

20TH

ANNIVERSARY

2004/05

ANNUAL REPORT

CONTENTS

BOARD AND MANAGEMENT	2
LETTER OF TRANSMITTAL	2
MESSAGE FROM CHAIR AND PRESIDENT	3
ABOUT BCLC	4
STRATEGIC CONTEXT	6
WHERE THE MONEY GOES	7
YEAR IN REVIEW	10
ALL ABOUT PLAYERS	16
ALL ABOUT EMPLOYEES	18
ALL ABOUT COMMUNITIES	19
CORPORATE SOCIAL RESPONSIBILITY	21
CORPORATE GOVERNANCE	22
MANAGEMENT DISCUSSION AND ANALYSIS	24
CANADIAN GAMING COMPARISONS	27
ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN	29
RISK AND CAPACITY	30
REPORT ON PERFORMANCE	31
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	38
AUDITORS' REPORT	39
CONSOLIDATED BALANCE SHEET	40
CONSOLIDATED STATEMENT OF INCOME	41
CONSOLIDATED STATEMENT OF AMOUNTS DUE TO GOVERNMENT OF BRITISH COLUMBIA	42
CONSOLIDATED STATEMENT OF CASH FLOWS	43
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	44

BOARD MEMBERS

CHAIR

T. Richard Turner | Appointed September 26, 2001
West Vancouver

VICE-CHAIR

Arthur Willms | Appointed September 26, 2001
Vancouver

DIRECTORS

John Bell | Appointed September 26, 2001
West Vancouver

Bruna Giacomazzi | Appointed September 26, 2001
Abbotsford

David Gillespie | Appointed March 31, 2005
Kamloops

Mary MacGregor | Appointed September 26, 2001
Kamloops
Resigned October 1, 2004

D. Neil McDonnell | Appointed April 23, 2002
North Vancouver

Tazeem Nathoo | Appointed July 26, 2002
West Vancouver

Donald Pettit | Appointed September 26, 2001
West Vancouver

Kathy Stevenson | Appointed April 23, 2002
Kelowna

SENIOR EXECUTIVE

PRESIDENT AND CEO

Vic Poleschuk

VICE-PRESIDENTS

Jay-Ann Fordy | Human Resources and
Organizational Development

Kevin Gass | Corporate Communications and
Marketing

Jim Lightbody | Lottery Gaming

Brian Lynch | Casino Gaming

Scott Norman | Information Technology and
Chief Information Officer

Doug Penrose | Finance and Corporate Services

Marsha Walden | Bingo Gaming

To the Honourable Rich Coleman, Minister of Public Safety and Solicitor General

Dear Minister:

On behalf of British Columbia Lottery Corporation (BCLC), the Board of Directors, senior management, employees and business service partners, I respectfully submit the Annual Report for fiscal year ended March 31, 2005.

Fiscal 2004/05 marked the Crown corporation's 20th anniversary of providing high-quality gaming entertainment in a socially responsible manner to generate net income for vital public service programs throughout British Columbia.

I am pleased to report that BCLC's 20th year reached new levels of success by achieving total revenues of \$2.03 billion and total net income of \$819 million. Of that, \$811 million was distributed to the Government of British Columbia and a further \$8 million to the Government of Canada.

BCLC's 2004/05 Annual Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. The information presented in this report reflects the actual performance of the Corporation during the fiscal year. All significant decisions, events and identified risks as of March 31, 2005, have been considered in preparing this report.

This report has been prepared in accordance with the British Columbia Reporting Principles and represents a comprehensive picture of actual performance in relation to BCLC's 2004/05 – 2006/07 Service Plan.

I am accountable for the contents of this report, including the selection of performance measures and how the results have been reported.

T. Richard Turner
Chair, Board of Directors

To the Honourable Rich Coleman, Minister of Public Safety and Solicitor General

BCLC's headquarters in Kamloops officially opened April 1, 1985, amid much fanfare and optimism. In that first fiscal year, sales revenues of \$330 million, and net income to Government of \$113 million, exceeded all expectations.

In this, our 20th anniversary year, revenue has grown to more than \$2.03 billion producing net income of \$811 million for the Government of British Columbia and \$8 million for the Government of Canada. Since 1985, \$7.2 billion has been distributed to Government to support public programs and services for the public good.

In recapping our 2004/05 fiscal year, the highlights are many, but we also acknowledge that we did not meet all of our financial and revenue targets. Details are reflected in this report's Management Discussion & Analysis and Report on Performance. We are confident that the accomplishments this year set the ground work for future growth that will continue to be carefully balanced with our objectives of gaming integrity and social responsibility.

Our business today is inherently larger and more complex than when we began 20 years ago. We have an even greater need for change, innovation and responsiveness to both market and consumer forces and we have challenged our employees to use their courage to innovate.

While we have recognized that change is necessary and constant for our business, there is one thing that has stayed the same. We have remained steadfast in our commitment to social responsibility and support for problem gambling and responsible play.

While 95% of British Columbia adults who gamble play responsibly, for a small percentage gambling is a problem. In our 2004/05 fiscal year, BCLC took leadership and partnership roles in provincial, national and international initiatives to address the impacts of problem gambling and encourage responsible play practices. We also provided an Appropriate Response Training program to frontline casino staff to better equip them to deal with difficult situations involving customers.

Over BCLC's 20 years, our accomplishments have been made possible through the loyalty of our customers, the dedication of our employees and the commitment of our business service partners. We are proud of the high levels of trust, integrity and confidence that we have established with British Columbians. In the next year, and in the years to come, we will continue not only to meet expectations, but to strive to exceed them, and to continue to provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good.

BRITISH COLUMBIA'S GAMING HISTORY

Lottery ticket sales began in British Columbia on B.C. Day, August 4, 1974.

From 1974 to 1984, the Province of British Columbia was a partner with the Prairie provinces in the Western Canada Lottery Foundation to conduct lotteries in Western Canada.

During that decade, British Columbia lottery sales grew to warrant a decision by the province to create a separate Crown corporation. In fall 1984, Government announced that the head office for the newly formed British Columbia Lottery Corporation would be located in Kamloops. A marketing and sales office opened in Richmond and a prize payout office opened in Victoria.

BCLC officially opened on April 1, 1985, and the Corporation has established a solid foundation of security and integrity in the way it conducts its games and its business. At BCLC's heart is its purpose to generate income from gaming for Government to fund worthwhile public service programs, as well as charitable and community service programs, in communities throughout the province.

Integrity, a mission to generate net income for the public good, respect within the workplace, a commitment to social responsibility and community involvement have continued to shape BCLC's growth and progress.

Until new Government gaming policies allowed the introduction of linked bingo and slot machines in 1997/98, the Corporation offered traditional lottery products only. BCLC subsequently assumed responsibility for all casino gaming in 1998/99.

In 2001/02, significant changes by Government resulted in BCLC assuming greater management responsibilities for commercial bingo halls. In 2004/05, the Corporation introduced a model for community gaming centres, designed to better service local markets with a wider variety of bingo, lottery and slot machine gaming options.

Fiscal 2004/05 marked BCLC's 20th anniversary of providing high-quality gaming entertainment in a socially responsible manner, generating income for the public good. BCLC looks forward to continuing our mission and goals that contribute to the success of the province of British Columbia.

BENEFITS FOR BRITISH COLUMBIANS

SINCE 1985, BCLC HAS GENERATED:

\$7.2 BILLION IN NET INCOME DISTRIBUTED TO THE GOVERNMENT OF BRITISH COLUMBIA

\$137.8 MILLION IN NET INCOME DISTRIBUTED TO THE GOVERNMENT OF CANADA

\$8.3 BILLION IN PRIZES WON BY PLAYERS

\$2.5 BILLION IN COMMISSIONS AND SERVICE FEES EARNED BY LOTTERY RETAILERS AND CASINO AND BINGO SERVICE PROVIDER COMPANIES

BCLC MANDATE

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984, and is continued under the *Gaming Control Act* (2002) of British Columbia.

Government has chosen to operate gaming through a Crown corporation not only to meet the requirements of the Criminal Code, but to ensure that the objective of revenue generation is carefully balanced with the objectives of gaming integrity and social responsibility.

BCLC reports to the Minister of Public Safety and Solicitor General. A Government-appointed Board of Directors governs BCLC in fulfilling its mandate.

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia.

Under current provincial gaming legislation, the Corporation has these responsibilities:

- Conduct, manage and operate lottery gaming, including the marketing of nationwide and regional lottery games in association with other provinces of Canada.
- Conduct, manage and operate casino gaming.
- Conduct, manage and operate electronic and commercial bingo gaming.

Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Public Safety and Solicitor General regulates all gaming in British Columbia, ensures the integrity of people and equipment involved in the gaming industry and investigates allegations of wrongdoing.

BCLC must operate within the strict statutory authority and regulatory guidelines of the Criminal Code and *Gaming Control Act*.

SCOPE OF OPERATIONS

BCLC's head office is located in Kamloops, the centre for corporate, finance, administration and information technology. Sales and marketing are based in the Richmond office.

In fiscal 2004/05 the Corporation employed more than 500 people in the two offices, as well as field staff who provide support to lottery, casino and bingo operations throughout the province.

BCLC operated within a limited traditional lottery market until a new gaming policy introduced in 1997/98 by the Government of British Columbia created opportunities for growth. Subsequently, BCLC's mandate expanded to include responsibilities for casino and bingo gaming.

The vast majority of product sales and operational services are contracted through private sector business service partners, including some 4,500 lottery retailers, 18 casinos in operation, 27 commercial bingo halls, four community gaming centres and one horse racetrack gaming centre located throughout British Columbia. These business service partners play a critical role in the Corporation's success by delivering products and exceptional customer service to the entertainment marketplace.

Net income distributed to Government is returned to British Columbians through programs for health, education, social, community, charitable and municipal purposes.

Gaming has created significant employment opportunities in British Columbia. The gaming industry is responsible for the direct employment of an estimated 8,500 people and indirectly for some 5,000 jobs.

BCLC's revenues have increased from \$330.1 million in its first fiscal year 20 years ago to \$2.03 billion in 2004/05. While this is significant for British Columbia, on a Canadian-wide comparative basis the province continues to have a moderate level of gaming and ranks eighth for per capita gaming expenditure. With BCLC's planned growth opportunities over the next three years, the province's per capita gaming expenditure is projected to move to the Canadian average.

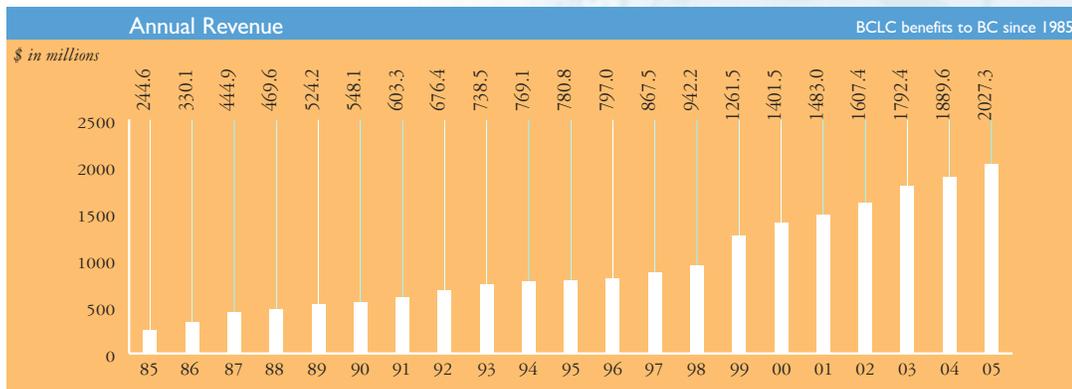
Celebrating \$330.1 Million in 1986



Celebrating \$2.03 Billion in 2005



Lotto Night in BC Debuts 1985



OUR VISION

To be a player-focused, publicly respected, performance-driven Corporation.

OUR MISSION

TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT IN
A SOCIALLY RESPONSIBLE MANNER,
GENERATING INCOME FOR THE PUBLIC GOOD

OUR GOALS

- To provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good
- To be a socially responsible and respected organization that has a broad base of public support
- To be an employer of choice with a high-performance workforce passionately driving the success of our business

OUR VALUES

Integrity

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

WE ARE:

- conducting, managing and operating gaming in accordance with the Criminal Code of Canada and the *Gaming Control Act*.
- paying the right prizes to the right winners.
- sharing the good news about major winners.
- adhering to strict accounting and auditing procedures.
- publishing annual audited financial statements.
- communicating the beneficiaries of gaming and “where the money goes.”
- adhering to the *B.C. Freedom of Information and Protection of Privacy Act*.
- enhancing public trust in the products and services bearing the BCLC brand.

Social Responsibility

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

WE ARE:

- consulting with communities on the types and levels of gaming that are right for them.
- promoting responsible play practices.
- supporting Government’s efforts to address problem gambling issues through public awareness, education, prevention and treatment programs.

- supporting Government’s efforts to ensure that an appropriate problem gambling risk management strategy and programs are in place.
- actively participating in the British Columbia Partnership for Responsible Gambling.
- upholding and extensively publicizing the laws concerning the legal age to gamble in British Columbia through a 19+ program.
- widely distributing problem gambling information to help adults make informed choices about their participation in gaming entertainment.
- offering a self-exclusion program in casinos, commercial bingo halls, and the PlayNow website.
- generating net income for Government, from which \$4 million is dedicated annually to Government’s Problem Gambling Program.
- working with service providers to deliver Appropriate Response Training to all gaming industry employees.

Respect

Our workplace fosters openness, mutual respect and individual development.

WE ARE:

- striving to be a great place to work.
- holding regular learning sessions.
- offering leadership and development programs.
- sponsoring educational programs.
- creating new job opportunities.
- encouraging informal and formal recognition.
- creating a comfortable and safe work environment.
- establishing competitive compensation policies.
- initiating performance objectives to achieve pay progression.
- working to attract and retain talented leaders and experts.

WHERE THE MONEY GOES

CREATING A POSITIVE IMPACT

BCLC provides more than gaming entertainment and the chance to win prizes. We also generate significant net income for government programs that benefit British Columbians every day.

Since 1985, a total of \$7.2 billion in BCLC net income has been generated for the public good.

BCLC generated \$2.03 billion in gaming revenues during fiscal 2004/05. From this, we paid prizes to our lottery and bingo winners and commissions and service fees to our private sector lottery retailers and casino and bingo service providers. We paid for our operating expenses, lottery ticket printing and bingo paper, and we remitted the national Goods and Service Tax.

The money remaining makes up BCLC net income, which is distributed to the Government of British Columbia to benefit programs for health, education, social, community, charitable and municipal purposes.

WHERE THE MONEY GOES

For fiscal 2004/05, BCLC net income totalled \$819 million. The Government of British Columbia received \$811 million, while the Government of Canada received \$8 million under a long-standing agreement with the provinces on the withdrawal of the federal government from the lottery field.

BENEFITS FOR BRITISH COLUMBIA

Each year, a significant portion of BCLC net income is directed to Government's consolidated revenue and Health Special Account to support social and education programs.

The Health Special Account received \$147.3 million. Administered by the Ministry of Health Services, this funding is used for the administration, operation and delivery of health care, health research and promotion, and health education services. A further \$479.9 million was directed to consolidated revenue for other major Government programs.

CHARITABLE AND COMMUNITY ORGANIZATIONS

Charitable and community organizations are found in every corner of the province. They work to provide valuable community services in the areas of arts, culture and sport, public safety, human and social services, parent advisory councils in schools, and major capital projects.

In fiscal 2004/05, approximately 5,500 of these organizations shared in the profits from BCLC gaming revenue through Government gaming grants.

Of the 2004/05 government financial commitment to charitable and community organizations, BCLC net income provided \$139 million.



Gaming Policy and Enforcement Branch (GPEB) manages the distribution of these funds through the direct access program and commercial bingo hall affiliation. For more information visit www.pssg.gov.bc.ca/gaming.

SHARING IN GAMING PROCEEDS

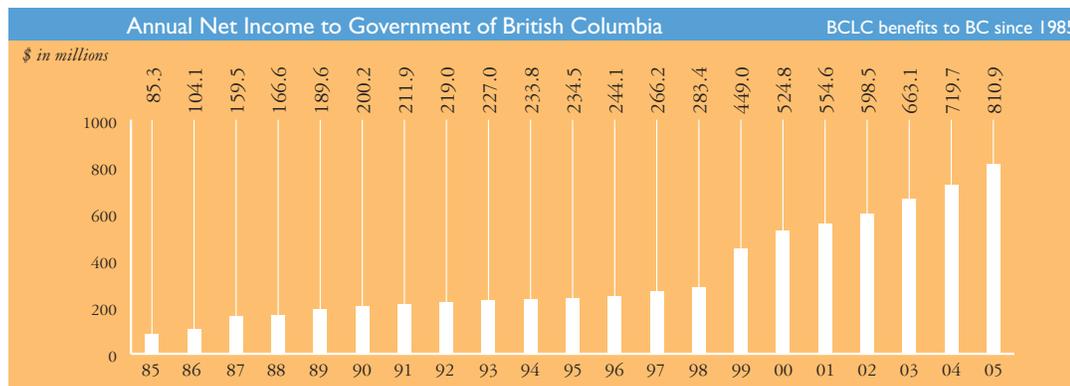
Host local governments where casinos or community gaming centres are located receive a share of the revenues generated by the gaming facility in their community. These governments may use the funds in any way to benefit their communities, such as upgrades to arts and culture programs, parks, playgrounds and sports fields, policing, road maintenance and recycling programs.

Under a Memorandum of Agreement between the Government and the Union of British Columbia Municipalities, the host local government where a community casino is located receives a 10% share of the net income generated by that casino or community gaming centre. Host local governments where destination casinos are located receive a one-sixth share of the net income on the first 300 slot machines and 10% on any additional machines.

During fiscal 2004/05, there were 16 communities that shared \$53 million (see page 9) in host local government payments.

COMMITMENT TO RESPONSIBLE PLAY

A portion of BCLC net income was also directed to Government's Problem Gambling Program, which is managed by GPEB. Payments in fiscal 2004/05 totalled \$3.1 million.



WHERE THE MONEY GOES

BRITISH COLUMBIA LOTTERY CORPORATION REVENUES WERE

\$2.03 billion

in fiscal 2004/05

Prizes

\$622.7 million

Paid to lottery and bingo winners

Costs

\$409.4 million

Paid to lottery retailers and casino and bingo service provider companies

\$149.3 million

Paid in operating costs

\$27.0 million

Paid in GST

Net Income

\$818.9 million

Net income distributed to Government for health, education, community, charitable and other essential Government programs

FINANCIAL BENEFITS

TOTAL REVENUES **\$2.03 BILLION**

- Prizes paid to lottery and bingo winners \$ 622.7 million
- Commissions and service fees paid to lottery retailers and casino and bingo service provider companies \$ 409.4 million
- Operating expenses \$ 132.1 million
- Ticket printing and bingo paper \$ 16.6 million
- GST \$ 27.0 million
- Special policing costs \$ 0.6 million

WHERE THE MONEY GOES

NET INCOME **\$818.9 MILLION**

Distribution to Government of Canada \$ 8.0 million

Distribution to Government of British Columbia **\$810.9 million**

- Consolidated Revenue \$479.9 million *
- Health Special Account \$147.3 million *
- Charitable and community organizations \$138.8 million *
- Host Local Governments/ Development Assistance Compensation \$44.9 million +

* see page 7

+ see page 9

WHERE THE MONEY GOES

HOST LOCAL GOVERNMENT SHARE OF CASINO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Local Government	Casino	2004/05 Total \$000	2003/04 Total \$000
Burnaby	Gateway Casino Burnaby (c)	\$ 7,550	\$ 7,523
Coquitlam	Great Canadian Casino Coquitlam (c)	6,840	6,863
Kamloops	Lake City Casino Kamloops (c)	1,899	1,847
Kelowna	Lake City Casino Kelowna (c)	2,436	2,297
Surrey	Fraser Downs Racetrack & Casino (c)	2,524	–
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies (d)	1,112	1,009
Nanaimo	Great Canadian Casino Nanaimo (c)	2,735	2,531
New Westminster	Gateway Casino Royal Towers (c)	1,574	2,034
	Royal City Star Casino (d)	3,156	4,651
New Westminster Total		\$ 4,730	\$ 6,685
Penticton	Lake City Casino Penticton (d)	2,166	2,047
Prince George	Treasure Cove Casino (c)	1,932	1,663
Quesnel	Billy Barker Casino (c)	600	607
Richmond	Great Canadian Casino Richmond (c)	9,891	2,793
Vancouver	Grand Casino (c)	587	1,128
	Great Canadian Casino Holiday Inn (c)	1,248	1,559
	Gateway Casino Mandarin Centre (c)	778	875
	Great Canadian Casino Renaissance (c)	61	372
	Edgewater Casino (c)	550	–
Vancouver Total		\$ 3,224	\$ 3,934
Vernon	Lake City Casino Vernon (c)	1,514	1,477
View Royal	Great Canadian Casino (c)	3,859	3,547
Wells	Jack O' Clubs (d)	7	27
TOTAL		\$ 53,019	\$ 44,850

c = community casino (10% share of net income)

d = destination casino (one-sixth share of net income)

BCLC IS EXPERIENCING SIGNIFICANT CHANGES IN THE MARKETPLACE IN WHICH WE OPERATE. RAPIDLY EVOLVING TECHNOLOGY, INCREASING COMPETITION FOR THE DISCRETIONARY DOLLAR, THE INTERNET, CHANGING DEMOGRAPHICS AND SHIFTS IN SOCIAL ATTITUDES ARE AMONG THE FACTORS IMPACTING HOW GAMING IS CONDUCTED AND MANAGED IN BRITISH COLUMBIA.

AMID THESE CHALLENGES AND OPPORTUNITIES, BCLC ONCE AGAIN SET NEW ACHIEVEMENTS FOR REVENUE GENERATION AND NET INCOME DISTRIBUTION TO GOVERNMENT IN FISCAL 2004/05.

THE YEAR WAS HIGHLIGHTED BY THE OPENINGS OF THE FIRST HORSE RACETRACK GAMING CENTRE, FOUR COMMUNITY GAMING CENTRES AND THREE NEW CASINO SITES, THE INTRODUCTION OF LOTTERY PLAY AND PURCHASE ON THE INTERNET, AND THE INTRODUCTION OF A NEW PROVINCEWIDE LINKED BINGO GAME.

LOTTERY BUSINESS UNIT

Lotteries have been a part of the retail market in British Columbia for more than 30 years and many of the products have reached their maturity level. Fiscal 2004/05 saw the rejuvenation of Lotto 6/49, Canada's best-known and longest-running lottery game.

Lotto 6/49 has been the flagship lottery game during BCLC's 20-year history. The Corporation offers Lotto 6/49 in association with the four other regional jurisdictions under the Interprovincial Lottery Corporation.

Canadian research showed that players wanted higher jackpots more often throughout the year. The game relaunched in May with higher jackpots, better overall odds and a new prize category. To support the higher jackpots, the ticket price increased for the first time in the game's history. Changes to BC/49 occurred in conjunction with Lotto 6/49.



Nine Lotto 6/49 jackpots were won in British Columbia during fiscal 2004/05. The top prize claimed in the province was \$15.6 million on the



March 16 draw.

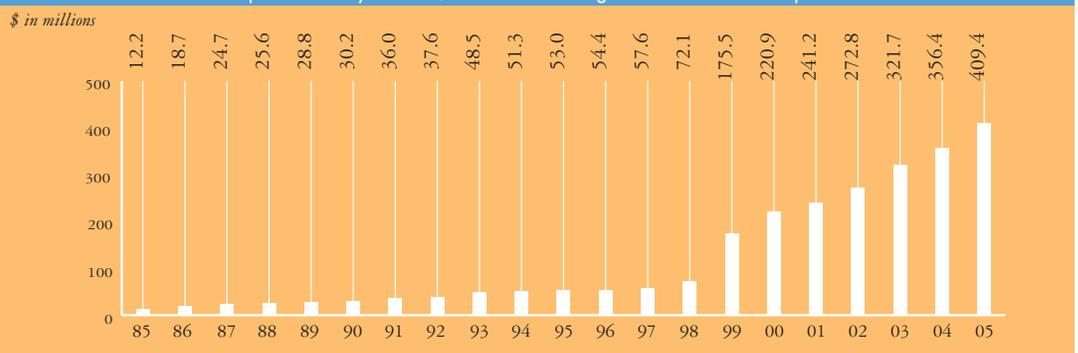
Recognizing that the Internet has changed the way people work, communicate and play, BCLC introduced Internet play and purchase as a new way to distribute select lottery products to British Columbia adults.

As the Crown corporation given responsibility to conduct and manage gaming, BCLC is the only organization that can lawfully offer Internet gaming in British Columbia. PlayNow launched in October and is available through BCLC's secure website, which provides customers with a regulated online environment they can trust. A number of stringent safeguards, standards and codes of conduct are in place, as well as features to encourage responsible play practices.

Players have the option to make limited purchases of four BCLC Sports Action games, including a new Football Pool that is only available through PlayNow.

In continuing to revitalize our lottery brands, we introduced Scratch & Win Tetris® with an Internet Bonus play feature. The ticket was designed to appeal to adults who enjoyed the video game during the height of its popularity beginning in the late 1980s.

Commissions and service fees paid to Lottery Retailers, and Casino and Bingo Service Provider Companies BCLC benefits to BC since 1985



As well as a main play area with a chance to win prizes, the ticket included an Internet access code portion to be played as an entertaining way to reveal whether a prize had been won. Players could validate both portions of their ticket and claim prizes at any lottery retail location.

We showed our commitment to focusing on the player by improving our Sports Action game. The number of games that players are required to wager on was reduced, and we increased the variety of sports by adding golf, women's basketball and arena football to our lineup.

Within our hospitality network of adult social settings, we began to install lottery game zones that sell the complete lineup of lottery products, with dedicated staff to focus on our players. Twenty locations were installed throughout British Columbia during the year.

BCLC continued to upgrade our technology by completing an extensive project to replace the central gaming system that had been installed in 1985. The new system incorporates technological advances that make it faster and more robust and create an even higher level of reliability.

More than half of the lottery network was upgraded to the new next-generation Altura lottery terminals. These new terminals feature a high-profile player display and are more efficient and effective in processing transactions for retailers and players. The remaining terminals will be upgraded in the next fiscal year.



Altura Lottery Terminal



Spectra Lottery Terminal



FX Lottery Terminal

BUSINESS PARTNERS

Business service partners from the private sector play an integral role in BCLC's ability to distribute lottery, casino and bingo products to the marketplace. These partnerships, along with those created with a variety of businesses that supply goods and services to the Corporation, generate economic activity in British Columbia.

In fiscal 2004/05, a total of \$409 million in commissions and service fees was paid to our lottery retailers and casino and bingo business service partners.

BCLC sells lottery products by contractual agreement with about 3,200 retail and 1,300 hospitality locations. These retailers receive an industry-standard commission on every lottery product sold and have opportunities to increase their earnings through bonus programs.

Casinos are operated through contracts with companies that provide day-to-day facility and operational services in compliance with BCLC's responsibilities to conduct and manage gaming.

These casino service providers receive fees based on net win after prizes on casino games. An additional percentage is available for facility development.

BCLC has agreements with bingo service providers for facility and operational services at commercial bingo halls. These companies, which include charitable organizations that act as service providers, are paid a service fee based on a gross monthly sales formula.

CASINO BUSINESS UNIT

From small charitable table-only casinos in 1985 to full service commercial entertainment facilities today, casinos have become a significant revenue generator for BCLC and there are still opportunities for growth of the player base and tourism market. During fiscal 2004/05, we continued with our initiative to transform facilities to offer fewer, higher-quality casinos sized to fit the marketplace.

Fraser Downs Racetrack & Casino in Cloverdale opened a temporary facility in early April, bringing together horse racing and electronic gaming for the first time in British Columbia history. Six months later, a permanent racetrack gaming centre opened with slot machines, electronic Touch Bet Roulette, electronic blackjack and a sports bar.

When completed, the project will include a redeveloped front entrance and lobby, renovated clubhouse, new parking lot, simulcast betting area and an entranceway connecting the casino and racetrack.

Municipal approval was received to develop Hastings Park, Vancouver, into a racetrack gaming centre, projected to open in fiscal 2005/06.

River Rock Casino Resort, a state-of-the-art casino on the Fraser River in Richmond, opened in June. BCLC developed the project in partnership with our business service provider Great Canadian Casinos Inc. Gaming entertainment includes 1,000 slot machines and 70 table games, including a poker room and craps.

The casino is open 24 hours daily and is the first casino in British Columbia to offer liquor service on the casino floor. Patrons can enjoy an international food court, a lounge with live entertainment, a buffet restaurant and sports bar. A luxury hotel and convention centre are scheduled to open next fiscal year.

An island midway theme provides an attractive atmosphere for Treasure Cove Casino in Prince George, which opened in September. The completed project, which includes a hotel that opened in November, injected an estimated \$26 million into the Prince George economy. A restaurant and lounge and a show theatre with banquet or theatre-style seating are among the amenities.

Gateway Casino Burnaby, which first opened in 1999, completed renovations in December to accommodate additional slot machines. The casino increased its revenues in the last quarter of the fiscal year, which resulted in an increased contribution to the host local government.

British Columbia's newest casino, Edgewater Casino, opened in February in the former Expo 86 B.C. pavilion site, becoming the first casino in Vancouver to offer slot machines. Edgewater Casino represents the consolidation of two older properties, the Grand Casino and Royal Diamond Casino, into one new location.

The casino is providing 600 full-time equivalent jobs, with about 10% of staff hired through employment initiatives for residents from the Downtown Eastside.

Edgewater Casino attractions include glass sculptures, a bistro, outdoor plaza patio and theatre.

BCLC introduced coinless slot machines as an alternative payment method to cash. The voucher system improves customer service and increases efficiency by centralizing accounting methods. It also provides players with the convenience of playing different denomination games without needing different types of coins.

This system was also installed on selected banks of slot machines at Great Canadian Casino Coquitlam, Gateway Casino Burnaby and Treasure Cove Casino, and on all machines at Fraser Downs Racetrack & Casino, River Rock Casino Resort and Edgewater Casino.

We continued to ensure that our casino products are among the leading edge in North America by regularly refreshing the mix of slot machines and table games with installations such as Touch Bet Roulette.



BINGO BUSINESS UNIT

Bingo was one of the earliest forms of gaming introduced in British Columbia. In recent years, bingo activity has declined in British Columbia and throughout North America due, in part, to poor public perception of facilities and increasing competition from other forms of entertainment.

During fiscal 2004/05, BCLC continued with our long-term plan to revitalize bingo by establishing a viable model that focuses on the development of high-quality, community-based gaming centres. The plan repositions bingo through relocating and upgrading facilities, offering improved entertainment value and services, and introducing innovative products.

Government policy now permits slot machines in commercial bingo facilities, subject to the approval of the host local government. The number of slot machines in each facility depends on population, demographics and a market assessment. As with community casinos, the host local government receives a 10% share of the slot net income.

Over the year, we worked with our bingo service providers and consulted with communities that had commercial bingo halls and expressed interest in hosting a community gaming centre. These communities provided opportunities for public input into the process.

Community gaming centres were approved and slot machines installed in four locations – Dawson Creek, Williams Lake, Kamloops and Kelowna. Fort Nelson, Courtenay and Campbell River were also approved and are expected to open in 2005/06.

One example of the community gaming centre model is Bingo Kelowna, which set a new standard for bingo when it opened in 2002 as the first purpose-built bingo facility in British Columbia. This commercial hall recently underwent extensive renovations and transformed into Chances Gaming Entertainment. This facility, which opened in March, now features paper-based and electronic bingo, slot machines, off-track horse betting, a variety of lottery products, and food and beverage amenities.

Boardwalk Gaming Centre in Burnaby and Boardwalk Gaming Centre Mission, jointly developed by BCLC and Boardwalk Gaming & Entertainment, became new entertainment options in their communities.

Both locations offer a range of bingo products. Burnaby's amenities include a restaurant with lounge seating, a performance stage and games room. Mission has a full-service restaurant, a stage for live entertainment, and a corporate room for large group meetings.

In the area of bingo technology, the state-of-the-art Gecko Xtra electronic gaming system was installed at four locations. Designed in partnership between BCLC and E-Qube Gaming, Gecko replicates paper-based bingo and is easy to learn.

At the Gecko terminal, players can change dabber colours and shapes, purchase cards, and play Pull Tabs, Scratch & Win tickets or other games along with electronic bingo.

In November, SuperStar Gold Bingo was replaced with Big Link Bingo, a progressive game with a jackpot that grows until it is won. A Fort Langley player won the biggest prize in British Columbia bingo history when she claimed a \$164,341 jackpot on Ultimate Link Bingo.



YEAR IN REVIEW

BCLC CASINO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Casino	Service Provider	City	Slot Machine Revenue	Number of Slot Machines at March 31	Table Game Revenue	Number of Tables at March 31	Total Casino Revenue Fiscal 2004/05	Total Casino Revenue Fiscal 2003/04
COMMUNITY CASINOS								
Billy Barker Casino	585 Holdings Ltd.	Quesnel	\$ 9,339,307	140	\$ 413,647	5	\$ 9,752,954	\$ 9,873,247
Edgewater Casino	Edgewater Casinos Inc.	Vancouver	5,780,476	600	4,835,736	49	10,616,212	—
Fraser Downs Racetrack & Casino	Orangeville Raceway Ltd.	Surrey	38,037,176	400	863,789	1	38,900,965	—
Gateway Casino Burnaby	Gateway Casinos Inc.	Burnaby	88,361,031	679	43,914,926	34	132,275,957	129,850,974
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver	—	—	16,157,506	33	16,157,506	17,936,554
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	16,342,925	169	12,286,121	24	28,629,046	35,952,975
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver	—	—	12,141,494	—	12,141,494	23,158,497
Great Canadian Casino Coquitlam	Great Canadian Casinos Inc.	Coquitlam	80,085,412	450	39,371,142	32	119,456,554	118,459,826
Great Canadian Casino Holiday Inn	Great Canadian Casinos Inc.	Vancouver	—	—	26,294,954	38	26,294,954	31,969,533
Great Canadian Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo	41,330,129	380	4,780,473	12	46,110,602	42,321,960
Great Canadian Casino Renaissance	Great Canadian Casinos Inc.	Vancouver	—	—	1,240,557	—	1,240,557	7,690,853
Great Canadian Casino Richmond	Great Canadian Casinos Inc.	Richmond	77,573,797	1000	110,523,752	89	188,097,549	56,279,467
Great Canadian Casino View Royal	Great Canadian Casinos Inc.	Victoria	55,662,279	425	10,119,336	24	65,781,615	60,111,125
Lake City Casino Kamloops	Lake City Casinos Limited	Kamloops	28,997,509	300	2,468,258	8	31,465,767	30,128,411
Lake City Casino Kelowna	Lake City Casinos Limited	Kelowna	36,022,183	312	4,579,014	11	40,601,197	37,882,786
Lake City Casino Vernon	Lake City Casinos Limited	Vernon	23,461,855	210	1,447,283	8	24,909,138	23,823,741
Treasure Cove Casino	Prince George Casino Supply Co. Incorporated	Prince George	29,818,065	361	2,336,892	12	32,154,957	27,201,289
Royal Diamond Casino	Royal Diamond Casinos Inc.	Vancouver	—	—	—	—	—	—
			530,812,144	5,426	293,774,880	380	824,587,024	652,641,238
DESTINATION CASINOS								
Lake City Casino Penticton	Lake City Casinos Limited	Penticton	19,995,631	224	1,438,594	10	21,434,225	20,025,511
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	26,901,655	352	8,114,822	20	35,016,477	49,178,389
Casino of the Rockies	Lake City Casinos Limited	Cranbrook	10,806,250	225	965,105	9	11,771,355	11,381,252
Jack o' Clubs	Jack o' Clubs Gaming Hall Ltd.	Wells	70,828	80	—	—	70,828	259,282
			57,774,364	881	10,518,521	39	68,292,885	80,844,434
			\$ 588,586,508	6,307	\$ 304,293,401	419	\$ 892,879,909	\$ 733,485,672

Notes

Fraser Downs Racetrack & Casino opened April 5, 2004.

Casino Hollywood relocated on September 16, 2004, and is now known as Treasure Cove Casino.

Richmond Casino relocated within the city of Richmond and opened as River Rock Casino, June 24, 2004.

Grand Casino (closed November 21, 2004) and Royal Diamond Casino (closed due to a labour disruption July 15, 2001) consolidated and relocated opening as Edgewater Casino, February 3, 2005.

Jack o' Clubs seasonal casino opened June 16 and closed September 5, 2004.

YEAR IN REVIEW

BCLC BINGO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Bingo Hall	Service Provider	City	Number of Slot Machines at March 31	Slot Machine Revenue	Number of Seats	Total Bingo Revenue	Total Bingo Revenue Fiscal 2004/05	Total Bingo Revenue Fiscal 2003/04
COMMERCIAL BINGO HALLS								
Abbotsford Bingo	Abbotsford Bingo Association	Abbotsford	–	\$ –	604	\$ 8,149,000	\$ 8,149,000	\$ 8,951,000
Bear Mountain Bingo Hall	0542603 BC Ltd. (Great Canadian Casinos)	Dawson Creek	50	1,777,000	176	1,366,000	3,143,000	1,570,000
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria	–	–	220	4,002,000	4,002,000	3,317,000
Bingo Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	50	397,000	752	12,986,000	13,383,000	13,219,000
Boardwalk Gaming Centre - Burnaby (formerly Burnaby Bingo Country)	427967 BC Ltd. (DBA Bingo Country)	Burnaby	–	–	550	7,199,000	7,199,000	7,889,000
Boardwalk Gaming Centre - Mission (formerly Mission & District Bingo Hall)	427967 BC Ltd. (DBA Bingo Country)	Mission	–	–	300	841,000	841,000	724,000
Campbell River Bingo Palace	Playtime Community Gaming Centres Inc.	Campbell River	–	–	310	6,469,000	6,469,000	6,882,000
Chilliwack Bingo	Chilliwack Bingo Association	Sardis	–	–	484	12,595,000	12,595,000	11,901,000
Cordial Bingo Hall	Cordial Bingo Association	Vancouver	–	–	–	–	–	239,000
Dob City	Alberni Valley Bingo Association	Port Alberni	–	–	336	3,432,000	3,432,000	2,800,000
Enterprise Entertainment	Enterprise Entertainment Ltd.	Kamloops	50	196,000	645	11,891,000	12,087,000	10,568,000
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon	–	–	525	5,644,000	5,644,000	5,625,000
Good Time Bingo Hall	Good Time Bingo Hall Inc.	Prince George	–	–	655	14,856,000	14,856,000	14,442,000
Haney Bingo Plex	Ridge Meadows Bingo Operators Society	Maple Ridge	–	–	500	8,543,000	8,543,000	8,692,000
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	–	–	500	5,182,000	5,182,000	6,962,000
Inkspot Bingo	Duncan Dabber Bingo Society	Duncan	–	–	625	4,549,000	4,549,000	4,410,000
Langford Drop-In Bingo	Playtime Community Gaming Centres Inc.	Victoria	–	–	255	1,515,000	1,515,000	1,910,000
Langley Bingo Palace	Playtime Community Gaming Centres Inc.	Langley	–	–	717	9,025,000	9,025,000	9,603,000
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	–	–	300	5,380,000	5,380,000	5,530,000
Newton Bingo Country	427967 BC LTD. (DBA Bingo Country)	Surrey	–	–	680	15,555,000	15,555,000	16,312,000
Nordley's Bingo Hall	Bute Street Bingo Association	Port Alberni	–	–	–	233,000	233,000	1,183,000
North Star Bingo Hall	Astel Canada Holdings Ltd.	Fort Nelson	–	–	155	962,000	962,000	1,063,000
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton	–	–	420	4,515,000	4,515,000	4,406,000
Planet Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver	–	–	800	17,445,000	17,445,000	17,199,000
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo	–	–	460	6,767,000	6,767,000	5,781,000
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria	–	–	470	4,442,000	4,442,000	4,671,000
Quesnel Bingo Hall (2 Rivers)	Astel Canada Holdings Ltd.	Quesnel	–	–	182	827,000	827,000	889,000
Rainbow Bingo Hall	243045 Alberta Ltd.	Fort St. John	–	–	310	3,517,000	3,517,000	3,620,000
River City Bingo	River City Bingo Association	Powell River	–	–	250	945,000	945,000	1,031,000
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook	–	–	400	2,270,000	2,270,000	2,624,000
Signal Point Gaming - (formerly Lucky's the Bingo Centre)	Lucky's Ventures Ltd.	Williams Lake	103	2,423,000	383	3,581,000	6,004,000	4,032,000
Totem Bingo Palace	Prince Rupert Bingo Association	Prince Rupert	–	–	240	2,074,000	2,074,000	2,185,000
			–	–	312	3,623,000	3,623,000	3,695,000
			–	–	–	–	–	–
			253	4,793,000	13,516	190,380,000	195,173,000	193,926,000
Independent Bingo Hall SuperStar & Big Link Sales								
			–	–	–	998,000	998,000	1,477,000
			–	–	–	286,000	286,000	318,000
				\$ 4,793,000		\$ 191,664,000	\$196,457,000	\$ 195,721,000

Notes: As of March 31, 2005

Commercial halls offering handheld bingo	25	Commercial halls offering Starship Bingo	18
Commercial halls offering paper bingo	31	Commercial halls offering (personal play)	20
Commercial halls offering Big Link Bingo (formerly SuperStar Gold Bingo)	31	Commercial halls offering Gecko Xtra	5
Cordial Hall - Closed January 31, 2004		Nordley's - Closed May 29, 2004	
Mission Bingo Country - Closed April 14, 2004 - reopened as Boardwalk Gaming Centre - Mission December 4, 2004			

New Community Gaming Centres
 Bear Mountain - October 1, 2004
 Signal Point Gaming - November 5, 2004
 Enterprise Entertainment - March 5, 2005
 Bingo Kelowna - March 11, 2005

WINNERS

BCLC is proud of the variety of fun and entertaining lottery, bingo and casino games offered to British Columbians.

BCLC's first millionaire, from Armstrong, claimed a Super Loto prize April 4, 1985, just four days after we opened. Since 1985, \$8.3 billion in prizes has been paid to our players. During fiscal 2004/05, lottery and bingo winners collected \$622.7 million. There were 33 major prizes won, including 17 prizes of \$1 million or more.

Two of our winners made British Columbia history. Tsering Luding became British Columbia's biggest lottery winner ever when he won a \$24.6 million Lotto Super 7 jackpot.

Cheryl Gabriel of Fort Langley won the biggest bingo prize ever in British Columbia when she claimed a \$164,341 Big Link Bingo jackpot at Abbotsford Bingo. On a whim, she bought a couple of extra tickets for the game.

Cheryl planned to share her winnings with her husband and three children. She said family was her first thought after she stood up and yelled, "Bingo!"

Jeong-jong Joe of Vancouver became British Columbia's fourth largest lottery winner ever when he won the \$15.6 million Lotto 6/49 jackpot.

Joe was at work when he checked his ticket on the Internet at bcl.com and felt a chill as he realized he was a winner. He and his young family hoped to still live their life regularly, although Joe planned to make many more trips to see extended family in Korea.

A group of eight building centre employees who worked together in Kelowna claimed a \$10 million Lotto Super 7 jackpot.

The group, who had been playing together for eight months, joked to their boss they would not be in the following Monday because they were going to win the lottery. Their premonition was right. All eight decided to retire from their jobs, give their houses an upgrade and use the extra time for leisure and travel.

Brian Leung of Kamloops was baffled when the lottery retailer said she was unable to pay him his prize. He said "yes" to the Extra and won \$500,000. After Brian collected his win from the BCLC prize payout office, he told his boss that he would not be back at work for some time.

When 14 friends from Nanaimo won \$2 million on BC/49, most of the group planned on paying off mortgages, buying new cars, helping out family members and travelling.



The group members, who had known each other for 20 years, at one time worked at a sawmill together and played the same set of numbers for five years.

Winning \$10,000 playing Tetris Scratch & Win was a nice surprise for Caylie James. The Fort Nelson resident said the lottery retailer was just as excited as she was when her ticket was validated a winner. She planned to enjoy the summer a little more by building a sundeck.

Steven Frank of Lillooet had to make a difficult choice when he won the Living Large Lottery top prize. Steven had the option of taking \$100,000 a year for 25 years or the lump sum payment of \$1.5 million. He chose the lump sum payment. Steven planned on paying some bills and then investing the rest of his winnings.



Five minutes was all she needed. Donna Bernesky of Cranbrook could not believe what she was seeing when all 10 of her chosen numbers came up while playing Keno. She believed her \$100,000 top prize was a miracle and planned to be conservative with her winnings by paying some bills and

saving for retirement.

Since March 1, 1985, there have been 330 jackpot winners on Lotto 6/49 in British Columbia.

WHO PLAYS?

Each year, through an independent research company, BCLC surveys British Columbians about their attitudes toward gaming and their enjoyment of the games. A total of 3,000 respondents are interviewed throughout the year.

Information is also collected about people's participation in lottery, casino and bingo gaming during the past year.

The characteristics of our lottery, casino and bingo players can be compared against the key general characteristics of adult British Columbians, as follows:

GENERAL CHARACTERISTICS OF ADULT BRITISH COLUMBIANS

52% are female and 48% are male

27% are 19-34 years old

73% are 35 years of age or older

71% have some post-secondary education

43% are from households with an annual income of \$60,000 or greater

ALL ABOUT PLAYERS

LOTTERY

8 out of 10 adult British Columbians have played a lottery product in the past year
 52% are female and 48% are male
 73% are 35 years of age or older
 71% have some post-secondary education
 43% are from households with an annual income of \$60,000 or greater

CASINO

3 out of 10 adult British Columbians have visited a British Columbia casino in the past year
 51% are male and 49% are female
 69% are 35 years of age or older
 70% have some post-secondary education
 44% are from households with an annual income of \$60,000 or greater

BINGO

6% of adult British Columbians have visited a British Columbia commercial bingo hall in the past year
 77% are female and 23% are male
 70% are 35 years of age or older
 53% have some post-secondary education
 30% are from households with an annual income \$60,000 or greater

Source: Gaming Watch FY2005

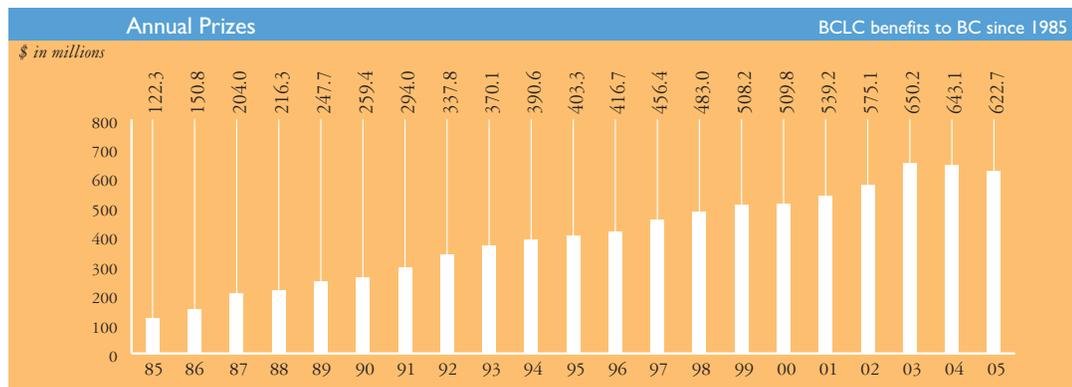
Note: "Don't know" and "Refused" responses were removed.

BIGGEST JACKPOT WINNER IN 20 YEARS

Excitement and rumours mounted days after the February 11 Lotto Super 7 draw. Who would claim the largest lottery jackpot ever won in British Columbia?

Six days after the draw, Tsering Luding of Richmond finally checked his ticket and came forward to claim his \$24.6 million prize. The 39-year-old carpet technician and father of two found out he won when his wife asked him to check his tickets. She had just read a story in the local newspaper that stated the winning ticket was purchased in the area.

Tsering, who planned to share his win with family and friends, had just become the sixth largest Lotto Super 7 jackpot winner in Canadian history and the biggest lottery jackpot winner in British Columbia's history.



ALL ABOUT EMPLOYEES

A LOTTO SPIRIT

In 1985, BCLC opened its head office in Kamloops, creating a landmark in the city's downtown. More than 170 new jobs were created, 90% of them filled by Kamloops residents.

Many employees who had worked for Western Canada Lottery Foundation in British Columbia also joined the Corporation's workforce. Offices in Richmond and Victoria were opened, and 48 field staff were located in 26 communities throughout the province.

Twenty years later in fiscal 2004/05, the Corporation employed more than 500 people in the Kamloops and Richmond offices and across British Columbia in field locations.

BCLC's business has grown over the decades to meet increased responsibilities in conducting and managing gaming in the province, and our employee spirit has grown with it. Employees are proud to live, work, play and volunteer in their communities.

As a proud corporate citizen, we've partnered with communities through product and corporate sponsorships to support a cross-section of events. We look for opportunities for employees to directly share their knowledge, resources and special brand of BCLC hospitality.

These opportunities have included on-site hosting, speaking engagements, tradeshow appearances, teaching at workshops, assisting with community emergency support during flooding and wildfires, and providing a care and comfort centre for event volunteers.

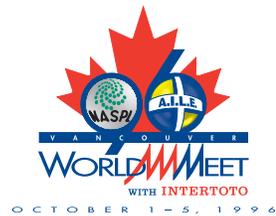
Employee involvement speaks to our corporate values. We have an environment which fosters openness, mutual respect and individual development, and we are one team striving for excellence.

Our employees are active members of their communities. Over the past 20 years through workplace activities, employees have supported many initiatives, including United Way and its Day of Caring, the 24 Hour Relay for the Kids, World Meet '96, 2010 Olympic and Paralympic Winter Games bid, donated to disaster relief, and helped families and service organizations during the holiday season and throughout the year.

In 2004/05, BCLC was among the sponsors of the Communities in Bloom beautification competition in Kamloops. For a second year, our employee Green Committee organized employee volunteers to help tidy up the downtown area in preparation for the judges' arrival.

Employee hosts, Christmas Charity Committee representatives and family members were on hand to support BCLC's role as Official Community Sponsor when the CPR Holiday Train for hunger relief rolled into Kamloops in December.

Our team served snacks and collected cash and food donations for the Food Bank. Almost \$17,000 in cash was donated by the community, which included a cheque from BCLC's Christmas Charity Committee.



SPONSORSHIP SUPPORT

BCLC has a proud 20-year history of community involvement throughout British Columbia. We've contributed our sponsorship support to celebrations, conferences, festivals and fund-raisers, as well as special events that have put the province in the national and international spotlight.

We especially acknowledge the efforts of the thousands of British Columbians who make a difference in their communities by becoming volunteers.

In BCLC's first fiscal year 1985/86, \$250 million of lottery revenue was earmarked for the staging of Expo 86 and \$20 million of lottery monies helped make the British Columbia pavilion a centerpiece for Expo. The tradition has continued through support for events such as Kamloops 1993 Canada Games, 1994 Victoria Commonwealth Games, 1995 Abbotsford Matsqui Western Canada Games, HSBC Celebration Of Light and, most recently, the 2010 Olympic and Paralympic Winter Games bid. Over the years, BCLC has also sponsored a variety of local community events and activities such as Canada Day celebrations, symphony in the park, agricultural fairs and charitable golf tournaments.

During fiscal 2004/05, we participated through corporate and product sponsorships in 90 community events and conference programs in the areas of business, arts and culture, sports and recreation.

We were pleased to contribute to the communities of Abbotsford, Barriere, Burnaby, Cloverdale, Coquitlam, Cranbrook, Dawson Creek, Falkland, Fernie, Fort Nelson, Harrison Hot Springs, Kamloops, Kelowna, Langley, Lillooet, Merritt, Nanaimo, New Westminster, Penticton, Prince George, Pritchard, Richmond, Sun Peaks, Surrey, Sydney, Tsawwassen, Vancouver, Vernon, Victoria and Whistler.

BCLC was one of the first supporters on board the Orcas in the City project in Vancouver, which was launched by the BC Lions Society to support its Easter Seal operations and Canucks Kids' Fund. Our "Jackpod" sponsorship featured a casino, lottery and bingo orca sculpture, each painted with related imagery by British Columbia artist Ross Agro.

When the BC Lions held their 2004 training in Kamloops, we partnered for a scrimmage and community barbecue as part of our long-standing relationship with the club. Our employee hosts gave away team posters and helped out with the barbecue, with donations going to the University College of the Cariboo Sports Task Force.

At the Memorial Cup national junior hockey championship in Kelowna, spectators learned to play Sports Action and won fun prizes at the Sports Action Zone. Live entertainment and daily draws were available in the Keno

Entertainment Centre. Fans had a chance to win tickets to the sold-out games through a consumer contest at local Mac's Convenience Stores.

Community organizations again benefited from the Rotary Invitational Golf Classic in Kamloops, which raised nearly \$40,000 from the seventh annual tournament. And, over the past two years local charity has benefited from \$60,000 raised from the annual Coquitlam Golf Classic. Both the Kamloops and Coquitlam tournaments were sponsored by BCLC.

Crime Stoppers marked 20 years of crime-solving endeavours in Canada during its British Columbia annual training conference, this year hosted in Kamloops. BCLC joined with other supporters to help make this event successful.

We helped celebrate British Columbia's culture and diversity as a sponsor of the Bell Victoria Symphony Splash. The 2004 theme, Adventure on the High Seas, included the orchestra's performance on a barge in Victoria's inner harbour. Highlights included some of the province's best musicians and Tchaikovsky's 1812 Overture accompanied by fireworks.

The Abbotsford International Airshow was back for its 41st year of offering aerial action, demonstrations and ground displays. The Corporation was among the sponsors of this exciting event that thrills thousands of spectators of all ages.

It was hockey night in Vancouver and Kamloops when the Brad May & Friends Hockey Challenge teamed up with BCLC to raise funds for Canuck Place Children's Hospice and numerous local charities. Sports Action was among the major sponsors for the Vancouver game, while the Kamloops game was supported with a silver-level corporate sponsorship.

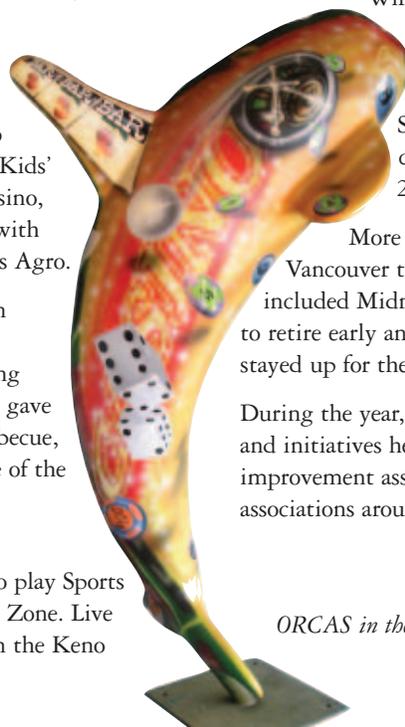
Wildlights 2004 at the British Columbia Wildlife Park in Kamloops was a shining example of community support over the holiday season. BCLC helped create a winter wonderland by sponsoring the new Symphony of Lights musical attraction. Volunteers contributed many hours to this event that attracted 23,000 visitors, the highest attendance to date.

More than 25,000 people gathered in downtown Vancouver to ring in 2005 at First Night. Our sponsorship included Midnight in Montreal at 9 p.m. for those who wanted to retire early and the Midnight Grand Finale for those who stayed up for the countdown to the new year.

During the year, BCLC also actively participated in conferences and initiatives held by municipal associations, business improvement associations, chambers of commerce and professional associations around the province.



Expo Ernie '86



ORCAS in the City 2004

ALL ABOUT COMMUNITIES

HORSE RACING

BCLC's responsibilities include support of the marketplace management of horse racing in British Columbia. The Corporation administers horse racing fees and conducts and manages electronic gaming at horse racetracks.

As a corporate sponsor, we were pleased to once again provide our support to the horse racing industry in communities around the province.

At Hastings Racecourse in Vancouver, we sponsored the 2004 live horse racing season from April through November. We partnered with Fraser Downs for the 10-month live racing season that began in September, and with Sandown Park for racing in July through August.

Keno was featured throughout the different seasons and at special events, including the BC Cup at Hastings Park and 2010 race days at Fraser Downs.

The BCLC Mile was a highlight of the fifth annual Interior Horse Racing Festival at Sagebrush Downs. BCLC was the festival's Presenting Sponsor, and the featured race produced the highest thoroughbred purse of the racetrack's season.

Kin Race Track Park celebrated Vernon Race Days during July and August. BCLC was the Presenting Sponsor of BC Cup Day and the featured sponsored race.

COMPUTERS FOR SCHOOLS

BCLC has an ongoing commitment to maintain a sound technology infrastructure, and upgrades are routinely made to our hardware.

The equipment that is no longer used is donated to the Computers for Schools repair centre in Kamloops for distribution to school districts in Kamloops, Williams Lake, Gold Trail, Merritt, Salmon Arm and Revelstoke.

Since 1997/98, donations have included more than 600 PCs and many monitors, laptops, printers, servers, scanners and miscellaneous items.



ALL ABOUT CORPORATE SOCIAL RESPONSIBILITY

BCLC's strong commitment to social responsibility is evident in everything we do. We take our responsibility to deliver commercial gaming seriously and consider its impact on the people and communities of British Columbia.

Gambling is provided as a fun entertainment option for adults aged 19 and over. Among adults who choose to participate in gambling, 95% play responsibly. However, for a small number, gambling can result in problems that may affect family, finances, employment or self-esteem.

BCLC believes that addressing problem gambling effectively requires a shared responsibility approach. We work in partnership with the Government of British Columbia, gaming service providers, and those involved in the prevention and treatment of problem gambling to encourage safe and healthy use of our products.

We have an established partnership with Gaming Policy and Enforcement Branch that regulates gaming and manages the province's Problem Gambling Program. The British Columbia Partnership for Responsible Gambling (www.bcresponsiblegambling.ca) is a strategic alliance developed to promote responsible gambling.

Together, we ensure that a problem gambling risk management strategy and programs are in place to promote responsible play practices. Problem gambling issues are approached through research, awareness and education, prevention and treatment programs.



APPROPRIATE • RESPONSE • TRAINING

BCLC has initiated an Appropriate Response Training (ART) program to help gaming industry employees know how to respond to difficult situations involving customers. ART aims to give employees a better understanding of their role in delivering gaming products and an appropriate level of

BCLC has initiated an Appropriate Response Training (ART) program to help gaming industry employees know how to respond to difficult situations involving customers. ART aims to give employees a better understanding of their role in delivering gaming products and an appropriate level of



customer service, while respecting an adult's right to choose gaming as an entertainment option.

During fiscal 2004/05, more than 1,700 casino gaming employees participated in this successful program. Moving forward, ART will continue to be delivered to casino gaming staff and an adapted program will be developed for bingo and lottery gaming service providers.

BCLC is a founding member and advisor of the Canadian Partnership for Responsible Gambling, a new national initiative with a mandate to find ways to reduce the risk of problem gambling. Its first product, Canadian Gambling Digest, is a comprehensive information database that covers the scope of gambling activities in Canada.

Government and the Corporation have adopted a responsible play message, "Know your limit, play within it." This message is included in most of our product and marketing materials, including television advertising.

All of our products carry the Problem Gambling Help Line number (1-888-795-6111). Laws concerning the legal age to participate in gaming in British Columbia are upheld and extensively publicized through a 19+ program.

We administer a program that allows individuals to voluntarily exclude themselves from casinos, commercial bingo halls or purchasing lottery products through the PlayNow website for a period of six months, one, two or three years.

Our customers are important to us. BCLC remains committed to promoting social responsibility, responsible play practices and ensuring information is readily available for players to make healthy informed choices about participating in our games.



AUTHORITY AND REGULATION

British Columbia's gaming industry is operated and regulated in accordance with the *Gaming Control Act* and under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

BCLC, as an agent of the Crown, has responsibility to conduct, manage and operate lottery, casino and commercial bingo gaming. The Corporation administers horse racing fees and conducts and manages electronic gaming at horse race tracks.

The Gaming Policy and Enforcement Branch (GPEB) regulates all aspects of the gaming industry in British Columbia. The branch develops and manages gaming policy, legislation and standards, licenses charitable gaming events and horse racing, registers gaming service providers and gaming workers, certifies gaming equipment, and investigates allegations of wrongdoing in all gaming sectors.

GPEB conducts charitable and commercial audits to ensure compliance, and manages distribution of Government's gaming proceeds, including gaming grants to charitable and community organizations. The branch administers Government's Problem Gambling Program and ensures that policies and standards are in place to help minimize the harm from gambling and promote responsible gambling practices.

GOVERNANCE PRACTICES

Following an extensive review of its existing governance practices, and with the goal of adopting well-established best practices in corporate governance, the Board of Directors adopted a new governance framework in early 2003. This governance framework reflects the Corporation's mandate, vision, mission and strategic goals and includes terms of reference for the Board, Board Chair, President and Chief Executive Officer, Directors and all standing committees of the Board. The framework also includes operating guidelines for the Board and its committees, and describes processes for strategic planning, succession planning and Board performance evaluations.

The Board continuously reviews and evaluates the Corporation's governance framework with a view to maintaining good corporate governance practices that are aligned with the Corporation's business and consistent with Government's guiding principles for corporate governance in Crown corporations. As part of its governance practices, the Board regularly evaluates its own performance with the objective of continuously improving performance and performing its oversight role in the most efficient and effective manner.

A key component of the Corporation's governance framework is the Shareholder's Letter of Expectations, entered into between the Minister and the Chair of the Corporation, which confirms the shared understanding of Government and BCLC on its corporate mandate, public policy issues, strategic priorities and performance expectations. The Shareholder's Letter of Expectations is reviewed and discussed with Government annually and updated as required.

BOARD OF DIRECTORS

In accordance with the *Gaming Control Act*, a maximum nine-member Board is appointed for the Corporation by order of the Lieutenant-Governor in Council. The Board currently consists of nine independent directors chosen on the basis of their skills, expertise and experience.

The Board provides stewardship and ethical leadership by overseeing management of the Corporation's affairs with a view to the best interests of the Corporation and the long-term interests of the shareholder, the Government of British Columbia.

The Board has a primary responsibility to foster the Corporation's long-term success, to oversee the conduct of the Corporation's business and to supervise management who are responsible for day-to-day operations. The Board is responsible to participate with management in developing, and ultimately approving, the Corporation's mission, vision and values, strategic and service plans, business plans, and operating and capital budgets.

The Board regularly receives information on financial results and monitors the Corporation's performance against the approved strategic and operating plans. The Board is also responsible to set and revise as necessary major policies, including policies related to human resources and compensation matters, financial and risk management issues, and stakeholder communications. Through the strategic planning process and the operation of committees, the Board also reviews the principle risks facing the Corporation to ensure that strategies are implemented to manage such risks.

The Board met seven times in fiscal 2004/05. In addition, as part of the strategic planning process, the Board held its annual strategic planning retreat with management that is focused on developing the Corporation's strategic business plan for the next fiscal year. Senior management attends all Board meetings. However, the Board also ensures its independence by meeting in camera at every Board meeting without management present.

STANDARD OF CONDUCT FOR DIRECTORS

In carrying out the Board's mandate, each director is responsible to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Upon appointment as a director and each year thereafter, directors are required to agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines.

CHAIR

The Chair is the presiding director and is responsible for the leadership and effective performance of the Board. The Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister responsible for BCLC.

COMMITTEE STRUCTURE

To assist the Board in fulfilling its oversight responsibilities, the Board has established committees and has specifically set out the terms of reference for each committee. BCLC committees are responsible for advising and formulating recommendations to the Board.

Each committee chair is appointed by the Board and is responsible to report directly on the committee's deliberations, note findings and make recommendations to the Board.

STANDING COMMITTEES

Audit

Chair: Bruna Giacomazzi

Members: Arthur Willms, Kathy Stevenson, John Bell

- Liaises between the external and internal auditors and the Board.
- Oversees the review of the Corporation's financial operations by the external auditors and makes recommendations to the Board with respect to approval of audited financial statements and quarterly results.
- Reviews the financial information that will be provided to Government and the public.
- Oversees the review of the Corporation's information systems, risk management and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

Governance and Corporate Social Responsibility

Chair: Mary MacGregor (1)

Members: Bruna Giacomazzi, Arthur Willms

- Provides focus on corporate governance to enhance BCLC's performance.
- Implements the evaluation process for the Board and makes recommendations regarding Board effectiveness.
- Oversees development of a long-term Board composition and succession plan and leads the process for developing potential Director criteria.
- Reviews, monitors and makes recommendations regarding the orientation and ongoing development of directors.
- Oversees the review of BCLC's corporate social responsibility policy.

Note (1): until Mary MacGregor's resignation from the Board in October 2004

Human Resources and Compensation

Chair: Tazeem Nathoo

Members: Donald Pettit, Neil McDonnell

- Examines the Corporation's strategies and practices that relate to human resource and compensation matters and succession planning issues, and provides advice on these matters to the Board for consideration.
- Oversees matters related to the compensation and performance assessment of the President and CEO.
- Reviews management's succession plans, staff resourcing allocation plans, and staff development and training programs with a view to enhancing a performance-based culture.

Marketing and Sponsorship

Chair: John Bell

Members: Neil McDonnell, Donald Pettit

- Provides support to the Board during the strategic planning process with respect to the marketing components of the strategic plan.
- Reviews the overall marketing and sponsorships strategies and guidelines that will govern the Corporation's role on brands, business unit and sponsorships.
- Monitors the Corporation's performance against the marketing strategies and guidelines.

Ex-officio members of all committees:

T. Richard Turner, Chair

Vic Poleschuk, President and CEO

THIS MANAGEMENT DISCUSSION AND ANALYSIS REVIEWS THE FINANCIAL CONDITION AND THE RESULTS OF OPERATION OF BRITISH COLUMBIA LOTTERY CORPORATION FOR THE FISCAL YEAR ENDED MARCH 31, 2005, AND SHOULD BE READ IN CONJUNCTION WITH THE CORPORATION'S AUDITED FINANCIAL STATEMENTS.

FINANCIAL OVERVIEW

Financial Results (\$ in millions)	2000/01	2001/02	2002/03	2003/04	2004/05		
					Actual	Budget	Variance
Revenues							
Lottery	937.0	962.7	968.6	960.4	938.0	970.0	(32.0)
Casino	492.3	552.4	628.1	733.4	892.9	910.0	(17.1)
Bingo	53.7	92.3	195.7	195.7	196.5	230.0	(33.5)
	1,483.0	1,607.4	1,792.4	1,889.5	2,027.4	2,110.0	(82.6)
Direct Expenses	796.1	863.5	987.0	1,014.8	1,048.7	1,078.6	29.9
Operating Expenses	124.8	137.8	134.5	147.1	159.8	181.4	21.6
Net Income	\$562.1	\$606.1	\$670.9	\$727.6	\$818.9	\$850.0	(\$31.1)
Profit Margin	37.9%	37.7%	37.4%	38.5%	40.4%	40.3%	0.1%
Capital Expenditures	13.4	20.2	29.6	49.3	93.5	135.2	41.7
Employees (FTE)	615.0	615.0	549.0	560.0	569.0	572.0	3.0

For the 30th consecutive year, BCLC achieved record revenues and profit. The continuing replacement of older casino properties with new, improved facilities sized to meet marketplace demand, the relaunch of Canada's flagship lottery game, Lotto 6/49, and the redevelopment of old bingo halls into new community gaming centres all contributed to the continuing growth in revenue and profit.

At \$2.027 billion, total gaming revenues for fiscal 2004/05 were \$137.9 million greater than last year but \$82.6 million less than budget. While BCLC continues to experience growth in the business, the Corporation's revenue and net income targets were not achieved. A downward trend in lottery revenues, delays in the relocation and redevelopment of several casino properties and a slower than planned rollout of community gaming centres impacted revenue and net income results.

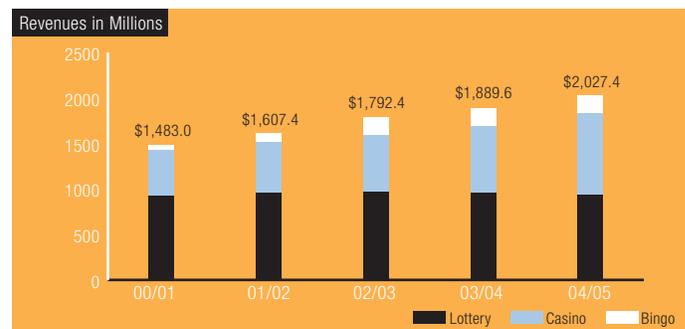
Direct expenses of \$1.05 billion were \$29.9 million less than budget and \$33.9 million greater than the previous year. At 51.7% of revenues, direct costs were close to budget but down slightly from the previous year, reflecting a shift in product mix to higher contribution casino games.

Total operating costs, including amortization, GST and other income of \$159.8 million, were \$21.6 million less than budget and \$12.7 million greater than last year. Lower operating costs were primarily the result of the slower than planned build out of several casino and community gaming facilities. Interest and other income exceeded budget, reflecting unplanned revenues for horse racing fees, higher interest income and gains on the disposal of capital assets.

Net income of \$818.9 million was \$31.1 million less than budget and \$91.3 million greater than the previous year. As a percentage of revenues, net income increased to 40.4% from 38.5%, reflecting a shift in product mix to higher contribution casino games.

Capital expenditures of \$93.5 million were \$41.7 million less than budget, but \$44.2 million greater than the previous fiscal year. The increase in capital expenditures over prior years is a result of gaming equipment acquired for new gaming facilities and the replacement of the lottery central system and retail terminals.

GAMING REVENUE TRENDS



Over the last four-year period, total gaming revenues in British Columbia have increased from \$1.5 billion to just over \$2.0 billion, an increase of \$544 million or 37%. The majority of the growth reflects the addition of casino gaming and commercial bingo to the Corporation's mandate. During this period, lottery revenues in British Columbia and across Canada have remained relatively flat, and in some jurisdictions declined.

While gaming in British Columbia has grown significantly over the last few years, on a per capita basis it is moderate compared to other provinces in Canada. BCLC currently ranks eighth in Canada per capita gaming net expenditure.

LOTTERY OPERATIONS

FINANCIAL OVERVIEW

Financial Results (\$ in millions)	2000/01	2001/02	2002/03	2003/04	2004/05		
					Actual	Budget	Variance
Revenues							
Retail Network	705.5	717.2	742.4	747.0	713.0	750.0	(37.0)
Hospitality Network	231.5	245.5	226.2	213.4	225.0	220.0	5.0
	937.0	962.7	968.6	960.4	938.0	970.0	(32.0)
Direct Expenses	586.8	600.7	610.3	602.3	581.3	596.9	15.6
Operating Expenses	64.8	68.2	64.8	69.2	71.9	80.1	8.2
Net Income	\$285.4	\$293.8	\$293.5	\$288.9	\$284.8	\$293.0	(\$8.2)

Fiscal 2004/05 lottery revenues of \$938.0 million were \$32.0 million less than budget and \$22.4 million less than last year. The decline in lottery revenues is reflective of trends that are being experienced across Canada and were accentuated by weak performance from the retail network. Relative to budget, \$24.0 million or 75% of the negative variance was the result of weak performance from the Scratch & Win product.

Direct expenses of \$581.3 million were \$15.6 million less than budget and \$21.0 million less than last year, reflecting the decline in revenues.

Operating costs of \$71.9 million were \$8.2 million less than budget, but \$2.7 million greater than last year. General operating costs were less than budget, primarily as a result of lower advertising and network expenditures. Amortization was less than budget, reflecting a change in the amortization period from three to five years. Interest and other income exceeded budget, reflecting unplanned revenues from horse racing fees and higher interest income.

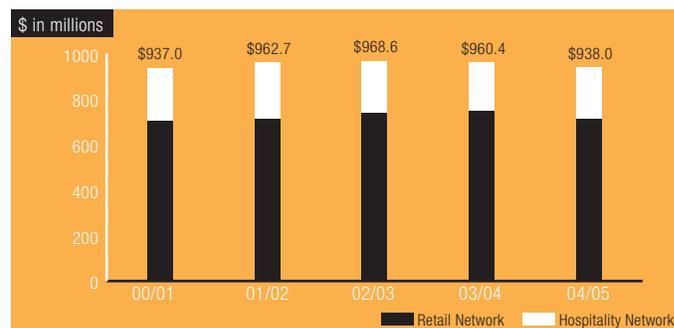
Fiscal 2004/05 net income of \$284.8 million was \$8.2 million less than budget and \$4.1 million less than last year, again reflecting the declining revenue compared to last fiscal year and budget.

OPERATIONAL HIGHLIGHTS

The Corporation's lottery network consists of about 3,200 retail and 1,300 hospitality locations. Over the last five-year period, revenue growth has remained flat. Competition from other forms of gaming and entertainment, shifts in consumer traffic patterns and significant changes at retail have all contributed to a flattening of lottery sales. The maintenance of current lottery revenues and building future growth will be achieved through the introduction of new innovative games, strengthening the marketing of existing games and the continued development and refinement of the sales network (retail, hospitality and Internet).

Operational highlights for the lottery division included the replacement of the online game central system and 1,800 lottery terminals, the relaunch of Lotto 6/49, and the introduction of a new eLottery gaming site, PlayNow, on bcl.com.

LOTTERY REVENUE TRENDS



CASINO OPERATIONS

Financial Results (\$ in millions)	2000/01	2001/02	2002/03	2003/04	2004/05		
					Actual	Budget	Variance
Revenues							
Slot Machine	268.9	311.7	373.6	463.5	588.6	650.0	(61.4)
Table Games	223.4	240.7	254.5	269.9	304.3	260.0	44.3
	492.3	552.4	628.1	733.4	892.9	910.0	(17.1)
Direct Expenses	170.3	193.1	218.3	252.3	307.3	300.7	(6.6)
Operating Expenses	50.2	59.8	55.2	62.8	70.3	82.3	12.0
Net Income	\$271.8	\$299.5	\$354.6	\$418.3	\$515.3	\$527.0	(\$11.7)

FINANCIAL OVERVIEW

Fiscal 2004/05 casino net win of \$892.9 million was \$17.1 million less than budget and \$159.5 million greater than last year. The negative variance from budget was primarily the result of three major casino properties – Hastings Racecourse, Langley and the Coquitlam expansion that did not occur in fiscal 2004/05 as planned.

Direct expenses of \$307.3 million were \$6.6 million more than budget and \$55.0 million greater than last year. The negative budget variance and increase in direct costs as a percentage of revenues reflected a shift in product mix to higher commission table games.

Operating costs of \$70.3 million were \$12.0 million less than budget and \$7.5 million greater than last year. The positive budget variance reflects lower than planned amortization and a recovery in GST expense relating to previous years.

Fiscal 2004/05 net income of \$515.3 million was \$11.7 million less than budget and \$97.0 million greater than last year.

OPERATIONAL HIGHLIGHTS

The Corporation's casino network includes 14 community casinos, four destination casinos and one racetrack gaming centre that operated 6,307 slot machines and 419 table games in fiscal 2004/05.

Operational highlights for the casino division included the relocation and opening of three new casinos within the cities of Richmond, Vancouver and Prince George that replaced four existing casino properties within those communities. A new racetrack gaming centre opened in Fraser Downs and additional slot machines were introduced at the Burnaby casino.

CASINO SALES TRENDS



BINGO OPERATIONS

Financial Results (\$ in millions)	2000/01	2001/02	2002/03	2003/04	2004/05		
					Actual	Budget	Variance
Revenues							
Paper Bingo	2.7	29.1	116.2	107.5	98.2	115.0	(16.8)
Electronic Bingo	51.0	63.2	79.5	88.2	93.5	100.0	(6.5)
Slot Machines	—	—	—	—	4.8	15.0	(10.2)
	53.7	92.3	195.7	195.7	196.5	230.0	(33.5)
Direct Expenses	39.0	69.7	158.4	160.2	160.1	181.0	20.9
Operating Expenses	9.8	9.8	14.5	15.1	17.6	19.0	1.4
Net Income	\$4.9	\$12.8	\$22.8	\$20.4	\$18.8	\$30.0	(\$11.2)

Fiscal 2004/05 bingo sales of \$196.5 million were \$33.5 million less than budget and \$800 thousand greater than last year. This year's budget was based on 550 slot machines operating in eight community gaming centres for six months. Delays in the development of various properties resulted in BCLC operating fewer community gaming centres than planned. Additionally, revenues from paper and electronic bingo performed below budget.

Direct expenses of \$160.1 million were \$20.9 million less than budget and \$100 thousand less than last year. The positive variance from budget is directly related to lower than targeted revenues.

Operating costs of \$17.6 million were \$1.4 million less than budget but \$2.5 million greater than last year. The positive variance from budget was primarily the result of lower operating costs and amortization.

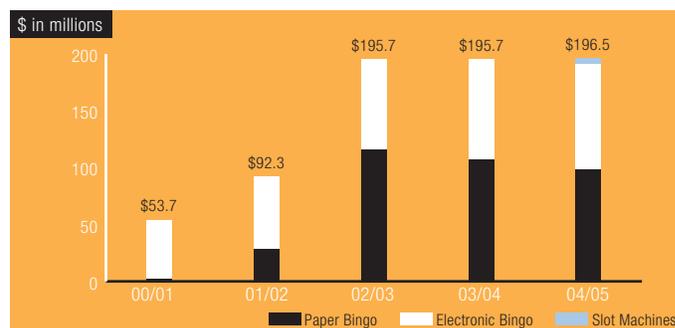
Net income of \$18.8 million was \$11.2 million less than budget and \$1.6 million less than last year. The negative variance from budget is the result of lower than targeted revenues.

OPERATIONAL HIGHLIGHTS

The Corporation offers varying bingo products through a network of 27 commercial halls, four community gaming centres and 16 independent operators. Products marketed through this distribution channel include electronic bingo, paper bingo and slot machines.

Operational highlights for the year included the opening of four new community gaming centres in Dawson Creek, Williams Lake, Kamloops and Kelowna and the addition of electronic bingo to the Dawson Creek and Mission bingo sites.

BINGO SALES TRENDS



BCLC assumed responsibility for commercial bingo in January 2002.

BC LOTTOTECH INTERNATIONAL INC.

BC Lottotech International Inc. was incorporated under the *Company Act of British Columbia* on March 27, 1987, and is a wholly owned subsidiary of British Columbia Lottery Corporation. BC Lottotech's financial statements are included in the consolidated financial statements of BCLC. The primary purpose of BC Lottotech is to acquire gaming equipment for BCLC.

CANADIAN GAMING COMPARISONS

(AS AT MARCH 31, 2004)

With revisions to Government gaming policy in 1997 that allowed for the introduction of slot machines, gaming revenues in British Columbia have increased significantly. While gaming revenues in British Columbia have grown over this period, on a per capita basis, gaming expenditures in British Columbia remain moderate compared to other provinces in Canada.

As illustrated in the following tables, in fiscal 2003/04, the most current year available, British Columbia per capita net gaming expenditures are ranked eighth in Canada and British Columbia has fewer gaming devices per thousand population than any other province. This moderate expenditure is consistent with Government's gaming policy and the Corporation's objective to market gaming in a socially responsible manner.

CANADIAN COMMERCIAL GAMING EXPENDITURES

Net Expenditure: Amount spent by players after deducting money returned as prizes, for all forms of gaming.

PER CAPITA COMMERCIAL GAMING EXPENDITURE BY PROVINCE, NET OF PRIZES

FOR THE YEAR ENDED MARCH 31, 2004

TOTAL NET EXPENDITURE (\$000S)

	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Lottery	\$ 435,904	\$ 206,235	\$ 62,053	\$ 79,178	\$ 1,033,640	\$ 850,092	\$ 73,395	\$ 91,499	\$ 76,737	\$ 14,860	\$ 2,920,597
Casino	\$ 733,485	\$ 683,000	\$ 182,900	\$ 156,502	\$ 3,534,790	\$ 723,274	\$ 0	\$ 86,282	\$ 0	\$ 0	\$ 6,100,233
VLTs	\$ 0	\$ 694,000	\$ 266,100	\$ 200,922	\$ 0	\$ 1,128,847	\$ 135,713	\$ 182,909	\$ 127,063	\$ 18,827	\$ 2,754,381
Bingo	\$ 77,150	\$ 0	\$ 0	\$ 0	\$ 8,288	\$ 20,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 105,634
Horse Racing	\$ 46,463	\$ 36,442	\$ 336	\$ 10,948	\$ 281,327	\$ 44,220	\$ 2,290	\$ 2,793	\$ 322	\$ 1,936	\$ 427,077
Total	\$ 1,293,002	\$ 1,619,677	\$ 511,389	\$ 447,550	\$ 4,855,049	\$ 2,766,629	\$ 211,398	\$ 363,483	\$ 204,122	\$ 35,623	\$ 12,307,922

NET EXPENDITURE PER CAPITA (\$)

	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Lottery	\$ 132.82	\$ 86.07	\$ 83.14	\$ 90.27	\$ 108.90	\$ 143.14	\$ 123.36	\$ 123.79	\$ 186.11	\$ 140.75	\$ 118.93
Casino	\$ 223.50	\$ 285.04	\$ 245.05	\$ 178.43	\$ 373.49	\$ 121.79	\$ 0	\$ 116.73	\$ 0	\$ 0	\$ 248.41
VLTs	\$ 0	\$ 289.63	\$ 356.52	\$ 229.07	\$ 0	\$ 190.08	\$ 228.11	\$ 247.46	\$ 308.17	\$ 178.33	\$ 112.16
Bingo	\$ 23.51	\$ 0	\$ 0	\$ 0	\$ 0.88	\$ 3.40	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4.30
Horse Racing	\$ 14.16	\$ 15.21	\$ 0.45	\$ 12.48	\$ 29.73	\$ 7.45	\$ 3.85	\$ 3.78	\$ 0.78	\$ 18.34	\$ 17.39
Total	\$ 393.98	\$ 675.94	\$ 685.16	\$ 510.26	\$ 512.99	\$ 465.85	\$ 355.32	\$ 491.75	\$ 495.06	\$ 337.42	\$ 501.20

CANADIAN GAMING COMPARISONS

(as at March 31, 2004)

GAMING DEVICES BY PROVINCE, FOR THE YEAR ENDED MARCH 31, 2004

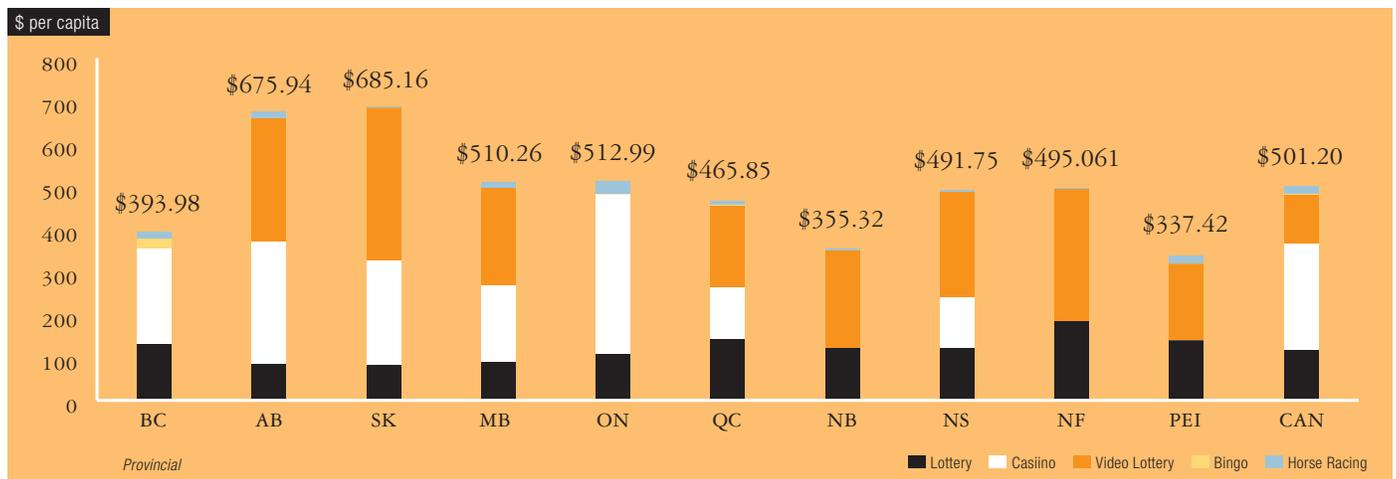
	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Lottery Terminals	4,072	2,128	774	841	8,740	8,404	1,015	1,324	1,289	180	28,767
Slot Machines	3,832	6,513	1,985	1,358	20,514	5,650	0	1,041	0	0	40,893
Casino Table Games	377	328	71	61	540	206	0	54	0	0	1,637
VLTs	0	5,992	3,995	5,305	0	14,293	2,647	3,845	2,639	386	39,102
Total gaming devices	8,281	14,961	6,825	7,565	29,794	28,553	3,662	6,264	3,928	566	110,399
Devices per 1000 population	2.5	6.2	9.1	8.8	3.1	4.8	6.2	8.5	9.5	5.4	4.5

Nova Scotia VLT numbers include 611 VLTs on First Nations properties.

New Brunswick VLT numbers include 98 VLTs on First Nations properties.

Sources: Annual reports, lottery organizations, Lyle Hall (Hall Hospitality Advisors), Statistics Canada

CANADIAN PROVINCIAL GAMING EXPENDITURES PER CAPITA (MARCH 31, 2004)



Sources: Annual reports, lottery organizations, Hall Hospitality Advisors, Inc., Statistics Canada

ALIGNMENT WITH GOVERNMENT STRATEGIC PLAN

AS A CROWN CORPORATION, BCLC WAS ESTABLISHED BY GOVERNMENT TO CONDUCT AND MANAGE GAMING IN BRITISH COLUMBIA. THE GOALS AND OBJECTIVES OF BCLC GO BEYOND GENERATING REVENUE FOR GOVERNMENT AND INCLUDE ENSURING GAMING IS DELIVERED IN A SOCIALLY RESPONSIBLE WAY, AND PROMOTING BOTH ECONOMIC DEVELOPMENT AND STRONG VIBRANT COMMUNITIES IN BRITISH COLUMBIA. THIS SECTION IS INTENDED TO ILLUSTRATE HOW THE GOALS AND OBJECTIVES OF BCLC ARE ALIGNED WITH THE STRATEGIC DIRECTION OF GOVERNMENT.

GOVERNMENT STRATEGIC PLAN

BCLC SERVICE PLAN

GOVERNMENT GOALS	BCLC ALIGNMENT
A strong and vibrant provincial economy	<ul style="list-style-type: none"> Fiscal 2004/05 net income of \$818.9 million generated for Government Gaming supports an estimated 8,500 direct jobs and another 5,000 indirect jobs in the province Excluding prizes and GST, more than 90% of expenditures paid to private sector partners and suppliers Strategic partnerships with key British Columbia businesses
A supportive social fabric	<ul style="list-style-type: none"> Gaming revenues provide funding to more than 5,500 charitable organizations Strong focus on responsible gaming
Safe, healthy communities	<ul style="list-style-type: none"> Gaming revenues provide significant funding for core Government programs, including health care and education BCLC is committed to ensuring our players play responsibly and have access to information with respect to the risks of gambling A transparent and open public consultation process before casino or bingo facilities are introduced into communities.
KEY STRATEGIC THEMES	
High standards of accountability and ethics	<ul style="list-style-type: none"> Corporate values that focus on accountability and integrity
Efficient delivery of services	<ul style="list-style-type: none"> Strategic initiative that focuses on operational excellence in our people, our practices and systems Reduction in operating costs from 4.7% to 4.6% over the next three years
Social and fiscal responsibility	<ul style="list-style-type: none"> Commitment to socially responsible gaming and long-term stewardship of the gaming industry in British Columbia
Open and transparent	<ul style="list-style-type: none"> Open communications with the public, business partners and consumers
Innovative and goal-oriented workforce	<ul style="list-style-type: none"> Corporate values that focus on high performance and innovation

RISK AND CAPACITY

BCLC CONTINUALLY ASSESSES AND MANAGES RISK AND CAPACITY. AS AN INTEGRAL PART OF THE CORPORATION'S PLANNING PROCESS, GOALS, STRATEGIES AND PERFORMANCE MEASURES ARE DEVELOPED TO MITIGATE OR REDUCE RISK. THE FOLLOWING TABLE SUMMARIZES KEY RISK AND CAPACITY ISSUES FACING THE ORGANIZATION AND OUR MITIGATING STRATEGIES.

RISK AND CAPACITY	MITIGATING STRATEGY
<p>Competition Lottery sales in British Columbia and across Canada are stagnant or declining.</p> <p>Bingo sales in British Columbia and across Canada have been declining for a number of years.</p> <p>High-quality and larger gaming facilities in neighboring jurisdictions compete with casinos in British Columbia for casino entertainment spending.</p>	<p>BCLC is developing new innovative products and investigating new distribution channels to increase entertainment value and convenience to the player. In fiscal 2004/05, BCLC introduced eLottery gaming and relaunched Canada's flagship lottery game, Lotto 6/49.</p> <p>Since assuming responsibility for commercial bingo in January 2002, revenues have stabilized. BCLC is transforming the bingo market through improved facilities and the introduction of new games and other forms of entertainment. In fiscal 2004/05, BCLC opened four new community gaming centres that offer a higher level of entertainment value to the player.</p> <p>BCLC's business plan provides for the development of fewer, higher quality casinos sized to fit the marketplace. In fiscal 2004/05, BCLC relocated existing casinos in Vancouver, Richmond and Prince George to new facilities.</p>
<p>Host Local Government Approvals The <i>Gaming Control Act</i> requires that local governments provide approval for acceptance or relocation of casinos and bingo halls in their communities. Delays or the inability to obtain the necessary government approvals present a risk to delivering on our revenue targets.</p>	<p>BCLC has developed a public consultation process to ensure communities and key stakeholders have adequate information to make informed decisions.</p>
<p>Public Acceptance Without strong public acceptance and support, the Corporation's ability to achieve its business and revenue objectives may not be achieved.</p>	<p>BCLC is continuing to adopt industry best practices that promote responsible play.</p> <p>BCLC is developing and implementing programs to better inform the public about the beneficiaries of gaming.</p> <p>BCLC continues to place the highest level of importance on the integrity of our games, processes and people.</p>
<p>Capacity With responsibility to conduct and manage casino and bingo gaming added to BCLC's mandate, both the complexity and size of the business have increased.</p>	<p>BCLC has developed internal resources and recruited outside expertise to manage the growth in the business.</p> <p>In fiscal 2004/05, BCLC made major investments in technology infrastructure:</p> <ul style="list-style-type: none"> • replacement of lottery central system and terminals • major investments in casino gaming and systems technology • replacement of the Corporation's financial systems <p>BCLC continues to work closely with our business partners to ensure they have adequate support, information and technology to manage the business.</p>

REPORT ON PERFORMANCE

FISCAL 2004/05

IN JULY 2000, THE *BUDGET TRANSPARENCY AND ACCOUNTABILITY ACT* (BTAA) WAS PASSED IN THE BRITISH COLUMBIA LEGISLATURE. THE PRIMARY OBJECTIVES OF THE BTAA ARE TO MAKE THE GOVERNMENT BUDGET PROCESS MORE ACCOUNTABLE AND ACCESSIBLE TO THE PUBLIC, TO IMPROVE THE RELIABILITY AND CREDIBILITY OF BUDGET FORECASTS, TO IMPROVE ACCOUNTABILITY FOR RESULTS, TO IMPROVE THE ACCOUNTING AND QUALITY OF FINANCIAL INFORMATION PROVIDED BY GOVERNMENT, AND TO IMPROVE THE TIMELINESS, CONSISTENCY, COMPARABILITY AND TRANSPARENCY OF INFORMATION PROVIDED TO THE PUBLIC.

IN AUGUST 2001, THE BTAA WAS AMENDED TO REQUIRE THAT THREE-YEAR SERVICE PLANS FOR GOVERNMENT ORGANIZATIONS BE MADE PUBLIC ANNUALLY WITH THE BUDGET ON THE THIRD TUESDAY IN FEBRUARY.

THIS YEAR'S ANNUAL REPORT IS THE COMPANION DOCUMENT TO THE CORPORATION'S FISCAL 2004/05 – 2006/07 SERVICE PLAN THAT WAS TABLED IN FEBRUARY 2004.

THE FOLLOWING REPORT ON PERFORMANCE REPORTS ON THE FIVE GOALS AND RELATED OBJECTIVES, STRATEGIES, PERFORMANCE MEASURES AND TARGETS THAT WERE ESTABLISHED AS PART OF THE 2004/05 – 2006/07 SERVICE PLAN.

BCLC PLANNING PROCESS

BCLC's high-level direction for strategic planning comes from Government and, more specifically, through the Board of Directors appointed by Government.

The Board of Directors and senior executive meet early in the planning process to review the goals, strategies and performance measures that have been developed to achieve the Corporation's vision and mission statement. It is during this process that the Corporation's goals, strategies and performance measures may be refined to better align the Corporation with the strategic direction provided by Government and the Board.

Once BCLC's goals, strategies and performance measures have been finalized, this information is communicated to the organization. Each of the business units in the organization develop operational programs and budgets that are aligned with the Corporation's

high-level goals and strategies. These operational programs and budgets are reviewed and approved by the Board and are incorporated into the Service Plan.

As a note of reference, during the planning process for fiscal 2005/06 and the resulting 2005/06 – 2007/08 Service Plan, BCLC reduced the number of goals from five to three and made revisions to the related objectives, strategies and performance measures.

The Corporation reduced the number of goals and performance measures to focus the organization on fewer, critical aspects of the business and to better align with the organization's Service Plan. The performance measures associated with the new Service Plan are included in this year's Report on Performance and will be reported on in the 2005/06 Annual Report.

FISCAL 2004/05-2006/07 SERVICE PLAN GOALS	FISCAL 2005/06-2007/08 SERVICE PLAN GOALS
To provide high-quality gaming entertainment.	To provide high-quality gaming entertainment that generates net income for the public good.
To be a socially responsible and respected organization that has a broad base of public support.	To be a socially responsible and respected organization that has a broad base of public support.
To build and maintain a highly capable and effective business and technology infrastructure to support the growth of our business.	To be an employer of choice with a high-performance workforce passionately driving the success of our business.
To build a high-performance culture that encourages innovation and supports the growth of the business.	
To generate net income for the public good.	

I. TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT

Objectives						
<ul style="list-style-type: none"> To provide high-quality gaming that is competitive with other entertainment options Broaden the player base while maintaining the loyalty among existing players 						
Strategies						
<ul style="list-style-type: none"> Increase play and entertainment value by continually enhancing and evolving products, channels and services that are focused on existing and new players Increase speed to market with new products and services 						
Performance Measures	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Player Participation	60% actual	58% actual	63% actual 62% target	63%	65%	67%
Player Satisfaction	80%	82%	83% actual 85% target	88%	90%	90%
Share of Entertainment Spend	4.4%	4.4%	n/a	n/a	n/a	n/a

BCLC's mission is to provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good.

Major gaming initiatives in fiscal 2004/05 included:

- Relaunch of Canada's flagship lottery game, Lotto 6/49, in May 2004
- Introduction of a new eLottery gaming site, PlayNow, in October 2004
- New casinos in Richmond, Vancouver and Prince George that replaced existing properties
- New racetrack casino in Fraser Downs
- Four new community gaming centres

While introducing new innovative games, BCLC was careful to ensure that gaming developments were implemented in a manner that considered the Corporation's social responsibility mandate. Some of these initiatives included implementing a maximum limit on the amount that a player may fund their wallet account for eLottery games, Appropriate Response Training for all frontline gaming employees, and the continued deployment of the self-exclusion program and facial recognition technology in all casinos.

As far as generating income for British Columbians, BCLC's net income of \$818.9 million provided funding for a wide variety of community groups, charities and government social programs.

Key performance measures in this category include player participation, player satisfaction and share of entertainment spend.

It is the Corporation's goal to achieve a high level of public participation while emphasizing responsible play. With 63% of adult British Columbians participating in some form of gaming in British Columbia this year, the Corporation was slightly ahead of its target of 62%.

With an 83% player satisfaction rate, BCLC was slightly behind its target of 85%. The Corporation will continue to work hard to develop products that are fun and innovative for British Columbia players.

Gaming household expenditures as a percentage of British Columbia entertainment spend in fiscal 2003/04, the most recent year available was 4.4%. This represents no change from the previous year. As noted earlier, in an effort to focus the organization on fewer critical aspects of the business, this measure was not included in the fiscal 2005/06 – 2007/08 Service Plan and will not be reported on next year.

2. TO BE A SOCIALLY RESPONSIBLE AND RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT

Objectives						
<ul style="list-style-type: none"> Public and stakeholder trust and support Public awareness of the beneficiaries of gaming Public awareness that BCLC games are managed responsibly 						
Strategies						
<ul style="list-style-type: none"> Create and execute a strategy to inform the public about where the money goes Create and execute industry best practice responsible play programs Create and execute an effective brand strategy Ensure the integrity of our games, processes and people 						
Performance Measures	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Public support of gaming	57% actual	58% actual	56% actual 59% target	60%	65%	66%
Public support of BCLC	72% actual	74% actual	66% actual 72% target	73%	75%	76%
Public awareness of the beneficiaries of gaming	35% actual	34% actual	28% actual 40% target	45%	50%	52%
Public recognition for social responsibility	55% actual	56% actual	56% actual 60% target	60%	65%	66%

The Government of British Columbia has designated BCLC as the authority to conduct and manage gaming in British Columbia. Government has chosen to operate gaming through BCLC, not only to meet the requirements of the Criminal Code, but to ensure that the objective of revenue generation is carefully balanced with the objectives of social responsibility and gaming integrity.

BCLC's success in the marketplace is highly dependent on public consent to operate. BCLC measures public consent to operate through four key measures: public support of gaming, public support of BCLC, public awareness of the beneficiaries of gaming, and public recognition for social responsibility.

Public support of gaming in British Columbia has remained relatively constant for the past few years. While 56% of the population in British Columbia support gaming as an acceptable adult entertainment activity, about 15% object to gaming. The decrease from the previous year can be attributed to increased media coverage and public debate regarding Government gaming policy and the introduction of the Corporation's Internet lottery gaming site PlayNow, in fiscal 2004/05.

Similar to public support of gaming, public support of BCLC, public awareness of the beneficiaries of gaming, and public recognition of social responsibility have remained flat or declined from previous years' levels.

To address the level of public recognition and awareness of the role BCLC plays in gaming, the Corporation has developed communications programs to better inform the public on gaming integrity, social responsibility and the benefits gaming generates for British Columbians. These communication programs are delivered through bcl.com and other existing communication vehicles, including the Annual Report, Service Plan, retailer and business partner communications, and existing advertising and marketing programs.

BCLC also continues to work in partnership with the Gaming Policy and Enforcement Branch to ensure problem gambling issues are addressed through public awareness, research, education, prevention and treatment programs.

During the year, most British Columbia casino gaming employees received Appropriate Response Training, which provided information about responding to difficult situations involving customers. Additionally, BCLC continued to work in partnership with the Government of British Columbia, business service partners from the private sector, and those involved in the prevention and treatment of problem gambling to encourage responsible play.

3. TO BUILD AND MAINTAIN A HIGHLY CAPABLE AND EFFECTIVE BUSINESS AND TECHNOLOGY INFRASTRUCTURE TO SUPPORT THE GROWTH OF OUR BUSINESS

Objectives						
<ul style="list-style-type: none"> BCLC technology infrastructure supports growth initiatives and ensures gaming availability to our players Business processes that focus on our players and support channel partners 						
Strategies						
<ul style="list-style-type: none"> Ensure business processes focus on the player Develop and maintain a sound, responsive and adaptive technology infrastructure Develop and implement eBusiness initiatives Develop effective processes with our channel partners to improve services to our players 						
Performance Measures	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Lottery System Reliability	99.9%	99.9%	99.4% actual 99.9% target	99.9%	99.9%	99.9%
Business Partner Performance	Performance measure not implemented					

For BCLC to be successful, it must provide fun and entertaining games that provide players with exceptional value for their entertainment dollar. Additionally, these games must be offered with the highest level of integrity to ensure all games operate as stated and all players have an equal chance of winning. One of the ways BCLC achieves these objectives is by ensuring that its technology infrastructure is not only capable of supporting existing games, but has the capability to support future growth.

In fiscal 2004/05, BCLC made significant advancements in developing its technology infrastructure. Some of the major initiatives included the replacement of the online lottery central system and retail terminal network, the introduction of a new eLottery gaming system, PlayNow, and the implementation of an enterprise-wide

financial system. Each of these initiatives not only maintains a strong infrastructure for BCLC's existing business, but provides a strong technology base to support future growth.

The key performance metric in this category is system reliability. While the Corporation did experience some start-up problems with the new online game lottery system, overall system reliability remained high at 99.4%.

The performance measure for business partner performance was not implemented this year. As noted earlier, in an effort to focus the organization on fewer critical aspects of the business, this measure was not included in the fiscal 2005/06 – 2007/08 Service Plan and will not be reported on next year.

4. TO BUILD A HIGH-PERFORMANCE CULTURE THAT ENCOURAGES INNOVATION AND SUPPORTS THE GROWTH OF THE BUSINESS

Objectives						
<ul style="list-style-type: none"> To be a high-performance organization that values innovation, integrity, engagement and accountability 						
Strategies						
<ul style="list-style-type: none"> Instil a high-performance culture through strong leadership, employee development and engagement, and competitive compensation policies 						
Performance Measures	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Employee Satisfaction	Performance measure discontinued					
Employee Engagement	n/a	n/a	56%	51% actual 75% target	78%	80%

Creating a different culture is a long-term goal. Over the course of the last year, the Corporation implemented a number of initiatives and programs to help move the organization towards a high-performance culture that encourages innovation and supports the growth of the business.

In fiscal 2004/05, the Corporation did not achieve its employee engagement target of 75%.

BCLC is not satisfied with its current employee engagement score and is continuing to work closely with its employees to improve results in this area.

Activities over the past year included:

- Alignment of Human Resource programs to high-performance values of team, customer focus, innovation, personal growth and results. This included performance management, training and development, and leadership programs.
- Implementation of enabling technology to allow for automated functions in Human Resources, Payroll, Purchasing and Finance that streamlined transactional work and created more time for higher-value-added activities.
- Ensuring accountability through goal setting, project management and pay for performance practices.

REPORT ON PERFORMANCE

- Retraining employees to have broader skill sets in order to be more focused on the player. This included new job duties, training and broader understanding of responsible gaming policies and procedures.

As the Corporation moves forward into fiscal 2005/06, employee engagement will continue to be a major initiative for the organization.

The Corporation will continue to develop programs that focus on employee recognition, career development and leadership.

Note: In the fiscal 2004/05 – 2006/07 Service Plan, the Corporation replaced its employee satisfaction measure with employee engagement. The employee engagement measure is considered a more accurate representation of organizational health and is considered the industry standard with more relevant industry comparisons.

5. TO GENERATE NET INCOME FOR THE PUBLIC GOOD

Objectives						
<ul style="list-style-type: none"> • Maximize net income to the Government of British Columbia within the policy guidelines established by government • Generate 80% of fiscal 2006/07 revenues from enhanced products and channels in current businesses • Generate 20% of fiscal 2006/07 revenues from new businesses and new channels • Operate the business in the most effective manner possible 						
Strategies						
<ul style="list-style-type: none"> • Pursue new business development, including eBusiness opportunities • Grow casino revenue and improve the quality of the product with fewer, better locations sized to suit the marketplace • Transform and reinvent lotteries to a growth business • Transform bingo halls into community gaming centres with electronic games • Reduce operating costs to 4.6% of sales by implementing best practices for business processes 						
Performance Measures	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Revenue						
Lottery	\$ 968.6	\$ 960.4	\$ 938.0	\$ 970.0	\$ 1,050.0	\$ 1,210.0
Casino	\$ 628.1	\$ 733.4	892.9	\$ 1,050.0	\$ 1,125.0	\$ 1,165.0
Bingo	\$ 195.7	\$ 195.7	\$ 196.5	\$ 230.0	\$ 255.0	\$ 270.0
Total Revenue	\$ 1,792.4	\$ 1,889.5	\$ 2,027.4 actual \$ 2,110.0 target	\$ 2,250.0	\$ 2,430.0	\$ 2,645.0
Net Income						
Lottery	\$ 293.5	\$ 288.9	\$ 284.8	\$ 279.7	\$ 280.9	\$ 323.3
Casino	\$ 354.6	\$ 418.3	\$ 515.3	\$ 590.0	\$ 627.5	\$ 658.2
Bingo	\$ 22.8	\$ 20.4	\$ 18.8	\$ 30.3	\$ 41.6	\$ 48.5
Total Net Income	\$ 670.9	\$ 727.6	\$ 818.9 actual \$ 850.0 budget	\$ 900.0	\$ 950.0	\$ 1,030.0
New Business Revenue %	n/a	n/a	2.4% actual 2.2% target	7%	23%	n/a
Operating Cost Ratio	4.6%	4.8%	4.7%	4.8%	4.7%	4.6%
Profit Margin %	37.4%	38.5%	40.4% actual 40.3% target	40.0%	39.1%	38.9%
Employees (FTE)	549	560	569 actual 572 target	593.0	600	600

BCLC's mission is **to provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good**. This mission statement establishes the framework for BCLC as new business opportunities and new gaming products are developed.

In fiscal 2004/05, revenues of \$2.027 billion were \$82.6 million less than budget and \$137.9 greater than the previous fiscal year. Net income of \$818.9 million was \$31.1 million less than budget and \$91.3 million greater than the previous fiscal year.

The revenue and income shortfalls from budget were primarily the

result of two factors. Firstly, the build out of new casinos and community gaming centres took longer than anticipated. As required by the *Gaming Control Act*, BCLC must consult with the host local government and other key stakeholders before casino or bingo operations are introduced into their communities. This is a critical process and it is fundamental that local communities approve gaming developments before they proceed. Once the public consultation process is complete, BCLC must work with the casino or bingo service provider to ensure the facility is developed in a manner consistent with the approved business plan. The result in fiscal 2004/05 was that the development of several major casinos

and new community gaming centres took longer than planned and revenue and income targets were not achieved.

Secondly, revenues from the lottery business unit did not perform up to expectation. The lottery business is a mature market and revenues in British Columbia and across Canada have remained flat and, in some regions, declined over the last few years. To mitigate the decline in revenue, BCLC is taking specific action to transform and reinvent the lottery business. Some of the initiatives in fiscal 2004/05 included the introduction of a new eLottery system, PlayNow, the relaunch of Canada's flagship lottery game, Lotto 6/49, and the replacement of the online gaming central system and retail terminal network to provide the capability of supporting new, innovative games.

At 2.4% of total revenues, new business revenue was slightly ahead of target. Major business initiatives included the introduction of new casino games, Poker and Craps, new electronic games in bingo halls, the introduction of slot machines at the Fraser Downs Racetrack, and the introduction of sports games in a new eLottery distribution channel, PlayNow.

At 4.7% of revenue, general operating costs were less than budget. This year's operating budget provided funding for a more rapid implementation of casinos and community gaming centres than occurred. With the delay in the opening of some of these gaming facilities, these expenditures were not required and cost savings were realized.

At 40.4% of revenue, BCLC's profit margin is on target and trending up from previous years. The increased profit margin reflects a shift in product mix to higher-contribution casino games.

At 569 full-time equivalents, BCLC's staffing levels were slightly below budget. The Corporation continues to utilize technology to achieve business improvement opportunities with the goal of operating the business in the most effective and efficient manner possible.

Notes: A more detailed analysis of BCLC's operational results is included in the Management, Discussion and Analysis section.

PERFORMANCE MEASURE DEFINITIONS AND METHODOLOGY

Player Participation

This category measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in the province at least once during the year. This information is obtained through a continuous tracking study completed by an external research company. Each year, 3,000 adult British Columbians are selected randomly and interviewed via telephone.

Player Satisfaction

This category measures overall player satisfaction for the games and facilities offered for sale by the lottery, casino and bingo business units.

Once a year, onsite interviews with players are conducted at commercial bingo halls and casinos in British Columbia to gather their opinions about their bingo and casino player experiences. Respondents are selected randomly at the gaming venues and interviewed by an external research company.

Opinions of lottery players are gathered once a year through a continuous tracking study. Lottery players are selected randomly and interviewed via telephone by an external research company.

Share of Entertainment Spend

This category measures British Columbia household gaming expenditures as a percentage of total household entertainment spend. Entertainment spend is defined as recreation, reading, tobacco/alcohol and gaming expenditures. The source for this information is Statistics Canada.

Public Support of Gaming

This category measures the percentage of adults in British Columbia who have a positive perception of how gaming is conducted and managed in British Columbia. In a continuous tracking study conducted by an external research company, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "I fully support the existence of legalized gaming in British Columbia." Support for gaming is based on the top three box responses.

Public Support of BCLC

This category measures the percentage of adults surveyed in British Columbia who have a favourable impression of British Columbia Lottery Corporation. In a continuous tracking study conducted by an external research company, respondents are asked if their impressions of the Corporation are very favourable, somewhat favourable, somewhat unfavourable, or very unfavourable. Support for BCLC is based on the total mentions of "very favourable" and "somewhat favourable."

Public Awareness of the Beneficiaries of Gaming

This category measures the percentage of adults in British Columbia who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research company, respondents are asked whether they feel very well informed, somewhat informed, not very well informed or not at all informed about where the money goes. Awareness of the beneficiaries of gaming is based on the total mentions of “very well informed” and “somewhat informed.”

Public Recognition for BCLC Social Responsibility

This category measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research company, respondents are asked to use a 7-point scale whereby “1” is strongly disagree and “7” is strongly agree to rate the statement, “BCLC goes about marketing its games and products in a socially responsible way.” Recognition of social responsibility is based on the top three boxes.

Lottery System Reliability

This category measures the system reliability for the lottery central gaming system. System reliability is measured as the percentage of time the system is available for play divided by the total available time gaming is offered for sale to the public. This measure is based on internal tracking.

Business Partner Performance

This category measures the overall satisfaction of the player with service and facilities provided by BCLC lottery, casino and bingo business partners. This performance measure was not implemented in fiscal 2004/05.

Employee Satisfaction

This category measures the overall employee satisfaction of BCLC employees. Employees are asked to rate their satisfaction over a broad range of attributes relating to employee satisfaction. This measure was discontinued in fiscal 2004/05 and replaced with a measure on employee engagement.

Employee Engagement

This category measures the overall engagement of BCLC employees. Employees are asked in an independent survey conducted by an external research company to rank their level of engagement in the organization over a broad range of attributes, including awareness of Corporate goals and strategies, innovation, empowerment and accountability.

Revenue

This category measures the Corporation’s total revenues as reported in the consolidated audited financial statements.

Net Income

This category measures the Corporation’s net income as reported in the consolidated audited financial statements.

New Business Revenue

This category measures new business revenues for the lottery, casino and bingo business units. New business is defined as a significant innovation or new game offered to the public and business that is generated through new distribution channels.

Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of revenues as reported in the consolidated audited financial statements. Operating costs do not include direct costs, other operating costs, amortization, other income, Integrated Illegal Gaming Enforcement expenditures and GST.

Profit Margin

This category measures the Corporation’s profit margin based on the consolidated audited financial statements. Profit margin is calculated by dividing net income by total revenue.

Full-time Equivalents (FTEs)

This category measures the number of full-time equivalents employed with BCLC. FTEs are calculated by dividing the total number of regular hours worked by 1,920, the standard number of work hours in a year.

The financial statements of the British Columbia Lottery Corporation have been prepared by management in accordance with generally accepted accounting principles. The financial statements present fairly the financial position of the British Columbia Lottery Corporation as at March 31, 2005, and the results of its operations and changes in its financial position for the year then ended.

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

KPMG, LLP, Chartered Accountants have performed an independent audit of British Columbia Lottery Corporation and express an opinion of the financial statements of the British Columbia Lottery Corporation.

Vic Poleschuk
President and CEO

Doug Penrose
Vice-President, Finance and Corporate Services

To the Directors of
British Columbia Lottery Corporation:

 We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2005 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG, LLP
Chartered Accountants

Kamloops, Canada
April 19, 2005

CONSOLIDATED BALANCE SHEET

March 31, 2005, with comparative figures for 2004

(in thousands of dollars)	2005	2004
ASSETS		
Cash and short-term investments (note 3)	\$ 111,359	\$ 72,761
Accounts receivable (note 4)	53,358	44,032
Prepaid expenses	6,424	6,945
Accrued pension plan asset (note 5)	5,989	5,265
Property, plant and equipment (note 6)	112,003	55,106
	\$ 289,133	\$ 184,109
LIABILITIES		
Prizes payable	\$ 32,300	\$ 40,944
Accounts payable and accrued liabilities	57,026	54,789
Accrued post retirement benefit obligation (note 5)	19,446	16,163
Payable to Interprovincial Lottery Corporation	1,578	1,797
Due to Government of British Columbia	178,783	70,416
Commitments and contingencies (notes 12 and 13)		
	\$ 289,133	\$ 184,109

See accompanying notes to consolidated financial statements.

Approved:

T. Richard Turner
Director

Bruna Giacomazzi
Director

CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 2005, with comparative figures for 2004

(in thousands of dollars)	2005	2004
Revenue (note 7)	\$ 2,027,317	\$ 1,889,637
Direct expenses:		
Prizes	622,677	643,098
Commissions	409,439	356,410
Ticket printing and bingo paper	16,615	15,241
	1,048,731	1,014,749
Revenue less direct expenses	978,586	874,888
Operating expenses (note 15):		
Administrative expenses	95,271	90,806
Other operating costs (note 8)	1,789	1,205
Amortization	36,253	24,724
Less: Interest and other income	(1,182)	(1,266)
	132,131	115,469
Income before Integrated Illegal Gaming Enforcement Team expenses and Goods and Services Tax expense	846,455	759,419
Integrated Illegal Gaming Enforcement Team expenses (note 9)	628	543
Goods and Services Tax expense	26,951	31,233
Net income	\$ 818,876	\$ 727,643
Allocation of net income:		
Government of British Columbia	\$ 810,844	\$ 719,731
Government of Canada (note 10)	8,032	7,912
	\$ 818,876	\$ 727,643

Sector activity information (note 15)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF AMOUNTS

DUE TO GOVERNMENT OF BRITISH COLUMBIA

Year ended March 31, 2005, with comparative figures for 2004

(in thousands of dollars)	2005	2004
Balance, beginning of year	\$ 70,416	\$ 58,105
Net income	818,876	727,643
	889,292	785,748
Payments to Government of British Columbia	702,477	707,420
Allocation of income to Government of Canada	8,032	7,912
	710,509	715,332
Due to Government of British Columbia	\$ 178,783	\$ 70,416

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2005, with comparative figures for 2004

(in thousands of dollars)	2005	2004
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Net income	\$ 818,876	\$ 727,643
Adjustments for:		
Amortization of property, plant and equipment	36,253	24,724
Loss (gain) on disposal of property, plant and equipment	(748)	333
	854,381	752,700
Changes in non-cash operating items:		
Decrease (increase) in accounts receivable	(10,084)	4,585
Decrease in prepaid expenses	1,279	406
Increase in accrued pension plan asset	(724)	(1,382)
Decrease in prizes payable	(8,644)	(14,169)
Increase (decrease) in accounts payable and accrued liabilities	2,237	(650)
Increase in accrued post retirement benefit obligation	3,283	2,356
Decrease in payable to Interprovincial Lottery Corporation	(219)	(415)
	841,509	743,431
FINANCING:		
Payments to Government of British Columbia	(702,477)	(707,420)
Allocation of income to Government of Canada	(8,032)	(7,912)
	(710,509)	(715,332)
INVESTMENTS:		
Additions to property, plant and equipment	(93,450)	(49,308)
Proceeds on disposal of property, plant and equipment	1,048	-
	(92,402)	(49,308)
Increase (decrease) in cash and short-term investments	38,598	(21,209)
Cash and short-term investments, beginning of year	72,761	93,970
Cash and short-term investments, end of year	\$ 111,359	\$ 72,761

See accompanying notes to consolidated financial statements.

Years ended March 31, 2005 and 2004

(in thousands of dollars)

1. NATURE OF THE CORPORATION:

The British Columbia Lottery Corporation ("BCLC") is a Crown corporation. BCLC was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Gaming Control Act (August 2002). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PRESENTATION:

- (i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.
- (ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(B) SHORT-TERM INVESTMENTS

Short-term investments are valued at the lower of cost and market.

(C) PROPERTY, PLANT AND EQUIPMENT:

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

The Corporation's property, plant and equipment are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

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

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

During the year, the Corporation changed its estimate of the useful life of lottery gaming systems from 3 years to 5 years. This change has been applied prospectively. The change in the basis of amortization has had the effect of decreasing amortization expense by \$2,871 in 2005.

(D) EMPLOYEE FUTURE BENEFITS:

The Corporation has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the highest 60 consecutive months of pensionable earnings. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

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

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment

Years ended March 31, 2005 and 2004

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(D) EMPLOYEE FUTURE BENEFITS (CONTINUED):

performance, salary escalation, retirement ages and expected health care costs.

- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the average remaining service period ("EARSL") of active members expected to receive benefits under the plans. The EARSL for the Registered Plan is 13.9.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the Pension Benefits Standards Act. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(E) REVENUE RECOGNITION:

Lottery games:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

Bingo games:

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

Casinos:

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

(F) PRIZE EXPENSES:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out to the player in the form of bonus prizes and/or bonus draw promotions.

(G) SOFTWARE DEVELOPMENT COSTS:

Software development costs are deferred if they meet certain criteria specified by Canadian generally accepted accounting principles, otherwise they are expensed as incurred.

(H) INCOME TAXES:

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

(I) ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include pension plan assets, liabilities and expenses, prizes payable and expense, and Goods and Services Tax liability and expense. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Years ended March 31, 2005 and 2004

(in thousands of dollars)

3. CASH AND SHORT-TERM INVESTMENTS:

The Corporation considers deposits in banks and short-term investments with original maturities of one year or less as cash and short-term investments. The Corporation's short-term investments are recorded at cost, which approximates current market value. The major components of cash and short-term investments are as follows:

	2005	2004
Cash (overdraft)	\$ 5,233	\$ (1,714)
Short-term investments with the British Columbia Investment Management Corporation	106,126	74,475
	\$ 111,359	\$ 72,761

4. ACCOUNTS RECEIVABLE:

	2005	2004
Trade accounts receivable:		
Lottery retailers	\$ 13,694	\$ 18,608
Casino service providers	8,592	7,098
Bingo service providers	1,826	1,141
	24,112	26,847
Casino cash floats	27,525	13,555
Other	1,721	3,630
Total accounts receivable	\$ 53,358	\$ 44,032

Casino cash floats provided by the Corporation are secured by Irrevocable Standby Letters of Credit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Years ended March 31, 2005 and 2004

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS:

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

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

	Pension Plans		Post Retirement Benefit Plans	
	2005	2004	2005	2004
ACCRUED BENEFIT OBLIGATION				
Balance at beginning of year	\$ 54,378	\$ 40,589	\$ 25,286	\$ 20,011
Adjustment for supplementary plan at October 1, 2003	–	1,172	–	–
Current service cost	2,616	1,532	1,541	1,099
Interest cost	3,625	3,139	1,735	1,413
Employee contributions	1,433	1,361	–	–
Benefits paid	(1,738)	(1,250)	(405)	(298)
Actuarial loss (gain)	2,256	7,835	4,032	3,061
Balance at end of year	62,570	54,378	32,189	25,286
PLAN ASSETS				
Fair value at beginning of year	47,917	35,578	–	–
Annual return on plan assets	4,179	8,324	–	–
Employer contributions	3,869	3,904	405	298
Employee contributions	1,433	1,361	–	–
Benefits paid	(1,738)	(1,250)	(405)	(298)
Balance at end of year	55,660	47,917	–	–
Funded status - surplus (deficit)	(6,910)	(6,461)	(32,189)	(25,286)
Employer contributions after measurement date	81	–	–	–
Unamortized past service cost	996	1,113	–	–
Unamortized net actuarial loss (gain)	11,822	10,613	12,743	9,123
Accrued pension plan benefit asset (liability)	\$ 5,989	\$ 5,265	\$ (19,446)	\$ (16,163)

Plan assets by asset category:

	2005	2004
Equity securities	59%	69%
Debt securities	41%	31%
	100%	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Years ended March 31, 2005 and 2004

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS (CONTINUED):

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. An actuarial valuation was made as of March 31, 2003 by Mercer Human Resource Consulting, a firm of consulting actuaries and then extrapolated to March 31, 2005. The Corporation will be having a valuation completed as of March 31, 2006. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2005	2004	2005	2004
AT BEGINNING OF PERIOD:				
Discount rate	6.5%	7.5%	6.5%	7.5%
Expected rate of return on plan assets	7.0%	7.0%	—	—
Rate of compensation increase	4.5%	5.0%	—	—
Health care cost trend rate:				
2005/2006	—	—	6.82%	6.17%
Ultimate	—	—	4.49%	4.21%
Year ultimate reached	—	—	2012	2010
AT END OF PERIOD:				
Discount rate	6.0%	6.5%	6.0%	6.5%
Rate of compensation increase	4.0% for RPP	4.5% for RPP	—	—

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

	Pension Plans		Post Retirement Benefit Plans	
	2005	2004	2005	2004
Current service cost, net of employees' contributions (including provision for plan expenses)	\$ 2,616	\$ 1,532	\$ 1,541	\$ 1,099
Interest cost	3,625	3,139	1,735	1,413
Plan amendment	—	1,172	—	—
Actual return on plan assets	(4,179)	(8,324)	—	—
Actuarial loss (gain) on accrued benefit obligation	2,256	7,835	4,032	3,061
Costs arising in the year	4,318	5,354	7,308	5,573
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	672	5,771	—	—
Actuarial loss (gain)	(1,881)	(7,490)	(3,620)	(2,919)
Plan amendment	117	(1,113)	—	—
Net benefit cost recognized	\$ 3,226	\$ 2,522	\$ 3,688	\$ 2,654

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Years ended March 31, 2005 and 2004

(in thousands of dollars)

6. PROPERTY, PLANT AND EQUIPMENT:

			2005	2004
	Cost	Accumulated amortization	Net	Net
Land	\$ 700	\$ –	\$ 700	\$ 700
Corporate facilities and equipment	26,320	23,886	2,434	1,390
Corporate information systems	21,100	14,700	6,400	5,870
Lottery gaming systems and equipment	105,561	73,858	31,703	12,828
Casino gaming systems and equipment	129,865	73,416	56,449	29,527
Bingo gaming systems and equipment	38,186	23,869	14,317	4,791
	\$ 321,732	\$ 209,729	\$ 112,003	\$ 55,106

Included in property, plant and equipment are unamortized software development costs of \$1,739 (2004 - \$263).

7. REVENUE:

	2005	2004
LOTTERY:		
Keno	\$ 227,653	\$ 221,219
Scratch & Win	171,516	185,255
Lotto 6/49	201,129	161,000
Lotto Super 7	86,209	119,662
Pull Tab	83,575	87,611
Extra	57,386	70,551
BC/49	61,046	60,988
Sports Action	28,701	33,692
Living Large Lottery	6,488	8,705
Daily 3	4,077	4,262
Chaser	4,044	3,065
Special Event	6,156	4,421
	937,980	960,431
BINGO:		
Bingo Paper	98,199	107,497
Electronic Bingo	69,647	64,852
Linked Bingo	9,993	10,226
Handheld Bingo	13,824	13,146
Bingo slot machines	4,794	–
	196,457	195,721
CASINO – NET WIN:		
Slot machines	588,587	463,547
Table games	304,293	269,938
	892,880	733,485
Total revenue	\$ 2,027,317	\$ 1,889,637

Years ended March 31, 2005 and 2004

(in thousands of dollars)

8. OTHER OPERATING COSTS:

Other operating costs include expenditures that do not form part of the Corporation's normal operations. These expenditures include legal costs related to two major litigations and corporate restructuring costs.

9. INTEGRATED ILLEGAL GAMING ENFORCEMENT TEAM EXPENSES:

In February 2003, based on direction from the provincial government, the Integrated Illegal Gaming Enforcement Team (IIGET) was established. The expenditures required to fund the IIGET are provided by British Columbia Lottery Corporation pursuant to a Sponsoring Agreement with the Province. IIGET is a specialized division of the Royal Canadian Mounted Police that works cooperatively with Gaming Policy and Enforcement Branch to provide a comprehensive and integrated approach to the investigation and enforcement of the criminal code as it relates to illegal gaming activities in British Columbia.

10. PAYMENTS TO GOVERNMENT OF CANADA:

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

11. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the Interprovincial Lottery Corporation (I.L.C.) prize and ticket printing costs for national games is recognized as a direct expense. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

12. COMMITMENTS:

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

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

2006	\$ 2,094,159
2007	857,311
2008	612,140
2009	476,170
2010	283,474

13. CONTINGENCIES:

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

14. FINANCIAL INSTRUMENTS:

The carrying values of cash and short-term investments, accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation approximate their fair value due to the relatively short period to maturity of these items or because they are receivable or payable on demand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Years ended March 31, 2005 and 2004

(in thousands of dollars)

15. SECTOR ACTIVITY INFORMATION:

Year ended March 31, 2005				
	Lotteries	Casinos	Bingos	Consolidated
Revenue	\$ 937,980	\$ 892,880	196,457	\$ 2,027,317
DIRECT EXPENSES:				
Prizes	505,883	–	116,794	622,677
Commissions	60,653	307,292	41,494	409,439
Ticket printing and bingo paper	14,837	–	1,778	16,615
	581,373	307,292	160,066	1,048,731
Revenue less direct expenses	356,607	585,588	36,391	978,586
OPERATING EXPENSES:				
Administrative expenses	55,810	32,370	7,091	95,271
Other operating costs	39	816	934	1,789
Amortization	7,155	24,690	4,408	36,253
Less: Interest and other income	(3,368)	1,832	354	(1,182)
	59,636	59,708	12,787	132,131
Income before Integrated Illegal Gaming Enforcement Team expenses and Goods and Services Tax expense				
Team expenses and Goods and Services Tax expense	296,971	525,880	23,604	846,455
Integrated Illegal Gaming Enforcement Team expenses	176	414	38	628
Goods and Services Tax expense	12,057	10,130	4,764	26,951
Net income	\$ 284,738	\$ 515,336	\$ 18,802	\$ 818,876

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Years ended March 31, 2005 and 2004

(in thousands of dollars)

15. SECTOR ACTIVITY INFORMATION (CONTINUED):

Year ended March 31, 2004				
	Lotteries	Casinos	Bingos	Consolidated
Revenue	\$ 960,431	\$ 733,485	\$ 195,721	\$ 1,889,637
DIRECT EXPENSES:				
Prizes	524,527	–	118,571	643,098
Commissions	64,587	252,293	39,530	356,410
Ticket printing and bingo paper	13,183	–	2,058	15,241
	602,297	252,293	160,159	1,014,749
Revenue less direct expenses	358,134	481,192	35,562	874,888
OPERATING EXPENSES:				
Administrative expenses	55,380	28,633	6,793	90,806
Other operating costs	421	710	74	1,205
Amortization	4,978	16,102	3,644	24,724
Less: Interest and other income	(3,153)	1,576	311	(1,266)
	57,626	47,021	10,822	115,469
Income before Integrated Illegal Gaming Enforcement Team expenses and Goods and Services Tax expense	300,508	434,171	24,740	759,419
Integrated Illegal Gaming Enforcement Team expenses	190	319	34	543
Goods and Services Tax expense	11,394	15,524	4,315	31,233
Net income	\$ 288,924	\$ 418,328	\$ 20,391	\$ 727,643

16. COMPARATIVE FIGURES:

Certain of the 2004 comparative figures have been reclassified to conform with the financial presentation adopted in 2005.



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British Columbia Partnership for Responsible Gambling:
www.bcreponsiblegambling.ca

