



Service Plan
2009/2010–2011/2012

Contact BCLC at:

74 West Seymour Street
Kamloops, BC V2C 1E2
250-828-5500

10760 Shellbridge Way
Richmond, BC V6X 3H1
604-276-0649

Online at www.bclc.com

Consumer Services: 1-866-815-0222
or by email to consumerservices@bclc.com

Lottery Player Complaints: 1-866-601-1818



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Welcome to BCLC's Service Plan 2009/10–2011/12

On behalf of the Board of Directors and employees of BCLC, we are pleased to present our BCLC Service Plan 2009/10–2011/12 to The Honourable Rich Coleman, Minister of Housing and Social Development.

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

This past year has seen significant and positive changes for BCLC as employees welcomed our new President and CEO. New senior roles have been established that will seek innovative and fresh business solutions that focus on our players, on compliance activities across the organization, lead the transformation and renewal of our business, and create a strong infrastructure that will support future business opportunities.

For this 2008/09 year, BCLC's net income generated for Government is expected to meet the target of \$1,110.0 million, a 1.9% increase over the previous year. BCLC's net win, the amount of revenue after prizes are paid, will grow from the 2008/09 forecast \$1,989.9 million to over \$2,264.0 million in 2011/12. Net win growth will average 4.4% annually over the three years

covered by this plan, during which we estimate a total of \$3,607.0 million in income will be generated for Government. A total \$2,097.8 million will be directed to commissions and other direct costs for our private sector lottery retailers and casino, community gaming and bingo service providers, and lottery and bingo players will win \$1,939.9 million in prizes.

This Service Plan reflects a shift in focus to investments that support sustainable revenue and net income for the future. The investments BCLC is planning to our gaming and back office systems will continue to increase the integrity, security and capacity of our gaming operations.

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

Through our Player First program BCLC has implemented significant changes in lottery gaming and those industry-leading programs will continue this year, setting new standards in gaming and business system integrity. These efforts will enhance the integrity, transparency, security and customer service of all of BCLC's gaming activities with a focus on providing our player with the best gaming experience.

BCLC has four goals:

1. **Build public trust and support for BCLC gaming**
 2. **Provide facilities and games to develop the business**
 3. **Invest in infrastructure to support current business operations and future growth**
 4. **Have a workforce passionately driving the success of our business**
-

BCLC strives to ensure our gaming delivery encourages healthy choices and responsible play to help make sure that playing our games stays fun. Through education and communication we are increasing player awareness of responsible gaming to easily identify where responsible gambling information, services and help is available, and we will launch a new awareness program that will raise broader public awareness on how to play responsibly.

This will be an exciting year for all British Columbians, culminating with the Vancouver 2010 Olympic and Paralympic Winter Games to be held in February and March 2010. BCLC is proud of our Official Supporter sponsorship of the Olympic Games and are excited to have the opportunity to offer our players chances to win thousands of event tickets through lottery prizes that each provide a 'once in a lifetime' experience.

BCLC employees will be ambassadors at public events to be held in 14 BC communities throughout the next year, bringing the spirit of the games to those communities.

BCLC has measured our carbon footprint and will use this information to help us achieve carbon neutrality by 2010. We are extending our actions beyond Government requirements to offset our emissions; looking at our facilities, operations and business practices and how we can make them greener by embedding sustainability in our culture. We will do this by encouraging our employees environmental viewpoint and influencing our retailers, service providers and vendors to engage in more sustainable behaviours.

In 2008, the performance framework BCLC uses to assess our level of success in achieving our business plans was compared with best practices, including information publicly available for other gaming organizations.

As a result, we have updated our balanced scorecard framework to better reflect our external and internal business focus, and added some new performance measures to augment this framework. To evaluate our performance, some of our performance measures will continue to be measured over time and we will benchmark our results with the results of other comparable gaming organizations and make that information public.

We expect the recent global financial crisis to affect BCLC's operations and those of our lottery retailers and service providers. Our plan includes realistic growth and commits to proactive, sensible investments in systems and people over the next three years in order to deliver

long-term sustainable income. We will continue to be diligent in our cost management and in our assessment of consumer behaviour in a more challenging market-place, and the impact on our gaming business.

BCLC's 2009/10–2011/12 Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the *BC Reporting Principles*. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of this plan, including the selection of performance measures and targets.

All significant assumptions, policy decisions and identified risks as of January, 2009 have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.

January 22, 2009



John McLernon
Board Chair



Michael Graydon
President and CEO



Who we are

BCLC is a Crown Agency with the authority and responsibility provided by the Province of British Columbia to, on its behalf, conduct, manage and operate lottery, casino, bingo and egaming in British Columbia under the *Criminal Code of Canada* and the *Gaming Control Act* of British Columbia (2002).

The Minister responsible for gaming, the Honourable Rich Coleman, Minister of Housing and Social Development, provides direction to BCLC on behalf of Government. We operate our commercial gaming business in accordance with the legislative, regulatory and policy framework established by Government and are regulated by the Gaming Policy and Enforcement

(GPE). We comply with written directives to BCLC from the Minister and the Assistant Deputy Minister/General Manager of GPE.

GPE is responsible for standards, registration, licensing, audit and compliance enforcement, as well as BC's responsible gambling policy and strategy.

Gaming is entertainment, and BCLC provides exciting gaming opportunities to players in British Columbia to generate income. Government utilizes that income to fund public, charitable and community programs that benefit all British Columbians.

Where we are and what we do

BCLC employees work from two offices: one in Kamloops and a second office in Richmond, as well as field staff who work in gaming facilities and with our lottery retailers and service providers in communities around the province. Our Kamloops office is the primary location of our information technology, finance and administration functions. Gaming operations, security, marketing and communications functions are primarily located in Richmond.

**BCLC conducts and manages
the lottery, casino, bingo and egaming
entertainment business in British Columbia.**

BCLC's products are sold through contracted private sector retailers and service providers. We are forecasting closing the 2008/09 year with approximately 4,000 lottery locations, 17 casinos, 15 community gaming centres and 12 commercial bingo halls. We also sell our products directly to over 100,000 registered players in British Columbia through our PlayNow egaming site.

Our lottery retailers earn an industry-standard commission rate and six private sector casino service providers and 17 service providers for commercial,

independent and charitable community gaming and bingo facilities earn a percentage of sales revenue for providing gaming facilities and day-to-day operational services. BCLC owns all gaming equipment, including lottery and bingo terminals, gaming tables and slot machines.

The consolidated financial statements of BCLC include a wholly owned subsidiary, BC Lottotech International Inc., which has as its sole business the purchase of capital assets for BCLC. The financial statements, management and oversight of Lottotech is consolidated within BCLC operations.

Since 1985, BCLC has grown from a lottery company with \$179 million in net win, to a commercial gaming entertainment organization generating a forecast \$1,989.9 million in net win¹ in 2008/09. BCLC integrates responsible gaming and player security into the design and development of new games and services, markets and advertises our games, manages the technology necessary to run our gaming business, and oversees contracted retailer and service provider operations to ensure gaming integrity, security, compliance and performance.

¹ Net win is the calculation of sales revenue after prizes are deducted.



BCLC's corporate governance framework

The Government of British Columbia establishes the legislative, regulatory and policy framework under which BCLC conducts and manages gaming.

BCLC optimizes our financial performance within the gaming and social policy framework established by Government, ensuring our games and services are provided in a socially responsible manner consistent with our responsibilities reflected in British Columbia's *Responsible Gambling Strategy*.

A key component of BCLC's governance framework is the "Shareholder's Letter of Expectations", an agreement between the Minister, on behalf of Government, and BCLC's Board. This agreement,

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

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

BCLC's *Shareholder's Letter of Expectations* Summary

GOVERNMENT DIRECTION	BCLC ACTIONS
Optimize the Corporation's financial performance within the gaming and social policy framework established by the Shareholder;	Within the gaming and social policy framework established by Government, BCLC achieved \$2,559.2 million in revenue and \$1,088.9 million in net income in 2007/08 and is forecasting \$2,611.4 million in revenue and \$1,110.0 million in net income for 2008/09, meeting the net income target.
Enhance the performance, integrity and efficiency of casino, bingo, lottery and eGaming in response to customer and marketplace demand, through products, services and technology consistent with the Corporation's mandate;	BCLC is increasing the focus on the player and forecasting net income growth through innovative new games, services and marketing, continued improvements to casino and community gaming facilities and customer relations management. Processes and technology to support the performance, integrity and efficiency of the business are a key focus of this Service Plan.
Ensure the Corporation's products and services are provided in a socially responsible manner and strengthen the Corporation's activities related to its social objectives in a manner that is consistent with the Province's Responsible Gambling Strategy and the Corporation's responsibilities reflected in that Strategy;	BCLC delivers gaming in a manner that encourages responsible gambling and healthy choices. Our responsible gaming efforts are focused on enhancing responsible gaming programs for our players and communication about the availability of and access to programs, including voluntary self exclusion. We support the Province of British Columbia in their efforts to reduce the incidence and harmful impacts of problem gambling and to educate and raise public awareness of responsible gaming and problem gambling.
Ensure gaming products and services offered by the Corporation are consistent with the objectives of gaming security and integrity;	The integrity and security of BCLC's gaming systems is paramount to ensuring public trust and confidence in the games and services we offer our players. BCLC's processes and technology are being upgraded and will be continuously improved in order for us to continue to ensure the integrity of and security in, our gaming systems.
Implement the recommendations made by the provincial Ombudsman in May 2007 related to the Corporation;	BCLC continues to implement the Ombudsman's recommendations and enhance the fairness, integrity, transparency, security and player focus of our lottery system. BCLC regularly issues reports that assess our progress in implementing programs to meet these recommendations.

GOVERNMENT DIRECTION	BCLC ACTIONS
Implement recommendations made by Deloitte and Touche LLP in their independent audit of lottery operations in BC undertaken in 2007 as directed by the Shareholder;	BCLC continues to implement Deloitte’s recommendations and further enhance the integrity and transparency of BCLC’s lottery business.
Notify the Shareholder of BCLC’s resolution of any significant issues related to the implementation of recommendations of either the Ombudsman or Deloitte and Touche LLP;	BCLC is working closely with our Shareholder as we implement these recommendations to ensure a shared understanding of any issues, including the associated costs and workload and the increased regulatory, audit, compliance and enforcement activities.
Operate in a manner consistent with the GPE regulatory responsibilities as they apply to BCLC;	<p>BCLC operates its gaming business and financial activities within the legislative, regulatory and policy framework established by Government.</p> <p>BCLC & GPE continue to meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPE’s independent role as regulator.</p>
Build public and key stakeholder trust/support, by continuously improving the quality of service to customers and relationships with service providers;	Building public and stakeholder trust and support by improving the service for our players is a key strategy for BCLC. Continuous improvement is planned through programs such as player-focused training, ongoing management oversight, and collaboration with our service providers.
Comply with the policy directives that may be issued from time to time by the Minister Responsible for the <i>Gaming Control Act</i> and with policies, directives and standards that may be issued from time to time by the regulatory agency (Gaming Policy and Enforcement) established under the <i>Gaming Control Act</i> ;	BCLC continues to comply with policy directives issued by the Minister, including directives and standards issued by GPE.
Report to Government, by March 31, 2009, BCLC’s progress in implementing its action plan on reporting suspicious and large cash transactions;	BCLC continues to direct its service providers to report suspicious and large cash transactions as required under <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act of Canada</i> through the Casino and Community Gaming Standards, Policies and Procedures. We have strengthened training programs, monitoring of submitted reporting and compliance audit frequency, and will continue to report to Government on our progress.
Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact on BCLC’s achievement of its Service Plan targets either negatively or positively; and	BCLC reports financial results to our Shareholder on a quarterly basis and regularly notifies our Shareholder of any major changes occurring or likely to occur that may impact the achievement of our Service Plan targets.
Operationalize carbon reduction plans developed by the Corporation in compliance with the Climate Action Secretariat’s <i>Framework for Greenhouse Gas Measurement and Reporting: Guidance for Crown Corporations</i> .	<p>BCLC is developing plans that adhere to Government requirements to report on and offset our carbon emissions as part of company operations.</p> <p>We are extending our efforts to advance environmentally sustainable behaviours in our organizational culture through actively encouraging the development of ideas and solutions from employees in all levels of the organization, including an employee committee that is engaged in this work.</p>

Our Board of Directors

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

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

The Board Chair and the Directors, are appointed by the Government. Where not appointed as a full member, the Chair is an ex-officio member of Board Committees and works closely with the Corporate Secretary.

The Directors are stewards of BCLC, with collective responsibility to oversee the conduct of BCLC's business and to supervise management, who are responsible for day-to-day operations.

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

The President and CEO is also an ex-officio member of all Committees.

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

The Honourable Rich Coleman, Minister of Housing and Social Development
Minister Responsible for Gaming

BOARD OF DIRECTORS

Role	To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of our Shareholder, the Government of British Columbia. In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so: <ul style="list-style-type: none"> i) honestly and in good faith; ii) with a view to the best interests of the Corporation; iii) with the care, diligence, and skill of a reasonably prudent person; and iv) the powers of the Directors are conferred upon them to exercise on behalf of and for the benefit of BCLC.
Chair:	John McLernon
Members:	Arthur Willms (Vice-Chair), Trudi Brown, David Gillespie, Cynthia M. Grauer, Walter Gray, Moray Keith, D. Neil McDonnell, Michael Riley

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

Audit	<p>Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting to government, internal control systems, audit and risk management processes and compliance with laws, regulations and policies.</p> <p>Chair: Michael Riley</p> <p>Members: Art Willms, David Gillespie, Moray Keith</p>
Governance and Corporate Social Responsibility	<p>Purpose: To provide a focus on governance that enhances BCLC's performance and oversight responsibility for corporate social responsibility policy.</p> <p>Chair: David Gillespie</p> <p>Members: Trudi Brown, Walter Gray, Moray Keith</p>
Human Resources and Compensation	<p>Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan.</p> <p>Chair: Neil McDonnell</p> <p>Members: John McLernon, Cynthia Grauer</p>
Ad Hoc Committees	Are established for a specific period of time to undertake a specific task, and then disbanded.

Our Senior Executive Team

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

All Vice Presidents report to the President and CEO.

In 2008, BCLC amalgamated our casino and community gaming in order to streamline our gaming operations. We have also added Vice President roles to address the growing organizational focus on our player, the transformation of our business infrastructure, and security and compliance activities.

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

The Honourable Rich Coleman, Minister of Housing and Social Development
Minister Responsible for Gaming

Board of Directors
John McLernon (Chair)

President and CEO
Michael Graydon

Responsible for BCLC's leadership and vision, directing and supporting his Senior Executive Team in the development of the plans and actions required to realize the goals of the organization.

Corporate Affairs
Kevin Gass, Vice President

Responsible for corporate social responsibility, communications and ebusiness, including stakeholder and media relations, public affairs, sponsorship and promotions, PlayNow.com and bcl.com.

Human Resources
Debbie Toole, Vice President

Responsible for the human resources and organizational development programs, including recruitment, compensation, rewards and recognition, leadership and other training programs.

Business Transformation
Lynette Hughes, Vice President

Responsible for business transformation and processes to align employees, business models and technology with business strategy, including strategic planning, corporate policy and the program management office.

Corporate Security and Compliance
Terry Towns, Vice President

Responsible for corporate security and compliance, including customer service complaint investigations, legal services, privacy and freedom of information administration, and player, employee, retailer and service provider compliance.

Lottery Gaming
Jim Lightbody, Vice President

Responsible for the development and operations of lottery gaming, including products, marketing, sales and distribution, and contracted private sector lottery retailers.

Customer Strategy and Corporate Marketing
Marsha Walden, Vice President

Responsible BCLC's player-centricity strategies, including player advocacy and support, player and corporate marketing, product innovation and research.

Information Technology
Scott Norman, Vice President and Chief Information Officer

Responsible for the technology architecture and infrastructure that supports BCLC's gaming and back office systems and business processes including risk management.

Finance and Corporate Services
Tom Williamson, Vice President

Responsible for finance, including financial reporting and liaison with government, procurement, administration and facilities.

Casino and Community Gaming
Darryl Schiewe, Vice President

Responsible for the development and operations of casino, community gaming and commercial bingo, including products, marketing, sales and distribution and contracted private sector service providers.



2007/08 summary

BCLC gaming operations are significant and in 2007/08 total revenue and income exceeded our targets.

In 2007/08 gaming managed by BCLC provided \$1,088.9 million in net income to Government. The number of lottery retail and hospitality locations decreased as a result of regulatory and policy changes that required new registration and equipment requirements for lottery locations aimed at increasing public trust and confidence in the lottery system. This resulted in retailers choosing to no longer do business with BCLC as well as caused BCLC to cease business with a number of locations.

British Columbians won \$647 million in lottery, egaming and bingo prizes. Our lottery retailers and casino, community gaming and bingo service providers were paid \$557 million in commissions, service fees, and other direct costs. BCLC purchased approximated \$137 million in goods and services. Gaming has also created significant direct and indirect employment opportunities in British Columbia and host local governments shared \$83 million.

(in millions)	LOTTERY	eGAMING	CASINO	COMMUNITY GAMING & BINGO	TOTAL
Sales Revenue	\$958.2	\$18.7	\$1,322.1	\$260.2	\$2,559.2
Net Win	425.7	8.4	1,322.1	155.9	1,912.1
Net Income	\$261.7	2.2	761.8	63.2	1,088.9
Distribution Channels	4,033 Retail and Hospitality locations	PlayNow.com	17 Commercial Casinos	12 Community Gaming Centres 15 Commercial Bingo Halls	
Games	Lottery Games	Lottery Games e-only Games	Slot Machines Table Games Poker Games	Paper Bingo Electronic Bingo Slot Machines	

Net win is the amount of sales revenues less prizes.

Source: BCLC Annual Report 2007/08 (financial information) and internal reporting (distribution and games).
Click here to learn more about BCLC's results in our [Annual Report 2007/08](#).

2008/09 forecast

BCLC is forecasting \$1,989.9 million in net win, a 4.1% increase from 2007/08 results. Net income will reach the target \$1,110.0 million, a 1.9% increase over last year.

BCLC's financial results are expected to reach targets, however the impact and duration of global economic events on our operations and those of our lottery retailers and service providers is not certain at this point. In previous economic downturns, gaming has performed relatively well in comparison to other industry sectors.

(in millions)	LOTTERY	eGAMING	CASINO	COMMUNITY GAMING & BINGO	TOTAL
Sales Revenue	\$953.0	\$22.0	\$1,369.4	\$267.0	\$2,611.4
Net Win	427.8	9.9	1,369.4	182.8	1,989.9
Net Income	251.2	2.9	777.2	78.7	1,110.0
Distribution Channels	2,927 Retailer Locations 1,124 Hospitality Locations	PlayNow.com	17 Commercial Casinos	15 Community Gaming Centres 12 Commercial Bingo Halls	
Games	Lottery Games	Lottery Games e-only Games	Slot Machines Table Games Poker Games	Slot Machines Electronic Bingo Paper Bingo	

Net win is the amount of gross sales revenues less prizes.

Trends, opportunities and challenges BCLC experienced in 2008/09 and is anticipating for the future

Gaming is a major industry in Canada generating \$14.6 billion in gaming net win in 2006.²

The gaming industry is one of the largest entertainment industries in Canada, directly or indirectly supporting 267,000 jobs. The significant growth in the Canadian gaming industry is the result of the development of casino facilities and electronic gaming devices.²

In British Columbia, Government's gaming policy promotes responsible play, which prohibits the introduction of video lottery terminals (VLT's). Traditional lottery offerings are substantial but continue to lose market share. Revenue and income growth in recent years has come primarily from the redevelopment of the casino business and the upgrading of commercial bingo halls to community gaming centres with more entertainment options including slot machines and enhanced food and beverage amenities.

The growth of gaming in neighbouring jurisdictions and on the internet continues to compete with BCLC's gaming business. The Las Vegas trend to diversify entertainment and service offerings to include hotels, restaurants and entertainment as well as to differentiate through product offerings is becoming more prevalent in the industry as casino markets mature.

Internet gaming is becoming more widespread among British Columbians. Worldwide internet gaming net win in 2005 was estimated at \$12 billion (US) with 23 million players and is projected to grow to \$24.5 billion (US) by 2010. Lottery games account for \$4 billion (U.S.) in this projection.³

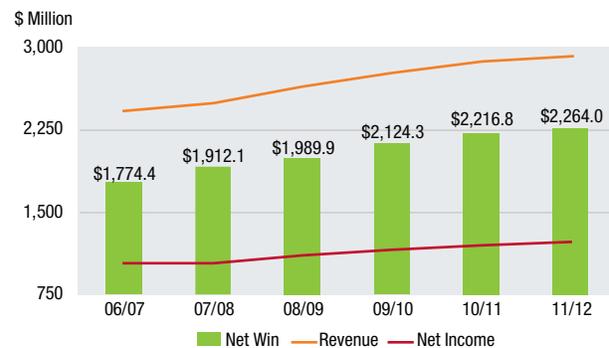
In 2007, BC's gaming industry was estimated to generate 32,246 jobs (full time equivalent). Amongst North American jurisdictions, BC's annual lottery spending per capita moved up from 15th place in 2006 to 12th place in 2007.⁴

The global mobile gaming market is also growing, with estimated 2007 revenue at just under \$1.3 billion forecast to grow to \$26 billion in 2012 as consumers shift from cell phones to multi-functional devices that include a phone.⁵ BCLC has focused on providing our games on PlayNow.com and does not currently use mobile technology channels to deliver our games.

In previous years, BCLC has compared its gross sales revenue from lottery and bingo games to the net win from casino games. Net win is the calculation of sales after prizes are paid to players during game play. Lottery and bingo net win is the calculation of gross sales after lottery and bingo prizes are deducted.

In order to compare BCLC's gaming channels with each other and to compare our gaming business with other gaming jurisdictions, we have revised our reporting to net win. BCLC will continue to make gross sales revenue, net revenue and net income financial information publicly available in our financial statements.

BCLC Revenue, Net Win and Net Income



Revenue, net win and net income figures for 2006/07 and 2007/08 are actual; 2008/09 are forecast and 2009/10 through 2011/12 are targets

² Source: *Economic Impact of the Canadian Gaming Industry*, HLT Advisory Inc. for the Canadian Gaming Association January 2008

³ Source: *Christiansen Capital Advisors*

⁴ Source: *LaFleur's 2008 World Lottery Almanac*

⁵ Source: *Mobile Gambling—A Good Bet for the Future*, Juniper Research white paper, October 2007

Economy

The recent global financial crisis is affecting BC's economy. The impact on BCLC's operations and those of our lottery retailers and service providers is not certain at this point. We believe our plan includes realistic growth based on consumer spending on gaming remaining at historical norms with some increases for new products and enhanced facilities. In previous economic downturns, gaming has performed relatively well in comparison to other industry sectors.

BCLC will continue to be diligent in our cost management and in our assessment of consumer behaviour in a more challenging marketplace, and the impact on our gaming business.

Consumers

Consumers continue to expect and seek out unique, more personalized and sophisticated experiences. Entertainment and communication technologies are continuing to evolve rapidly, particularly for the home market, and we are living in an increasingly self-service world.

BCLC is addressing changing consumer needs with the introduction of new innovative games and distribution channels, including the development of casino and community gaming centre facilities and self-service terminals in the lottery hospitality network. A new design of PlayNow.com is planned that will provide a better player egaming experience.

As entertainment options continue to increase, delivering high entertainment value and building loyal customer relationships are increasingly important as competitive differentiators. BCLC must provide games and services that provide a complete entertainment experience for our players, when and where they want them. This requires a shift in our approach from product-centric to player-centric. BCLC and our service providers in all gaming channels will focus on providing better player service and customer relations.

Labour Force

British Columbia's economic growth, associated low unemployment rate, changing demographics and the more limited availability of highly skilled people has increased the market competition for employees. This competition and labour shortage provides challenges for BCLC and our gaming service providers.

BCLC's recruitment and retention program improvements and our status as one of BC's Top 50 Employers are areas where we will continue to focus so that we attract and retain skilled employees.

Technology

New technologies can lead to business advantages, product and service innovation for our players and operational efficiencies for BCLC.

We will continue to identify and evaluate the most promising developments and apply these to our gaming business in order to provide internal efficiencies and support our gaming and business systems and their security and integrity.

Lottery Gaming

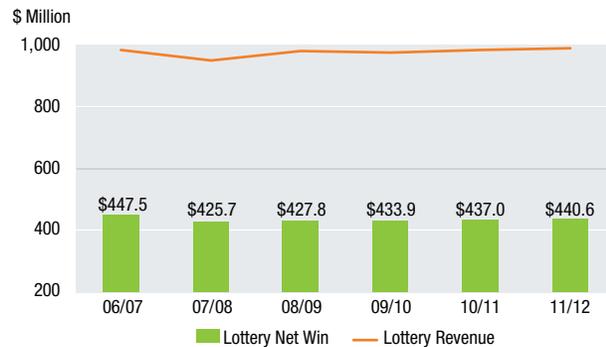
Subsequent to the growth in lottery revenue experienced in 2005 to 2007, sales declined in 2007/08 as a result of BCLC's focus on the regulation, infrastructure and processes in the lottery system, which led to the postponement of business development programs. This shift in focus occurred across Canada.

BCLC's per capita lottery revenue ranks 12th amongst the 53 North American lottery jurisdictions. BCLC's lottery gaming is still a major profit generator and remains a strategic priority.

BCLC will renew the focus on innovation that provides more exciting, entertaining games, including a new monitor-based game for the hospitality network, a potential new lotto game and SportsFunder games that benefit BC amateur sports. A more contemporary image and more convenient ways to purchase games such as self-service terminals are other ways we plan to increase player participation and revenue from this channel while strengthening player security and system integrity.

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

Lottery Revenue and Net Win



Revenue and net win figures for 2006/07 and 2007/08 are actual; 2008/09 are forecast and 2009/10 through 2011/12 are targets.

eGaming

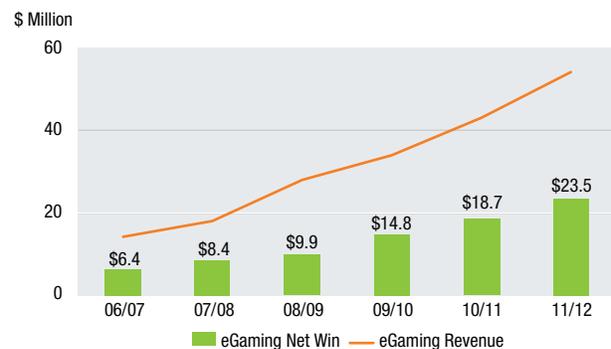
Creating a successful egaming business is a strategic priority for BCLC. Steady growth continues in this channel, which provides players in BC the convenience and security of purchasing at PlayNow.com, our egaming site. Compared with other gaming jurisdictions that offer internet gaming, particularly in Europe, BCLC's product line is more limited.

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

New site designs that offer a more engaging and entertaining experience for our players and innovative games that leverage new technology will continue to increase our acquisition and retention of players.

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

eGaming Revenue and Net Win



Revenue and net win figures for 2006/07 and 2007/08 are actual; 2008/09 are forecast and 2009/10 through 2011/12 are targets.

Casino Gaming

Since 1997, when BCLC assumed responsibility for casino games and introduced slot machines in the BC marketplace, the casino business has experienced double-digit growth and is now our largest revenue stream.

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

We will continue to develop casino properties that provide players with an exceptional entertainment experience and position casino gaming as a major tourism attraction where market demand allows. BCLC is also working closely with our service provider partners to provide our players with tournaments and services that provide entertaining gaming experiences.

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

Casino Net Win



Revenue and net win figures for 2006/07 and 2007/08 are actual; 2008/09 are forecast and 2009/10 through 2011/12 are targets

Community Gaming

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

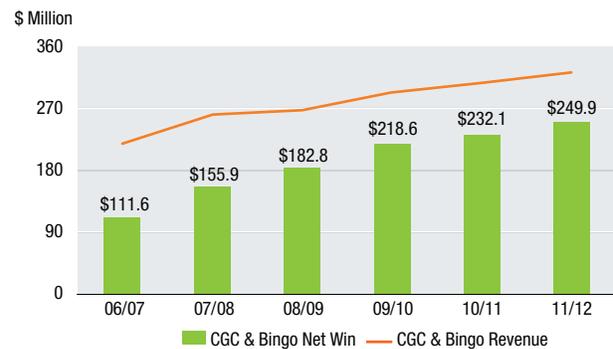
Because community gaming centres have been well received by players and their local communities, the net win generated from community gaming centres is increasing as more are developed.

Bingo is one of the oldest forms of gaming in British Columbia and has been in a steady decline over the past decade as interest in the game diminishes. BCLC's challenge is to find more entertaining games for bingo players.

Throughout this document, BCLC references to the community gaming channel including community gaming centres and commercial bingo halls.

Community gaming net win is the amount after prizes are deducted from sales revenue.

Community Gaming Revenue and Net Win



Revenue and net win figures for 2006/07 and 2007/08 are actual; 2008/09 are forecast and 2009/10 through 2011/12 are targets

What BCLC is doing about our risks

BCLC faces risks specific to our business that could impact our ability to conduct and manage gaming in British Columbia and achieve the mission and goals of this Service Plan.

While risks can not be eliminated, BCLC’s strategies are targeted at minimizing the risks and/or mitigating their impact. BCLC continues to formalize an enterprise risk management process for application to our business activities.

Guided by risk management standards, enterprise risk identification occurs through assessment by an Advisory Committee, the Executive Committee and the Board of Directors, and is a key factor in our strategic planning, including resource decisions. A management role

supports the process through focus on education, accountability and administration.

Future activities will include an assessment of the effectiveness of existing practices for managing or mitigating the identified risks, and recommending changes to strengthen them, if required.

To identify key critical risks, we considered the likelihood of their occurrence, the impact of not managing them adequately, and the existing management effectiveness.

PLAYER TRUST & SUPPORT RISK	MITIGATION STRATEGIES
<p>Our capacity to meet or exceed player, public and Shareholder expectations and our ability to generate income is threatened if players do not believe that BCLC’s gaming systems are trustworthy. An event that damages public trust and support could directly impact BCLC’s games and lead to gaming industry restrictions.</p> <p>Player trust and support encompasses the safety and integrity of a player’s transaction and the potential for a player to be defrauded when playing at a BCLC facility or during the prize payout process conducted by a lottery retailer, service provider or BCLC.</p>	<p>BCLC has a comprehensive plan to become a player-focused gaming organization. This will include completing the implementation of recommendations from the BC Ombudsman review and Deloitte & Touche LLP audit as well as ongoing audits conducted by BCLC, our external auditors and GPE.</p>
LACK OF PLAYER FOCUS	MITIGATION STRATEGIES
<p>If BCLC fails to focus on our players, our capacity to meet or exceed player, public and Shareholder expectations is threatened.</p> <p>The risk of not having “player focused” aspects considered in all decision making processes could result in not being able to meet player expectations.</p>	<p>BCLC recognizes that players and the public may have expectations that exceed our current capacity to fulfill. We will lead the way as a player-focused organization in our plans for gaming facilities, services and products.</p>
SERVICE PROVIDERS	MITIGATION STRATEGIES
<p>Fraudulent activities perpetrated by service providers or against BCLC would expose us to financial loss and erosion of reputation, negatively impacting our Shareholder and our ability to meet or exceed player and public expectations.</p> <p>Any financial pressure our service providers experience on their margins may impact their access to capital and result in changes to plans for renovations or build out of gaming facilities as well as financial viability.</p>	<p>BCLC mitigates the likelihood and impact of this risk by effectively monitoring, managing and strengthening our business relationships with our service providers so that they act within the intended limits of their authority and perform in a manner consistent with BCLC’s direction and intent; updating BCLC security compliance and enforcement programs, policies, procedures and technology to ensure a high level of gaming integrity and player security is delivered. BCLC reports all real or suspected fraudulent activity to GPE for investigation.</p> <p>BCLC monitors the financial performance of our service providers and the gaming facilities they operate, and reports regularly to the Board.</p>

SYSTEMS, DATA AND GAMING INTEGRITY	MITIGATION STRATEGIES
<p>Many aspects of BCLC’s business depend on information technology and internal business processes. Potential failures of or deficiencies in these systems and processes could impact our ability to operate our gaming business through a breach in data continuity, privacy or data integrity.</p>	<p>BCLC continues to focus on maintaining a sound, responsive and adaptive infrastructure. We will continue to identify opportunities within our business and operating model to improve our business effectiveness and operational efficiency that provide a high level of integrity and internal control and keep pace with the current and future needs of our gaming business.</p>
INSUFFICIENT SKILLS AND CAPACITY	MITIGATION STRATEGIES
<p>Highly motivated employees who are engaged in the work of the company are key to the success of the business and can be a differentiating factor in exceptional performance.</p> <p>Significant changes in the labour market in areas such as workforce demographics or the availability of technical skills could adversely affect BCLC’s ability to attract and retain the highly skilled and motivated employees required to execute business plans and operate the company.</p> <p>For BCLC to continue to succeed will require a strong, adaptable workforce passionately engaged in driving the success of the business.</p>	<p>BCLC is committed to our people and culture. Strong leadership is being developed that promotes a culture that values innovation, integrity, engagement and accountability.</p> <p>The recommendations resulting from past reviews and audits have lead to Player First and other strategic initiatives, all of which have planned for additional expert employee resources and new skill sets to execute the planned business transformation and additional need for compliance, audit and risk activities. We are currently able to leverage our strong gaming knowledge, expertise and skill advantage with our status as one of BC’s Top 50 Employers to recruit and retain new employees.</p>
ECONOMY	MITIGATION STRATEGIES
<p>Global economic activity remains volatile and continues to generate uncertainty on the near and long term future of our economy.</p> <p>A protracted downturn that results in long term recession and/or a reduction to personal disposable income could adversely affect gaming revenue across all of our gaming channels.</p> <p>Weaknesses in credit markets could impact the access of our service providers to the capital required for changes planned to gaming facilities, impacting revenue growth estimates.</p>	<p>BCLC is closely monitoring the economic situation and is working with our service providers to adapt to the changing economic climate.</p> <p>Our revenue estimates are moderate and our net income sensitivities include the potential for negative downturns.</p> <p>BCLC is dependent upon some key vendors to sustain the generation of gaming income and is working closely with them to mitigate any risks to our business.</p>
INCONSISTENT PRACTICES ACROSS CANADIAN JURISDICTIONS	MITIGATION STRATEGIES
<p>The distribution and selling of national games (Lotto 6/49, Lotto Super 7) requires national coordination activities.</p> <p>Gaming activities and issues in other jurisdictions could negatively affect BCLC’s reputation or the perceived integrity of lottery, egaming, casino and bingo gaming.</p>	<p>BCLC participates in multi-jurisdictional task forces and has alliances with the other Canadian jurisdictions. We endeavour to consistently apply controls and processes that maintain our business integrity across all of our gaming operations.</p>



Here's our plan for the next three years

BCLC's Board and Senior Executive review our mission, values, goals, strategies, performance measures and the associated targets on an annual basis.

Our Mission

We create outstanding gaming experiences

Our Values

- Integrity:** The games that we offer and the ways we conduct business are fair, honest and trustworthy
- Social Responsibility:** Everything we do is done with consideration of its impact on and for the people and communities of British Columbia
- Respect:** We value and respect our players, service providers and each other

Our Goals and Strategies

1. Build public trust and support for BCLC gaming
 - Demonstrate a high level of corporate citizenship and social responsibility in all of our activities
2. Provide facilities and games to develop the business
 - Transform to a player-centric company
 - Create an integrated multichannel player community
3. Invest in infrastructure to support current business operations and future growth
 - Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency
4. Have a workforce passionately driving the success of our business
 - Make BCLC a great place to work

[Click here](#) to review a comparison of our strategic framework from the previous service plan to this Service Plan 2009/10–2011/12, located in the Appendix.

How we can tell if we're doing a good job

In 2008 BCLC's performance measures were compared with information available publicly for other gaming organizations. The result of this performance review is the addition of some new measures in the framework BCLC will use to assess our level of success in achieving our business plans.

Performance measure results are reviewed against the targets BCLC has set. If we're doing well, we should be reaching our targets. If BCLC has a rating below our target, we'll need to adjust the programs we're implementing and how we're delivering them. Some of these new measures will also be benchmarked to other gaming organizations with operations that are comparable to BCLC's. BCLC's results for measures for which there were no benchmarks publicly available will also be reported.

The organizations selected for benchmarking provide geographical coverage across Canada and internationally and were selected for the relevance of their operations in comparison to BCLC's as well as the public availability of their performance results. BCLC will benchmark our 2009/10 results to those of the Ontario Lottery and Gaming Corporation (OLG), Loto Quebec (LQ), the Swedish lottery Svenska Spel (Svenska) and the Canadian and United States (US) gaming totals. Svenska Spel is also widely regarded as the most innovative international lottery and egaming jurisdiction and the Canadian and US totals provide insight as to BCLC's financial performance above or below national and US norms.

Data for BCLC's performance targets are obtained from internal and external sources. Data for benchmarking our performance measures with other gaming organizations is obtained from publicly available reporting.

BCLC past years revenue, net win and net income results are obtained from our audited financial statements. Revenue, net win and net income forecasts and targets and other financial measures are obtained from internal management reports. BCLC contracts with external professional agencies to conduct surveys to assess our level of success. These agencies conduct surveys by asking questions pertinent to our performance measures.

PERFORMANCE MEASURES	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 TARGETS	2008/09 FORECAST	2009/10 TARGETS	2010/11 TARGETS	2011/12 TARGETS
Public Support for Gaming	56%	62%	62%	62%	63%	64%	65%
Public Trust and Confidence in BCLC Games	N/A	N/A	61%	59%	61%	63%	65%
Player Awareness of Responsible Gambling Activities	N/A	N/A	82%	84%	88%	90%	90%
Player Satisfaction	85%	84%	88%	84%	85%	86%	87%
Player Participation (past year)	83%	81%	N/A	81%	82%	83%	83%
Net Win per Capita ⁶	\$407	\$432	\$455	\$449	\$480	\$501	\$511
Operating Cost Ratio (of Net Win) ⁷	39.6%	40.1%	41.9%	41.2%	42.4%	42.7%	42.5%
Employee Engagement	54%	44%	55%	55%	60%	65%	68%
Employee Vacancy Rate	N/A	N/A	N/A	N/A	7%	5%	5%

⁶ Net win is the calculation of sales after prizes; per capita uses total 2007 BC population to determine the net win per 1,000 BC residents

⁷ Actuals and targets for 2005/06 through 2008/09 are re-stated to conform to this new measure, as previous Service Plans measured the operating cost ratio based on revenue or net income.

STRATEGY	PERFORMANCE MEASURES	2009/2010 TARGET	2010/2011 TARGET	2011/2012 TARGET
<p>1. Demonstrate a high level of corporate citizenship and social responsibility in all of our activities</p>	<p>1. Public Support for Gaming</p> <p>2. Public Trust and Confidence in BCLC Games</p> <p>3. Player Awareness of Responsible Gambling Activities</p>	63%	64%	65%
		61%	63%	65%
		88%	90%	90%

What we are doing to ensure our games are provided in a socially responsible manner and BCLC is a good corporate citizen

We promote responsible play with our customers and positively affect BC communities through our business.

BCLC wants to ensure our gaming delivery encourages responsible gambling and healthy choices. Through education and communication we are increasing player awareness of gaming issues and the services available if a player encounters difficulties. We offer our players options such as weekly play budgets, play time limits and self-exclusion programs.

Recognizing that accessing information about responsible gambling can be difficult, BCLC is preparing to launch a new education program to promote broader public awareness on how to play responsibly, to make sure that playing our games stays fun.

Responsible Play Information Centres are located at all casinos, community gaming centres and both horseracing venues with slot machines. In partnership with GPE, trained specialists staff BCLC casino locations and interactive kiosks provide players with choices on accessing information about game odds, voluntary self exclusion programs, tips for keeping it fun and information about resources such as the Province’s free problem gambling counselling program.

More than 8,000 gaming employees have taken BCLC’s Appropriate Responsible Training (ART). The curriculum for manager-level ART has been updated to incorporate the latest in responsible gambling research and education methods, and in the coming months curriculum for front line staff will be similarly reviewed and updated. BCLC will continue our research so that we continue to deliver programs in ways that are easily accessed and used by players who need them.

BCLC has submitted our application for responsible gambling certification to the World Lottery Association. The accreditation process provides a basis for us to assess our programs, set objectives for future program development and incorporate international best practices in responsible gambling programming.

Government requires BCLC to become carbon neutral by 2010. BCLC is continuing to develop plans to reduce and offset our carbon emissions.

BCLC is also reviewing other ways we can reduce our impact on the planet by going beyond Government requirements. We will strive to provide benefits to the organization and our employees by making our gaming

operations and office facilities more environmentally friendly and are looking at sustainability beyond reuse and recycling of goods. In partnership with our suppliers, we have started updating our current fleet of vehicles to hybrids, will enhance our video conferencing capabilities, and have introduced measures to reduce electrical and gas consumption.

BCLC's employee Green Committee continues to be part of our Carbon Neutrality Steering Committee, and is the forum for employees to provide their ideas. This group is raising the level of awareness of how employees can make environmental responsibility and sustainable behaviour a permanent part of their work and home lives. Efforts to positively impact our retailers, service providers and contracted suppliers are also increasing as this awareness becomes embedded in the BCLC culture.

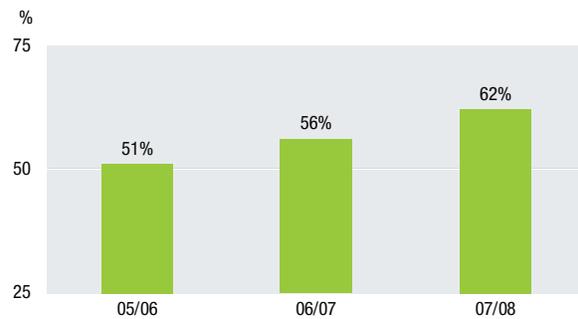
BCLC employees have raised funds for the United Way since 1994, and also volunteer their time to help disadvantaged families in the community through Christmas Charity employee groups. In 2008, employees were generous, exceeding the previous year donations.

Performance Measures and Benchmarks

BCLC has three performance metrics to help us assess whether or not our social responsibility programs are successfully reaching the public and our players. We will continue to report on these measures annually. We have not been successful in locating comparable metrics from other gaming jurisdictions for benchmarking purposes, so we will show our results over time.

“Public Support of BCLC Gaming” measures the percentage of adult British Columbians who support legalized gaming. This support is central to BCLC's successful management and growth of our gaming business. It indicates our success in providing quality gaming entertainment in a socially responsible manner and reaching the public with responsibility-focused messaging and is measured through a continuous tracking study conducted by an external research agency. Adult British Columbians are asked by Research International to rate their level of support for the existence of legalized gaming in BC. Here are our results:

Public Support of BCLC Gaming Results



“Public Trust and Confidence in BCLC Games” helps BCLC assess whether or not our programs to improve player focus, security and the integrity of our gaming systems are successful. It is measured through a continuous tracking study conducted by an external research agency. Adult British Columbians are asked by Research International to rate their level of trust and confidence in the games offered by BCLC. Our first results for this measure will be available in BCLC's 2008/09 Annual Report.

“Player Awareness of Responsible Gaming Activities” is measured through a continuous tracking study conducted by an external research agency. Players of BCLC games are asked questions by Research International about their awareness of six specific responsible gambling initiatives. It is important for BCLC to understand whether our responsible gambling programs and their delivery are successfully reaching our players. Our first results for this measure will be available in BCLC's 2008/09 Annual Report.

We are adding a fourth metric to our framework, “Level of Greenhouse Gas (GHG) Emissions (CO₂e)”, consistent with the schedule of the Climate Action Secretariat requirements. This measure will report on BCLC's carbon footprint and is aligned with the government direction to make the public sector carbon neutral by 2010. Our first results for this measure will be available in BCLC's 2009/10 Annual Report as well as through Government's planned reporting.

BCLC plans to bring the Olympic Games experience to BC communities

BCLC is very proud to be an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games.



As we start the one year count-down to 2010, BCLC is ramping up to deliver great experiences through our business and within the organization, that will benefit our players, the public, and our employees. Our sponsorship has three objectives:

1. Enhance BCLC games to provide outstanding gaming experiences for our players;
2. Demonstrate employee leadership and increase engagement through their involvement in bringing the Olympic experience to their communities and workplace; and
3. Engage communities around British Columbia in the Olympic Games experience.

One of the things we're most excited about is the number of ticket event prizes we're offering to players through our SportsFunder lottery games.

SportsFunder has the tickets that are available no where else, offering players the chance to win 'once in a lifetime' experiences. There are prizes to appeal to a wide range of Olympic Games enthusiasts, from exclusive 2010 packages with prizes of tickets to premium Olympic Games events like the Gold Medal Hockey Game and Olympic Opening and Closing Ceremonies, unique pin mementos and vehicles, electronic equipment and travel packages available through our partnerships with other major sponsors.

BCLC will have a community outreach program to bring the spirit and excitement of the Olympic Games to communities across BC starting in 2009 and will be exploring opportunities to engage our service providers and host local governments to identify ways to engage them in this program. We also have 50 volunteer positions that are filled by employees who are offering their own time to support the Olympic Games.

The sale of SportsFunder lottery games directly supports amateur sport in British Columbia. Income from the sale of SportsFunder games goes to support athletes, coaches and amateur sports programs. We believe sport enriches the lives of our youth by teaching life skills such as leadership, goal setting and teamwork.

Since the launch of SportsFunder lottery games, over \$4 million in gaming income has provided funding to all levels of amateur sports in British Columbia. Kids from every corner of the province have benefited, including 1,875 kids who couldn't otherwise afford registration fees. 10,000 youth in BC have received travel assistance and 1,200 coaches have been certified, all with help from SportsFunder.



As an Official Supporter, BCLC has had our Richmond and Kamloops office buildings wrapped in celebration of the Vancouver 2010 Olympic and Paralympic Winter Games

Player — Goal #2: Provide facilities and games to develop the business

STRATEGY	PERFORMANCE MEASURES	2009/2010 TARGET	2010/2011 TARGET	2011/2012 TARGET
2. Transform to a player-centric company 3. Create an integrated multichannel player community	1. Player Satisfaction	85%	86%	87%
	2. Player Participation (past year)	82%	83%	83%
	3. Net Win (millions)	\$2,124.3	\$2,216.8	\$2,264.0
	4. Net Win per Capita	\$480	\$501	\$511

How we plan to further develop our focus on the player to benefit our gaming business and generate income

BCLC’s ability to continue to optimize our net income depends on our ability to provide exciting entertainment experiences for our players.

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

This includes working with our service providers to continuously improve customer service for our players, with BCLC providing training programs for retailers, partnering with service providers with ongoing training programs for their employees. BCLC is also strengthening our oversight and compliance programs, including more frequent reviews, audits and reporting.

In lottery gaming, BCLC’s plans include a new monitor-style game, the pilot of a more contemporary lottery retail model that provides a better marketing and merchandising experience for players, and the potential for a new lotto game.

In October 2004 we launched the PlayNow egaming site to provide BC players a convenient and secure way to play BCLC’s games. We’ve continued to add more of the games our players enjoy. In 2008 we began plans to

redesign PlayNow to provide a more engaging player experience and we will implement these new designs in 2009/10.

Casino gaming will continue to focus on facilities that provide a variety of entertainment opportunities for domestic and international tourism markets. Providing the latest themed slot machines and new table games will provide players with an interesting variety of casino gaming options.

In community gaming, BCLC will continue to work with our service providers to transform commercial bingo halls in key market locations to community gaming centres. We will look for new games using our bingo systems technology that will help offset a continuing decline in bingo gaming.

In partnership with our service providers, BCLC will continue to offer special tournaments for poker, blackjack, mahjong, and slot machine players.

BCLC is investigating technology that enhances player services and business model efficiencies in all of our business channels.

BCLC offers player-focused rewards and incentives to the more than 400,000 members of the BC Gold player card. This year BC Gold will also be made available at community gaming centre locations. Special offers for PlayNow and lottery purchases will continue.

We will further develop our management of the relationship with our players by examining how to look at players across all of our gaming channels more effectively. We are beginning that work with a focus on players who participate in lottery gaming.

Over the past year BCLC has continued our efforts within the Player First program to significantly enhance our focus on our lottery players and in so doing, improved the integrity and security of all of our business channels.

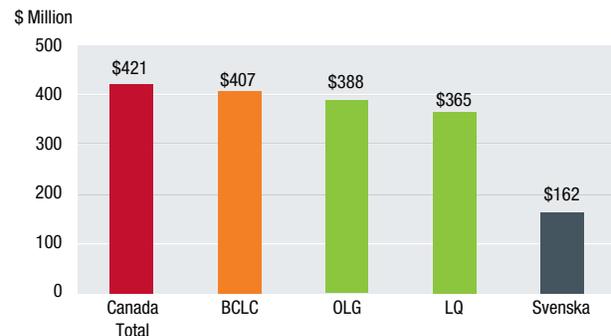
Through Player First, BCLC has completed 19 of the 23 recommendations made by the BC Ombudsman. The remaining four recommendations are multi-year efforts that we expect to complete in 2009/10. BCLC is also continuing to implement the recommendations made by Deloitte & Touche LLP, completing 10 of the 27 recommendations. The remaining 17 are in progress and are also multi-year efforts.

Performance Measures and Benchmarks

BCLC will continue to set sales revenue and net income targets. We have added a new financial calculation, net win, which is the level of sales after prizes are paid. In past years, BCLC has compared sales revenue from lottery, bingo and egaming with the net win from casino gaming. Net win provides a consistent means of comparing our results across our own gaming channels as well as with other jurisdictions where egaming is offered.

Our success in achieving our player goal will be measured against our 2009/10 “Net Win per Capita” target of \$479. To calculate this measure, net win is divided by the total BC population, using publicly reported population figures. This measure indicates the extent to which BCLC is able to balance offering gaming in a responsible way and grow net income for Government. We have begun benchmarking our net win per capita with other gaming jurisdiction’s results and will make that information available publicly.

2006/07 Net Win per Capita Benchmarks



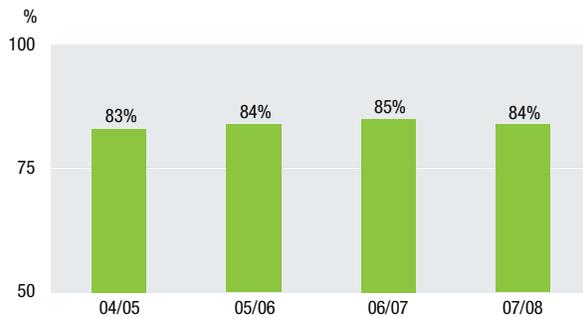
Sources: BC Stats, BCLC and Svenska Annual Reports, Lafleur’s Lottery Almanac

BCLC's "Net Win per Capita" is slightly ahead of comparators but ranks behind the Canada Total as a result of the broad network of VLT gaming in some of the other jurisdictions. Compared to the \$432 net win per capita achieved in 2007/08, the 2008/09 forecast is \$449 and by 2011/12, BCLC expects net win per capita to reach \$511. Growth in recent years has come from casino-style gaming.

"Player Satisfaction" with our games, services and facilities in our lottery, casino, bingo and egaming channels will continue to be measured. Player satisfaction is a key factor in our continuing ability to generate income.

BCLC is making changes to the continuous tracking study in order to provide consistency across all our gaming channels and it will continue to be conducted by an external research agency and will continue to provide a historical view of our level of achievement in this area.

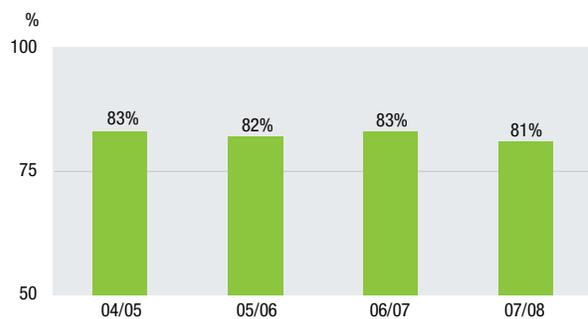
Player Satisfaction Results



We have reinstated the "Player Participation" measure in order to provide insight into the percentage of BC adults who have participated in some form of gaming in BC over the past year, which results in revenue generation.

This measure gauges our success in attracting and retaining players and building player loyalty. It is important in providing BCLC with a view of the relevancy of the gaming entertainment we offer to the adult population and is measured through a continuous tracking study conducted by Research International. A historical view of our level of achievement in this area will be used.

Player Participation Results



STRATEGY	PERFORMANCE MEASURES	2009/2010 TARGET	2010/2011 TARGET	2011/2012 TARGET
<p>4. Transform the business infrastructure and enterprise technology to improve the gaming experience, business integrity and operational efficiency</p>	<p>1. Operating Cost % Net Win 2. Net Income (millions)</p>	42.4%	42.7%	42.5%
		\$1,163.0	\$1,207.0	\$1,237.0

How BCLC is transforming capacity, infrastructure and technology to improve our business

BCLC is investing in our business in ways that support and sustain our revenue and net income for the future.

BCLC operates a business with net win expected to reach \$1,989.9 million this year, resulting in \$1,110.0 million in net income. In past years our primary focus has been on the build out of our marketplace.

To support our revenue generation and sustain it for the future, BCLC is strengthening our business infrastructure and gaming and back office systems, including capacity, process, structures and the supporting technology. We are doing this with the objective of creating a resilient, renewable and robust enterprise capable of sustaining current operations and supporting future growth.

BCLC will also focus the work on the business infrastructure in the area of master data management, which will establish a single, integrated source of information, to replace the multiple systems that exist today across our business channels. New technology will provide us with a centralized source of information. These efforts will improve our ability to provide great customer service in all areas of the organization, provide insight into trends and reduce the development effort required for new business. The effectiveness and efficiency of our

business will be improved, with reduced maintenance, support, auditing, and oversight requirements. We will also include a review of our financial systems business processes.

BCLC is continuing to strengthen risk and policy frameworks, systems and internal controls, and implementing records and document management. We have implemented a corporate program management office to support the successful implementation of key programs for the organization.

We are also continuing the programs that augment our oversight of the controls and security of casino and community gaming operations. These efforts include increasing our oversight and reporting of large cash and suspicious currency transactions to the federal government as required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act of Canada* in conjunction with GPE compliance and reporting audits. BCLC is also reviewing the content of existing training programs and assisting in the development of additional training for, and testing of, retailers and service providers.

Performance Measures and Benchmarks

To assess our success in meeting our financial/ operations goal, BCLC will measure our operating costs as a percentage of net win against our targets and with other gaming jurisdictions. This measure indicates the degree to which BCLC is efficient in delivering gaming.

Previous plans measured our operating cost ratio based on total revenue or net income; in order to compare with other gaming jurisdictions BCLC has changed the calculation to measure operating costs as a percentage of net win (sales after prizes).

In addition to BCLC administrative operating costs, service provider commissions, amortization and other costs are also included that together more closely align BCLC’s operating model with the models used in other gaming jurisdictions.

2006/07 Operating Cost % Net Win



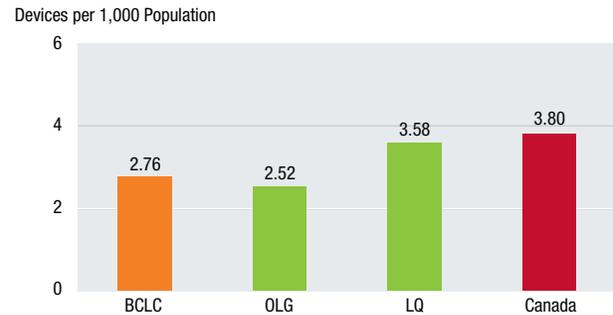
* denotes 2005/06 data as latest available for OLG

Sources: Annual reports, lottery organisations, lottery websites, Statistics Canada

BCLC will also compare the number of slot machines in BC per 1,000 population with the number of slot machines and VLTs per 1,000 population in other jurisdictions (Government’s gaming policy prohibits VLT’s in British Columbia). This measure provides insight into the accessibility of gaming to British Columbian adults as a result of government’s responsible gaming model and compares it to other jurisdictions.

Differences in government social policy regulate the types of devices that are prevalent in Canada and other countries. While BCLC has previously used only adult population for per capita measurements, benchmarking to other jurisdictions requires that we use total population due to differing adult age definitions, gaming industry regulations, and the information publicly available.

2006/07 Electronic Gaming Devices Per Capita



Sources: Annual reports, lottery organisations, lottery websites, Statistics Canada

People—Goal #4: Have a workforce passionately driving the success of our business



We're passionate about our business

For the third year in a row, BCLC is proud to have been recognized as one of BC's Top 50 Employers



BCLC was again recognized as one of BC's top employers. The selection from over 2,100 companies was made by MediaCorp based on eight criteria evaluated in comparison to other organizations. The award recognizes competitive financial benefits and growth opportunities for employees, coupled with the flexibility required for work-life balance.

In 2008/09 we were also successful in reaching our employee engagement target of 55%, providing evidence that our human resources programs are successfully reaching our employees.

BCLC needs a passionate workforce to drive the successful operation and management of our gaming business. Our new business direction requires significant internal and external business changes. We are working in the areas identified by employees, such as transforming our business processes and infrastructure, so that as we improve our business we increase our employees' engagement.

Our new human resources strategy addresses the people component of our business. Improved recruitment and retention processes that enable our growth, programs that develop our leadership effectiveness and other human resources process improvements will nurture a culture and environment that will continue to support BCLC's business strategy.

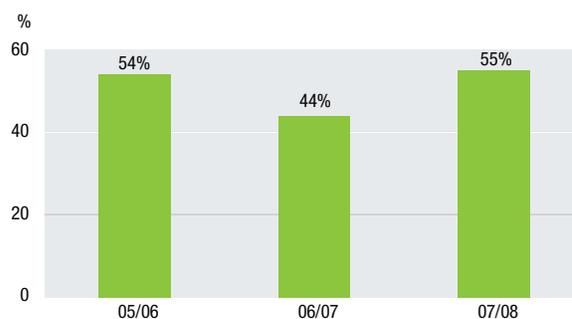
BCLC has 50 Vancouver 2010 Olympic and Paralympic Winter Games volunteer positions we made available to our employees. This group of employees has been progressing through Vanoc's interview, screening and training processes and are all very excited about offering their own time to provide leadership and support for the 2010 Winter Games.

Performance Measures and Benchmarks

To assess our success in meeting this goal, BCLC will continue to measure the level of employee engagement. We contract with a third party supplier, who surveys our employees across a range of attributes, to measure the intellectual and emotional involvement they have in their work for BCLC.

Employee engagement is directly linked to the effort and dedication employees contribute to achieve success for the organization, as well as BCLC's ability to attract and retain employees. BCLC's employee engagement targets over the next three years are challenging. The BCLC leadership team will continue to place emphasis on engagement, and the new human resources plan is intended to positively impact BCLC's employee culture.

2007/08 Employee Engagement



BCLC has added a new measure, employee vacancy rate. Used by other BC Crown Corporations, this average percentage will measure the number of vacancies in the process of being filled (replacement or new positions, recruited internally and externally) to BCLC's total head count and in future may be compared with the results of other BC Crown Corporations. Our results will be reported in our 2009/10 Annual Report.



How much we're selling, spending and providing to Government

Gaming income funds Government public, charitable and community programs that benefit all British Columbians.

REVENUE \$ millions	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 TARGET	2008/09 FORECAST	2009/10 TARGET	2010/11 TARGET	2011/12 TARGET
Lottery	\$983.1	\$958.2	\$980.0	\$953.0	\$975.0	\$982.0	\$990.0
eGaming	14.3	18.7	28.0	22.0	34.0	43.0	54.0
Casino	1,208.9	1,322.1	1,400.0	1,369.4	1,457.0	1,529.0	1,550.0
Community Gaming	218.9	260.2	240.0	267.0	299.0	309.0	323.0
Gross Revenue	\$2,425.2	\$2,559.2	\$2,648.0	\$2,611.4	\$2,765.0	\$2,863.0	\$2,917.0
Net Win	\$1,774.0	\$1,912.1	\$2,017.0	\$1,989.9	\$2,124.3	\$2,216.8	\$2,264.0
EXPENDITURES							
Lottery	700.5	696.5	731.2	701.8	723.9	725.6	733.9
eGaming	13.4	16.5	24.2	19.1	28.2	34.0	41.0
Casino	510.3	560.3	607.7	592.2	647.2	690.7	698.4
Community Gaming	182.2	197.0	174.9	188.3	202.7	205.7	206.7
Total	\$1,406.4	\$1,470.3	\$1,538.0	\$1,501.4	\$1,602.0	\$1,656.0	\$1,680.0
NET INCOME							
Lottery	282.6	261.7	248.8	251.2	251.1	256.4	256.1
eGaming	0.9	2.2	3.8	2.9	5.8	9.0	13.0
Casino	698.6	761.8	792.3	777.2	809.8	838.3	851.6
Community Gaming	36.7	63.2	65.1	78.7	96.3	103.3	116.3
Paid to Gov't	\$1,018.8	\$1,088.9	\$1,110.0	\$1,110.0	\$1,163.0	\$1,207.0	\$1,237.0
Income Growth	10.4%	6.9%	1.9%	1.9%	4.8%	3.8%	2.5%
Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Capital Expenditures	43.9	60.4	109.3	112.2	119.7	115.0	115.0
FTEs ⁸	596	638	784	736	865	880	900

⁸ Starting in BCLC's Service Plan 2008/09, we modified our definition of FTEs to include temporary staff

Financial Analysis

- While targets for revenue and net win have been revised downward since last year, BCLC is still predicting year-over-year growth during the three year period covered by this plan.
- Total net win is projected to increase by \$274.1 million or 13.8% over the forecast period.
- Total net income is projected to increase by \$127.0 million or 11.4% over the forecast period. This increase reflects growth in our community gaming channel and the continued introduction of new innovative products in all of our gaming channels.
- Relative to the previous service plan, lottery targets have been revised downward to reflect the impact of the reduction in the number of lottery locations and slower than anticipated growth at hospitality locations. Lottery net win is projected to grow \$12.8 million or 3.0% over the three year period. Growth in this channel will come from the introduction of new and innovative games.
- eGaming net win growth of \$13.6 million is anticipated over the three years covered by this plan. We will improve the player experience on PlayNow.com by providing updated content.
- Casino targets have been revised downward over the three-year planning period, reflecting current estimates for slower growth as the strategy to upgrade facilities nears completion. Casino net win growth of \$180.6 million or 13.2% will come from enhancements to existing casino facilities and the development of tourism markets. A shift in player preferences from higher-margin slot machines to lower-margin table games could have a significant impact on casino net win.
- Strong growth in the community gaming channel of \$67.1 million in net win, or 36.7% over the forecast period will be driven primarily by the continuing development of community gaming centres. Bingo continues to experience a decline in popularity as players migrate to new, more entertaining games.
- Operating costs, which are calculated based on lottery retailer and service provider commissions, administration, amortization and other direct costs, are projected to increase from 40.1% of net win in 2007/08, to 42.5% of net win by 2011/12.
- In addition to providing for growth in the business, at this level, operating costs will enable the completion of the recommendations contained in the BC Ombudsman report and the independent audit by Deloitte & Touche LLP.
- As BCLC builds our capacity for the future, we will focus our investments in back office systems, technology and processes to maintain gaming integrity and sustain the current annual net income for Government at over \$1 billion.
- Capital expenditures in 2009/10 will continue to support lottery, egaming, casino, community and bingo gaming operations, as well as increased investments in responsible gambling programs. Additional capital expenditures will be incurred to upgrade BCLC's gaming and back office systems to ensure a high level of gaming integrity and internal controls.

Service Plan assumptions

Players

Development of our focus on one integrated player across all BCLC gaming channels will be successful in improving marketing effectiveness and gaming efficiencies.

BCLC's sponsorship of the 2010 Vancouver Olympic and Paralympic Winter Games and resulting ability to offer event ticket prizes on SportsFunder lottery games will be as successful as is expected in increasing lottery revenue.

Lottery

Planned releases of new lottery games will be on schedule.

Casino

Openings, upgrades and relocation of existing casinos will be on schedule.

The change in player preference for table games from high margin slot machines does not accelerate.

Community Gaming & Commercial Bingo

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

eGaming

Planned product releases of new games will be on schedule and the site redesign will be implemented in 2009/10.

Gaming Market

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

Cost of Services

Inflation has been assumed at 2.1% over the planning period. BCLC uses the three-month Canadian Treasury Bill rates as forecast by Treasury Board; interest rates have been assumed at 0.9% for 2009/10, 2.0% for 2010/11 and 3.1% for 2011/12.

Gaming Policy

- No major changes will be made to BCLC's mandate or Government's gaming and social policy.
- No major changes will be made to GPE mandate, regulations or policy.

Government Approvals

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

Capacity

The capacity of the organization will increase in order to balance the need to develop the business while investing in business and technology infrastructures and processes to support the current business and future growth.

Net income that may be at risk

BCLC net income estimates are made after careful consideration of the trends, opportunities, challenges and risks in conjunction with the mitigation strategies described in previous sections.

Risk occurrences could negatively impact BCLC's targets resulting in a decrease in the net income delivered to Government. Our forecasts of the possible variances are shown below.

NET INCOME FORECASTS				
\$ millions	2008/09	2009/2010	2010/2011	2011/12
High	\$1,120.0	\$1,200.0	\$1,250.0	\$1,265.0
Target	1,110.0	1,163.0	1,207.0	1,237.0
Low	1,050.0	1,065.0	1,090.0	1,090.0

Net Income Risk Factors

- Economic issues that result in a reduction to personal disposable income;
- Economic issues that positively or negatively affect operating costs;
- Ability to maintain or grow the lottery network;
- The capacity of our casino and community gaming service providers to build or upgrade gaming facilities;
- The frequency and size of lottery jackpots;
- BCLC's ability to develop and launch innovative new gaming products in all gaming channels;
- Competition from regulated and unregulated gaming competitors;
- Public acceptance of gaming;
- Changes in gaming rules and regulations;
- Government policy or delays in obtaining approval for the introduction of new games;
- Delays in obtaining host local Government approvals for the development or rebuilding of casino and bingo properties;
- Changes in consumer preferences that impact product mix and profitability;
- The Canadian exchange rate relative to the US dollar;
- The continued viability of lottery retailers and casino and community gaming service providers;
- The continued viability of suppliers of goods, services and technology;
- Changing demographics;
- Unexpected technology changes; and
- Force majeure events.

Spending on gaming, corporate systems and facilities

\$ thousands	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 TARGET	2008/09 FORECAST	2009/10 TARGET	2010/11 TARGET	2011/12 TARGET
Gaming Systems							
Lottery	\$7,804	\$7,148	\$8,000	\$9,234	\$13,023	\$17,100	\$17,100
eGaming	1,502	1,926	4,378	3,671	2,120	3,994	3,994
Casino	22,001	32,359	45,434	47,713	60,090	49,811	49,811
Community Gaming	6,445	6,952	14,774	15,722	16,468	15,807	16,057
Bingo	779	5,106	1,233	905	2,400	750	500
Player First	N/A	2,971	24,782	19,423	0	0	0
	\$38,531	\$56,462	\$98,601	\$96,668	\$94,101	\$87,462	\$87,462
Corporate Systems	4,933	2,855	8,186	12,447	18,510	20,228	20,228
Facilities	463	1,137	2,498	3,139	7,050	7,310	7,310
	\$5,396	\$3,992	\$10,684	\$15,586	\$25,560	\$27,538	\$27,538
Total Capital	\$43,927	\$60,454	\$109,285	\$112,254	\$119,661	\$115,000	\$115,000

- BCLC does not have any capital projects that individually exceed \$20 million.
- The primary driver of BCLC's capital expenditures is the acquisition of gaming equipment to support the lottery, casino, bingo and egaming channels. This includes gaming equipment to support over 4,000 lottery locations, 17 casinos, 15 community gaming centres, 12 commercial bingo halls, the continuing transition of commercial bingo halls to community gaming centres, as well as support of PlayNow.com.
- BCLC will also be incurring capital expenditures over the next several years to improve systems and processes that support the security and integrity of our gaming systems. Expenditures will include deployment of self-service terminals in all lottery hospitality locations and development of monitoring systems for retailer prize winners, consumer complaints and incident tracking.
- Capital expenditures will also be incurred to support the upgrading of casino, bingo and back office support systems to provide the highest level of internal control and integrity.



What we plan to do differently, and why

BCLC’s Board and Executive review BCLC’s mission, goals, strategies, performance measures and the associated targets on an annual basis.

BCLC’s mission statement has been updated to “**We create outstanding gaming experiences**”, reflecting our focus on the total gaming experience we provide our players.

Our values of Integrity and Social Responsibility remain unchanged. Our Respect value has been reworded to better reflect an outward as well as inward focus in our dealings with each other, our providers and the public.

We have restated and reordered BCLC’s four goals to strengthen our generation of revenue within a balanced framework of corporate social responsibility, focus on our players, infrastructure and process capacity and growth, and our people.

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

2008/09 – 2010/11 SERVICE PLAN GOALS	2009/10 – 2011/12 SERVICE PLAN GOALS	COMMENTS
Demonstrate social responsibility in all of our activities	Public/Planet Build public trust and support for BCLC gaming	It is important that the gaming BCLC manages has the support of the public in order for us to continue to generate and maximize income.
Provide an outstanding gaming experience for players and generate income and Ensure players come first	Player Provide facilities and games to develop the business	Our focus on the player is being instilled organization-wide and includes the games, services, facilities and overall support we provide for our players.
N/A	Financial/Operations Invest in infrastructure to support current business operations and future growth	This new goal and associated activities is our key area of focus to improve our infrastructure, capacity, technologies, business integrity and operational efficiency.
Have a workforce passionately driving the success of our business	People Have a workforce passionately driving the success of our business	No change.

This chart compares the performance measures and targets in our previous Service Plan 2008/09–2010/11 to the performance measures and targets in this year's Service Plan 2009/10–2011/12.

PERFORMANCE MEASURES	2008/09 SERVICE PLAN	2008/09 FORECAST ⁹	2009/10 TARGET	COMMENTS
Public Support of Gaming	62%	62%	63%	No change in the measure.
Public Trust and Confidence in BCLC Games	61%	59%	61%	No change in the measure.
Player Awareness of Responsible Gambling Activities	82%	84%	88%	No change in the measure.
Player Satisfaction	88%	84%	85%	No change in the measure.
Player Participation (past year)	N/A	81%	82%	Player participation indicates the level of success in engaging BC's adult population in gaming entertainment.
Net Win per Capita	\$455	\$449	\$480	BCLC financial statements will continue to include gross sales revenue and net income. We will use net win targets to gauge our success and compare our results with other gaming organizations.
Operating Cost Ratio (of Net Win) ⁹	41.9%	41.2%	42.4%	<p>Previous plans measured our operating cost ratio based on total revenue or net income; in order to compare with other gaming jurisdictions BCLC has changed the calculation to measure operating costs as a percentage of net win (sales after prizes).</p> <p>In addition to BCLC administrative operating costs, service provider commissions, amortization and other costs are also included that together more closely align BCLC's operating model with the models used in other gaming jurisdictions.</p>
Employee Engagement	55%	55%	60%	No change in the measure.
Employee Vacancy Rate	N/A	N/A	7%	This measure is the percentage of the number of vacancies in the process of being filled to the total number of employees and is useful for comparison of BCLC to other BC Crown Corporations.

⁹ Forecasts are based on actual results for the first two quarters of 2008/09

