BCLC's player-centric strategy and has been recognized as best practice.
The responsible gambling and Voluntary Self-Exclusion programs may not fully meet player needs and public expectations.	<p>Players may not make informed choices about gambling.</p> <p>Problem gambling rates may increase.</p>	BCLC's responsible gambling initiatives include our award winning GameSense awareness program; the provision of Appropriate Response Training to all front line staff; the expansion of Responsible Gambling month activities to six communities and the New Horizons Responsible Gambling conference, hosted by BCLC for the second year.

Opportunity

Attract new players and increase play through making BCLC games and facilities an accessible and appealing entertainment option.	BCLC needs to engage players across gambling channels in a highly competitive and rapidly changing market in order to sustain and grow the business.	BCLC has been looking to increase the appeal of our casinos and community gaming centres to a broader audience, through diversifying our offerings. This year we opened Chances Maple Ridge and reopened the Coquitlam Boulevard Casino as the newly renovated and rebranded Hard Rock Casino Vancouver.
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People

Risk	Impact/effect on results	Response/action to mitigate
BCLC may not be able to attract, recruit and retain sufficiently skilled staff or develop the skill sets and competencies required in time to meet future growth targets.	BCLC's difficulty in recruiting and retaining employees with the key competencies may result in difficulties in maintaining operations and planning and undertaking new initiatives.	BCLC has developed and implemented a compensation plan in response to government direction. Phase II rolled out in April 2014. A proactive recruitment strategy is in place including both traditional and non-traditional approaches, such as the use of social media and expansion of co-op programs.

Opportunity

To develop a skilled, engaged and flexible workforce to drive organizational transformation and success.	To transform the business, BCLC needs inspired and able employees with the right skills.	<p>Workforce planning exercises have been completed across the organization, with a focus on the identification of critical roles and the investment in employee development to meet skill and capability needs.</p> <p>Continued focus on leadership development with an emphasis on encouraging a collaborative environment to achieve collective goals.</p>
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Public

Risk	Impact/effect on results	Response/action to mitigate
The public may not feel that BCLC is demonstrating our values of integrity, social responsibility and respect.	If the public or other stakeholders lose confidence in BCLC, new initiatives may not be approved or player participation may fall with a consequent decline in revenue.	BCLC has put in place a proactive approach to communication. A longer-term reputation management strategy is in development.
BCLC systems and processes to support best practices and respond to internal and external challenges may not be optimized.	BCLC requires consistent, reliable business processes, practices and models with robust governance to adequately respond and minimize the risk of internal and external challenges.	Modernization initiatives are underway in a number of areas with a focus on process improvement and automation.
Information security could be threatened by malicious attack or sabotage.	Non-compliance with current and future regulations could result in a lack of assurance from the public and our stakeholders in BCLC demonstrating our values.	The information security and privacy teams have been consolidated into a single unit, and a new Information Security Policy produced. Mandatory training is now on an annual basis. A new anti-money laundering group has been established and investments made in greater systems support. A corporate social responsibility framework has been developed to monitor performance in a number of key areas.

Opportunity

Greater engagement with the public, municipalities and local communities.	BCLC needs public support to pursue new initiatives that generate income for the Province and all British Columbians.	We have focused on developing closer relationships with municipalities this year including through the expansion of Responsible Gambling weeks from five to six communities.
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Profit

Risk	Impact/effect on results	Response/action to mitigate
BCLC may face challenges in growing and sustaining revenue as traditional games mature and new technology-based games become more expensive to develop and yield lower profit margins.	Without continuing investment and innovation the net income contribution that BCLC makes to the Province may decline.	The GMS program continues its successful roll out across the Lower Mainland. Initiatives to strengthen back office functions are underway. The Finance and Corporate Services transformation program has been completed, with improved business planning and decision support functions established.
Technology or capacity limitations may restrict the development of the new or optimized-enterprise-level capabilities required for transformation and future innovation.	BCLC's ability to meet the expectations of existing and new players and private sector service providers may be constrained, affecting future revenue.	BCLC has worked closely with a number of our business partners and key vendors to optimize business relationships, provide greater value for money and develop new services and player experiences.

Opportunity

Optimizing, streamlining and automating business processes to improve efficiency and provide the foundations for new growth opportunities.	BCLC needs to be ready to respond to external constraints and opportunities resulting from changes to the business environment.	We continue to explore new business models and growth opportunities.
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Capacity

When it comes to human resources (HR) service delivery, there are many aspects that can impact our employee satisfaction, engagement, productivity, and overall business success. HR has made steady progress in its ability to support a transitioning business model and workforce and continue to face an evolving set of challenges. Positioning BCLC to attract and retain top talent remains a primary focus of our Human Resources team. Working closely with the organization to determine its needs and the continuation of a proactive recruitment strategy is just the beginning of a comprehensive and strategically driven process.

Helping our new employees engage with BCLC means positioning them for long-term success in the organization. Employee engagement can be impacted by the very first impressions they have of our organization, which is why efforts have been initiated to enhance the onboarding process and our orientation program to ensure new employees become productive faster and are able to make relevant contributions to our work culture more quickly.

The process of optimizing and developing our talent is continuous. The implementation of workforce planning and succession for employees is critical to this process. Employees however, remain responsible for developing a personal development plan that provides a framework for professional development, along with specific expectations and accountabilities.

Leadership development programs are one significant area critical to our success. The impact that leadership practices have on employee retention, well-being, and productivity means it continues to be a priority.

It also ensures our culture of continuous improvement, growth and competitiveness is sustained.

At the same time, BCLC continues to conduct targeted workforce optimization reviews to ensure effective use of its existing resources, creating greater organizational efficiency. All of these initiatives work to enhance our ability to support ongoing growth and innovation through a strong corporate culture.

This holistic approach to BCLC's people strategy is a key factor in ensuring that the organization maintained key capabilities in 2013/14 and is a focus for continued development.

Management's Discussion and Analysis

The Management's Discussion and Analysis reviews the financial condition and results of operation of British Columbia Lottery Corporation for the fiscal year ended March 31, 2014 and should be read in conjunction with the corporation's audited financial statements.

Financial Overview

	2009/10 ¹	2010/11 ²	2011/12	2012/13 ³	2013/14	2013/14	2013/14	2013/14	2014/15	2015/16	2016/17
	Actual	Actual	Actual	Actual	Actual	Budget	Variance from Budget	Variance from Prior Year	Target	Target	Target
Revenue											
Lottery & eGaming	\$ 937.9	\$ 1,062.4	\$ 1,061.4	\$ 1,093.8	\$ 1,123.5	\$ 1,158.2	\$ (34.7)	\$ 29.7	\$ 1,123.1	\$ 1,137.4	\$ 1,156.7
Casino & community gaming	1,579.4	1,616.3	1,640.0	1,638.1	1,684.8	1,678.0	6.8	46.7	1,675.3	1,701.0	1,746.0
	2,517.3	2,678.7	2,701.4	2,731.9	2,808.3	2,836.2	(27.9)	76.4	2,798.4	2,838.4	2,902.7
Prizes	577.6	652.3	641.9	649.6	665.6	678.4	12.8	(16.0)	654.5	656.4	659.6
Net win	1,939.7	2,026.4	2,059.5	2,082.3	2,142.7	2,157.8	(15.1)	60.4	2,143.9	2,182.0	2,243.1
Expenditures⁴											
Lottery & eGaming	155.4	170.2	175.6	177.6	189.9	201.6	11.7	(12.3)	192.9	195.3	198.2
Casino & community gaming	667.6	668.9	689.6	682.7	740.1	716.2	(23.9)	(57.4)	705.0	715.7	731.3
	823.0	839.1	865.2	860.3	930.0	917.8	(12.2)	(69.7)	897.9	911.0	929.5
Net income before tax	1,116.7	1,187.3	1,194.3	1,222.0	1,212.7	1,240.0	(27.3)	(9.3)	1,246.0	1,271.0	1,313.6
GST/HST/PST	37.6	81.6	86.9	96.8	38.1	68.0	29.9	58.7	53.0	55.0	57.0
Net income											
Lottery & eGaming	266.7	289.4	278.9	297.4	304.1	309.0	(4.9)	6.7	301.9	308.2	318.2
Casino & community gaming	812.4	816.3	828.5	827.8	870.5	863.0	7.5	42.7	891.1	907.8	938.4
	\$ 1,079.1	\$ 1,105.7	\$ 1,107.4	\$ 1,125.2	\$ 1,174.6	\$ 1,172.0	\$ 2.6	\$ 49.4	\$ 1,193.0	\$ 1,216.0	\$ 1,256.6
Profit margin	42.9%	41.3%	41.0%	41.2%	41.8%	41.3%	0.5%	0.6%	42.6%	42.8%	43.3%
Debt	\$ 60.0	\$ 85.0	\$ 90.1	\$ 131.7	\$ 154.9	\$ 173.1	(\$ 18.2)	\$ 23.2	\$ 181.7	\$ 201.7	\$ 238.7
Capital expenditures	\$ 92.5	\$ 81.3	\$ 74.4	\$ 96.6	\$ 100.3	\$ 120.0	(\$ 19.7)	\$ 3.7	\$ 90.0	\$ 90.0	\$ 110.0

In 2013/14, BCLC achieved a record \$1.175 billion net income on record revenue of \$2.808 billion, exceeding the previous records set last year by \$49.4 million and \$76.4 million, respectively.

This year, BCLC benefited most notably from growth in the lottery instant ticket, casino table game, and PlayNow.com product areas.

Each year, BCLC prepares a three-year Service Plan against which its results are measured. As part of this annual process, BCLC once again committed to the strategic cost management program that began in 2009/10. Careful spending management this year resulted in total operating costs that were \$2.1 million less than budget, but which were \$12.8 million more than in 2012/13.

In response to rising operating costs, and in order to maximize BCLC's contribution to provincial revenues, BCLC underwent a significant restructuring that it believes will position it to be more efficient and effective in the years to come. Part of this restructuring involved consolidating a number of business functions, renegotiating contracts, warranties and licensing, contracting suppliers for food and security services, and staff reductions. In total, BCLC incurred a one-time restructuring cost of \$25.1 million, but expects the effort to generate significant cost savings over the next five years.

1 2009/10 and prior comparative results reflect Canadian GAAP.

2 2010/11 comparative results have been restated to comply with IFRS.

Total net income for the year (under Canadian GAAP)	\$ 1,104.6
Reconciling Items:	
Amortization and depreciation	0.3
Employee costs	0.8
Total net income for the year (under IFRS)	\$ 1,105.7

3 2012/13 comparative results have been restated to comply with amendments to IFRS.

Total net income for the year (as previously reported)	\$ 1,127.6
Reconciling Items:	
Employee costs	(2.4)
Total net income for the year (restated)	\$ 1,125.2

4 Please refer to page 61 for a detailed breakdown of 2012/13 actual expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended March 31, 2014
(in millions of dollars)

Performance Measurement

BCLC's performance measurement framework is updated annually as part of its business planning process. This framework guides decision-making at all levels of the organization and has been used to assess our 2013/14 operational performance against the targets and budgets established in the Service Plan (bclc.com/service-plan). BCLC also compares its performance to other gambling organizations that make their results publicly available. These comparator organizations were selected from across Canada and internationally for the relevance of their operations in comparison to BCLC's.

International Financial Reporting Standards (IFRS)

The *Budget Transparency and Accountability Act* specifies that the government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior governments are understood to mean standards established by the Public Sector Accounting Board (PSAB), which directs Government Business Enterprises (GBE) to adhere to IFRS. Treasury Board has directed BCLC to adopt IFRS.

Economic Outlook

Current economic indicators suggest that B.C.'s economy will continue to experience modest growth throughout 2014 and 2015.

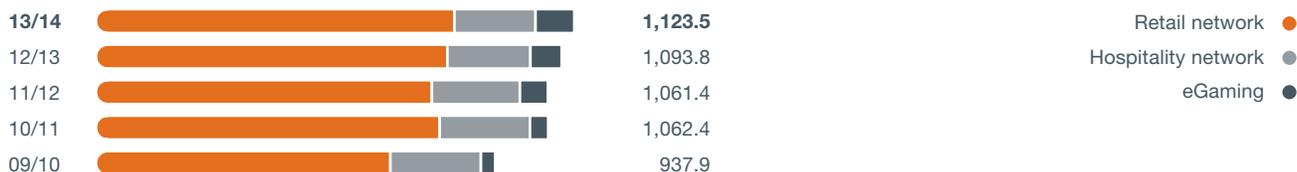
Over the next three years, growing net income from our core businesses will continue to be a priority. In addition to product and service innovations, we are continuing a multi-year initiative to modernize our technology infrastructure, reviewing our relationships with our private sector service providers and third-party vendors, and exploring strategic cost management opportunities.

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

Lottery and eGaming Operations

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Budget	Variance from Budget	Variance from Prior Year
Revenue								
Retail network	\$ 691.7	\$ 807.5	\$ 789.2	\$ 825.5	\$ 842.0	\$ 828.7	\$ 13.3	\$ 16.5
Hospitality network	212.6	212.0	206.6	195.0	190.5	196.3	(5.8)	(4.5)
eGaming	33.6	42.9	65.6	73.3	91.0	133.2	(42.2)	17.7
	937.9	1,062.4	1,061.4	1,093.8	1,123.5	1,158.2	(34.7)	29.7
Prizes	505.3	581.5	580.8	594.2	615.7	626.9	11.2	(21.5)
Net win	432.6	480.9	480.6	499.6	507.8	531.3	(23.5)	8.2
Direct expenses	71.3	77.2	77.4	81.2	84.7	89.0	4.3	(3.5)
Gaming support costs & operating expenses	84.1	93.0	98.2	96.4	105.2	112.6	(7.4)	(8.8)
Net income before taxes	277.2	310.7	305.0	322.0	317.9	329.7	(11.8)	(4.1)
GST/HST	10.5	21.3	26.1	24.6	13.8	20.7	6.9	10.8
Net income	\$ 266.7	\$ 289.4	\$ 278.9	\$ 297.4	\$ 304.1	\$ 309.0	\$ (4.9)	\$ 6.7
Lottery retailers	4,044	3,994	3,853	3,805	3,748	3,983	(235)	(57)
Lottery terminals	4,002	3,962	3,866	3,765	3,707	3,752	(45)	(58)

\$ millions



Lottery and eGaming net income \$304.1 million exceeded the previous year by \$6.7 million but fell short of budget by \$4.9 million. Overall revenue was up \$29.7 million over the previous year, setting a new record.

Profitability was up most notably in the Instant category, where continuing brand rejuvenation and pricing strategies drove revenue up \$21.2 million over the previous year, exceeding budget by \$24.7 million.

Sales in the lotto category were down \$5.7 million, year-over-year (\$5.0 million from budget), largely due to the pattern of jackpot rollovers which did not produce the record number of big jackpots seen in 2012/13.

In 2013/14, BCLC continued to invest in the PlayNow.com eGaming business, increasing the frequency with which new casino-style games were introduced, and making other product enhancements. Overall, eGaming revenues were up \$17.7 million from 2012/13—an increase of 24 per cent.

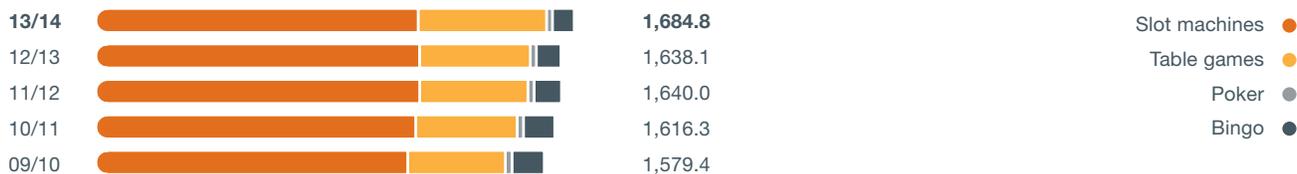
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended March 31, 2014
(in millions of dollars)

Casino and Community Gaming Operations

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Budget	Variance from Budget	Variance from Prior Year
Revenue								
Slot machines	\$ 1,098.6	\$ 1,126.6	\$ 1,140.7	\$ 1,140.1	\$ 1,135.3	\$ 1,174.0	\$ (38.7)	\$ (4.8)
Table games	343.9	357.1	380.9	390.2	452.1	403.0	49.1	61.9
Poker	23.1	22.5	22.1	21.3	20.7	20.0	0.7	(0.6)
Bingo	113.8	110.1	96.3	86.5	76.7	81.0	(4.3)	(9.8)
	1,579.4	1,616.3	1,640.0	1,638.1	1,684.8	1,678.0	6.8	46.7
Prizes	72.3	70.8	61.1	55.4	49.9	51.5	1.6	5.5
Net win	1,507.1	1,545.5	1,578.9	1,582.7	1,634.9	1,626.5	8.4	52.2
Direct expenses	535.5	542.7	552.9	556.0	580.8	575.3	(5.5)	(24.8)
Gaming support costs & operating expenses	132.1	126.2	136.7	126.7	159.3	140.9	(18.4)	(32.6)
Net income before taxes	839.5	876.6	889.3	900.0	894.8	910.3	(15.5)	(5.2)
GST/HST	27.1	60.3	60.8	72.2	24.3	47.3	23.0	47.9
Net income	\$ 812.4	\$ 816.3	\$ 828.5	\$ 827.8	\$ 870.5	\$ 863.0	\$ 7.5	\$ 42.7
Casinos	17	17	17	17	17			
Slot machines	9,438	9,476	9,727	9,740	9,907			
Tables	478	436	459	472	476			
Commercial halls	13	11	10	7	7			
Community gaming centres	15	16	17	19	19			
Community gaming slot machines	1,581	1,850	2,103	2,484	2,803			

\$ millions

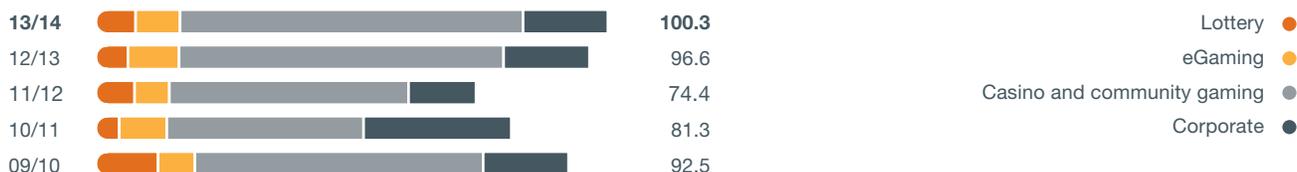


The Casino and Community Gaming business generated revenue of \$1.685 billion in 2013/14, up \$46.7 million from 2012/13, and \$6.8 million more than planned. Revenue from slot machines slipped \$4.8 million, but table games continued to build on last year's success, outpacing budget by \$49.1 million and the previous year by \$61.9 million.

Capital Spending

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Budget	Variance from Budget
Lottery	\$ 12.2	\$ 4.6	\$ 7.6	\$ 6.3	\$ 7.8	\$ 8.8	\$ 1.0
eGaming	7.2	9.3	6.8	10.0	8.7	6.8	(1.9)
Casino & community gaming	56.4	38.5	46.8	63.5	67.2	74.2	7.0
Corporate	16.7	28.9	13.2	16.8	16.6	30.2	13.6
Capital expenditures	\$ 92.5	\$ 81.3	\$ 74.4	\$ 96.6	\$ 100.3	\$ 120.0	\$ 19.7

\$ millions



From year to year, capital spending varies significantly in response to revenue and gambling facility initiatives. In 2013/14, capital spending of \$100.3 million was \$19.7 million less than budget, but \$3.7 million more than in 2012/13. The increased year-over-year spending reflects the advancement of the GMS project; variances from budget are the result of careful cost management and some project delays.

BCLC is in the third year of a four-year project to replace the GMS which supports the annual generation of \$1.7 billion in revenue and more than \$870 million in net income. A broad group of partners both inside and outside BCLC are creating a whole new technology architecture and platform for the casino business-- configuring, testing, and rolling out a new system that will provide a foundation for modernization, growth, and enhanced player relations.

The entire GMS project is projected to cost \$104 million to complete. Costs incurred to March 31, 2014 amount to \$75.4 million.

B.C. Lottotech International, Inc.

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

	2013/2014	2012/2013
Revenue (\$ thousands)		
Lease revenue	\$ 55,870	\$ 49,827
Expenses		
Amortization	55,730	49,700
Other Expenses (Income)	(405)	(223)
	55,325	49,477
Net Income (Loss)	\$ 545	\$ 350

Management's responsibility for financial reporting

The consolidated financial statements of BCLC have been prepared by management in accordance with International Financial Reporting Standards. These statements present fairly the consolidated financial position of BCLC as at March 31, 2014, and the results of its consolidated financial performance and cash flows for the year then ended.

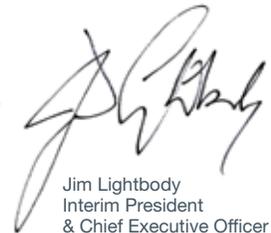
Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance

that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

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



Jervis Rodrigues
Chief Financial Officer
& Vice-President,
Finance and Corporate Services



Jim Lightbody
Interim President
& Chief Executive Officer

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of British Columbia Lottery Corporation, which are comprised of the consolidated statement of financial position as at March 31, 2014, the consolidated statements of comprehensive income, changes in deficit and cash flows for the year then ended, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of British Columbia Lottery Corporation as at March 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants
Kamloops, Canada

May 8, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2014, with comparative information for 2013
(in thousands of Canadian dollars)

	2014	2013 ¹
ASSETS		
Cash and cash equivalents (note 6)	\$ 69,791	\$ 63,512
Accounts receivable (note 7)	38,159	41,933
Receivable from the Interprovincial Lottery Corporation	7,746	7,154
Prepaid expenses	6,869	5,485
Inventories (note 8)	7,241	9,998
Total current assets	129,806	128,082
Employee future benefits (note 9)	17,836	2,296
Property and equipment (note 10)	176,147	141,192
Intangible assets (note 11)	85,689	82,652
Total non-current assets	279,672	226,140
Total assets	\$ 409,478	\$ 354,222
LIABILITIES		
Cheques issued in excess of funds on hand (note 6)	\$ 1,695	\$ 7,325
Prizes payable (note 12)	31,032	31,201
Accounts payable, accrued liabilities and other (note 13)	86,106	69,240
Short-term financing (note 14)	154,926	131,704
Due to the Government of British Columbia (note 16)	100,506	111,296
Deferred revenue	8,362	6,274
Total current liabilities	382,627	357,040
Employee future benefits (note 9)	65,404	57,064
Total non-current liabilities	65,404	57,064
Total liabilities	448,031	414,104
DEFICIT		
Accumulated deficit	(17,144)	(17,144)
Accumulated other comprehensive loss	(21,409)	(42,738)
Total deficit	(38,553)	(59,882)
Total liabilities and deficit	\$ 409,478	\$ 354,222

¹ Certain 2013 figures have been restated—see note 3(G)

Commitments and contingencies (notes 19 and 20)
See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:



Bud Smith
Chair, Board of Directors



Bob Holden
Chair, Audit Committee

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2014, with comparative information for 2013
(in thousands of Canadian dollars)

	2014	2013 ¹
Revenue	\$ 2,808,399	\$ 2,731,901
Prizes	665,619	649,558
	2,142,780	2,082,343
Commissions and fees	631,055	605,784
Systems, maintenance and ticket distribution	36,519	29,420
Gaming equipment, leases and licenses	21,958	19,545
Ticket printing	12,469	11,811
	702,001	666,560
Employee costs	118,075	86,734
Amortization and depreciation	61,733	54,709
Advertising, marketing and promotions	24,687	28,279
Professional fees and services	7,697	9,149
Cost of premises	6,756	6,384
Net financing costs (note 15)	569	350
Other	8,573	8,208
	228,090	193,813
Income before the undernoted	1,212,689	1,221,970
Indirect tax expense (note 22)	38,106	96,751
Net income	1,174,583	1,125,219
Other comprehensive income (loss)		
<i>Item that will never be reclassified to net income</i>		
Net defined benefit plan actuarial gains (losses) (note 9)	21,329	(9,368)
Total comprehensive income	\$ 1,195,912	\$ 1,115,851

¹ Certain 2013 figures have been restated—see note 3 (G)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT

Year ended March 31, 2014, with comparative information for 2013
(in thousands of Canadian dollars)

	Accumulated Deficit ¹		AOCL ^{1,2}	Total Deficit ¹
Balance, April 1, 2012	\$ (14,758)	\$	(33,370)	\$ (48,128)
Net income	1,125,219		–	1,125,219
Net defined benefit plan actuarial losses (note 9)	–		(9,368)	(9,368)
Total comprehensive income	1,125,219		(9,368)	1,115,851
Distributions to the Government of British Columbia (note 16)	(1,118,394)		–	(1,118,394)
Distributions to the Government of Canada (note 17)	(9,211)		–	(9,211)
Balance, March 31, 2013	\$ (17,144)	\$	(42,738)	\$ (59,882)
Net income	1,174,583		–	1,174,583
Net defined benefit plan actuarial gains (note 9)	–		21,329	21,329
Total comprehensive income	1,174,583		21,329	1,195,912
Distributions to the Government of British Columbia (note 16)	(1,165,323)		–	(1,165,323)
Distributions to the Government of Canada (note 17)	(9,260)		–	(9,260)
Balance, March 31, 2014	\$ (17,144)	\$	(21,409)	\$ (38,553)

1 Certain 2012 and 2013 figures have been restated—see note 3

2 Accumulated Other Comprehensive Loss

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

 Year ended March 31, 2014, with comparative information for 2013
 (in thousands of Canadian dollars)

	2014	2013 ¹
Cash flows from operating activities:		
Net income	\$ 1,174,583	\$ 1,125,219
Items not involving cash:		
Depreciation of property and equipment	45,506	40,983
Amortization of intangible assets	16,227	13,726
Loss (gain) on disposal of property and equipment	(84)	130
Loss on disposal of intangible assets	33	3
Net benefit plan expense	27,997	11,256
Write-down of inventory to net realizable value	5,330	1,004
Net financing costs	569	350
	1,270,161	1,192,671
Changes in:		
Accounts receivable	3,741	(9,691)
Receivable from the Interprovincial Lottery Corporation	(592)	(7,154)
Prepaid expenses	(1,384)	(1,046)
Inventories	(2,573)	(1,183)
Employee future benefits	(13,868)	(14,213)
Prizes payable	(169)	(209)
Accounts payable, accrued liabilities and other	12,339	8,929
Payable to the Interprovincial Lottery Corporation	–	(714)
Deferred revenue	2,088	2,449
Interest received	561	564
Net cash from operating activities	1,270,304	1,170,403
Cash flows from financing activities:		
Increase in short-term financing	23,278	41,582
Interest paid	(1,153)	(843)
Distributions to the Government of British Columbia	(1,176,113)	(1,143,725)
Distributions to the Government of Canada	(9,260)	(9,211)
Net cash used in financing activities	(1,163,248)	(1,112,197)
Cash flows from investing activities:		
Additions to property and equipment	(80,373)	(42,589)
Additions to intangible assets	(15,385)	(41,428)
Proceeds on disposal of property and equipment	611	533
Net cash used in investing activities	(95,147)	(83,484)
Net increase (decrease) in cash and cash equivalents	11,909	(25,278)
Cash and cash equivalents, beginning of year	56,187	81,465
Cash and cash equivalents, end of year (note 6)	\$ 68,096	\$ 56,187

¹ Certain 2013 figures have been restated—see note 3 (G)

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(in thousands of Canadian dollars)

1. Reporting entity:

British Columbia Lottery Corporation (“BCLC” or “the Corporation”) is a Crown corporation of British Columbia (B.C.). BCLC was incorporated under the *Company Act* (B.C.) on October 25, 1984, and is continued under the *Gaming Control Act* (B.C.). The address of BCLC’s registered office is 74 West Seymour Street in Kamloops, B.C., Canada. As an agent of the Crown, the Government of British Columbia has designated BCLC as the authority to conduct, manage and operate lottery schemes on behalf of the Government of British Columbia, including lottery, casino, bingo and internet gaming (eGaming) activities. BCLC is also the regional marketing organization for national lottery games which are collective undertakings by the provinces of Canada acting through the Interprovincial Lottery Corporation (ILC).

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

2. Basis of preparation:

A. STATEMENT OF COMPLIANCE:

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

The consolidated financial statements were authorized for issue by BCLC’s Board of Directors (the Board) on May 8, 2014.

B. BASIS OF MEASUREMENT:

The consolidated financial statements of the Corporation have been prepared on a historical cost basis except for employee future benefit plan assets, which are recognized as plan assets less the present value of the defined benefit obligation and are limited as explained in note 4(E).

C. FUNCTIONAL AND PRESENTATION CURRENCY:

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

D. USE OF ESTIMATES AND JUDGMENTS:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Consolidation: determination of control over an investee (notes 3(B) and 4(A))

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in the following note:

- Measurement of defined benefit obligations: key actuarial assumptions (note 9)

3. Changes in accounting policies:

Except for the changes below, the Corporation has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements.

The Corporation has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, as at April 1, 2013.

- *Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* (IFRS 7)
- *IFRS 10 Consolidated Financial Statements* (2011) (IFRS 10)
- *IFRS 12 Disclosure of Interests in Other Entities* (IFRS 12)
- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)* (IAS 1)
- *IFRS 13 Fair Value Measurement* (IFRS 13)
- *IAS 19 Employee Benefits* (2011) (IAS 19 (2011))

3. Changes in accounting policies (continued):

The nature and effects of the changes are explained below.

A. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

As a result of the amendments to IFRS 7, the Corporation has expanded its disclosures about the offsetting of financial assets and financial liabilities (see note 5).

B. SUBSIDIARIES:

IFRS 10 introduces a new control model that focuses on whether the Corporation has power over an investee, exposure or rights to variable returns from its involvement with the investee, and ability to use its power to affect those returns.

As a result of IFRS 10, BCLC has changed its accounting policy for determining whether it has control over and consequently whether it consolidates an investee. The adoption of IFRS 10 had no impact on the amounts recorded in the consolidated financial statements as at April 1, 2013 or on the comparative periods.

C. DISCLOSURE OF INTERESTS IN OTHER ENTITIES:

As a result of IFRS 12, BCLC has reviewed its disclosures about its interests in its subsidiary (see note 4(A)) with no impact on the existing disclosures as a result.

D. PRESENTATION OF ITEMS IN OTHER COMPREHENSIVE INCOME (OCI):

As a result of the amendments to IAS 1, the Corporation has modified the presentation of items of OCI in its consolidated statement of comprehensive income, to present separately items that would be reclassified to net income from those that would never be. The presentation of comparative information has been revised accordingly.

E. FAIR VALUE MEASUREMENT:

As a result of IFRS 13, BCLC has reviewed its disclosures about fair values (see note 5) with no impact to the existing disclosures as a result. In accordance with the transitional provisions of IFRS 13, the Corporation has applied the new fair value measurement guidance prospectively. The change had no impact on the measurement of the Corporation's assets and liabilities.

F. EMPLOYEE BENEFITS:

As a result of IAS 19 (2011), the Corporation has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefits plans.

Under IAS 19 (2011), the Corporation immediately recognizes all unvested past service costs in income as employee costs. Also under the amended standard, the Corporation determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) is now comprised of interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Corporation determined interest income on plan assets based on their long-term rate of expected return. The Corporation continues to recognize actuarial gains and losses in OCI, consistent with previous presentation.

The quantitative impact of the changes, which have been applied retroactively with an initial date of application of April 1, 2012, are set out in (G) below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(in thousands of Canadian dollars)

3. Changes in accounting policies (continued):

G. SUMMARY OF QUANTITATIVE IMPACTS:

The following tables summarize the impacts of the adoption of IAS19 (2011) on the Corporation's financial position, comprehensive income and cash flows. The impacts relate to the changes to defined benefit plans (see (F)).

Consolidated statement of financial position

As at April 1, 2012

	As previously reported	Impact of changes in accounting policy	As restated
Employee future benefits liability	\$ 59,436 ¹	\$ (2,970)	\$ 56,466
Total liabilities	\$ 369,828	\$ (2,970)	\$ 366,858
Accumulated deficit	\$ (17,728)	\$ 2,970	\$ (14,758)
Accumulated other comprehensive loss	\$ (33,370)	\$ –	\$ (33,370)
Total deficit	\$ (51,098)	\$ 2,970	\$ (48,128)
Total liabilities and deficit	\$ 318,730	\$ –	\$ 318,730

¹ Amount previously reported on March 31, 2012 was \$52,873. The difference is due to reclassification between employee future benefits liability and employee future benefits asset.

As at March 31, 2013

	As previously reported	Impact of changes in accounting policy	As restated
Employee future benefits liability	\$ 59,671 ¹	\$ (2,607)	\$ 57,064
Total liabilities	\$ 416,711	\$ (2,607)	\$ 414,104
Accumulated deficit	\$ (17,728)	\$ 584	\$ (17,144)
Accumulated other comprehensive loss	\$ (44,761)	\$ 2,023	\$ (42,738)
Total deficit	\$ (62,489)	\$ 2,607	\$ (59,882)
Total liabilities and deficit	\$ 354,222	\$ –	\$ 354,222

¹ Amount previously reported on March 31, 2013 was \$57,375. The difference is due to reclassification between employee future benefits liability and employee future benefits asset.

Consolidated statement of comprehensive income

For the year ended March 31, 2013

	As previously reported	Impact of changes in accounting policy	As restated
Employee costs	\$ 84,348	\$ 2,386	\$ 86,734
Net income	\$ 1,127,605	\$ (2,386)	\$ 1,125,219
Other comprehensive income (loss)			
Net defined benefit plan actuarial losses	\$ (11,391)	\$ 2,023	\$ (9,368)
Total comprehensive income	\$ 1,116,214	\$ (363)	\$ 1,115,851

3. Changes in accounting policies (continued):

G. SUMMARY OF QUANTITATIVE IMPACTS (CONTINUED):

Consolidated statement of cash flows

For the year ended March 31, 2013

	As previously reported	Impact of changes in accounting policy	As restated
Net income	\$ 1,127,605	\$ (2,386)	\$ 1,125,219
Net benefit plan expense	\$ 8,870	\$ 2,386	\$ 11,256
Net decrease in cash and cash equivalents	\$ (25,278)	\$ –	\$ (25,278)

4. Significant accounting policies:

Certain comparative amounts in the consolidated statement of comprehensive income have been re-presented as a result of a change in the accounting policy regarding the presentation of items of OCI (see note 3(D)) and with respect to defined benefit plans (see note 3(G)).

Except for the changes explained in note 3, the Corporation and its subsidiary have consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

A. BASIS OF CONSOLIDATION:

The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC. Intercompany transactions and balances are eliminated on consolidation.

B. CASH EQUIVALENTS:

Cash equivalents include Canadian money market funds (overnight deposits) with financial institutions having original maturity dates of three months or less from the acquisition date, which are subject to an insignificant risk of changes in their fair value, and are used by the Corporation in the management of its short-term commitments. Canadian money market funds are highly liquid and form an integral part of the Corporation's cash management.

C. FINANCIAL INSTRUMENTS:

The Corporation classifies its non-derivative financial instruments into the following categories: fair value through income, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments were acquired.

i. Non-derivative financial assets:

The Corporation initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or are settled.

The Corporation has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for doubtful debts and impairment losses (see note 4(H)). Amortized cost is determined with reference to any discounts or premiums on acquisition over the period to maturity.

Loans and receivables are comprised of cash and cash equivalents, accounts receivable and the receivable from the Interprovincial Lottery Corporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(in thousands of Canadian dollars)

4. Significant accounting policies (continued):

C. FINANCIAL INSTRUMENTS (CONTINUED):

ii. Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade dates, which are the dates that the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged or cancelled.

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method with interest expense recognized in income as net financing costs in the period in which it is incurred.

The Corporation's non-derivative financial liabilities are comprised of cheques issued in excess of funds on hand, prizes payable, accounts payable, accrued liabilities and other, short-term financing, and due to the Government of British Columbia.

iii. Offsetting:

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

D. INVENTORIES:

Inventories are measured at the lower of cost, determined on a weighted average or first-in, first-out basis, and net realizable value.

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their net realizable values when the cost of the inventories is estimated not to be recoverable through use or sale.

E. EMPLOYEE FUTURE BENEFITS:

i. Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Termination benefits:

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. Benefits payable are discounted to their present value when the time value of money is material.

4. Significant accounting policies (continued):

E. EMPLOYEE FUTURE BENEFITS (CONTINUED):

iii. Defined benefit plans:

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of benefit payable in the future that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value and the fair value of any plan assets are deducted.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

F. PROPERTY AND EQUIPMENT:

The Corporation's policy on capital purchases is that any major purchase which has a useful life of more than 12 months beyond the end of the current year will be capitalized.

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

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

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

The cost of replacing part of an item of property and equipment is recognized within the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in income as incurred.

Land and assets under construction are not depreciated. The cost of other assets is depreciated over their estimated useful lives on a straight-line basis, beginning when they are available for use. Depreciation is based on asset cost less estimated residual value and based on the following estimated useful lives:

Asset	Rate
Corporate facilities, systems and equipment	3 to 20 years
Lottery gaming systems and equipment	5 years
eGaming systems and equipment	3 to 5 years
Casino and community gaming systems and equipment	3 to 10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(in thousands of Canadian dollars)

4. Significant accounting policies (continued):

F. PROPERTY AND EQUIPMENT (CONTINUED):

The residual values, depreciation methods and useful economic lives of property and equipment are reviewed annually and adjusted if appropriate.

Gains and losses realized on the disposition of items of property and equipment are determined by comparing net proceeds with carrying amounts. These gains and losses on disposal are included on a net basis within other expenses in the consolidated statement of comprehensive income.

G. INTANGIBLE ASSETS:

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

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

The cost of computer software and systems that are acquired by the Corporation includes the purchase price and any expenditure directly attributable to preparing the asset for its intended use.

Capitalized direct labour is comprised of short-term employee benefits for employees working directly on development and is based on the time spent on the development of the asset. Borrowing costs related to the development of qualifying assets are capitalized.

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to 10 years). The residual values, amortization methods and useful economic lives of intangible assets are reviewed annually and adjusted if appropriate.

H. IMPAIRMENT:

i. Financial assets:

Financial assets not classified as at fair value through income are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through income.

ii. Non-financial assets:

The carrying amounts of non-financial assets, other than inventories and employee future benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset or cash generating unit's fair value less costs to sell, and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Impairment losses are recognized in income and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

I. PROVISIONS:

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

Provisions are reviewed at each reporting date and adjusted to reflect current estimates.

4. Significant accounting policies (continued):

J. REVENUE RECOGNITION:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized for major business activities as follows:

i. Gaming revenue:

Revenue from lottery tickets is recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

Revenue, net of buybacks, for all instant ticket games is recognized at the time of the transfer of legal ownership to the retailer.

Revenue from slot machines, table games and eCasino is recognized, net of prizes paid, in the same period the game is played.

Revenue from the operation of bingo games is recognized in the same period the game is played.

ii. Customer loyalty programs:

The Corporation has several customer loyalty programs through which customers receive free or discounted goods or services (including free play). If a customer has the right to receive cash under a customer loyalty program, a financial liability is recognized under IAS 39—*Financial Instruments: Recognition and Measurement* (IAS 39). These customer loyalty programs are measured initially at fair value and are only derecognized when the derecognition criteria in IAS 39 are met. If the patron does not have the right to receive cash, if the promotion is part of a current gaming transaction, or if the patron can redeem the promotional item for free or discounted goods or services (including free play), the customer loyalty program is recognized as revenue. The revenue, as determined by the fair value of the undelivered goods and services related to the customer loyalty program taking into account the expected redemption rate when applicable, is deferred until the promotional consideration is provided under IFRIC 13—*Customer Loyalty Programs* or until the award expires.

iii. Net win:

Net win represents gaming revenue net of prizes paid.

K. PRIZES:

Lottery and bingo prize expenses are recorded based on the actual prize liability experienced for each game.

Instant ticket games prize expenses are recorded at the theoretical prize liabilities for each game. The actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense.

Unclaimed lottery prizes are recorded as prizes payable until the prizes are claimed, discontinued or expire. Expired prizes are recorded as reductions in prize expense and prize liability in the year of expiry.

Unclaimed prizes of national lottery games are administered by the ILC.

Progressive jackpots:

The Corporation has several progressive jackpot games, each of which may be comprised of a seed (or base) as well as an incremental portion which increases by allotting a portion of each player's wager to the pot. BCLC recognizes such amounts as a prize payable at the time the Corporation has the obligation to pay the jackpot.

L. COMMISSIONS:

Commissions paid to lottery retailers are based on revenue earned by BCLC. BCLC records these commission expenses as revenue is earned.

Commissions paid to gaming facility service providers, including commissions for facility development, are based on net win generated in accordance with underlying agreements. BCLC recognizes commission expenses as net win is earned. Commissions for facility development are based on a commission structure employed by BCLC that enables gaming facility service providers to earn additional commission up to contractually determined limits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(in thousands of Canadian dollars)

4. Significant accounting policies (continued):

M. LEASES:

Leases in which the Corporation assumes substantially all the risks and rewards of ownership are classified as financing leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under financing leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases other than financing leases are classified as operating leases and are not recognized in the consolidated statement of financial position. Payments made under operating leases are recognized in income on a straight-line basis over the terms of the leases.

N. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED:

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after April 1, 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards early.

i. Amendment to IAS 32 *Financial Instruments: Presentation* (IAS 32):

The amendment to IAS 32 clarifies the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement.” The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014, with early application permitted. At the date of these consolidated financial statements, the impact of this amendment is unknown. The Corporation plans to adopt this amended standard for its fiscal year ending March 31, 2015.

ii. Amendment to IAS 19 *Employee Benefits* (IAS 19):

The amendment to IAS 19 simplifies the accounting for contributions from employees or third parties to defined benefit plans that are independent of the number of years of service. The amendment is effective for annual periods beginning on or after July 1, 2014, with early application permitted. At the date of these consolidated financial statements, the impact of this amendment is unknown. The Corporation plans to adopt this amended standard for its fiscal year ending March 31, 2016.

iii. IFRS 9 *Financial Instruments* (IFRS 9) and amendments to IFRS 7 *Financial Instruments: Disclosures* (IFRS 7):

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. Further IFRS 9 introduces changes relating to financial liabilities and includes guidance previously in IAS 39. Early application is permitted with limited exceptions.

The amendments to IFRS 7 provide additional disclosures about the initial adoption of IFRS 9, an entity's risk management strategy and the effect of hedge accounting on the financial statements. The amendments also provide transitional relief on the application of the effective interest method to financial liabilities. At the date of these consolidated financial statements, the impact of these amendments is unknown. The Corporation plans to adopt these standards upon their mandatory effective date.

5. Financial risk management:

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

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

A. GENERAL:

BCLC's Board is responsible for the oversight of management including its policies related to financial and risk management issues and oversight of the overall risk profile. The Board uses BCLC's Audit Committee to assist in the review of financial risks, and the Executive Committee for monitoring the principal risks facing the Corporation. Strategic and business risks are also considered as part of the strategic and business planning processes.

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

The Corporation has adopted a formal risk management strategy and process (in accordance with international risk management standards) to identify significant risks, to assess control systems, and to adopt risk treatment plans when appropriate. Quarterly reports on risk management activities and the risk profile of the Corporation are produced for the Executive Committee and the Board.

The Corporation also has a division focused on corporate security and compliance. Further, the Corporation has internal audit services and a dedicated risk manager to ensure that a high priority is placed on all operational aspects of risk management, control, and compliance.

B. CREDIT RISK:

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its contractual obligations to the Corporation. Credit risk arises principally from the Corporation's trade receivables, net win less commissions outstanding, gaming cash floats, and cash and cash equivalents.

Trade receivables, net win less commissions outstanding and gaming cash floats

The major third parties transacting with the Corporation, which include lottery retailers and gaming facility service providers, require registration with Gaming Policy and Enforcement Branch (GPEB) before doing business with BCLC.

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

Security is obtained from lottery retailers who are considered high financial risks or from lottery retailers where minimal credit information is available. Security may include Irrevocable Standby Letters of Credit, security deposits, or personal guarantees. The Corporation may secure trade receivables from lottery retailers and net win less commissions that would be outstanding from gaming facility service providers through security deposits or Irrevocable Standby Letters of Credit. This security also covers gaming cash floats owned by the Corporation and provided by the Corporation to certain gaming facility service providers. While the Corporation is materially exposed to two different gaming facility service providers, their letters of credit and daily cash sweeps made by the Corporation mitigate the risk of material default for financial assets owned by the Corporation. The Corporation's PlayNow.com sales are paid in advance through credit card, debit card, or online bill payment transactions.

As at March 31, 2014, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for \$8,685 (2013: \$10,996) of the accounts receivable carrying amount.

The maximum exposure to credit risk for trade receivables, net win less commissions outstanding and gaming cash floats at the reporting date by type of debtor is represented by the carrying amounts less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

	2014		2013
Maximum exposure	\$ 79,443	\$	83,759
Collateral	(60,948)		(60,057)
Net exposure	\$ 18,495	\$	23,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(in thousands of Canadian dollars)

5. Financial risk management (continued):

Trade receivables, net win less commissions outstanding and gaming cash floats (continued)

B. CREDIT RISK (CONTINUED):

Normal credit terms of trade receivables or net win less commissions outstanding are within 30 days. As at March 31, 2014 and 2013, there were no trade receivables or net win less commissions outstanding more than 60 days.

Cash and cash equivalents

Cash and cash equivalents, excluding gaming cash floats, are held with banks and counterparties which have high credit ratings and minimal market risk. Cash equivalents are limited to short-term debt securities with minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

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

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

The maximum exposure to credit risk for cash and cash equivalents, excluding gaming cash floats, is represented by the carrying amounts at the reporting date (note 6).

Concentrations

The Corporation has significant business arrangements with two gaming facility service providers which account for the majority of its casino and community gaming business. The Corporation also has arrangements with other gaming facility service providers and approximately 3,800 lottery retailers. Credit risk related to service providers or lottery retailers is mitigated through Irrevocable Standby Letters of Credit or security deposits, as well as the distribution of risk across a large number of lottery retailers.

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

C. LIQUIDITY RISK:

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

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

The Corporation also has a \$10 million unused demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2013: prime rate).

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

Invested funds represent temporary cash surplus balances resulting from unclaimed prize money and money from normal operations held in advance of its transfer to the Government of British Columbia (note 16). As a result of fluctuating cash flow requirements and to minimize financial risk, the Corporation maintains a high degree of liquidity.

The contractual maturities of all financial liabilities as at March 31, 2014 and 2013 are three months or less.

D. MARKET RISK:

Market risk is the risk that changes in market prices will affect the fair value of or future cash flows from a financial instrument. Market risk includes currency risk, interest rate risk and other market price risk. BCLC is exposed to interest rate risk which is described below.

Interest rate risk

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Government of British Columbia. The terms are set by the Government of British Columbia each time a loan is requested under the FAL agreement. The terms are determined based on market conditions available at that time.

The Corporation mitigates this risk by borrowing the minimum amount necessary from the Government of British Columbia.

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

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

	2014		2013
Canadian money market fund (overnight deposit) (fixed-rate instruments)	\$ 19,168	\$	14,754
Short-term financing (fixed-rate instruments)	(154,926)		(131,704)
	\$ (135,758)	\$	(116,950)

Sensitivity analysis

The Corporation does not account for any fixed-rate financial instruments at fair value through income; therefore, a change in interest rates at the reporting date would not affect net income. A change of one per cent in interest rates at the reporting date would have increased (decreased) the deficit by \$1,358 (2013: \$1,169).

E. FAIR VALUES:

The carrying amounts of financial assets and financial liabilities not classified as fair value through income approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand.

F. OFFSETTING:

The carrying amounts of recognized financial instruments that are set off in the consolidated statement of financial position are as follows:

		Gross financial assets set off		Gross financial liabilities set off		Net financial assets		Related financial assets not set off		Net amount
As at March 31, 2014										
Accounts receivable	\$	55,519	\$	(18,953)	\$	36,566	\$	1,593	\$	38,159
Receivable from the Interprovincial Lottery Corporation	\$	8,415	\$	(669)	\$	7,746	\$	-	\$	7,746
As at March 31, 2013										
Accounts receivable	\$	59,792	\$	(20,056)	\$	39,736	\$	2,197	\$	41,933
Receivable from the Interprovincial Lottery Corporation	\$	8,710	\$	(1,556)	\$	7,154	\$	-	\$	7,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. Cash and cash equivalents:

	2014		2013
Gaming cash floats	\$ 41,284	\$	41,826
Funds held for security deposits	5,373		3,511
Funds held for player accounts	3,966		3,421
Canadian money market fund (overnight deposit)	19,168		14,754
Cash and cash equivalents in the statement of financial position	69,791		63,512
Cheques issued in excess of funds on hand in the statement of financial position	(1,695)		(7,325)
Cash and cash equivalents in the statement of cash flows	\$ 68,096	\$	56,187

Gaming cash floats are owned by the Corporation and provided by the Corporation to its gaming facility service providers for gaming bankrolls (as specified under the operating service agreements). These floats are located at the gambling locations and are not available for other purposes.

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of \$5,373 (2013: \$3,511) is included in accounts payable, accrued liabilities and other.

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player account liability in the amount of \$3,966 (2013: \$3,421) is included in accounts payable, accrued liabilities and other.

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

7. Accounts receivable:

	2014		2013
Trade receivables and net win less commissions outstanding:			
Lottery retailers	\$ 20,255	\$	22,597
Gaming facility service providers	14,702		17,072
	34,957		39,669
Other	3,202		2,264
	\$ 38,159	\$	41,933

8. Inventories:

The major components of inventories are as follows:

	2014		2013
Slot machine spare parts	\$ 1,794	\$	5,942
Instant tickets	3,435		2,730
Other	2,012		1,326
	\$ 7,241	\$	9,998

For the year ended March 31, 2014, inventories recognized as an expense amounted to \$17,020 (2013: \$15,488) and the write-down of inventories to net realizable value amounted to \$5,330 (2013: \$1,004).

9. Employee future benefits:

	2014	2013 ¹
Net defined benefit asset (Plan A)	\$ (17,836)	\$ (2,296)
Net defined benefit liabilities (Plans B and C)	65,404	57,064
Net employee future benefits	\$ 47,568	\$ 54,768

¹ Certain 2013 figures have been restated—see note 3 (G)

The Corporation contributes to and controls the following post-employment defined benefit plans.

Registered Pension Plan (Plan A)

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

Plan A exposes the Corporation to liquidity risk, foreign currency risk, interest rate risk, credit risk and other market price risk.

Supplementary Pension Plan (Plan B)

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

Non-Pension Post-Employment Plan (Plan C)

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

A. FUNDING:

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

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

The Corporation expects to pay \$16,000 in contributions to Plan A in the year ending March 31, 2015.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2014
(in thousands of Canadian dollars)

9. Employee future benefits (continued):
B. MOVEMENT IN NET DEFINED BENEFIT LIABILITY (ASSET):

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2014	2013 ¹	2014	2013	2014	2013 ¹
Balance at April 1	\$ 220,499	\$ 191,329	\$ (165,731)	\$ (142,972)	\$ 54,768	\$ 48,357
Included in income						
Current service cost	12,292	8,919	–	–	12,292	8,919
Past service cost	13,426	–	–	–	13,426	–
Interest cost (income)	9,543	9,620	(7,484)	(7,586)	2,059	2,034
Administration cost	–	–	220	303	220	303
	35,261	18,539	(7,264)	(7,283)	27,997	11,256
Included in OCI						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from:						
– demographic assumptions	19,540	(11,776)	–	–	19,540	(11,776)
– financial assumptions	(20,618)	24,551	–	–	(20,618)	24,551
– experience adjustments	(642)	2,379	–	–	(642)	2,379
Return on plan assets excluding interest income	–	–	(19,609)	(5,786)	(19,609)	(5,786)
	(1,720)	15,154	(19,609)	(5,786)	(21,329)	9,368
Other						
Contributions paid by the employer	–	–	(13,868)	(14,213)	(13,868)	(14,213)
Contributions paid by the employee	2,696	2,490	(2,696)	(2,490)	–	–
Benefits paid	(8,163)	(7,013)	8,163	7,013	–	–
	(5,467)	(4,523)	(8,401)	(9,690)	(13,868)	(14,213)
Balance at March 31	\$ 248,573	\$ 220,499	\$ (201,005)	\$ (165,731)	\$ 47,568	\$ 54,768
Represented by:					2014	2013 ¹
Net defined benefit asset (Plan A)					\$ (17,836)	\$ (2,296)
Net defined benefit liabilities (Plans B and C)					65,404	57,064
					\$ 47,568	\$ 54,768

¹ Certain 2013 figures have been restated—see note 3 (G)

During 2014, the pension arrangements for a number of employees were adjusted. As a result of a plan amendment, the Corporation's defined benefit obligation increased by \$13,426 (2013: \$ nil). A corresponding past service cost was recognized in employee costs in the consolidated statement of comprehensive income during 2014.

9. Employee future benefits (continued):

C. PLAN ASSETS:

Plan assets are comprised of:

2014	Level 1 ¹	Level 2 ²	Total	Asset Mix
Equity securities				
Canadian equity	\$ 64,537	\$ -	\$ 64,537	32%
Global equity	71,272	-	71,272	35%
Investment funds				
Fixed income	8,966	-	8,966	5%
Debt securities				
Canada bonds	35,032	-	35,032	17%
Canada real return bonds	-	20,503	20,503	10%
Cash and cash equivalents	695	-	695	1%
	\$ 180,502	\$ 20,503	\$ 201,005	100%

2013	Level 1 ¹	Level 2 ²	Total	Asset Mix
Equity securities				
Canadian equity	\$ 52,434	\$ -	\$ 52,434	32%
Global equity	52,547	-	52,547	32%
Investment funds				
Fixed income	9,074	-	9,074	5%
Debt securities				
Canada bonds	31,859	-	31,859	19%
Canada real return bonds	-	17,981	17,981	11%
Cash and cash equivalents	1,836	-	1,836	1%
	\$ 147,750	\$ 17,981	\$ 165,731	100%

1 The fair value of Level 1 assets is determined based on quoted prices in active markets.

2 The fair value of Level 2 assets is determined using inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly.

At each reporting date, an Asset-Liability Matching study is performed by the pension fund's actuarial consultants in which the consequences of the strategic investment policies are analyzed. As a general policy, and in accordance with the relevant regulations, the Corporation has adopted the investment guidelines of the PBSA for defining permissible investment activities for money held in trust. Each investment manager is expected to actively manage Plan A's assets within the parameters of the strategic asset mix comprising 40–70 per cent equity securities, 30–50 per cent investment funds and debt securities and 0–10 per cent cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. Employee future benefits (continued):

D. DEFINED BENEFIT OBLIGATION:

i. Actuarial valuation and assumptions:

An actuarial valuation is required, at a minimum, every three years to assess the financial position of Plan A. The most recent actuarial valuation of Plan A for funding purposes was made as of December 31, 2010 by Mercer (Canada) Limited, a firm of consulting actuaries. The next required actuarial valuation will be made as of December 31, 2013, with results expected to be available in 2014 after the release of these consolidated financial statements. Although there is no statutory requirement, an actuarial valuation is completed every three years on Plan C. An actuarial valuation of Plan C was performed as of January 31, 2013.

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

	Plans A and B		Plan C	
	2014	2013	2014	2013
Discount rate	4.65%	4.40%	4.65%	4.40%
Interest rate	4.40%	5.10%	4.40%	5.10%
Rate of compensation increase for the fiscal year	2.06%	2.67%	–	–
Future compensation increases	2.25%	2.25%	–	–
Inflation	2.25%	2.25%	–	–
Initial weighted-average health care trend rate	–	–	5.93%	6.15%
Ultimate weighted-average health care trend rate	–	–	4.50%	4.50%
Year ultimate reached	–	–	2029	2029
Assumed life expectations on retirement at age 65				
Retiring today				
Male	22.9	19.8	22.9	19.8
Female	24.8	22.1	24.8	22.1
Retiring in 20 years				
Male	24.0	21.2	24.0	21.2
Female	25.8	22.9	25.8	22.9

ii. Sensitivity analysis:

Changes at March 31, 2014 to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts as follows:

	Defined benefit obligation	
	Increase	Decrease
Discount rate (1% movement)	\$ (40,573)	\$ 52,908
Future compensation increase (1% movement)	\$ 4,450	\$ (3,759)
Inflation (1% movement)	\$ 12,485	\$ (11,401)
Healthcare cost trend rate (1% movement)	\$ 12,428	\$ (9,537)
Future mortality (10% movement)	\$ (4,392)	\$ 4,774

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

10. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost							
Balance at April 1, 2012	\$ 700	\$ 77,217	\$ 108,219	\$ 6,065	\$ 316,837	\$ 2,132	\$ 511,170
Additions	–	6,177	3,063	529	29,933	4,426	44,128
Transferred to systems and equipment	–	–	841	–	75	(916)	–
Disposals and retirements	–	(2,929)	(7,790)	(46)	(11,616)	–	(22,381)
Balance at March 31, 2013	700	80,465	104,333	6,548	335,229	5,642	532,917
Additions	–	5,519	2,072	877	61,608	10,912	80,988
Transferred to systems and equipment	–	128	2,158	–	2,470	(4,756)	–
Disposals and retirements	–	(2,216)	(2,375)	(4)	(16,214)	–	(20,809)
Balance at March 31, 2014	\$ 700	\$ 83,896	\$ 106,188	\$ 7,421	\$ 383,093	\$ 11,798	\$ 593,096
Depreciation							
Balance at April 1, 2012	\$ –	\$ 50,282	\$ 93,056	\$ 3,839	\$ 225,283	\$ –	\$ 372,460
Depreciation for the year	–	9,394	7,495	769	23,325	–	40,983
Disposals and retirements	–	(2,826)	(7,517)	(40)	(11,335)	–	(21,718)
Balance at March 31, 2013	–	56,850	93,034	4,568	237,273	–	391,725
Depreciation for the year	–	9,120	6,084	975	29,327	–	45,506
Disposals and retirements	–	(2,077)	(2,317)	(4)	(15,884)	–	(20,282)
Balance at March 31, 2014	\$ –	\$ 63,893	\$ 96,801	\$ 5,539	\$ 250,716	\$ –	\$ 416,949
Carrying amounts							
At March 31, 2013	\$ 700	\$ 23,615	\$ 11,299	\$ 1,980	\$ 97,956	\$ 5,642	\$ 141,192
At March 31, 2014	\$ 700	\$ 20,003	\$ 9,387	\$ 1,882	\$ 132,377	\$ 11,798	\$ 176,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. Intangible assets:

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

	Software	Assets under development	Total
Cost			
Balance at April 1, 2012	\$ 70,642	\$ 20,015	\$ 90,657
Acquisitions—separately acquired	10,707	33,685	44,392
Acquisitions—internally generated	3,081	4,806	7,887
Borrowing costs capitalized	18	206	224
Transferred to software	8,971	(8,971)	—
Disposals and retirements	(4,397)	—	(4,397)
Balance at March 31, 2013	89,022	49,741	138,763
Acquisitions—separately acquired	11,018	403	11,421
Acquisitions—internally generated	2,952	4,729	7,681
Borrowing costs capitalized	—	195	195
Transferred to software	28,997	(28,997)	—
Disposals and retirements	(73)	—	(73)
Balance at March 31, 2014	\$ 131,916	\$ 26,071	\$ 157,987
Amortization			
Balance at April 1, 2012	\$ 46,779	\$ —	\$ 46,779
Amortization for the year	13,726	—	13,726
Disposals and retirements	(4,394)	—	(4,394)
Balance at March 31, 2013	56,111	—	56,111
Amortization for the year	16,227	—	16,227
Disposals and retirements	(40)	—	(40)
Balance at March 31, 2014	\$ 72,298	\$ —	\$ 72,298
Carrying amounts			
At March 31, 2013	\$ 32,911	\$ 49,741	\$ 82,652
At March 31, 2014	\$ 59,618	\$ 26,071	\$ 85,689

12. Prizes payable:

	2014	2013
Lottery	\$ 24,904	\$ 24,941
Casino and community gaming	6,128	6,260
	\$ 31,032	\$ 31,201

13. Accounts payable, accrued liabilities and other:

	2014	2013
Trade payables	\$ 14,424	\$ 8,866
Accrued expenses	57,119	49,443
Indirect tax payable	4,470	3,641
Other	10,093	7,290
	\$ 86,106	\$ 69,240

14. Short-term financing:

	2014	2013
Government of British Columbia, loans, payable in single instalments including interest ranging from \$12 to \$85 at rates ranging from 0.86% to 0.93%, unsecured, due between April 8, 2014 and May 2, 2014	\$ 154,926	\$ –
Government of British Columbia, loans, payable in single instalments including interest ranging from \$17 to \$35 at rates ranging from 0.88% to 0.94%, unsecured, due between April 3, 2013 and May 7, 2013	–	131,704
	\$ 154,926	\$ 131,704

15. Net financing costs:

	2014	2013
Financing income	\$ (554)	\$ (492)
Interest expense	1,097	846
Foreign exchange (gain) loss	26	(4)
	\$ 569	\$ 350

16. Distributions to the Government of British Columbia:

In accordance with the *Gaming Control Act* (B.C.), net income in each fiscal year, after deducting contractual amounts due to the Government of Canada (note 17), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. The Corporation's transfer to the Government of British Columbia occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings.

17. Distributions to the Government of Canada:

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

18. Interprovincial Lottery Corporation:

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

19. Commitments:

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises and vehicles are as follows:

2015	\$ 5,148
2016	4,464
2017	3,979
2018	3,579
2019	3,262
Thereafter	21,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. Commitments (continued):

The Corporation leases its Vancouver office and warehouse space under operating leases. The leases commenced May, 2011 and have a term of 15 years. The lease payments are increased every five years by a predetermined amount as set out in the contract terms.

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay contingent location fees that are reviewed, negotiated and adjusted as necessary.

The Corporation leases a fleet of vehicles under operating lease agreements. These leases have terms that range from two to six years.

During the year ended March 31, 2014, \$19,075 (2013: \$21,436) was recognized as an expense in the consolidated statement of comprehensive income in respect of operating leases. Included in this amount were contingent rents totaling \$263 (2013: \$292). The Corporation recognized income of \$2,727 (2013: \$2,693) in respect of rent under cancellable operating agreements with lottery retailers.

20. Contingencies:

The Corporation has been named as a defendant in several lawsuits as well as other disputes in the ordinary course of business. A provision is recognized only when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

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

21. Related party transactions:

BCLC is a wholly-owned Crown corporation of the Government of British Columbia.

All transactions with the Government of British Columbia ministries, agencies and Crown corporations occurred in the normal course of operations and are at arm's length, which is representative of fair value.

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

	2014	2013
Short-term employee benefits	\$ 2,982	\$ 3,187
Pension and post-employment benefits	403	412
Termination benefits	-	1,102
Other	48	-
	\$ 3,433	\$ 4,701

The Corporation contributes to defined benefit plans. Transactions with these plans are disclosed in note 9. Other related party transactions have been disclosed in note 16.

22. Indirect tax expense:

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

Provincial Sales Tax is calculated and remitted to the Province of British Columbia pursuant to the *Provincial Sales Tax Act* which was reintroduced in B.C. on April 1, 2013.

Prior to April 1, 2013, BCLC was a prescribed HST registrant making remittances to the Government of Canada pursuant to the Regulations.

Appendix 1:

What we plan to do differently and why

This year, we reworded our corporate goals and objectives as we continue to transform our business and move towards becoming a player-centric organization.

The following table compares the goals in our 2013/14 Revised Service Plan Goals to the current 2014/15 Service Plan.

Perspective	2013/14 to 2015/16 Revised Service Plan Goals	2014/15 to 2016/17 Service Plan Goals	Comments
Player	We will put players first to create the entertainment experiences they enjoy.	We are creating an integrated player-focused entertainment company.	As BCLC transforms the business and moves towards becoming more player-centric, we are working across our three distribution channels so that we provide our players with the best and most relevant entertainment experiences.
People	We will think differently, work together and act fast.	We will think differently, work together and act fast.	No change.
Public	We will build public trust and support for BCLC.	Our business and the benefits it creates are understood and supported by British Columbians.	We will continue to work on building an understanding of and support for our business with a focus on the benefits it creates for the province and for British Columbians.
Profit	We will grow net income and invest in the long-term health of our business.	We will grow net income through investing to sustain the long-term health of our business.	No change.

The following table compares the performance measures in our 2013/14 Revised Service Plan to the current 2014/15 Service Plan.

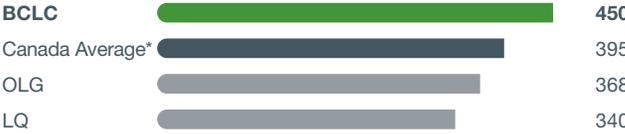
Perspective	2013/14 to 2015/16 Revised Service Plan Performance Measures	2014/15 to 2016/17 Service Plan Performance Measures	Comments
Player	Player Satisfaction	Player Satisfaction	No changes.
	Player Participation	Player Participation	
	Player Awareness of Responsible Gambling Activities	Player Awareness of Responsible Gambling Activities	
	Net Win per Capita	Net Win per Capita	
People	Employee Engagement	Employee Engagement	BCLC has replaced its Vacancy Rate measure with Turnover Rate in order to focus on our ability to attract and retain the talented people we need to keep our business successful.
	Employee Vacancy Rate	Employee Turnover Rate	
Public	Public Support for BCLC	Public Recognition of Positive Contributions	We have replaced the Public Support for BCLC metric with two new measures, Public Recognition of Positive Contributions and Public Perception of BCLC's Transparency, to provide improved insights into how the public feels about our business and the economic benefits it creates.
	Level of Greenhouse Gas Emissions	Public Perception of BCLC's Transparency	
		Level of Greenhouse Gas Emissions	
Profit	Net Income	Net Income	The name of the metric used to assess our level of effectiveness has been changed to better reflect the breadth of costs included in the calculation.
	Operating Costs (% of Net Win)	Comprehensive Cost Ratio (% of Net Win)	

Appendix 2:

Performance management systems and benchmarks

Details of how we use each measure and the targets for the next three years are in the “Our Performance” section of this report. The table below summarizes how we measure each metric, our benchmarks and what we do to check that the data is reliable.

Performance Measure	How We Measure and Benchmark	Data Reliability
Player Satisfaction	<p>A third-party research professional conducts a continuous tracking study to measure Player Satisfaction on our behalf. The survey is conducted online among a random sample of B.C. adults aged 19 and older. The sample is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Players who played in one of BCLC’s gambling channels at least once every three to five months are asked to rate their level of satisfaction with their last experience in each channel on a 10-point scale. For each player, an average satisfaction score is calculated using their satisfaction scores in all channels they play in.</p> <p>Player responses in the top five box scores are then aggregated and expressed as a percentage to get the aggregate satisfaction.</p> <p>Player Satisfaction is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Player Satisfaction is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C.’s population figures available from Statistics Canada’s Census.</p>
Player Participation	<p>A third-party research professional conducts a continuous tracking study to measure Player Participation on our behalf. The survey is conducted online among a random sample of B.C. adults aged 19 and older. The sample is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked how frequently they play our games in any of BCLC’s channels. The result is an aggregate score for those players who played at least once a month in any of our channels.</p> <p>Player Participation is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Player Participation is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada’s Census.</p>

Performance Measure	How We Measure and Benchmark	Data Reliability								
Player Awareness of Responsible Gambling Activities	<p>A third-party research professional conducts a continuous tracking study to measure Player Awareness of Responsible Gambling Activities on our behalf. The survey is conducted online among a random sample of B.C. adults aged 19 and older. The sample is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to indicate their awareness of five of BCLC's responsible gambling activities. The result is a net percentage of BCLC players who are aware of at least one of the five initiatives. Over the coming year, we will examine the need to adjust this measure so that we understand how successful we are in creating player awareness for our key responsible gambling activities.</p> <p>Player Awareness of Responsible Gambling Activities is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Player Awareness of Responsible Gambling Activities is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.</p>								
Net Win per Capita	<p>Net Win per Capita is widely used in the gambling industry. As the age at which legal gambling is permitted varies between jurisdictions, BCLC's calculation is indexed to the total population rather than specifically to B.C.'s adult population, allowing us to benchmark consistently to other jurisdictions.</p> <p>For our benchmark comparisons, net win figures are taken from the most recent audited statement of accounts, as published in the annual reports of the benchmark organizations. In some instances restatement of financial information for benchmark organizations has caused changes to prior reported figures. Canada average figures are drawn from the Canadian Gambling Digest, from which BCLC data is removed.</p> <p>Video lottery terminal (VLT) revenue is included in benchmarking results from Loto-Québec (LQ) and where applicable, the Canada Average comparisons, to give a complete picture of total spending on gambling. The provinces of B.C. and Ontario Lottery and Gaming Corporation do not permit VLTs.</p> <p>2011/12 Net Win per Capita \$</p>  <table border="1" data-bbox="440 1541 1065 1675"> <tr> <td>BCLC</td> <td>450</td> </tr> <tr> <td>Canada Average*</td> <td>395</td> </tr> <tr> <td>OLG</td> <td>368</td> </tr> <tr> <td>LQ</td> <td>340</td> </tr> </table> <p>* BC removed</p>	BCLC	450	Canada Average*	395	OLG	368	LQ	340	<p>Net Win figures are taken from our audited financial statements published in our Annual Service Plan Report.</p> <p>Population figures are from Statistics Canada figures published in July each year and used as the baseline for our calculations for each of the years included in the Service Plan.</p> <p>Forecasts and targets are calculated by BCLC and are reviewed with Treasury Board prior to inclusion in the Service Plan.</p>
BCLC	450									
Canada Average*	395									
OLG	368									
LQ	340									

Performance Measure	How We Measure and Benchmark	Data Reliability
Employee Engagement	<p>Employee Engagement is measured by an annual anonymous online survey amongst BCLC' employees, conducted by a third-party research professional on our behalf.</p> <p>The survey asks employees to rank on a six-point scale their agreement with a broad range of statements that span aspects of the workplace such as work conditions, career and development opportunities, and BCLC's goals and programs.</p> <p>The overall engagement score is an aggregate of the proportion of employees that have agreed with the statements in the top two points of the scale.</p> <p>Employee Engagement is internally benchmarked on a time series basis. We have not externally benchmarked the measure due to the BCLC specific nature of the survey questions.</p>	<p>The survey to measure Employee Engagement is independently conducted a third-party research firm, using market research industry standard techniques.</p>
Employee Vacancy Rate	<p>This metric provides the number of vacant positions as a proportion of BCLC's total headcount. It is measured on a monthly basis. The year-end result is calculated by averaging the monthly vacancy rates.</p> <p>Employee Vacancy Rate is internally benchmarked on a time series basis. We do not externally benchmark, as other gambling jurisdictions and B.C. Crown corporations do not publish equivalent figures.</p>	<p>Employee Vacancy Rate is internally calculated internally by our Human Resources team. The total headcount is the total number of approved positions. The number of vacancies is the number of approved positions currently vacant in the organization.</p>
Public Support for BCLC	<p>A third-party research professional conducts a continuous tracking study to measure Public Support for BCLC on our behalf. The survey is conducted online among a random sample of B.C. adults aged 19 and older and is representative of the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to rate their overall impression of BCLC on a 4-point scale from "Very Favourable" to "Very Unfavourable". Participant responses in the top two box scores, i.e. those rating "Very Favourable" and "Somewhat Favourable", are then aggregated and reported as the aggregate percentage of support for BCLC.</p> <p>Public Support for BCLC is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Public Support for BCLC is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.</p>
Level of Greenhouse Gas Emissions	<p>BCLC uses standard calculations provided by the Province to calculate and report greenhouse gas (GHG) emissions in a standard format, as required by the Province. It is used by the Province to ensure BCLC is meeting the provincial reduction requirements and for benchmarking against other Crown agencies.</p> <p>BCLC obtains the required data from our suppliers of electricity, natural gas, fleet vehicle fuel and paper, and from internal procurement reporting. GHG emissions are internally benchmarked on a time series basis. Our Carbon Neutral Action Report and those of other B.C. Crown corporations are published by the Ministry of Environment annually at the end of June.</p>	<p>Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. We calculate electricity usage for our offsite data facility from meter readings.</p> <p>Fleet vehicle fuel consumption is verified from fuel consumption reporting from our fleet vehicle management company.</p> <p>Paper consumption for all types of reportable paper is measured internally each month.</p>

Performance Measure	How We Measure and Benchmark	Data Reliability
Net Income	<p>Net Income is the calculation of total sales after prizes, direct expenses, gaming support costs, general operating costs, amortization and taxes have been deducted and is reported using financial information from BCLC's publicly reported financial statements.</p> <p>BCLC's net income is analyzed on a time series basis and is not benchmarked with other jurisdictions due to differences in the types of gambling offered by the jurisdiction, differing gaming models and population levels.</p>	<p>Net income figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Forecasts and targets are calculated by BCLC in accordance with International Financial Reporting Standards (IFRS) and are reviewed with the Treasury Board prior to inclusion in BCLC's Service Plan.</p>

Operating Cost Ratio	<p>Our Operating Cost Ratio is the sum of our direct expenses (except prizes), including BCLC private sector service provider commissions and ticket printing, gaming support costs, general operating costs and amortization, divided by our consolidated net win and expressed as a percentage.</p> <p>Including private sector service provider commissions in our direct expenses normalizes BCLC to the different operating models of other jurisdictions (i.e., instead of operating our gambling facilities directly, BCLC pays commissions to private sector service providers). Ticket printing is also included, as many other gambling jurisdictions do not separate this cost from their consolidated operating costs. In some instances restatement of financial information by benchmark organizations has caused changes to prior reported figures.</p> <p>BCLC's operating costs ratio remains below our benchmark comparisons. Swedish lottery Svenska Spel offers a similar gambling mix to BCLC, but derives more of its net win from video lottery terminals and internet gambling, both of which have lower operating costs than more traditional facilities-based casino gambling, from which BCLC derives the majority of its net win.</p>	<p>Direct expenses, gaming support costs, general operating costs and amortization are taken from our audited statement of accounts as published in our Annual Service Plan Report. All figures are determined in accordance with International Financial Reporting Standards.</p> <p>Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p> <p>Benchmark comparisons net win and comprehensive operating cost figures are taken from the audited statements of accounts, as published in the annual reports of the comparator organizations.</p>
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2011/12 Operating Costs Ratio

% of net win

BCLC		42.0
LQ		44.8
Svenska Spel		48.0
OLG		54.0



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BCLC's Service Plan is available at
bclc.com/service-plan

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