



service plan

2011/12–2013/14

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message from BCLC's

board chair and president and ceo

ON BEHALF OF THE BOARD OF DIRECTORS AND OUR EMPLOYEES, WE ARE PLEASED TO PRESENT BCLC'S SERVICE PLAN 2011/12–2013/14 TO THE HONOURABLE RICH COLEMAN, MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL.

BCLC is responsible for the conduct, management and operations of lottery, egaming, casino, community and commercial bingo gambling in British Columbia. BCLC employees, along with our private sector service providers, are proud of the gambling experience we provide in a socially responsible way, and the resulting income generated for the Province of British Columbia. We have a long heritage of trust and accountability with our players and continue our commitment to corporate social responsibility, sustainability and public transparency.

Gambling generates over a billion dollars each year that is used by the Province to fund programs for communities, charities and services in British Columbia, including over 5,000 organizations that last year received Community Gaming Grants.

During a challenging economic period, BCLC has performed well relative to the market. Reduced consumer discretionary and entertainment spending continue to be evident in BCLC's operations, as well as those of our retailers and service providers.

With an increased focus on revenue generating programs in an improving economy, in 2010/11 we are forecasting success in increasing net win for the first time in two years. Net win, the amount of revenue after prizes are paid, is forecast to grow by 3.5% from the previous year to reach \$2.01 billion by the end of 2010/11 and is expected to climb to \$2.26 billion by 2013/14.

Over the next three years BCLC will continue to concentrate on improving the player experience in order to maximize our performance and optimize net income from gambling. We will do this through innovation and investment in processes, technology, social responsibility, products and customer understanding. In total, over the three years covered by this plan, BCLC is forecasting \$3.44 billion in net income for the Province of British Columbia.

BCLC is part of the economic and social fabric of communities in British Columbia. Our Benefits to BC program provides the public with more information about how net income from gambling funds programs and services in communities throughout the province. About 80 percent of the net income from gambling is directed by the Province of British Columbia to fund public services, such as health care and education.

Integrity and security is at the core of all of our activities, so that we provide players with an exceptional gambling experience while leading the way in social responsibility for our industry. We continue to work diligently to build player confidence in our delivery of gambling, particularly through our web site PlayNow.com.

BCLC continues to focus significant attention on offering competitive products to entertain our players on PlayNow.com. Our plans for growth of what has become a mature business are supported through enhancements to our core product brands and investments in innovative new products, gambling facilities and services for our players.

In 2011/12 we will also improve the information and services we offer players and the public on bclc.com and increase the cost effectiveness of marketing in our lottery channel through the introduction of digital signage.

Investments in our business, including the infrastructure and technology that support our gambling offerings, will sustain our future net income. BCLC has begun the detailed planning for the replacement of the gaming management system that supports \$1.60 billion in annual net win from casinos and community gaming centres in British Columbia. 2011/12 will be the start of a three-year plan to replace this complex system, requiring a significant financial investment and the intensive focus of the company, as well as the participation of our service providers.

Gambling is for fun and is one of the most popular forms of entertainment. Recently the World Lottery Association awarded BCLC with its prestigious Responsible Gambling Award, to recognize our offering of the best overall responsible gambling programs internationally. We are proud to be an industry leader in responsible gambling best practices and are committed to continuous improvement.

One of the ways we are encouraging players to make healthy choices is through GameSense, which offers an accessible range of materials to help players make informed decisions about our gambling products.

We are also seeking ways to enhance our voluntary self-exclusion program, and will look at the program from the users' perspective so that we can make it even stronger. We are also increasing the usage of licence plate recognition and other tools that are used to identify self-excluded individuals before they enter our gambling facilities.

BCLC views environmental sustainability as a key component of our social responsibility and is continuing to develop plans to reduce and offset our emissions to achieve carbon neutrality. We have formalized our sustainability management approach and continue to seek further carbon reduction opportunities through our facilities and business operations.

The 2011 Western Canada Summer Games are coming to Kamloops in August. BCLC is very proud to sponsor this event, which will bring considerable economic benefit to the city as young athletes, their coaches and their families converge in Kamloops. These Games are Western Canada's largest multi-sport competition for young athletes and are an integral part of Canada's Long Term Athlete Development Model.

BCLC stands out as exceptional amongst Canadian employers, again being selected as one of Canada's Top 100 Employers in addition to a fifth year as a Top BC employer. We have gained new recognition as a top employer for Canadians Over 40 and as a Top Family-Friendly Employer. We have a workforce that is passionate about their jobs, the success of the company and their connections to the community.

BCLC has a balanced approach to our business, reflecting our external and internal business focus through our goals and performance measures. In reviewing our level of success in achieving our business plans, we assess our results against targets and use publicly available benchmarks from other comparable gambling organizations.

BCLC's Service Plan 2011/12–2013/14 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 how it has been reported.

All significant assumptions, events, policy decisions and identified risks as of January 12, 2011 have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk and past performance.

January 21, 2011



John McLernon
Board Chair



Michael Graydon
President and CEO

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organizational overview

BCLC IS THE CROWN AGENCY MANDATED TO CONDUCT, MANAGE AND OPERATE LOTTERY, EGAMING, CASINO AND COMMERCIAL BINGO GAMBLING IN BRITISH COLUMBIA.

Gambling is available in over 4,000 lottery retail and hospitality locations, 17 casinos, 16 community gaming centres and 11 commercial bingo halls as well as directly to over 140,000 registered players in British Columbia through our PlayNow.com Internet site. We provide our products and services in a socially responsible manner consistent with our responsibilities reflected in British Columbia's *Responsible Gambling Strategy*.

WHO WE ARE

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

We operate our commercial gambling business in accordance with the legislative, regulatory and policy framework established by the Province of British Columbia under the authority and direction of the Minister responsible for gambling, the Honourable Rich Coleman, Minister of Public Safety and Solicitor General.

VISION

BCLC will be a company characterized by innovation, striving to be at the forefront of our industry. We will get there by constantly challenging our notion of what is achievable in how we connect with our customers, design and deliver our products, services and technology and operate as a company.

Our success will be driven by our ability to hear, anticipate and act upon customer expectations and desires. We want to be connected to our customers, to emerging markets and distribution channels, business partners and each other in our increasingly online world. Technology will be a keystone that makes this future possible.

Social responsibility isn't something we do because we have to; it is an intrinsic part of our business. We continue to increase our understanding of gambling behaviours so we can help customers empower themselves to play responsibly. We have a Corporate Social Responsibility Charter that guides our actions, so that we can take a leadership role economically, socially and environmentally.

We are aiming high, planning to be where our customer will be in the future, not just where they are today, delivering exceptional gambling entertainment in British Columbia.

MISSION

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

OUR VALUES

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

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

RESPECT: We value and respect our players, service providers and each other.

OUR GOALS AND STRATEGIES

1. Build public trust and support for BCLC gambling
 - Demonstrate a high level of corporate citizenship and social, economic and environmental responsibility
2. Create a player-centric company
 - Improve the organizational capacity to hear, anticipate and act upon customer expectations and desires
 - Offer exceptional entertainment through innovative and engaging channels and products
3. Invest in infrastructure and technology to drive innovation that enables our growth
 - Design processes and implement technology that improves operational effectiveness and prepares for the future
 - Enable an integrated multi-channel player community
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 BCLC's goals from the previous year to this Service Plan 2011/12–2013/14, located in the Appendix.

HOW WE ARE REGULATED

Gambling is regulated by the Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Public Safety and Solicitor General. BCLC complies with written directives from the Minister and the Assistant Deputy Minister/General Manager of GPEB.

GPEB develops and oversees gambling policy, legislation and standards, licenses charitable events and horse racing, registers gambling workers and service providers, certifies gambling equipment, investigates allegations of impropriety and directs Government's responsible gambling initiatives.

GPEB also distributes gambling proceeds, such as community grants to charitable organizations, conducts audits of commercial and charitable gambling for compliance and develops and implements a risk management framework for the industry.

WHAT WE DO AND WHERE WE ARE

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

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

budget process. The financial statements, management and oversight of Lottotech are consolidated within BCLC operations.

Since 1985, BCLC has grown from a lottery company with \$113.2 million in net income, to a commercial gambling entertainment organization generating a forecast \$1.08 billion in net income in 2010/11.

BCLC integrates responsible gambling and player security into the design and development of new products and services, markets and advertises our products, manages the technology necessary to run our business, and oversees contracted retailer and service provider operations to maintain gambling integrity, security, compliance and performance.

Our focus is on our players, from the design of innovative products and gambling facilities to entertain them, through to the processes, technology and social responsibility that support our delivery of an exceptional experience. BCLC owns the gambling equipment, including lottery and bingo terminals, casino table products and slot machines.

BCLC employees work from two offices: one in Kamloops and a second in metro Vancouver. We also have employees located in communities around the province, working with our contracted lottery, casino and community gaming centre service providers.

Our Kamloops office is the primary location of our information technology, finance and administration functions. Gambling operations, security, sales, marketing, communications and product distribution functions are primarily in Vancouver.

[Click here](#) to learn more about how BCLC is organized.

2010/11 FORECAST HIGHLIGHTS

NET WIN IS FORECAST TO INCREASE BY \$67.6 MILLION FROM THE PREVIOUS YEAR

Net income delivered to the Province of British Columbia is forecast at \$1.08 billion in 2010/11, \$35.0 million below the budget of \$1.15 billion but providing growth over the previous year. The number of lottery retail and hospitality locations is relatively steady, new casino products were added to PlayNow.com, which will have over 180,000 members by year-end, and the Maple Ridge community gaming centre opened.

British Columbians will win a forecast \$628.0 million in lottery, PlayNow.com and bingo prizes. Prizes won at casino table games and slot machines are paid during game play and are not reflected as prizing in our financial statements. Our gambling channel private sector service providers will earn \$587.0 million in commissions and service fees. BCLC's total operating costs including salaries and the purchase of goods and services are expected to total \$158.4 million. Gambling creates significant direct and indirect employment opportunities across British Columbia, particularly in the 28 municipalities where host local governments will share \$83.9 million from casino and community gaming centre facilities revenue.

(\$ millions)	LOTTERY	PLAYNOW.COM	CASINO & COMMUNITY GAMING CENTRES	TOTAL
Revenue	\$970.0	\$44.3	\$1,621.0	\$2,635.3
Net Win ¹	432.6	26.6	1,548.1	2,007.3
Net Income before Taxes	280.4	9.5	869.1	1,159.0
Net Income	260.9	7.1	812.0	1,080.0
Channel	2,927 Retail locations 1,119 Hospitality locations, including 878 self-service terminals	Internet	15 Casinos 2 Racecourse Casinos 16 Community Gaming Centres 11 Commercial Bingo Halls	
Products	Lotto Games Sports Games Social Games Instant Games	Lotto and Sports Games e-only Games Casino-style Games	Slot Machines Table Games Poker Games Paper and Electronic Bingo	

1 Net Win is the amount of revenue after prizes are paid to players. BCLC uses net win to compare our results across our gambling channels and with other gambling jurisdictions.

corporate governance

BCLC'S BOARD OF DIRECTORS (BOARD) IS APPOINTED BY ORDER OF THE LIEUTENANT-GOVERNOR IN COUNCIL.

BCLC is compliant with the standards and guidelines and each of the disclosure requirements contained in the *Best Practice Guidelines–BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (2005)*.

Our Board framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees and the Corporate Secretary, as well as processes for strategic planning, succession planning and Board performance evaluations.

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

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

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

The Chair is the presiding Director, responsible for the effective leadership and performance of the Board and the liaison between the Board and Minister responsible for gambling. The Chair works together with the President and CEO ("the CEO") to ensure effective relations with stakeholders, including Government.

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

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

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

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

Minister Responsible for Gambling
The Honourable Rich Coleman
Minister of Public Safety and Solicitor General

Board of Directors
John McLernon (Chair)

Role: To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of our Shareholder, the Province of British Columbia.

Governance: In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so:

- i) honestly and in good faith;
- ii) with a view to the best interests of the Corporation;
- iii) with the care, diligence, and skill of a reasonably prudent person; and
- iv) consistent with the terms of reference that set out the standards of performance that the Board expects of each director.

Chair: John McLernon

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

BCLC has three standing Board committees; other committees are established as needed. The committees are responsible for advising and formulating recommendations to the Board. Our Standing Board committees are:

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

Chair: Michael Riley

Members: David Gillespie, Moray Keith, Arthur Willms

Governance and Corporate Social Responsibility Committee **Purpose:** To provide focus on governance that enhances BCLC's performance, including for the Board of Directors, and to provide oversight responsibility for corporate social responsibility policy.

Chair: David Gillespie

Members: Trudi Brown, Walter Gray, Moray Keith

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

Chair: D. Neil McDonnell

Members: Cynthia Grauer, John McLernon

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

Ex-Officio Members The Board Chair is an ex-officio member of all committees where not appointed as a full member. The President and CEO is also an ex-officio member of all committees.

our senior executive team

BCLC's President and Chief Executive Officer (CEO) reports to our Board of Directors. [Click here](#) to read the terms of reference for the CEO, which are included in our Board framework.

As the person responsible for providing overall leadership and vision in developing the tactics and plans to realize BCLC's objectives, the CEO ensures strategic and annual plans are effectively implemented, monitored and reported, and the financial and operational objectives are achieved.

The CEO provides the leadership, management, and general supervision and controls BCLC operations on a day-to-day basis in accordance with the strategies, plans and policies approved by BCLC's Board.

The CEO is supported by a Senior Executive team comprised of nine Vice Presidents, each responsible for a division of the organization, all of whom report directly to the CEO.

A Vice President is responsible for the leadership and operation of each of the three business channels: Casino and Community Gaming, Lottery Gaming and eGaming, which is included in the responsibilities of the Vice President of Corporate Affairs.

The business channels are supported by six divisions, each led by a Vice President responsible for managing the operations of BCLC's financial, corporate services, corporate security, compliance, social responsibility and communications, marketing, technology, business transformation and human resource capabilities.

The Director, Audit Services reports administratively to the CEO and functionally to the Board Audit Committee.

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

Minister Responsible for Gambling
The Honourable Rich Coleman
Minister of Public Safety and Solicitor General

Board of Directors
John McLernon (Chair)

President and CEO
Michael Graydon
Responsible for BCLC's leadership and vision, directing and supporting the Senior Executive team in the development of the plans and actions required to realize the strategic goals of the organization.

Business Transformation
Lynette Hughes, Vice President

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

Casino and Community Gaming Centres
Darryl Schiewe, Vice President

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

Corporate Affairs
Kevin Gass, Vice President

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

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, information security and employee and service provider compliance.

Customer Strategy and Corporate Marketing
Marsha Walden, Vice President

Responsible for the strategic planning process, including player-centricity, advocacy and support, as well as corporate and casino marketing, innovation and research.

Finance and Corporate Services
Tom Williamson, Vice President and Chief Financial Officer

Responsible for finance, including financial reporting and liaison with Government, and corporate services including administration, facilities and procurement.

Human Resources
Peter Charlton, Acting Vice President

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

Information Technology
Scott Norman, Vice President and Chief Information Officer

Responsible for the technology architecture and infrastructure supporting BCLC's gambling and back office systems, including enterprise risk management.

Lottery
Jim Lightbody, Vice President

Responsible for the development and operation of lottery gambling, including products, marketing, sales and distribution, and contracted private sector service providers.

strategic context

what BCLC is experiencing now and anticipating for the future

These trends, opportunities and risks will shape our operations and have the potential to influence our performance during the three years covered by this plan. In preparing strategy, BCLC has assessed the risks and the opportunities they may present, as well as the likelihood and potential impact.

economic and market trends and issues

BCLC expects the following trends, opportunities and issues to shape our operations and potentially influence our performance during the three years covered by this plan.

We continually monitor the marketplace and our plans to be successful within it, making adjustments where necessary to leverage or mitigate occurrences in order to maximize our net income for the Province of British Columbia.

ECONOMY

British Columbia's economic growth rate forecasts for 2011/12 are higher than is expected nationally². However, while consumer confidence is well above the Canadian average, British Columbian consumers have reduced their discretionary and entertainment spending, and the impact is evident in BCLC's operations and those of our service providers.

Context: Over the past two years BCLC total revenue has declined by \$85.1 million or 3.3%. BC's disposable income per capita is slightly lower than the national average. Improvement has been evident in BCLC's results for the first nine months of 2010/11.

The downturn in the economy has resulted in weaknesses in credit markets impacting access to capital by our casino and community gaming centre service providers. While gambling integrity and compliance activities remain unchanged, planned investments in facility enhancements have slowed.

Actions: BCLC will continue to focus on revenue initiatives to generate growth, in particular to maintain our core, mature products. We have reassessed our operating and capital budgets to proactively mitigate any negative impact on gambling income.

CONSUMERS

Canadians spend more time online than in pursuit of other leisure activities as the integration of entertainment and communications is expanding. Online consumers expect unique, more social, personalized and interactive experiences. Consumers are more demanding, looking for products which offer real entertainment in a more budget-conscious economy.

Context: While more than 80% of British Columbians play a BCLC product at some time over the course of a year, most play infrequently. Delivering high entertainment value and building loyal player relationships are increasingly important as competitive differentiators. BCLC must provide products and services that provide a complete entertainment experience for

our players, with a continuing focus on the quality of customer service and delivery.

Actions: We are continuing the shift to a player-centric organization, seeking ways to make playing fun, convenient and secure, and addressing trends like changes in consumer shopping habits through self-service and the Internet. BCLC recognizes that a deeper understanding of our customers requires that we change our processes so that we can more quickly react to their entertainment needs with new product offerings.

POPULATION

British Columbia's highly diverse population is continuing to grow, with the adult population projected to increase 8.5% between 2009 to 2014.

Context: Gambling product preferences differ globally. Today's products may not appeal to the diversity in ethnicity and across the younger and senior adult age groups.

Actions: BCLC's growing focus is on players rather than products so that we attract players with differing gambling preferences.

LABOUR FORCE

The availability of and competition for highly skilled people remains a challenge despite the recent economic downturn.

Context: Although the number of recruitments has slowed, filling professional roles continues to be challenging.

Actions: In order to enhance our ability to successfully attract and retain skilled employees, BCLC will focus on our employment brand, including our status as one of Canada's and British Columbia's top employers. We are reviewing our total rewards program, including comparisons with other industries. We are continuing to provide leadership and employee development programs, training and skill development opportunities.

BCLC INFRASTRUCTURE, PROCESSES AND TECHNOLOGY

The world is becoming increasingly more self-service, with the widespread use of mobile and wireless enabled devices, access to the Internet is becoming more widely available and emerging as an essential service channel for consumer spending. Along with digital TV, these trends are about convenience and customization and are leading the way in consumer entertainment enabled by technology.

² Growth rate forecast is the result of an internal review of *BC Government Budget and Fiscal Plan - 2010/11 to 2012/13, Economic Performance and Trends*, Canadian Economic Forecast and press releases by The Bank of Canada, CIBC, RBC and The Conference Board of Canada.

Context: BCLC relies on technology to deliver gambling with a high degree of integrity and security. New technologies can lead to business advantages, such as product and service innovation for our players and operational efficiencies for BCLC and our service providers.

The need to implement new systems is increasing our operating costs, as BCLC is leveraging best-of-breed technology purchases and outsourcing systems, rather than funding in-house development.

Actions: We are investing in technology to modernize our processes and systems. Our research includes the identification of the most promising developments and evaluating their potential application to our gambling business.

The gambling products and services on PlayNow.com may in future be leveraged across BCLC's other business channels.

The replacement of the legacy gaming management system used to operate and manage our casino business will not only sustain our existing \$1.60 billion in net win, but may also provide better services for our players and improved player insights for BCLC and our service providers.

The implementation of this new system will include reviewing processes within BCLC and our service providers and the standards, policies and procedures that support them so that we leverage capabilities of new technology while continuing to effectively deliver our gambling business.

The automation and integration of our financial processes into more robust systems is a multi-year program that will strengthen financial controls, as well as improve business insight and capabilities well into the future.

GAMBLING INDUSTRY

The gambling industry is Canada's largest entertainment industry, employing more than 135,000 people directly and contributing \$15.3 billion to the Canadian economy in 2008/09.³

Privately owned Internet gambling companies and casinos in neighbouring jurisdictions are also seeking growth, targeting British Columbian consumers with marketing and other offers that compete with BCLC's regulated gambling business. The global mobile gambling market is also growing as the usage, types and number of available devices, features and applications continues to expand rapidly.

Context: Gambling has a significant presence in British Columbia's economy. Although growth has slowed and the economy has negatively impacted our sales, BCLC's net income continues to grow. In 2010/11 BCLC is forecasting net win of \$2.01 billion, which will provide \$1.08 billion in net income to governments.

Actions: BCLC continues to focus on growing revenue within the socially responsible gaming policy set by the Province of British Columbia. This includes the continued redevelopment of commercial bingo halls to community gaming centres that provide players with more entertainment options, the availability of products on PlayNow.com and lottery self-service options.

BCLC GAMBLING

Gambling offerings from providers located outside British Columbia continue to compete with BCLC's casino, community gaming and Internet gambling offerings.

Our gambling products are sold through contracted private sector service providers and via the Internet on PlayNow.com.

Our private sector service providers play an important role in providing the customer service that contributes to our players' enjoyment of our products and the facilities where gambling is available. Net Win, our revenue after prizes have been paid to players, is used to compare sales across our business channels.

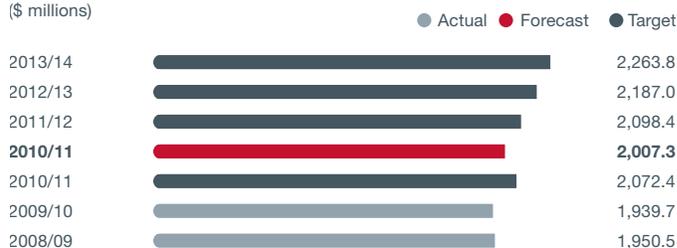
Context: BCLC optimizes our financial performance within the gambling and social policy framework established by Government. General economic conditions have impacted our service providers, resulting in delays to facility improvements. Consumer spending on discretionary and entertainment activities continues to lag behind recovery in the overall economy. Significant income and employment is generated in the private sector from the gambling industry.

BCLC's 2010/11 net win is forecast below budget but ahead of our 2009/10 results. Our targets for 2010/11 forward have been revised to reflect the slower than anticipated development of new and enhanced facilities and the later than planned launch of products on PlayNow.com.

Actions: Growth is expected from our strategy to focus on our six core products: slot machines, baccarat, blackjack, Lotto 6/49, LOTTO MAX and Keno. We will introduce new lottery distribution technology, continue to enhance existing casino facilities and develop community gaming centres, along with improved marketing, slot machine management and the introduction of server-based gambling. Growth in PlayNow.com will come from the continued development of casino-style games, including the addition of poker and updated sports and bingo products.

We analyze our financial results on a time series basis, as the types of gambling offered by other gambling jurisdictions varies too much to allow consistent benchmarking.⁴

NET WIN (\$ millions)



Sources:

BCLC Annual Reports and financial reporting

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

4 In all charts, Net win and net income figures for 2008/09 and 2009/10 are actual, 2010/11 includes forecasts and approved budgets and 2011/12 through 2013/14 are targets

LOTTERY

Context: In our lottery business, we manage a portfolio of national and regional games spanning the lotto, sports, social and instant categories. We distribute in multiple channels including retail, hospitality (including casinos) and on the Internet through PlayNow.com. Our service providers earn an industry-standard commission, calculated as a percentage of sales revenue, to service BCLC lottery games in their locations.

BCLC's lottery gambling is a major profit generator and remains a priority. Traditional lottery offerings continue to see some erosion in market share, although due to the number of large jackpot rolls, lottery net income (before taxes) is expected to grow in 2010/11.

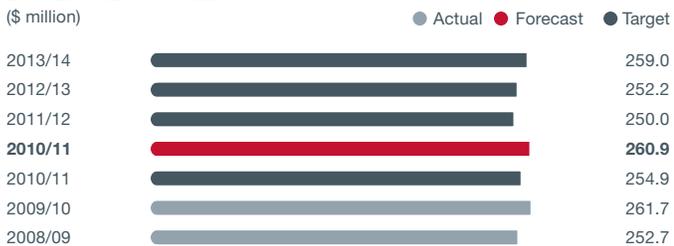
Actions: We are focused on innovation to provide more exciting and entertaining lottery experiences while maintaining player security and system integrity. More convenient ways to purchase products, particularly in the high traffic retail grocery and hospitality environments, and new game development, particularly in the sports category, are ways we plan to increase player participation and income from this business.

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

LOTTERY NET WIN



LOTTERY NET INCOME



PLAYNOW.COM

Context: BCLC offers Internet gambling in British Columbia through our PlayNow.com website. PlayNow.com incorporates social responsibility through age, jurisdiction and identification verification, deposit restrictions, display of play time and wagers, player-set weekly wallet limits, odds of winning, as well as privacy protection and voluntary self-exclusion options.

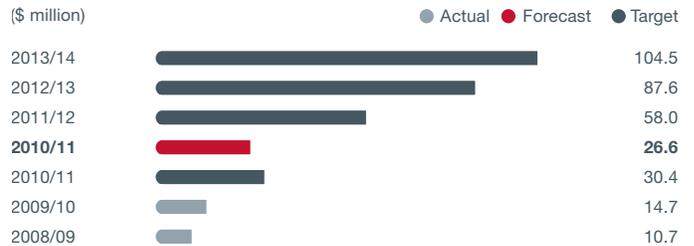
Actions: Creating a successful business through sales from our PlayNow.com web site is a strategic priority for BCLC. Strong growth continues in this channel, which provides an estimated 180,000 registered players in British Columbia with the convenience and security of purchasing online on a regulated web site, where the revenue generated stays in the province.

To tap into the \$80 million spent by British Columbians on Internet gambling, BCLC launched casino-style products on PlayNow.com in 2010. We are continuing with plans to implement other innovative products so that we can compete with privately owned Internet gambling sites, who are increasing their marketing to players in British Columbia.

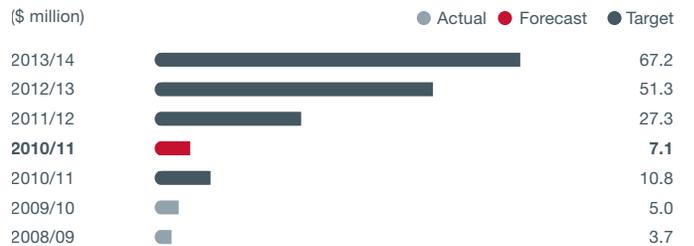
We are also planning to improve our communication with our players while continuing to offer specials and promotions to increase our player base.

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

PLAYNOW.COM NET WIN



PLAYNOW.COM NET INCOME



CASINO AND COMMUNITY GAMING CENTRES

Context: Six private sector casino service providers and 15 service providers for commercial, independent and charitable community and commercial bingo gambling earn a percentage of net win for providing gambling facilities and day-to-day operational services.

Since assuming responsibility for casino gambling in 1998, BCLC's priority has been to upgrade existing casino facilities to higher quality properties. This strategy, which is nearing completion, has resulted in a more diverse entertainment experience for players that includes full-service restaurants and theatre-style show lounges, and in some locations, resort-style accommodations and conference facilities.

Bingo gambling has been in a steady decline over the past decade as interest in the game diminishes; in 2010/11 this decline is forecast at 12%. BCLC's priority for this market has been to upgrade commercial bingo halls in key market locations to community gaming centres with improved customer service and amenities such as restaurants and lounges, and offer more entertaining products, including slot machines and other electronic products. Because community gaming centres have been well received by players and their local communities, the net win generated from them is increasing as more are developed.

Actions: In 2011/12 BCLC will continue to develop casino properties that provide players with an exceptional entertainment experience. Where market demand allows, we work with our service providers to position casinos as a major tourism attraction.

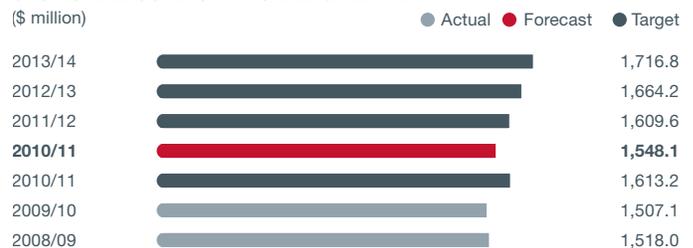
BCLC is working with service providers on plans to redevelop existing commercial bingo halls to community gaming centres in several municipalities. We are also researching new, more entertaining products for bingo players, including ways to leverage our products from other gambling channels in these gambling facilities.

BCLC offers players membership in BC Gold, a player rewards program providing members with exclusive contests and events, points for play, and savings at restaurants and hotels. With the number of active members forecast at 225,000 in 2010/11, BCLC is continuing the review of technology that would allow the extension of the program to table game players, to grow the number of active members to 265,000 by 2013/14.

Analyzing the player appeal of slot machine products and their placement within gambling facilities will be one of the ways BCLC will continue to work with our service providers to improve the gambling experience for our players. We are also planning entertaining tournaments and promotions, particularly for our BC Gold members.

Casino and community gaming centre revenue is shown as net win, which is the amount after prizes are paid to players.

CASINO AND COMMUNITY GAMING NET WIN



CASINO AND COMMUNITY GAMING NET INCOME



risks and opportunities

THE POTENTIAL IMPACT AND OUR ACTIONS TO MINIMIZE AND/OR MITIGATE OR REALIZE THE BENEFITS

BCLC has a formal enterprise risk management scheme, with consistent evaluation of arising and ongoing risk and quarterly monitoring and reporting of agreed action plans for all significant operational risks. Over the past year, we have further developed project risk management arrangements, with detailed risk assessments, project risk plans and formal reporting.

In 2011/12 we will continue to develop and leverage our risk management approach to strengthen strategic, business and project planning processes. The following table provides an overview of significant risks and opportunities that BCLC faces and the actions planned or underway to address those issues.

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
REGULATORY CHANGE		
<p>Risk: Complying with evolving regulatory requirements may create additional financial or operational challenges or compliance may not be fully achieved.</p> <p>Opportunity: Compliance initiatives may strengthen systems and identify opportunities for improvement.</p>	<p>If new regulations are applied to our business, BCLC may be required to implement new processes that increase our operating costs.</p> <p>If systems and processes to support compliance are ineffective, BCLC may face fines, increased regulatory oversight or a decline in public trust.</p>	<p>Goal #1 Public/Planet</p> <p>In addition to a formal Policy Office, BCLC has committed significant resources to our compliance programs, including Legal Services and Operational and Internal Audit Services.</p> <p>We will continue to develop and strengthen compliance programs. Further expertise and technical resources to support compliance are planned for 2011/12.</p>
CHANGE IN CUSTOMER PREFERENCES		
<p>Risk: BCLC products and services may not appeal to existing or new players.</p> <p>Opportunities: Develop new innovative games and delivery mechanisms so that we continue to entertain our players.</p> <p>Develop new relationships with our players so that we learn how to continue to or improve upon the value of the entertainment we offer.</p>	<p>If BCLC does not provide appealing products that are easily accessible, the number of adult British Columbians that purchase lottery products, visit casinos or community gaming centres or play on our Internet site will decrease, negatively impacting our revenue and the net income generated for the Province of British Columbia.</p>	<p>Goal #2 Player</p> <p>BCLC actively researches current and potential player audiences to identify emerging trends in preferences and to monitor response to our existing products and services.</p> <p>BCLC's approach includes our business plan programs with metrics and targets to focus understanding on our customers, delivering exceptional entertainment experiences, realizing player value and changing our culture.</p>
SERVICE PROVIDER MANAGEMENT		
<p>Risk: BCLC relies on private sector service providers to support the delivery of gambling products and business operations. Our plans may not be carried out as defined in contracts or other agreements, or may not be successfully delivered.</p> <p>Opportunity: The ability to leverage the knowledge and expertise of service providers for mutual success.</p>	<p>Products and/or services may not deliver on expectations, meet only part of BCLC's or the customer's needs or may not be aligned with BCLC strategic direction.</p> <p>BCLC's operations and net income may be negatively impacted by a market disruption resulting from the business failure of a service provider or if a service provider does not invest to maintain facilities and grow the business.</p>	<p>Goal #2 Player</p> <p>Goal #3 Financial/Operations</p> <p>BCLC actively works with our service providers in operating the gambling business, in areas such as financial performance and compliance reporting, product and customer service delivery, to improve the gambling business in British Columbia for the benefit of our players and the Province of British Columbia.</p>

RISKS & OPPORTUNITIES	IMPACT	ACTIONS
PROCESSES AND TECHNOLOGY		
<p>Risk: BCLC's operations require well designed and managed processes and are highly dependent on technology.</p> <p>Legacy systems may limit growth potential.</p> <p>Opportunity: New systems and processes will better support current operations and enable future growth opportunities.</p>	<p>As BCLC develops the gambling business, the systems and processes supporting it require updating or replacement, increasing expenses to supply and support the business.</p> <p>Changes in the underlying technologies or processes also may have unintended consequences as systems integration becomes more difficult and more costly. Opportunities may be missed.</p>	<p>Goal #3 Financial/Operations</p> <p>BCLC's strategy to transform our business has strategically targeted programs to modernize our infrastructure, processes and technology and will maintain or improve upon security, integrity, efficiency and resilience.</p> <p>We have several major programs that will evolve our technology capabilities and reduce our reliance on legacy systems. The most significant of these is the multi-year program to replace the gaming management system used to manage casino and community gaming centre operations.</p>
FOCUS ON SECURITY		
<p>Risk: New security challenges, particularly relating to information management, continue to emerge across industries.</p> <p>Opportunity: Further improve our processes, systems and practices to protect our assets and our players.</p>	<p>Emerging security threats require responsive and preventative action to prevent systems and/or processes from damage or compromise. Immediate consequences include loss of data or integrity, downtime, service suspension and the cost of remedial action.</p> <p>Longer term effects could include regulatory action and potential loss of player and public trust.</p>	<p>Goal #1 Public/Planet Goal #3 Financial/Operations</p> <p>Security is an ongoing priority as new areas of business are developed and new technology is introduced.</p> <p>BCLC has dedicated security systems and personnel and a number of programs to safeguard BCLC operations and our players from fraud, criminal activity and/or other accidental or malicious acts.</p> <p>We are further developing our security and information management systems and processes through adding new technology and additional resources.</p>

our capacity to achieve results

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

As entertainment options and consumer expectations change, BCLC needs to leverage synergies, capabilities and technology to offer new products and experiences to our players. Our modernization programs provide challenges to the employee capacity for change, as well as our overall ability to appropriately resource business operations and the successful implementation of strategy. Without the right balance of skills, abilities and the engagement of our employees, BCLC will not be able to realize our goals.

We are improving our business planning processes to better balance program prioritization and scheduling. Increases to employee capacity is targeted for strategic programs as well as in oversight and compliance areas, with short-term needs met with temporary and contracted resources. Through the investment in a new learning management system and ongoing programs for leadership development, BCLC is strengthening our ability to develop our workforce. To make sure that our capacity is effectively utilized, BCLC relies on resource planning aligned with emerging business needs and our programs to modernize our business processes and systems.

Except for some professional roles in high marketplace demand, the economic downturn and resulting softening of the employment market reduced some of the challenges we were experiencing in recruiting new talent. Enhanced recruitment processes and the use of our status as one of Canada's Top 100 Employers and one of BC's Top 55 Employers positions BCLC to compete in the talent market as the economy improves.

our plan for the next three years

goals, strategies and performance measures

BCLC's Board and senior executive conduct an annual review of our mission, values, goals, strategies, performance measures and associated targets. We also gather results from other gambling jurisdictions with similar operations and compare BCLC's results to these benchmarks to assess our performance relative to these comparator organizations.

how we measure our performance

Each year, BCLC sets performance targets based on trends in current performance and the expected impact of our programs to maintain or improve performance, or other marketplace factors indicating a potential change.

For non-financial measures, BCLC contracts with independent third-party professionals to conduct surveys, and uses those results to measure our performance against the targets we have set. On a quarterly basis, we assess our results and also review and analyze the data collected in these surveys to verify the accuracy and reliability of the reported results. Our performance results are published each year in our [Annual Service Plan Report](#).

Public support for gambling, player awareness of responsible gambling initiatives, player satisfaction and participation are measured by Research and Incite Consultants, a third-party research supplier which uses a random sampling of the BC adult population throughout the year. Samples are verified to ensure that they are representative of BC's regional population, age and gender balance. In 2010/11 we transitioned from collecting data via telephone surveys to online surveys. In the first quarter we collected data using both methods so that we could compare the results of each collection method. The overall trend is that BCLC received more positive scores in the online data collection, beyond what we had anticipated in our target setting. While we will continue to report historical data, the results are not directly comparable due to the difference in collection methodology.

Financial information is obtained from BCLC's audited financial statements, published in BCLC's Annual Service Plan Report, and other internal reporting. Population figures from BC Stats are used to calculate some performance measures. Employee engagement is measured on our behalf by Ipsos Reid, a third-party research supplier who conducts an annual survey of BCLC employees.

Our performance benchmarks are obtained from the audited financial results published by the comparator benchmark organizations, Lafleurs World Lottery Almanac and the publicly available Canadian Gambling Digest.

The organizations that BCLC benchmarks to are the Ontario Lottery and Gaming Corporation (OLG), Loto-Quebec (LQ) the Swedish lottery Svenska Spel and the total Canadian gambling average. These benchmarks provide insight into BCLC's financial performance against national norms and comparable Canadian gambling jurisdictions. Svenska Spel is widely regarded as the most innovative international lottery and Internet gambling jurisdiction. We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

performance measures and targets at a glance

Our performance measures and targets for the next three years are summarized in the table below.

GOAL	MEASURE	2010/11		TARGETS		
		TARGET	FORECAST	2011/12	2012/13	2013/14
1. Build Public Trust and Support for BCLC Gambling	Public Support for Gambling	63%	55%	56%	57%	58%
	Player Awareness of Responsible Gambling Activities	60%	80%	81%	82%	83%
	Level of Greenhouse Gas Emissions (CO ₂ e in metric tonnes)	1,545	1,545	1,514	1,484	1,439
2. Create a Player-Centric Company	Player Satisfaction	74%	72%	77%	78%	79%
	Player Participation (at least monthly)	52%	61%	61%	62%	63%
	Net Win per Capita	\$458	\$444	\$456	\$467	\$476
3. Invest in Infrastructure and Technology to Drive Innovation that Enables our Growth	Operating Costs as % of Net Win	41.5%	41.5%	42.1%	42.4%	42.3%
	Net Income (\$ millions)	\$1,115.0	\$1,080.0	\$1,105.0	\$1,147.0	\$1,189.0
	Electronic Gambling Devices per Capita	results reported; annual targets not set				
4. Have a Workforce Passionately Driving the Success of our Business	Employee Engagement	83%	83%	83%	83%	83%
	Employee Vacancy Rate	5.0%	2.0%	2.0%	3.0%	3.0%

public / planet

goal #1: build public trust and support for BCLC gambling

- *Demonstrate a high level of corporate citizenship and social, economic and environmental responsibility*

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

BCLC supports the Province of British Columbia in its efforts to reduce the incidence and harmful impacts of problem gambling, and to educate and raise public awareness of responsible and problem gambling. We will continue to provide a safe and responsible gambling environment for our players.

We deliver our gambling products in a manner that encourages responsible play and healthy choices. Our efforts continue to be focused on integrating responsible gambling principles into BCLC's operations. We are enhancing responsible gambling programs for our players and communication about the availability of and access to programs, including voluntary self-exclusion.

BCLC's GameSense communication and education program includes responsible gambling tips in our product advertising aimed at raising the awareness of the general public and our players.

The public is interested in where the money from gambling goes. We will continue our Benefits to BC public awareness program that focuses on the more than \$1 billion each year that goes to the Province of British Columbia for important programs like health care, education and community initiatives.

BCLC views environmental sustainability as a key component of corporate social responsibility and is promoting environmentally sustainable behaviours in our organizational culture as an integral component of our business.

Our employee-led Green Committee continues to engage their co-workers, running a monthly eco-challenge to raise awareness of simple actions that can reduce personal and work-related negative environmental impacts, ranging from ways to use less energy to saving water and sustainable waste management ideas, such as composting.

CORPORATE RESPONSIBILITY IS THE OPPORTUNITY EVERYONE AT BCLC HAS TO BE A POSITIVE CATALYST SOCIALLY, ECONOMICALLY AND ENVIRONMENTALLY. WE CALL THIS "PLAYING IT RIGHT".

BCLC employees volunteer their time to lead United Way fundraising activities and participate in the "Day of Caring" event. Through their outstanding generosity and support, our employees plan to continue their work so that we build on the nearly \$300,000 they have raised so far to help improve lives and build our communities.

Employee groups are also volunteering their time for Christmas Charity and other charitable causes that help disadvantaged families in the communities where they live and work.

As a Presenting Sponsor of the Western Canada Summer Games to be held in Kamloops in August 2011, BCLC has wrapped its Kamloops office building with murals featuring athletes participating in swimming, cycling and track and field events. A number of employees have already signed on as volunteers for the games, which are a significant event for the City of Kamloops.

public / planet performance measures and benchmarks

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

Our results for Public Support for Gambling and Player Awareness of Responsible Gambling Activities are measured through a continuous tracking study conducted by Research and Incite Consultants. An overview of their methodology is provided [here](#). As a result of changes we made to the Player Awareness of Responsible Gambling Activities survey, we have recalculated the 2009/10 result and adjusted targets for the next three years accordingly.

We measure our greenhouse gas emissions using standard calculations provided by Government. Data is obtained from suppliers of electricity, natural gas, fleet fuel, paper suppliers and from internal financial and procurement reporting. Targets are set so that BCLC successfully reduces our reportable emissions by 33% by 2020, consistent with the provincial target. This requires a reduction from the 2007 baseline of 1,610 CO₂e tonnes to 1,079 CO₂e tonnes in 2020.

PUBLIC SUPPORT FOR GAMBLING

This metric measures the percentage of adult British Columbians who support legalized gambling, which is central to BCLC’s management and growth of our gambling business.

The public places importance on BCLC’s overall effect on our communities. Providing the public with more information about how government uses BCLC net income to fund programs for British Columbians is important for public support of gambling. Our planned improvements to the bclc.com web site will improve our communication with the public and our players.

BCLC continues to seek ways to make playing our games more convenient and secure. From the introduction of casino-style games, including poker, on PlayNow.com and market assessments and the redevelopment of gambling facilities, BCLC is striving to improve the entertainment and convenience for our players.

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

Public support for gambling has been impacted by the difficulties experienced in 2010 with PlayNow.com and FINTRAC reporting. Public concern about the distribution of gambling net income has also had a negative effect on this measure.

Starting in 2011/12, BCLC plans to change the question used to survey British Columbians, from “gaming” to “gambling” so that we are more clearly describing our business. We do not expect a significant difference in our results.



PLAYER AWARENESS OF RESPONSIBLE GAMBLING ACTIVITIES

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

Creating a healthy gambling industry is a priority across the organization. BCLC actively works with other Canadian jurisdictions in strengthening the industry commitment to share responsible gambling best practices. We continue to research player education tools, so that we are able to incorporate the highest level of responsible gambling standards into our business operations.

GameSense is a responsible gambling program designed to offer approachable and accessible materials to help players make informed decisions about our products. BCLC is continuing with GameSense information kiosks in all casino and community gaming centre locations, which are staffed by GPEB contractors or offer self-service information. The program is aimed at dispelling myths and misinformation about gambling and promoting healthy and informed choices.

Our voluntary self-exclusion program is accessible to those having difficulty controlling their gambling and can be used to assist individuals who want to self-exclude from the gambling BCLC offers.

We are continuing Appropriate Response Training so that BCLC employees, service providers and retailers are educated on how to respond to players who require assistance.

At our casinos we are also continuing to implement technology that provides license plate and facial recognition of individuals who have self-excluded and we are increasing the use of RFID technology in casino chips to reduce the potential for counterfeiting.

BCLC’s PlayNow.com online gambling site incorporates strong player security. We have robust age controls and proactive communication tools to enable players to monitor and manage play time and spending. Additional player education tools and gambling activity controls are being researched so that our responsible gambling resources on PlayNow.com continue to evolve along with the products that we offer. BetStopper is one innovative tool to help prevent minors from being exposed to online gambling websites and is available for download free of charge to British Columbia residents.

In 2010/11 we removed the best known responsible gambling programs from the survey questions, so that we could get better insight into the success of newer initiatives. While this was expected to result in lower scores, the change has been offset with a more positive response from players who are now surveyed online.



LEVEL OF GREENHOUSE GAS (GHG) EMISSIONS

From 2010 onward, BCLC must meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act* and pursue actions to minimize GHG emissions. BCLC’s reportable GHG emissions result from buildings, fleet vehicles and certain office paper supplies.⁵

BCLC views sustainability as a key component of corporate social responsibility and is promoting environmentally sustainable behaviors in our organizational culture as an integral component of our business. Led by an environmental sustainability specialist, all levels of the organization are being encouraged to develop sustainability solutions. We are formalizing our sustainability management approach to seek further GHG reduction opportunities.

Expansion of the size of our business led to an increase in emissions. Initiatives to reduce our carbon footprint are underway, including upgrades to the HVAC system in our Kamloops facility; replacing corporate fleet vehicles with hybrid alternatives; enhancing procurement practices to include sustainable criteria; exploring alternative power sources; recycling end-of-life equipment and upgrading video conferencing equipment.

Our recent move to a building targeting LEED Platinum Standard certification in metro Vancouver will further reduce our GHG emissions and energy consumption. This office location has better public transit access for our customers and our employees, and we are using the opportunity the move has provided to achieve additional benefits for the organization by implementing other sustainability practices, such as centralized printing, improved video conferencing and office composting. Our efforts to positively impact our service providers and suppliers are also continuing.

LEVEL OF GREENHOUSE GAS EMISSIONS



5 GHG reporting is calculated based on calendar years

player

goal #2: create a player-centric company

- *Improve the organizational capacity to hear, anticipate and act upon customer expectations and desires*
- *Offer exceptional entertainment through innovative and engaging channels and products*

HOW OUR PLAYER FOCUS WILL BENEFIT OUR BUSINESS

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

We will further develop our management of the relationship with our players by examining player needs and preferences across all of our gambling channels more effectively. BCLC is building flexibility into the development of all new products, services and systems so that as shopping and other consumer preferences change, we can more easily shift our product offerings to meet those preferences.

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

In lottery gambling, the relatively new nationwide game LOTTO MAX is offering our players more exciting jackpots. Our ongoing product innovation efforts continue with the objective of meeting player expectations for new experiences through improvements to existing products as well as the creation of new products. Marketing efforts will focus on our lotto products, in particular LOTTO MAX.

We are looking at ways to make purchasing more convenient as our players change where and how they shop and the kind of service options they expect. As part of these efforts, BCLC is considering consumer trends, particularly in entertainment activities. We are planning improvements to our prize payout processes to improve the “once in a lifetime” winning experience. We are also reviewing communication programs, including the use of new digital signage, to be certain our offerings continue to evolve with consumer expectations.

BCLC’s introduction of casino-style products on PlayNow.com has moved us into an extremely competitive market. We will continue to improve the products we offer on our Internet site so that we provide British Columbian players who gamble

on PlayNow.com with games and features that keep their entertainment experience exciting, including tournaments and promotions that attract and retain players. We are also assessing other ways to provide our players with a more entertaining play experience, such as the larger jackpots that could result from partnering with other jurisdictions.

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

We are working with our service providers to improve customer service for our players, partnering to provide ongoing training programs for their employees. The development of our new gaming management system will enable the future introduction of higher entertainment products in casino and community gaming centre locations.

BCLC is improving our business intelligence capabilities across the company. These capabilities are required to support the analysis of the performance of our slot machines and table games, PlayNow.com and lottery products and the features available within these products, so that ultimately we provide players with a more entertaining variety of gambling options.

We are investigating technologies that enhance the availability of products, player services and business model efficiencies in all of our gambling channels, including those with the potential to help offset a continuing decline in bingo gambling as well as those that may be best suited to meet the expectations of British Columbia’s diverse and growing adult population.

Through our BC Gold player card program, BCLC offers player-focused rewards and incentives to players at casino and community gaming centre facilities. We are reviewing the extension of the services and benefits offered by this card from slot machine play to table game play, growing the number of active members from a forecast 225,000 this year, to 265,000 in 2013/14. In partnership with our service providers, BCLC will continue to offer special tournaments for poker, blackjack, mahjong, and slot machine players.

player performance measures and benchmarks

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

Our results for Player Participation and Player Satisfaction are measured through a continuous tracking study conducted by Research and Incite Consultants. An overview of the methodology used to conduct these surveys is provided [here](#). Through improving focus on our players, BCLC plans to increase the level of participation by infrequent players and the overall satisfaction levels of all our players; our targets are set based on continually improving on our current results.

Our results for Net Win per Capita use BCLC financial reporting as a calculation per 1,000 population, obtained from BC Stats.

PLAYER SATISFACTION

This performance metric measures player satisfaction for the games, services and facilities offered in all of BCLC’s gambling channels. This performance measure is directly linked to BCLC’s ability to continue to generate net income. The metric gauges the overall success BCLC has in attracting and retaining players to BCLC games and visitors to our gambling facilities and in building loyalty.

Satisfaction is rated by those who play at least once in a three-to-five month period and weighted by net win. Our results will rise in 2011/12 as BCLC moves to a new calculation method that does not factor in the amount of net win generated in each business channel. Our results prior to 2009/10 are not comparable due to differences in measurement scales and collection methods.

Player satisfaction remains relatively constant in all gambling channels, with a slight increase at casino facilities and high results on PlayNow.com.

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



PLAYER PARTICIPATION

Until 2010/11 BCLC monitored shifts in the size of its player base by measuring the percentage of adult British Columbians who participated in BCLC gambling in the past year. Results showed that the participation rates were approaching 85%, a figure that we were unlikely to exceed, given a percentage of British Columbia’s population is opposed to gambling.

In 2010/11 BCLC adjusted this metric to measure the percentage of adult British Columbians who play a BCLC game or visit a BCLC gambling facility at least monthly, measured using a survey which asks how frequently they participate in each of the games offered. The change has been made so that we can more clearly determine if changes to our programs are succeeding in increasing player participation, particularly amongst infrequent players.

Increasing player participation depends on our ability to provide exciting and fun entertainment experiences for players, where and when it is convenient for them to play.

In the first two quarters of 2010/11 an unprecedented number of jackpot rolls occurred on our new LOTTO MAX game. While this trend is not expected to continue, it is expected to positively impact our results this year.



NET WIN PER CAPITA

This measure indicates the extent to which BCLC is able to balance offering gambling entertainment with responsible play to grow income. BCLC benchmarks amongst organizations with similar offerings.

Some jurisdictions supplement casino gambling with a broad network of VLT machines; therefore VLT revenue is included in benchmarking results from Loto-Quebec and the Canada Total to give a complete picture of total spending on gambling. The Province of British Columbia does not permit VLTs.

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

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

While revenue performance has improved this year, BCLC's results in 2010/11 are not expected to meet our target. Our plans for providing entertaining games, player-focused services, enhanced facilities, marketing promotions and contests are ways we will attract and retain players to maximize net win in all of our gambling channels.

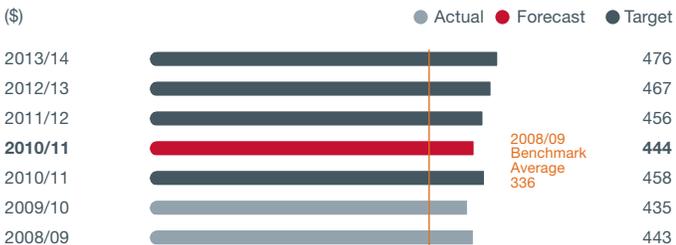
BCLC benchmarks our net win per capita with the results achieved in other gambling jurisdictions with similar gambling offerings. Our results reflect the growth in our jurisdiction, primarily from casino and community gaming centre facilities.

2008/09 NET WIN PER CAPITA BENCHMARKS
(\$)



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

NET WIN PER CAPITA



financial / operations

goal #3: invest in infrastructure and technology to drive innovation that enables our growth

- *Design processes and implement technology that improves operational effectiveness and prepares for the future*
- *Enable an integrated multi-channel player community*

BCLC IS FOCUSED ON SUSTAINING AND GROWING NET INCOME FROM GAMBLING

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

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

We are modernizing and building a connected company so that we can provide our players with a seamless integration of products and services across all of our gambling channels. BCLC is putting better tools at the fingertips of our employees to improve their ability to provide great customer service.

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

Our employees need to be at the forefront of technology, using information gathering, processing, disseminating and collaboration tools to manage the business. A redesign of bclc.com will improve the information accessibility and availability for the public and our players, as well as update the underlying technology.

BCLC has replaced an estimated 40% of our legacy systems, removing duplicated information and automating manual processes with new enterprise technology that provides direct and authorized access to consistent, integrated information in a secure environment.

Over the next several years, the primary focus of our modernization effort is on the replacement of the gaming management system BCLC uses to manage the more than \$1.60 billion in net win that will be generated annually at casino and community gaming centre facilities during the three years covered in this plan.

While the primary purpose of this new system is to sustain existing revenue, in addition to improving the effectiveness and efficiency of casino operations, this new system also moves BCLC towards our goal of becoming a player-centric organization, providing opportunities to improve player programs and business analytics capabilities to be used by BCLC and our service providers. In the future this system will also support more entertaining products in these gambling facilities.

OUR BUSINESS INVESTMENT IS FOCUSED ON SUSTAINABILITY AND GROWTH FOR OUR GAMBLING BUSINESS

The majority of the corporate priority programs for the organization continue to be implemented through the program management office, including the gaming management system and other programs that focus on increasing revenue, reducing risk and strengthening compliance efforts.

In our business operations, we are also strengthening risk and policy frameworks, systems and internal controls on an ongoing basis, including records management. In our finance area, we will complete the implementation of a centralized accounts receivable system, improving our effectiveness and preparing this area for the new gaming management system.

BCLC is increasing the automation of reporting to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) from casinos to augment our reporting of large cash and suspicious transactions as required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* of Canada.

Training programs, standards, policy and procedure manuals and testing are provided by BCLC to our service providers to make certain that their gambling operations are focused on providing the service, integrity and security our players expect.

financial / operations performance measures and benchmarks

BCLC has three performance metrics to help us assess whether our activities are effectively improving our business operations. Budgets are set considering the sales we believe can be generated through supporting our existing products and services, along with the forecasts of the potential of new products and services, and are approved by government. Targets are consistent with these approved budgets.

OPERATING COST RATIO (% OF NET WIN)

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

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

For comparative purposes, BCLC's operating costs includes operating and direct costs such as service partner commissions, but does not include prizes. This calculation normalizes the different operating models of other jurisdictions (i.e., instead of operating our casino and community gaming centre facilities directly, BCLC pays commissions to service providers).

BCLC's operating cost ratio for 2010/11 is expected to be on target at 41.5%.

While BCLC is focused on growing the business, we are also investing more heavily in infrastructure, technology, compliance and people in order to modernize our business infrastructure, systems and processes.

OPERATING COST RATIO

(% of net win)



Sources

BCLC Audited Financial Statements and financial reporting

2008/09 OPERATING COST BENCHMARKS

(% of net win)



Sources

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

NET INCOME

Net income is the total amount of income generated from BCLC gambling after all expenses. Net income is distributed to the Province of British Columbia and is used to fund public health care, education, charitable and community programs that benefit all British Columbians. As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

BCLC optimizes our financial performance within the gambling and social policy framework established by Government. While BCLC's 2010/11 net income before taxes is forecast to exceed the previous year by \$38 million, our total net income is expected to be on par with the previous year. The forecast \$1.08 billion in net income is expected to be \$35.0 million or 3.1% below our budget.

Despite an increased focus on revenue generating programs, reduced consumer discretionary and entertainment spending continue to be evident in BCLC's operations, as well as those of our retailers and service providers. Targets have been revised to reflect the reduced player spending and later than planned launch of casino-style games.

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

NET INCOME

(\$ millions)



Sources

BCLC Audited Financial Statements and financial reporting

ELECTRONIC DEVICES PER CAPITA

This metric provides a measure of the accessibility of BCLC gambling to British Columbians and compares it over time. We compare the accessibility of electronic gambling devices in British Columbia to other jurisdictions on a per capita basis to allow for variation in the age of participation.

Differences in Government policy regulate the types of gambling devices that are available in each Canadian province. In British Columbia, Government gambling policy excludes VLT's, providing for a responsible gambling model that limits participation in this category of gambling to slot machines located in casino and community gaming centre facilities, where accessibility is limited to adults. OLG does not have VLT's and as other jurisdictions reduce or reallocate VLTs we expect the benchmark average to decline. Our gambling model provides comparable revenue to other jurisdictions.

BCLC is continuing with the strategies to develop casinos and community gaming centres to meet market demand, with a focus on entertainment. The number of devices in B.C. has grown as BCLC has worked with our service providers to transform commercial bingo halls into community gaming centres in selected market locations.

BCLC DEVICES PER CAPITA

(per 1,000 population)

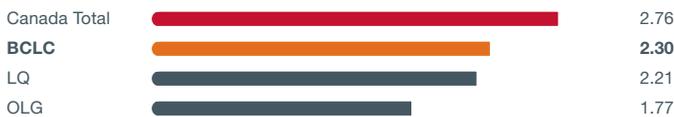


Sources

BC Stats, BCLC devices data

2008/09 DEVICES PER CAPITA BENCHMARK

(per 1,000 population)



Source

Specific data gathered and reported by BCLC

people

goal #4: have a workforce passionately driving the success of our business

- *Make BCLC a great place to work*

WE ARE PROUD TO BE RECOGNIZED AS A TOP CANADIAN AND BC EMPLOYER

BCLC is honoured that in 2010 we were again selected as a top employer in Canada and British Columbia and for the first time, also selected as a Top Employer for Canadians Over 40 and as a Top Family-Friendly Employer. These awards from MediaCorp continue to recognize that the programs, services and experiences offered at BCLC stand out as exceptional amongst Canadian employers. Our workforce is full of people who are passionate about their jobs and connections to the community.

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

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

BCLC needs a passionate workforce to drive the success of our business. Our employees continue to work on the programs we have put in place to modernize our business, from processes to the infrastructure and technology, so that we can free up capacity from transactional processing and support future growth.

people performance measures and benchmarks

BCLC has two performance metrics to help us to monitor our success in attracting and retaining an engaged workforce.

Our result for employee engagement is already high and our employee vacancy rate is low, both of which are part of the criteria that puts BCLC in the Top 100 Canadian Employers. The goal of BCLC’s leadership team continues to be maintaining both metrics at existing levels, with the vacancy rate increasing only slightly as the economy continues to improve and competition for resources increases.

EMPLOYEE ENGAGEMENT

Employee engagement is defined as the intellectual and emotional involvement employees have in an organization. Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization’s success. Organizations with high employee engagement are more successful at retaining and recruiting employees.

Ipsos Reid has developed a customized engagement survey that reflects our unique culture, values and business objectives.

The survey conducted in January 2010 provided an engagement result of 83%, exceeding our result for the previous year by 1%.

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

EMPLOYEE ENGAGEMENT



Source
Ipsos Reid



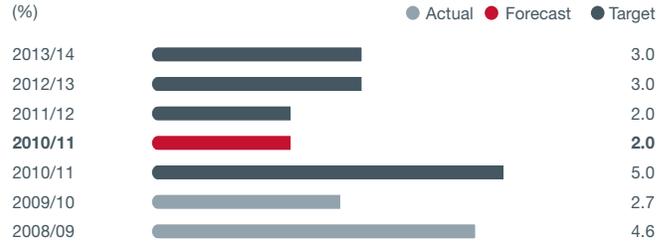
EMPLOYEE VACANCY RATE

This metric is intended to measure BCLC’s employee morale and turnover, competitiveness, and the effectiveness of recruitment processes.

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

BCLC’s result for 2009/10 of 2.7% was well below our target, which was set during a period where we anticipated workforce growth. In response to a number of external and internal factors, our forecast for 2010/11 is also below target. As there is currently no workforce growth, our recruitment level remains low, with vacancies being primarily the result of employee turnover.

EMPLOYEE VACANCY RATE (%)



Source
Specific data gathered and reported by BCLC

our financial outlook

how much we'll sell, spend and provide in net income and our assumptions in preparing this plan

The Province of British Columbia uses BCLC net income from gambling to fund public, charitable and community programs that benefit all British Columbians.

consolidated corporate operations

OVER THE THREE YEAR PERIOD, BCLC'S TOTAL COSTS BEFORE TAXES ARE DECREASING FROM 56.0% TO 55.5% AS A PERCENTAGE OF REVENUE.

\$ millions	2008/09 ACTUAL	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Revenue	\$ 2,550.2	\$ 2,517.3	\$ 2,700.0	\$ 2,635.3	\$ 2,726.0	\$ 2,812.0	\$ 2,902.0
Prizes	599.7	577.6	627.6	628.0	627.6	625.0	638.2
Net Win	1,950.5	1,939.7	2,072.4	2,007.3	2,098.4	2,187.0	2,263.8
Direct Expenses	619.7	606.8	636.0	615.6	639.0	661.8	685.1
Operating Costs	138.1	149.2	157.0	158.4	170.0	170.0	169.8
Amortization and Other	64.3	62.7	81.5	74.3	89.2	108.9	117.0
Total Costs	822.1	818.7	874.5	848.3	898.2	940.7	971.9
Net Income Before Taxes	1,128.4	1,121.0	1,197.9	1,159.0	1,200.2	1,246.3	1,291.9
Taxes	37.7	41.9	82.9	79.0	95.2	99.3	102.9
Net Income	\$ 1,090.7	\$ 1,079.1	\$ 1,115.0	\$ 1,080.0	\$ 1,105.0	\$ 1,147.0	\$ 1,189.0
Debt	-	60.0	-	65.9	87.2	99.3	116.3
Capital Expenditures	97.4	92.5	106.7	106.9	109.3	130.0	125.0

PRIZES

- Prizes will increase by \$10.2 million or 1.6% over the three year period as a result of the overall increase in revenue.
- Prizes as a percentage of revenue are decreasing from 23.8% to 22.0% over the three year period as a result of a shift in consumer preferences to casino-style games. Lottery prizes as a percentage of revenue are forecast to remain stable or increase slightly over this period. Revenue for casino-style games are recorded as net win (after prizes have been paid to players).

DIRECT EXPENSES

- Direct expenses are increasing by \$69.5 million or 11.3% over the three year period as a result of the overall increase in revenue.
- Direct expenses include service provider commissions, lottery ticket printing and bingo paper, supplies and leases.

OPERATING COSTS

- Operating costs are expected to remain stable over the three year period and decrease as a percentage of net win from 7.9% to 7.5%. This decrease will be achieved through strategic cost management and business transformation initiatives.
- Operating costs include employee costs, systems support, equipment purchase, gaming equipment installation and maintenance, professional fees and marketing costs. Marketing costs include advertising, marketing and corporate social responsibility programs.

AMORTIZATION AND OTHER

- Amortization is increasing by \$35.5 million over the three year period, primarily due to capital expenditures to support revenue programs in the lottery, PlayNow.com, casino and community business channels and for our business infrastructure, including systems modernization programs.
- The Other category consists of interest expense for short-term borrowing and employee accrued benefits. These costs are expected to increase by \$7.2 million over the three year period as a result of projected increases in interest rates.

CORPORATE ASSUMPTIONS

- Real GDP growth for the British Columbia economy is assumed at 1.8% for 2011.
- Inflation has been assumed at 2.0% over the three year period.
- BCLC uses the three-month Canadian Treasury Bill rates as forecast by the Ministry of Finance (rates as of December 16, 2010); interest rates have been assumed at 1.51% for 2011/12, 2.84% for 2012/13 and 4.03% for 2013/14.
- No major changes will be made to BCLC's mandate or the Province of British Columbia's gambling and social policy.
- No major changes will be made to GPEB mandate, regulations or policy.
- Net win and net income assumptions are based on BCLC obtaining the necessary provincial, host local government and regulator approvals required under the *Gaming Control Act (2002)* to open new facilities and launch new products.

casino and community gaming centres

\$ millions	2008/09 ACTUAL	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Net Win	\$ 1,518.0	\$ 1,507.1	\$ 1,613.2	\$ 1,548.1	\$ 1,609.6	\$ 1,664.2	\$ 1,716.8
Direct and Operating Costs	657.5	664.3	704.5	679.0	714.0	750.0	780.4
Net Income Before Taxes	860.5	842.8	908.7	869.1	895.6	914.2	936.4
Taxes	26.2	30.4	59.4	57.1	67.9	70.7	73.6
Net Income	\$ 834.3	\$ 812.4	\$ 849.3	\$ 812.0	\$ 827.7	\$ 843.5	\$ 862.8

CASINO AND COMMUNITY GAMING CENTRE ASSUMPTIONS

- British Columbia casino marketplace capacity studies are accurate.
- The planned openings, upgrades and relocation of existing casinos and of existing commercial bingo halls to community gaming centres will be on schedule.
- The increase in table game play will continue.
- The decrease in slot machine play does not continue, and play increases as a result of more detailed analytics that provide new insights into game selection and machine locations.

lottery

\$ millions	2008/09 ACTUAL	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Revenue	\$ 930.7	\$ 904.3	\$ 970.0	\$ 970.0	\$ 970.0	\$ 985.0	\$1,005.0
Prizes	509.0	486.4	541.2	537.4	539.2	549.8	562.5
Net Win	421.7	417.9	428.8	432.6	430.8	435.2	442.5
Direct and Operating Costs	157.9	145.4	153.2	152.2	157.8	158.4	158.4
Net Income Before Taxes	263.8	272.5	275.6	280.4	273.0	276.8	284.1
Taxes	11.1	10.8	20.7	19.5	23.0	24.6	25.1
Net Income	\$ 252.7	\$ 261.7	\$ 254.9	\$ 260.9	\$ 250.0	\$ 252.2	\$ 259.0

LOTTERY ASSUMPTIONS

- Effective marketing focus on big lotto jackpots will increase awareness and interest that results in purchases by infrequent players.
- Planned improvements to Keno will increase the entertainment value to retain players.
- Planned releases of new lottery products will be on schedule.
- BCLC market forecasts for new lottery products are accurate.
- The estimated number and size of jackpot rolls on national lotto games will not vary significantly from historical averages.
- Players continue the trend of shifting lottery purchases from traditional retail to PlayNow.com.

playnow.com

\$ millions	2008/09 ACTUAL	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Revenue	\$ 23.5	\$ 33.6	\$ 53.0	\$ 44.3	\$ 75.0	\$ 110.0	\$ 130.0
Prizes	12.8	18.9	22.6	17.7	17.0	22.4	25.5
Net Win	10.7	14.7	30.4	26.6	58.0	87.6	104.5
Direct and Operating Costs	6.6	9.0	16.8	17.1	26.4	32.3	33.1
Net Income Before Taxes	4.1	5.7	13.6	9.5	31.6	55.3	71.4
Taxes	0.4	0.7	2.8	2.4	4.3	4.0	4.2
Net Income	\$ 3.7	\$ 5.0	\$ 10.8	\$ 7.1	\$ 27.3	\$ 51.3	\$ 67.2

PLAYNOW.COM ASSUMPTIONS

- Planned product releases will be on schedule.
- BCLC market forecasts for new products are accurate.
- The regulator approvals required under the *Gaming Control Act (2002)* to launch new products will be received.

net income that may be at risk

BCLC NET INCOME ESTIMATES ARE MADE AFTER CONSIDERATION OF THE TRENDS, OPPORTUNITIES, CHALLENGES AND RISKS IN CONJUNCTION WITH THE MITIGATION STRATEGIES DESCRIBED IN PREVIOUS SECTIONS.

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

NET INCOME FORECASTS

\$ millions	2011/12	2012/13	2013/14
High	\$1,140.0	\$1,175.0	\$ 1,225.0
Target	1,105.0	1,147.0	1,189.0
Low	1,040.0	1,080.0	1,095.0

QUANTIFIABLE RISKS

\$ millions	2011/12	2012/13	2013/14
Failure to open/relocate planned gambling facilities	20.5	44.4	80.6

RISK FACTORS

- Fluctuations in interest and foreign currency rates; ⁶
- Economic issues reduce consumers personal disposable income and entertainment spending;
- Competition from regulated and unregulated gambling competitors increases;
- Public acceptance of gambling decreases from current levels;
- Changes to gambling rules and regulations;
- Shifts in consumer preferences that impact product mix and profitability;
- Revenue loss and market disruption resulting from the business failure of a service provider;
- Service providers are unable to deliver on development plans;
- Delays occur in obtaining host local government permits and approvals for the development of relocated or renovated facilities;
- New products or services or changes to existing products and services are delayed or do not achieve market expectations; and
- The frequency of lottery jackpots is lower than historical averages.

⁶ The cost of purchases made in US dollars has been based on an exchange rate of \$0.99 Canadian dollar to \$1.00 US dollar. Borrowing costs have been based on an average interest rate of 1.51%.

our capital plan

spending on our infrastructure and technology

\$ thousands	2009/10 ACTUAL	2010/11 BUDGET	2010/11 FORECAST	2011/12 BUDGET	2012/13 TARGET	2013/14 TARGET
Gambling Systems						
Lottery	\$11,429	\$13,700	\$10,797	\$7,786	\$7,600	\$7,700
PlayNow.com	7,958	1,350	9,395	10,990	4,650	4,250
Casino and Community Gaming	56,400	64,375	51,229	68,780	99,290	88,050
	\$75,787	\$79,425	\$71,421	\$87,556	\$111,540	\$100,000
Infrastructure & Corporate Systems						
Facilities	13,215	16,625	18,989	15,305	11,660	16,000
	3,454	10,612	16,531	6,450	6,800	9,000
	\$16,669	\$27,237	\$35,520	\$21,755	\$18,460	\$25,000
Total New Capital	\$92,456	\$106,662	\$106,941	\$109,311	\$130,000	\$125,000

- The primary driver of BCLC's capital expenditures is the acquisition of gambling equipment to support revenue generation in the lottery, PlayNow.com, casino and community gaming centre channels.
 - Lottery channel capital includes the installation of digital signage at selected lottery retail locations over the next three years. This digital signage will improve accuracy and consistency of jackpot and other advertising messages to our players across the province. This new communication method will over time eliminate the need for paper point-of-sale materials. Funding is also included for the integration of lottery ticket sales with retail point-of-sale devices, which supports player purchases at in-lane locations such as grocery stores.
 - PlayNow.com capital includes funding for the development of more flexible and comprehensive sports and bingo products and we are exploring partnerships with other jurisdictions to reduce costs. Ways to leverage this investment across other areas of our business are also being reviewed.
 - BCLC has completed a formal competitive procurement process to review the options for the replacement of our gaming management system. This foundational project will replace the legacy gaming management system that supports over \$1.60 billion in net win and provides the foundation for future growth. It is a top corporate priority, receiving the highest level of focus, including project management, significant reviews, diligence, and Board approval of any decision to proceed with acquisition and implementation.

This multi-year program is expected to exceed \$50.0 million in total cost. The planning phase will determine the detailed financial and schedule requirements for this program, which will also include table game player management and casino inventory components.
 - The refresh of slot machines and game themes will continue, as will the upgrading of casino facilities and the transition of commercial bingo halls to community gaming centres. We will investigate systems that will allow the extension of our BC Gold player card to table game products.
 - We will increase our investment in business analytics, specifically to increase revenue in our lottery, Internet, casino and community gaming centre channels.
- BCLC's investment in business transformation and system modernization will continue to decommission our back office systems, standardizing and amalgamating data for use across the organization. The rate of investment has slowed in this area as BCLC's focus will be primarily on the gaming management system replacement.
- For programs which started in 2010/11 but are not planned to be completed by year-end, the capital will be carried forward. These funds are reflected in the 2011/12 budget.
- The cost of purchases made in US dollars has been based on an exchange rate of \$0.99 Canadian dollar to \$1.00 US dollar.

shareholder's letter of expectations

A key component of our governance framework is the *Shareholder's Letter of Expectations*, an agreement which clearly outlines our mutual commitment to deliver on performance expectations for the benefit of British Columbians. This letter, intended to define and promote a positive and cooperative working relationship, supports BCLC's mandate to conduct, manage and operate lottery, casino, commercial bingo and Internet gambling. It also identifies Government's strategic priorities and performance expectations for BCLC. Government directs BCLC to take specific actions. Our actions and the status of our activities to implement them are summarized below.

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

GOVERNMENT DIRECTION

To optimize the Corporation's financial performance, within the gambling and social policy framework established by the Shareholder and in response to customer and marketplace demand for products and services, propose new revenue opportunities as they arise;

To optimize the performance, security, integrity and efficiency of the Corporation and its products and services through the replacement and modernization of infrastructure, processes and technology over the next five year period;

BCLC ACTIONS

Within the gambling and social policy framework established by the Province of British Columbia, in 2010/11 BCLC's net win before taxes and net win total are forecast exceed the previous year. Net income is forecast at \$1.08 billion, \$35.0 lower than our budget. Our lower performance against our net income plan is directly attributed to a slower than expected recovery of consumer spending on entertainment.

BCLC will continue to strategically manage total expenditures with the goal of maximizing net income.

Net income growth is expected through innovative new products, services and marketing, continued improvements to casino and community gaming centre facilities and customer relations management, all of which are expected to move BCLC further towards becoming a player-centric organization.

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.

Processes and technology to support the performance, integrity and efficiency of the business continue to be a key focus to sustain the current business and provide future growth potential.

The integrity and security of BCLC's gambling systems is paramount to ensuring public trust and confidence in the products and services we offer our players. BCLC's priority to modernize our business infrastructure, including processes and technology, is key to continuing to provide integrity and security in our gambling systems. Our primary area of focus is on the replacement of the gaming management system that supports over \$1.60 billion in net win.

GOVERNMENT DIRECTION**BCLC ACTIONS**

To optimize the Corporation's social responsibility objectives, building public trust and support in a manner consistent with the Province's Responsible Gambling Strategy and with BCLC's Social Responsibility Charter; and

BCLC delivers gambling in a manner that encourages responsible gambling and healthy choices.

Our efforts continue to be focused on enhancing responsible gambling programs for our players and communication about the availability of and access to programs, including voluntary self-exclusion.

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.

We have revitalized our responsible gambling resources with GameSense, a program designed to offer approachable and accessible materials to help players make informed decisions about our gambling products. BCLC will continue to have GameSense information centres in all casino and community gaming centre locations, for which GPEB provides staffing, and will also continue to provide appropriate response training for gambling staff.

We support the Province of British Columbia in its efforts to reduce the incidence and harmful impacts of problem gambling and to educate and raise public awareness of responsible gambling and problem gambling. BCLC also actively participates with other Canadian jurisdictions to strengthen the industry commitment to share responsible gambling best practices. Our achievement of Level 4 certification from the World Lottery Association recognizes that BCLC business operations incorporate the highest level of responsible gambling standards.

For employees, BCLC's Social Responsibility Charter documents the opportunity that everyone at BCLC has to be a positive catalyst economically, socially and environmentally. As we begin to develop and implement the social responsibility roadmap for our employees, we'll set goals, measure and report our successes and challenges so that we are aligned with the expectations of our Shareholder.

To operate within the Province's legislative framework and regulations, including the *Gaming Control Act (2002)*, and comply with policies, directives and standards that may be issued from time to time by the Minister of Public Safety and Solicitor General or the regulatory agency, the Gaming Policy and Enforcement Branch (GPEB).

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

Increasing regulatory, audit, compliance and enforcement activities continues to increase the cost and complexity of operating BCLC's gambling business. We are continuing our focus on improving the policy framework as well as the planned addition of resources for increased focus on compliance.

BCLC continues to comply with policy directives issued by the Minister, including directives and standards issued by GPEB. BCLC & GPEB meet on a quarterly basis to enhance cooperation and coordination between the organizations while respecting GPEB's independent role as regulator.

appendix: service plan goals and performance measures comparison

what we are doing differently, and why

BCLC's mission statement and our values of integrity, social responsibility and respect remain unchanged and will continue to guide our employees. We have restated one of BCLC's four goals to broaden our focus in the area of financial/operations. As a result of combining our casino and community gaming centre channels into one operational area, we have also combined performance measures and reporting for this channel.

The charts below compare BCLC's previous goals to the goals in this Service Plan 2011/12–2013/14 followed by the changes we have made to two of our performance measures.

COMPARISON OF GOALS

2010/11 – 2012/13 SERVICE PLAN GOALS	2011/12 – 2013/14 SERVICE PLAN GOALS	COMMENTS
Public/Planet Build public trust and support for BCLC gambling	Public/Planet Build public trust and support for BCLC gambling	No change.
Player Create a player-centric company	Player Create a player-centric company	No change.
Financial/Operations Invest in infrastructure and technology innovation to support current business operations and future growth	Financial/Operations Invest in infrastructure and technology to drive innovation that enables our growth	This goal is a primary area of focus for the organization. Investing in our infrastructure through innovative improvements to our processes, reallocation of our capacity and the modernization of our technology is continuing. This investment will sustain our business integrity and improve operational efficiencies as well as position us for the future.
People Have a workforce passionately driving the success of our business	People Have a workforce passionately driving the success of our business	No change.

COMPARISON OF PERFORMANCE MEASURES

In 2010/11 the survey method Research and Incite Consultants uses for BCLC player and public measures changed from a telephone survey to an online survey for cost effectiveness. In the first quarter of the year, we used both methods so that we could understand the impact of the change, which overall has improved our results beyond what we anticipated in our targets.

PERFORMANCE MEASURES	2010/11 TARGET	2010/11 FORECAST	2011/12 TARGET	COMMENTS
Public Support of Gambling	63%	55%	56%	In 2011/12 BCLC plans to change the name of this metric and the corresponding survey question to more accurately reflect our gambling business focus. "Gambling" will replace the former "Gaming" focus. This is not anticipated to impact our results, so targets have not been modified.
Level of Greenhouse Gas Emissions (CO ₂ e metric tonnes)	1,545	1,545	1,514	Changes made to the government conversion factors for emissions resulted in a recalculation using the new methodology. The original 2010/11 target was 1,418; all future year targets have also been revised.
Player Satisfaction	74%	72%	77%	In 2011/12 BCLC plans to modify this metric calculation so that the enterprise satisfaction is a composite average of the satisfaction levels in each gambling channel, providing a better indication of the total gambling BCLC offers.

