

British Columbia Lottery Corporation

2022/23

Annual Service Plan Report

August 2023



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Board Chair's Accountability Statement



The *BCLC 2022/23 Annual Service Plan Report* compares the organization's actual results to the expected results identified in the *2022/23 – 2024/25 Service Plan* published in 2022. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to be 'GM', written over a light grey rectangular background.

Greg Moore
Board Chair
July 28, 2023

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Letter from the CEO

On behalf of BCLC, I am pleased to present our Annual Service Plan Report for the 2022/23 fiscal year.

This year marked the first full fiscal year of normalized casino and community gaming centre operations in a post-pandemic environment. Although we approached the year uncertain about both the impacts of any further COVID-19 variants and the public's willingness to return to public spaces, revenue from land-based facilities stabilized. We appreciate the efforts of our service providers who successfully navigated uncertain times. Stabilization combined with a continued focus on the growth of our business allowed us to exceed previous record-year revenue.

In total, BCLC generated \$1.6 billion in net income during the 2022/23 fiscal year. This record year exceeds the previous net income set in fiscal year 2018/19 by \$220 million, showing a strong return to pre-pandemic revenue generation. Contributing to this was the expansion of our brick-and-mortar offering with the opening of the new Cascades Casino Delta, Lotto 6/49 game enhancements, continued high jackpot roll patterns across lottery products, and PlayNow.com continuing to entertain its players and grow in a new market. Our financial performance is a testament to the value of our diverse product portfolio.

The expansion of PlayNow.com was a key highlight in 2022/23. We signed a five-year exclusive licence with the Saskatchewan Indian Gaming Authority (SIGA) to operate internet gambling in the Province of Saskatchewan, including access to dedicated player-health specialists (GameSense Advisors) available to support players via telephone and live chat. SIGA represents an important partnership for BCLC as their mission reflects our own mandate, including but not limited to strengthening lives through employment, economic growth, and positive community relations. Although the regulated online gambling industry faces challenges from many unregulated operators, the expansion into Saskatchewan and ongoing offering of PlayNow.com to Manitoba demonstrate the confidence and value placed in our regulated site.

During 2022/23, there was also an influx of new advertisements from many unregulated gambling websites targeting players through marketing campaigns and enticing sign-up bonuses. That is why BCLC has joined with a number of other provincial entities to raise awareness of the implications associated with misleading advertising and operation of unregulated gambling websites, which do not provide employment or financial benefits to the Province and present risks related to money laundering, gambling addiction and game integrity.

Supporting our commitment to running the business in the best interest of British Columbians, we continue to operate with our social purpose as a guide to our operations: "We exist to generate win-wins for the greater good." Our social purpose asks us to approach every decision with this lens and consider the impacts of all activities and decisions on our people, our province, our communities and our planet.

In alignment with our social purpose and the foundational principles outlined in the Minister's Mandate Letter to BCLC, we published our Environmental, Social and Governance (ESG) Framework and associated policy, and continued our sustainability reporting through a new [ESG Report](#). Adopting an ESG Framework and policy empowers BCLC to create more equitable and positive

outcomes that put people first, further reconciliation, contribute to a better future through climate action, and help build a strong, sustainable economy.

We are proud of our results over the past year and look forward to making future investments and innovations to sustain and grow our business for the benefit of all British Columbians.

A handwritten signature in black ink, appearing to read 'Pat Davis', with a stylized flourish extending to the right.

Pat Davis
President and CEO
July 28, 2023

Purpose of the Annual Service Plan Report

This Annual Service Plan Report has been developed to meet the requirements of the Budget Transparency and Accountability Act (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's 2021/22 [Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the *British Columbia Lottery Corporation 2022/23 – 2024/25 Service Plan* and the actual results reported on in this annual report.

Mandate and Purpose of the Organization

BCLC conducts and manages commercial gambling in a socially responsible manner for the benefit of British Columbians. Through agreements with private-sector service providers, BCLC offers slot machines, table games and bingo at 17 casinos, two racecourse casinos, 17 community gaming centres and one commercial bingo hall. BCLC's national and provincial lottery and sports betting products are sold at approximately 3,400 retail locations operated by private-sector retailers through Lottery Retailer Agreements. PlayNow.com is BCLC's secure and regulated online and mobile channel, with a growing portfolio of lottery games, sports betting, slots, table games and bingo entertainment. BCLC also provides online gambling services, and web-based and mobile platforms, to the Province of Manitoba through an operating contract with Manitoba Liquor & Lotteries and expanded its services in 2022 through an exclusive five-year licensing agreement with the Saskatchewan Indian Gaming Authority (SIGA) and SaskGaming to provide regulated online gambling to Saskatchewan players. In addition, BCLC licenses its player health program, GameSense, to partners across North America.

The Province of B.C. uses gambling revenue generated by BCLC to benefit British Columbians through investments in programs and services such as education, health care, communities and culture. Government shares seven per cent of BCLC net income with First Nations through the BC First Nations Gaming Revenue Sharing Limited Partnership. Additionally, in accordance with the Province's Host Financial Assistance Agreements, municipal governments and First Nations that host casinos or community gaming centres receive a 10 per cent share of net gaming income generated by those facilities. BCLC strives to have an even greater positive impact on the province and our business strategy is guided by our social purpose, "We exist to generate win-wins for the greater good." This purpose guides our decisions so that by conducting our business, social benefits are created which create a better world. Our social purpose compels us to consider how our organization might create additional value for players, employees, business partners, suppliers, communities, and

municipal and provincial governments. Inherent in our social purpose is the unwavering commitment to prevent and reduce the harms that some experience from playing our products.

As a Crown corporation, BCLC reports to the Ministry of Finance through the Crown Agencies Secretariat (CAS) and is governed by B.C.'s *Gaming Control Act*. The Gaming Policy and Enforcement Branch (GPEB) in the Ministry of Public Safety and Solicitor General has regulatory oversight of all gambling in B.C., including all commercial gambling operated by BCLC. BCLC also adheres to requirements set out in federal anti-money laundering legislation and is monitored by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for compliance with those requirements.

The consolidated financial statements of BCLC include a wholly owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase of capital assets for lease to BCLC. Lottotech's budget is renewed and approved through BCLC's annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations.

Operating Environment

Post-Pandemic Stabilization

In fiscal year 2022/23, the challenges and uncertainty of COVID-19 and its variants were less volatile than anticipated and operations stabilized. Public health guidelines and recommendations to minimize the spread of the virus and variants, such as proof of vaccinations, masking, and capacity limits in gambling facilities, were lifted. Though there was uncertainty in the rate that the public would return following the lifting of provisions, casinos and community gaming centres saw a full fiscal year of operations in a post-pandemic environment.

Public health guidelines and restrictions in office environments were also lifted and employees returned to the office either full-time, partially remote, or fully remote if their role allows. BCLC has recognized the value of flexible, digital and hybrid solutions for better player and employee experiences, such as continuing to offer digital prize claims for smaller prizes and jackpots since restrictions were lifted based on positive player feedback, and our hybrid work policy which offers eligible employees the option to participate in an elective work-from-home program. This is part of our employee value proposition and is communicated in talent acquisition and retention strategies.

Board and Executive Leadership

In 2022/23, BCLC welcomed three new members of the Board of Directors (Board), appointed by the Province of B.C., who bring diverse experiences and perspectives in providing oversight of BCLC: Leah George-Wilson, Gil Malfair and Nejeed Kassam. Leah George-Wilson's appointment to the Board is a first for BCLC in that she was a nominee of the BC First Nations Gaming Revenue Sharing Limited Partnership, First Nations Summit, BC Assembly of First Nations, and Union of BC Indian Chiefs, as part of their Long-Term BC First Nations Gaming Revenue Sharing and Financial Agreement with the Province.

In addition, following a period of interim leadership roles, BCLC appointed a permanent President & CEO, Pat Davis; Chief Operating Officer, Dan Beebe; and Chief People Officer, Sandy Austin. The appointment of permanent executive to these areas of the business has created stronger opportunities for long-term strategic decision-making.

Ontario Online Gambling Licensing and Unregulated Operators

In 2022, Ontario launched licensing of private-sector online gambling sites in that province. This shift has had effects across the Canadian online gambling landscape and resulted in a significant increase in advertising for sites which are licensed in Ontario but operating unregulated in other provinces. This is blurring the line between those sites and provincially regulated gambling sites that create revenue and jobs for their respective provinces. This has caused confusion for players who may be unaware that PlayNow.com is the only legal gambling website in B.C. and has created challenges for PlayNow.com to continue to maintain its significant market share.

Anti-Money Laundering (AML) and Cullen Commission Recommendations

Financial crime is a significant concern for British Columbians and across the country, and BCLC continues to make notable investments in detecting and preventing potential financial crime. This includes investments in new technologies and ongoing collaboration with law enforcement and industry stakeholders. BCLC participated in the Commission of Inquiry into Money Laundering in British Columbia (Cullen Commission), which delivered 101 recommendations in 2022. We are supporting Government's work to respond to the four recommendations for the gaming sector:

- that BCLC continues to take action to improve AML programs in B.C. casinos and invest substantial resources to monitor and enhance its AML controls;
- that BCLC move to 100% account-based, known play;
- that the threshold for requiring proof of the source of funds for casino transactions conducted in cash and other bearer monetary instruments be lowered to \$3,000; and
- that current limits on the amounts that casinos can pay out to patrons in the form of convenience cheques remain in place.

Gaming Control Act and Regulations

The Legislature passed the updated *Gaming Control Act* (GCA) in 2022, which will come into force through regulation. BCLC is collaborating with CAS, which is tasked with developing the policy and processes related to gaming facility development and obtaining Minister of Finance approval for new facilities, relocations or substantial changes. BCLC has begun preparing for the implementation of the new legislation as it will change the company's approach to gaming facility development.

Report on Performance: Goals, Objectives, and Results

Goal 1: No one is harmed from gambling offered by BCLC

Objective 1.1: Reduce the percentage of players who scored as high risk on the Problem Gambling Severity Index (PGSI).

BCLC understands that the pursuit of “exceptional entertainment” includes a commitment to the well-being of all players and looking for opportunities that make products and environments safer. BCLC is committed to offering safe gambling experiences and supporting all players, including those who are at risk of developing, or have, a gambling problem.

Key results

- Launched Game Break, BCLC’s enhanced self-exclusion program that added new reinstatement requirements, including an online course, Game Plan, and an opt-out feature to Gambling Support BC’s services.
- Introduced key improvements to Appropriate Response Guidelines and Training for service provider staff.
- Completed eight standards in adherence to the new B.C. Responsible Gambling Standards for Internet Gambling, including incentivizing tool usage, standardizing session reminders to one-hour increments, high-risk messaging on casino games, and an opt-out function of time limits at registration.
- Enhanced the GameSense Advisor program, including new staff, in-person training, and new programming such as financial literacy.
- Launched the first GameSense sports marketing campaign to improve gambling literacy among moderate sports bettors and sports fans by raising awareness of sports-related gambling harms.

Summary of progress made in 2022/23

Healthy play behaviours take time to form and maintain; therefore, improving the Problem Gambling Severity Index (PGSI) scores is an important long-term objective for BCLC. Progress towards this objective this reporting year has been made in player health support improvements, implementation of additional tools, program and support expansion, and responsible marketing campaigns to help players adopt safer behaviours.

Through completion of the standards, enhancements to the GameSense Advisor program, and launch of Game Break, available at facilities and on PlayNow.com through chat or phone, players are receiving more healthy-play information at increased intervals during their play and can access resources and program supports to help adopt safer behaviours. Most notably, Game Break has been designed to create a more positive player experience, and through active reinstatement and creation

of a Game Plan, individuals are given support and information for returning to gambling, should they choose to do so.

Sports betting is a focus of our business, and creation of player messaging through the first GameSense sports campaign to bettors and fans used sports-specific scenarios and language to inform and educate what healthy play looks like. This included taking frequent breaks to encourage healthy pace of play and setting budget limits in advance to avoid social influence on play, two key issues common among moderate sports bettors.

BCLC also hosted the first in-person New Horizons in Responsible Gambling conference since 2020, which welcomed delegates from across North America. This two-day event featured the latest in regulation, research, healthier play programming, and strategies from across our industry.

BCLC continues to focus on reducing gambling harm and promoting responsible gambling in our business operations, continually striving for positive player health outcomes in our processes, products and marketing campaigns. We are proactively communicating healthy play information, sharing resources with our players, and working to create safer products and environments. We are also continuing to expand our research to inform a deeper understanding of our players to proactively support healthy play with new programming and the use of data.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1. Percentage of BCLC players who scored as high risk on the Problem Gambling Severity Index (PGSI). ¹	9%	9%	10%

Data source: Continuous tracking survey conducted online by a third-party research professional. The study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada’s 2016 Census. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

¹PM 1.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 8% and 7%, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

PGSI is a widely used tool for assessing self-reported, at-risk gambling behaviors. It is a standardized measure that is recognized globally and is based on research of common signs and consequences of problematic gambling. The tool enables BCLC to monitor the proportion of high-risk players in our player base, which is essential to our efforts to promote healthy play and reduce the risk of gambling-related harms.

The PGSI score in fiscal 2022/23 was higher than the target. This increase was mostly attributed to the results in the fourth quarter, which showed a noticeable increase across all business channels. However, the previous three quarters had seen strong improvements compared to last year, with the most noticeable decline in the casino sector after a higher than usual PGSI score was noted when facilities first reopened after pandemic closures, suggesting a return to normal scoring after stabilized operations.

BCLC has noticed a gradual increase in the PlayNow.com scores throughout the year which could be attributed to the increase in participation of core players with two of our highest PGSI products

online – Keno and sports betting, with the latter also seeing a significant increase in average spend per visit in fiscal 2022/23.

Goal 2: Our business does not create opportunities for criminal activity

In previous years, the objectives under this goal were reported out together. This year, objectives 2.1a and 2.2b follows the updated Annual Service Plan Report guidelines for more logical reporting.

Objective 2.1a: Reduce the number of incidents related to potential crime in and near BCLC's facilities (both brick-and-mortar and online) and/or related to BCLC-managed gambling products.

Any criminal activity related to gambling and our business is a concern for British Columbians and BCLC takes a variety of actions to eliminate these risks.

Key results

- Continued to define and implement enhanced security controls and mitigate the risk of potential criminal activity in our business through participation in the Casino Response Collaboration Group.
- In May 2022, piloted a short-term identification check at entry to test scalability of patron screening to prevent barred and self-excluded individuals from entering gaming facilities.
- Continued work with service providers on implementation of an AML Transaction Monitoring System, a technology solution to enhance current AML processes approved in January 2023.
- Held weekly meetings with the Gaming Integrity Group (BCLC, GPEB and Joint Illegal Gaming Investigation Team (JIGIT)) to discuss suspicious activity and transactions, as well as share tactical information for implementation.

Summary of progress made in 2022/23

BCLC has continued to prioritize the safety of our players and the public in our operations. Through ongoing collaboration with B.C. casino service providers, law enforcement agencies, and GPEB, we have created a proactive network to safeguard our facilities from unsafe behaviours and criminal activity. This collaboration has continued to identify opportunities for better safeguards, modern processes, and implementation of enhanced technology.

In May 2022, BCLC worked in collaboration with B.C. casino service providers to pilot an identification check at entry to test scalability of patron screening, which would enhance current processes that prevent self-excluded or barred individuals from entering facilities. This pilot confirmed scalability of identification checks for patron screening.

As part of ongoing efforts to continually improve the AML program, BCLC completed the design and discovery process with a vendor of a scalable transaction monitoring system in 2022/23, with Everi selected in January 2023. In collaboration with B.C. casino service providers, ensuring viability to integrate this technology into existing BCLC systems will achieve continued compliance with evolving

regulatory requirements while streamlining processes and providing an enterprise view of player transactions, furthering BCLC’s capabilities to detect and report suspicious transactions.

Most notable in 2022/23, the final report from the Cullen Commission was delivered, and BCLC has been reviewing the report and supporting government’s work to respond to the four recommendations for the gaming sector.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1 Number of incidents of reports of potential crime ¹	2,970	3,930	4,148

Data sources: BCLC iTrak (an internal software platform used for daily log reporting and incident management) and Salesforce Database

¹PM 2.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 3,734 and 3,548, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

BCLC fell slightly short of the target for reported potential crime incidents. The reopening of gaming facilities in B.C. after a prolonged COVID-19 closure required adapting to post-COVID norms, including fluctuations in visitation numbers. Casinos and community gaming centres were open for the entire fiscal year with visitation amongst the general population increasing from 15% in FY22 to 24% in FY23¹. This volume of traffic could correlate with the increase in incidents of potential crime and BCLC continues to evaluate and refine targets for a post-pandemic environment.

For this measurement, BCLC focused on certain relevant categories of potential crime. Examples include allegations of cheating at play, theft, assault, frauds, threats, and unusual financial transactions (UFTs). During fiscal year 2022/23, theft from others (such as chip theft among patrons in gaming facilities) and UFTs were the most frequent categories of incidents. UFTs include any attempted or completed transactions believed to be unusual in nature and are not necessarily an indication of money laundering. The UFT determination may result from several factors, including player behaviour such as a patron declining to provide required identification or source of fund documentation.

Objective 2.1b: Improve public perceptions about the safety and security of gambling in casinos in B.C.

For the public to patronize casino facilities, they must feel they are safe entertainment destinations.

Key results

- Continued to support health and safety measures following guidelines and recommendations for COVID-19 up until those restrictions were lifted in 2022/23, after which best practice health and safety measures continued.

¹ Data Source: Continuous tracking survey on casino facility participation and behaviour, conducted online by a third-party market research professional. Population base used – 2020 Census BC 19.+

- Developed a full-scale plan for implementation of patron screening, informed by findings of the patron screening pilot.
- Communicated to the public through service provider partners and facility print materials about the safety and security measures in place at casinos and community gaming centres.

Summary of progress made in 2022/23

BCLC has always proactively communicated information about the safety and security of casino facilities to players and the public. This has included a wide range of programs and initiatives for player safety, including player health programs such as GameSense, Voluntary Self-Exclusion to reduce habitual harms related to gambling, and specialized investigators at sites to mitigate risks from criminal activity or facility incidents.

As stated in the above objective, testing the viability and scalability of patron screening was a significant undertaking this reporting year and our progress has resulted in a full-scale plan for implementation across the province.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.2 Perception of gambling in B.C. casinos being safe and secure ¹	53%	55%	57%

Data source: Continuous tracking survey conducted online by a third-party market research professional. The study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada’s Census. Population base used – 2016 Census BC 19+.
¹PM 2.2 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 56% and 57%, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

BCLC exceeded the safety and security perception target for gambling in B.C. casinos. Perceptions of gambling in B.C. casinos being safe and secure have steadily increased compared to last year, which is encouraging, and may have been positively influenced by the management of facilities reopening and delivery of the Cullen Commission report and recommendations.

BCLC is committed to the security and safety of all its stakeholders and has collaborated with law enforcement, regulators, service providers, retailers, and others to develop and enforce security measures to eliminate potential criminal activities. This includes the implementation of financial transaction monitoring systems and integration with existing BCLC systems to enhance capabilities to detect and report suspicious transactions. In addition, BCLC has actively participated in various alliances and associations that seek to improve collaboration around combating illicit financial crimes.

Goal 3: BCLC is respected for how we operate

Objective 3.1: Improve public perceptions of how BCLC conducts business based on the following four areas:

- Integrity: BCLC operates fairly and honestly
- Social responsibility: BCLC is a good corporate citizen
- Well managed: BCLC is a well-managed corporation
- Trust: The public has trust and confidence in the games offered by BCLC

Government has entrusted BCLC to operate gambling within the province. Our business depends on building and maintaining community support to operate gambling on behalf of British Columbians.

Key results

- Transitioned from adoption of a social purpose to embedding our social purpose, and continued to implement changes in our business when we find opportunities to recalibrate operations, processes and policy “to generate win-wins for the greater good.”
- Published an ESG framework and associated [policy](#), and continued our sustainability reporting through a new [ESG report](#) that ensures transparency as we deliver on our mandate.
- Continued to action our diversity, inclusion and belonging (DI&B) strategy, building on the continued understanding of the composition of our workforce through touchpoint surveys to inform internal policies and practices.
- Continued to create stronger relationships with Indigenous Peoples and communities through partnerships, such as our licensing agreement with SIGA to expand PlayNow.com to Saskatchewan, and creation of the Senior Manager, Indigenous Relations and Reconciliation position at BCLC.
- Welcomed to the board of directors a nominee of the BC First Nations Gaming Revenue Sharing Limited Partnership, First Nations Summit, BC Assembly of First Nations, and Union of BC Indian Chiefs, as part of their Long-Term BC First Nations Gaming Revenue Sharing and Financial Agreement with the Province.
- Continued to amplify social purpose and community benefits storytelling through a variety of channels, including strategic sports partnerships with major B.C. sports organizations with established reach, earning media on a variety of positive activities in our business, and focusing on messaging that informs players about how gambling proceeds are used to benefit communities across the province.

Summary of progress made in 2022/23

BCLC has continued to proactively communicate our initiatives, activities and progress as a social purpose organization to the public, our partners, the media and our employees to be transparent and accountable, and to build awareness and understanding of BCLC’s operations in 2022/23.

Further to actioning our DI&B strategy with our own workforce, BCLC also hosted the first-ever all-Crowns conference on the topic in November, bringing together members of the Crowns' Accessibility, Diversity & Inclusion Dialogue Network with 22 Crowns and over 130 participants to develop new perspectives and seek opportunities to align with other government agencies' commitments in this sphere.

BCLC is committed to reconciliation and building meaningful relationships with Indigenous Peoples and communities in our programs and operations. In June 2022, BCLC signed an exclusive five-year licensing agreement with SIGA to expand PlayNow.com operations and player health supports through the GameSense program to the Province of Saskatchewan. Our partnership with SIGA is important for BCLC as their mission reflects our own mandate, including but not limited to strengthening lives through employment, economic growth, and positive community relations. Also, our new Senior Manager, Indigenous Relations and Reconciliation position is a dedicated role focused on relationship building, strategic planning, consultation and collaboration across BCLC, with Indigenous communities and other partners, acting as a facilitator and collaborator towards mutual goals.

While government's response to the recommendations of the Cullen Commission is ongoing, throughout this reporting year BCLC has continually communicated our support for the findings and collaboration with government with the public, our partners and the media.

BCLC has embraced a social purpose that focuses on the positive impact the organization can have on society. We continued to share information proactively with local governments, business and community partners, and the public to raise awareness and understanding of BCLC and the gambling industry, including how BCLC gaming revenue benefits communities.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1a Integrity	58%	64%	61%
3.1b Social responsibility	57%	63%	61%
3.1c Well managed	59%	63%	60%
3.1d Trust	61%	66%	67%

Data source: Continuous tracking survey conducted online by a third-party market research professional. The study uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

¹PM 3.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as: a) Integrity, 66% and 67%, b) Social Responsibility, 64% and 65%, c) Well managed, 64% and 65%, and d) Trust, 67% and 67%, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#). The performance measures above evaluate the percentage of the adult population in B.C. that agree with four corresponding statements related to BCLC's operations.

Of the four public perception metrics, BCLC exceeded the “Trust” target but fell behind for “Integrity,” “Social responsibility” and “Well managed.” Public perception metrics take a long time to shift and BCLC needs more time and effort to overcome the impact of negative viewpoints that resulted from coverage during the Cullen Commission. With the rebranding of the Voluntary Self-Exclusion Program to the more approachable Game Break branding and the Lotto 6/49 Gold Ball game change, there have been positive shifts this year over last year.

Goal 4: Players are entertained

Objective 4.1: Increase the Player Entertainment Needs Index score.

BCLC is focusing on player experiences that enhance omni-channel experiences and products.

Key results

- Continued focus on sports sponsorships and PlayNow Sports street team experiences on game day, in arena or on concourse, to engage players while delivering on our sports strategy.
- Launched redemption of Encore Rewards on PlayNow.com, allowing players who are Encore Rewards members to seamlessly earn and redeem for brick-and-mortar and online play.
- Opened the Cascades Casino Delta, a full-service entertainment facility with a mix of slot and table games, food and beverage, and hotel.
- Continued to expand our lottery in-line sales as well as our digital footprint to improve communication with players, notably through the installation of digital jackpot signage and pilot of new digitally enabled play stands.
- Continued to grow the new single-event sports betting product on PlayNow.com and test a proof of concept in land-based channels, including casinos and hospitality locations.

Summary of progress made in 2022/23

Understanding our players and providing products with high entertainment value continued to be cornerstones of our strategy, and in 2022/23 BCLC introduced new games, offerings and enhancements across all product lines.

Enhancements were made to the Encore Rewards loyalty program through improved features like online redemption, as well as an increased focus on omni-channel experiences and brick-and-mortar and online promotions available to members, earning high engagement on select promotions and positive feedback from players.

The relaunch of the Lotto 6/49 Gold Ball jackpot to reinvigorate a tenured lottery product has also been positively received by players.

In this reporting year, there was a continued focus on positioning BCLC as the sportsbook of choice with sports bettors and fans through strategic sponsorships with major B.C. sports organizations to support local interest in this play channel. This has included more PlayNow Sports presence with experiential marketing to build excitement for the brand, and products at games of established sports brands such as the Vancouver and Abbotsford Canucks hockey clubs, Vancouver Whitecaps soccer club, and BC Lions football team. An added social benefit of our partnership with the

Vancouver Canucks and Abbotsford Canucks partnerships has been the continuation of BCLC’s Community Hero Program, which allows individuals to nominate people in their community who have made a positive impact. A recipient is selected for each home game throughout the season and is celebrated with exclusive participation opportunities on game day.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1 Player Entertainment Needs Index Score ¹	54	60	51

Data source: Survey conducted online by a third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada’s Census. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

¹PM 4.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 62 and 64, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

BCLC missed the target for fiscal year 2022/23. One of the factors that may have contributed to the lower score is that COVID-19 has led to a shift in consumer entertainment needs towards more individual activities, such as spending more time at home with streaming services. This would have reduced the appeal of BCLC’s in-person entertainment offerings, which we are aware have not fully returned to pre-COVID levels of participation. Additionally, recent BCLC research on Light & Casual casino players has found that many of this group feel that the casino experience has been ‘stripped down’ and is not what it was pre-COVID. Specifically, they believe there are fewer non-gambling options such as live music or trivia nights, making casino facilities a less compelling offer for them as an entertainment option.

It is also important to note that there has been a change in methodology. The impact of COVID-19 on player entertainment choices and behaviours has led to a re-evaluation of the metric modelling and a refresh of the comparative activities set to more accurately-reflect post-COVID entertainment activities. Although the methodology is similar to that of previous years, this year’s results are not directly comparable to previous years due to the changes made to the model. However, this will serve as a more appropriate benchmark for future year targets.

Despite the challenges posed by the pandemic, enhancing players’ experience and providing them with high entertainment value remains a key focus for BCLC. BCLC has launched new games, promotions, offerings, and a new facility to better engage with players, and improved the loyalty program to offer players more value. The Player Experience team continues to be dedicated to understanding players’ expectations and experiences when engaging with all aspects of the business, and these player-focused insights are helping inform the organization’s strategies to improve both our products and operations. Through continuous efforts to study player entertainment preferences and listening to player feedback, BCLC expects to steadily improve the Player Entertainment Needs Index Score in the years to come.

Goal 5: BCLC delivers our promised financial return to the Province of B.C.

Objective 5.1: Optimize net income through investment to sustain the long-term health of the business.

BCLC's mandate is to generate net income for the benefit of all British Columbians.

Key results

- Supported casino and community gaming facilities in their first full fiscal year of operations post-pandemic as health and safety restrictions lifted in a phased manner during early 2022.
- Supported the opening of the Cascades Casino Delta in September 2022 with new entertaining gaming equipment to complement service provider facility developments and broaden player appeal.
- Launched the Lotto 6/49 game enhancement in September 2022 to refresh the brand appeal, improve player participation, and sustain revenue growth.
- Expanded the online gaming platform with SIGA to provide regulated online gambling to Saskatchewan players.
- Continued to upgrade lottery systems, casino equipment and technology to support the long-term health and integrity of the business.

Summary of progress made in 2022/23

In 2022/23, BCLC continued to make investments in hardware, systems and technology to sustain the long-term health of the business and identify opportunities to create exceptional omni-channel experience for players that nurture and safeguard healthy play. We also continued to prioritize growth and operational efficiencies while ensuring we provide meaningful employment and adequate staffing resources that ensure the success of our mandate to generate net income for the benefit of all British Columbians.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
5.1. Net Income (\$ millions) ¹	1,314	1,452	1,636

Data source: BCLC's financial plan/audited financial statements, see Appendix C. Actual results are calculated in accordance with International Financial Reporting Standards.

¹PM 5.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 1,570 and 1,578, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

BCLC's 2022/23 net income of \$1,636 million was \$184 million higher than target and \$322 million higher than the previous year. The better performance in comparison to budget was primarily driven by faster recovery in the casino business in a post-pandemic environment and a full fiscal year of casino operations in comparison to three-quarters of an operating year in fiscal year 2021/22.

Similarly, this year's results reflect higher expenses to support a full year of casino gaming operations and investments made on driving revenue-generating initiatives.

Casino revenue achieved record-high revenue levels. With most pandemic-imposed health and safety restrictions lifted in early fiscal 2022/23, casino revenue levels returned to pre-pandemic levels (defined as fiscal year 2019/20). The opening of the new Cascades Casino Delta in mid-fiscal year 2022/23 also contributed to the record-breaking year.

The lottery business outperformed budget expectations in all categories, but slightly behind prior year results. Lotto Max observed a second consecutive year of favourable jackpot roll patterns (high number of jackpot offerings over \$50 million) and the launch of Lotto 6/49 game enhancement offered players two multi-million-dollar prizes with every draw, keeping players engaged and entertained.

The eGaming revenue was lower than budget; however, it sustained the growth experienced during the period of casino closure despite competition from unregulated operators. Prior to the pandemic, PlayNow.com was the fastest-growing channel of business and that trend continues, driven in part through investments in strategic growth initiatives such as the modernization of the platform and new products. The expansion of the online gambling platform in Saskatchewan also contributed incremental revenue, delivering on this reporting goal and our mandate to explore options to increase or enhance PlayNow.com's offerings.

BCLC managed costs closely while making investments in programs that supported the full year of operations at gambling facilities and revenue-generating initiatives, such as Cascades Casino Delta, Lotto 6/49 game enhancement, single-event sports betting, modernization of the PlayNow.com platform, and expansion of the online gaming platform in Saskatchewan.

Investments in workforce resources were made to accelerate BCLC's evolution to integrate our lines of business, deliver an enhanced player experience, and ensure the long-term health of the organization.

Financial Report

For the auditor's report and audited financial statements, see [Appendix C](#). These documents can also be found on BCLC's website.

Discussion of Results

BCLC generated a record net income of \$1,636 million for fiscal year 2022/23, surpassing the pre-pandemic record net income of \$1,415 million set in fiscal year 2018/19. \$1,624 million was delivered to the Province of B.C. and \$12 million to the federal government, from total revenue of \$2,957 million.

Of the current year's net income, \$1,624 million was distributed to the Province of B.C. to benefit British Columbians through investments in programs and services such as education, health care, communities and culture; a revenue sharing agreement with First Nations; and financial sharing

agreements with Indigenous or municipal governments that host casino or community gaming centres.

During the fiscal year, BCLC launched several revenue-generating initiatives, including opening the Cascades Casino Delta, expanding its online platform to service the Saskatchewan market, and launching a Lotto 6/49 game enhancement. However, supply chain disruptions continued to impact the timing of certain projects, resulting in delays that will shift costs to future periods.

Despite these supply chain challenges, 2022/23 results are ahead of both the prior year and budget, driven primarily by the strong performance of BCLC's casino operating segment, which accounted for 61% of the current year's net income.

The lottery operating segment, which accounted for 21% of the current year's net income, exceeded budget expectations due to the strong performance of Lotto Max and Keno products.

BCLC's eGaming operating segment, which accounted for 18% of the current year's net income, sustained the record net income generated in the previous year despite facing increased competition from unregulated market operators. However, actual results fell just short of budget.

Overall, the 2022/23 financial results have positioned the company favourably for continued investment in systems and supporting technology to deliver exceptional player experiences while also wayfinding for improved operations to maximize returns to the Province in an efficient and effective manner.

Financial Summary

(\$m) ¹	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance ²
Total Revenue	2,362	2,761	2,957	196
Expenses				
Direct Costs	658	825	882	(57)
Gaming Support Costs	54	65	64	1
Operating Costs	200	244	229	15
Amortization and Other	79	94	75	19
Total Expenses	991	1,228	1,250	(22)
Net Income Before Taxes	1,371	1,533	1,707	174
Indirect Tax	57	81	71	10
Net Income	1,314	1,452	1,636	184
Total Liabilities	628	631	617	14
Capital Expenditures	78	120	84	36
Accumulated Surplus	31	(49)	71	120

¹ Financial information was prepared based on current International Financial Reporting Standards.

² Favourable (unfavourable).

Variance and Trend Analysis

Revenue

Revenues are comprised of the amounts earned from the provision of gaming products to players, and the provision of gaming services to other jurisdictions. Actuals of \$2,957 million represent a \$595 million (25 per cent) increase from prior year and are \$196 million (7 per cent) higher than budget. The change from prior year is predominantly due to a full year of brick-and-mortar gambling facilities (casino and community gaming) operations versus nine months in the prior year. The variance from budget is predominantly due to the casino and community gaming operations which saw a stronger return to pre-pandemic levels of play than forecast.

Direct Costs

Direct costs, which vary with revenue, primarily relate to commissions paid to private-sector gambling facility service providers, lottery retailers and revenue share payments to PlayNow.com gaming content providers. Actuals of \$882 million represent a \$224 million (34 per cent) increase from prior year and are \$57 million (7 per cent) higher than budget. The change from prior year is due to the impact of a full year of casino and community gaming operations versus nine months in the prior year. The variance from budget is due to higher casino commissions which is in line with higher revenues, partially offset by lower revenue share payments to PlayNow.com gaming content providers in line with the unfavourable variance in eGaming revenues.

Gaming Support Costs

These costs are largely for gaming systems maintenance and upkeep and, therefore, do not vary significantly with gaming activity. Actuals of \$64 million represent a \$10 million (19 per cent) increase from prior year and are \$1 million (2 per cent) lower than budget. The change from prior year is due to increased cloud service costs, and one-time project costs for hosting infrastructure updates and Lotto 6/49 game enhancements.

Operating Costs

These costs are made up of items such as salaries and benefits, marketing and advertising, professional fees, cost of premises and equipment. Actuals of \$229 million represent a \$29 million (15 per cent) increase from the prior year but are \$15 million (6 per cent) lower than budget. The cost increase from prior year is attributable to higher salaries and benefits costs due to wage increases and changes to headcount, partially offset by reduced pension expense; increased consulting costs in support of the company's new strategic plan and other initiatives; increased marketing and advertising costs due to investments in sports marketing and sponsorship; and increased desk software purchases.

The variance from budget is due to lower salaries and benefits as pension expenses were more favourable than anticipated. Additionally, supply chain impacts resulted in project delays and, therefore, shifted spending for contract labour and equipment costs into future periods.

Amortization and Other

This balance relates primarily to depreciation of property and equipment, amortization of software costs, interest income, financing costs and other miscellaneous items. Actuals of \$75 million represent a \$4 million (5 per cent) decrease from the prior year and are \$19 million (20 per cent) lower than budget. The decrease from prior year is primarily due to BCLC's share of the Interprovincial Lottery Corporation's (ILC) operating surplus vs a net expense in the prior year, and a reduction in post-retirement benefits costs arising from the most recent valuation, offset by an increase in depreciation because of recent deployment of new capital equipment.

The variance from budget is driven primarily by depreciation/amortization due to lower than anticipated capital expenditures, BCLC's share of ILC's operating surplus, and lower than anticipated post-retirement benefits.

Indirect Tax

These costs relate to Goods and Services Tax (GST) as prescribed under the Games of Chance (GST/HST) Regulations of the *Excise Tax Act* (Canada), and Provincial Sales Tax paid on purchases as prescribed under the *Provincial Sales Tax Act*. Actuals of \$71 million represent a \$14 million (25 per cent) increase from the prior year but are \$10 million (12 per cent) lower than budget. The change from prior year is consistent with the overall increase in expenses from prior year and is driven primarily by a full year of casino and community gaming operations compared to nine months in the prior year. The variance from budget is in line with the favourable variance in gaming support costs, operating costs, amortization and other costs, partially offset by the unfavourable variance in direct costs (a large portion of which are taxed at a lower rate). Additionally, a tax ruling issued after the service plan was developed resulted in a retroactive GST refund.

Total Equity (Deficit)

Total Equity is comprised of Accumulated Surplus (Deficit) and Accumulated Other Comprehensive Income (Loss).

Accumulated Surplus (Deficit) represents the cumulative balance of net income from all years of operation, less any distributions of net income to the Government of British Columbia or payments to the Government of Canada on behalf of the Government of British Columbia.

As BCLC remits all its net income, it would be expected to report a nil Accumulated Surplus or deficit balance. However, the retrospective application of changes in accounting standards or policies may require BCLC to retroactively adjust its historical net income, resulting in an accumulated surplus or deficit.

The Accumulated Deficit of \$18 million is consistent with the prior year but represents a \$7 million (28 per cent) favourable variance from budget. This variance is due to the timing of the service plan budget, which used the 2020/21 accumulated deficit balance as the 2021/22 amount was not yet known at the time the budget was published.

Accumulated Other Comprehensive Income (Loss) represents items on income and expenses that are not recognized through profit or loss (net income). For BCLC, those items relate primarily to the remeasurement of the company's defined benefit plans. The \$113 million favourable variance from

budget is due to changes in the financial assumptions (primarily the discount rate) for the calculation of BCLC's defined benefit plans.

Risks and Uncertainties

BCLC has established a formal and comprehensive Enterprise Risk Management (ERM) program that adheres to the CSA ISO 31000 risk management principles and the *Risk Management Guideline for the B.C. Public Sector*. The program empowers BCLC to take calculated risks while executing its strategic goals and is supported by a robust risk management framework and process. As part of this program, the Board and Executive Management have a shared responsibility to ensure that risks are effectively identified, assessed, and managed. The Strategy Committee of the Board receives quarterly reports from the Enterprise Risk Management Services department, providing updates on the key risks identified through the ERM process, as well as the corresponding mitigation strategies. This approach ensures that BCLC's risk management practices are aligned with the organization's overall mandate and goals and all activities are monitored by the Board and Enterprise Risk Committee for adherence to the program.

The gambling industry is facing an array of critical risk factors that could pose significant challenges to its financial performance and operations. One of the most notable risks is the shifting consumer preferences towards online and mobile gaming, which could potentially result in reduced revenues for traditional land-based casinos and lotteries. Additionally, the industry is grappling with a shortage of skilled professionals, especially in technology and digital sectors, which could hinder its potential for innovation and growth.

The industry's heavy regulation makes it vulnerable to the changes in regulations that could potentially affect its operations and revenues. The threat of cybersecurity breaches such as hacking and data breaches also pose a significant risk, which could result in severe financial losses and reputational damage to the industry. Furthermore, economic conditions, both domestically and globally, could have a substantial impact on consumer spending on gambling, and the volatility of lottery jackpots also presents a significant risk factor.

Capital Expenditures

Significant IT Projects (over \$20 million in total)	Targeted Year of Completion	Project Cost to Mar 31, 2023 (\$m)	Estimated Cost to Complete (\$m)	Anticipated Total Cost (\$m)
Lottery Terminals and Systems Replacement	2023/24	38	10	48
<p>Objective: The Lottery Terminals and Systems Replacement project involves the replacement of legacy retail lottery equipment and supporting systems. This equipment, critical to the generation of lottery revenue, is nearing end-of-life. The capital costs of this project increased by \$5 million compared to prior year, primarily due to lingering pandemic-related global supply chain challenges.</p> <p>Benefits:</p> <ul style="list-style-type: none"> Eliminates legacy technology and replaces it with modern, reliable and flexible retail sales solutions. Enables BCLC to quickly and easily introduce new games and experiences for players. Enables BCLC to tailor products, promotions and experiences to the touchpoints and channels where players interact with BCLC and its retailers. <p>Risks:</p> <ul style="list-style-type: none"> Further delay to launch, with the potential result that current equipment starts to fail before new equipment is installed. Interruption of lottery sales if the new systems launch does not proceed smoothly. 				

Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021/22 Mandate Letter from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Continue to address concerns raised around illegal behaviour in BCLC's gaming facilities and continue to prioritize taking action to eradicate money laundering efforts and other illicit behaviours in casinos.</p>	<p>Ongoing:</p> <ul style="list-style-type: none"> • Supporting government to respond to the recommendations of the Cullen Commission • Strong partnership with law enforcement partners, service providers and GPEB to continually improve security controls • Continuing work with service providers on scalable financial transaction monitoring system to meet current and future regulatory requirements • Supporting government on provisions of the new Gaming Control Act and regulations related to source of funds declarations and prevention of unlawful activity
<p>Continue to seek opportunities to strengthen BCLC's ability to identify and respond to early warning signs of high-risk gambling to mitigate the impacts of gambling products and behaviours. This includes implementation of initiatives to support an enterprise view of players in line with BCLC's strategy to continue offering responsible, player-centric gambling.</p>	<p>Ongoing:</p> <ul style="list-style-type: none"> • Made enhancements to the GameSense Advisor program that include in-facility, chat function or phone support for player health access and resources • Made key improvements to guidelines and training for service provider staff to support players and provide intervention through GameSense • A gambling and financial literacy tool was made available to players in brick-and-mortar facilities and through PlayNow.com

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Continue to proactively and responsively share information with the Deputy Minister, Anti-Money Laundering Deputy Ministers' Committee (AML DMC), Anti-Money Laundering Secretariat (AML Secretariat), and the regulator that assists the government in meeting its responsibilities for the overall integrity of gambling and providing advice on broad policy, standards and regulatory issues.</p>	<p>Ongoing:</p> <ul style="list-style-type: none"> • Weekly meetings held to discuss suspicious activity and transactions as well as tactical information at the Gaming Integrity Group (BCLC, GPEB, JIGIT) • Continual escalation of systemic issues to the AML Risk Committee (BCLC and GPEB) to inform of BCLC policy changes (e.g., limiting cash from a credit card cash advance) • AML DMC and AML Secretariat are notified of significant initiatives (through BCLC and GPEB Executive or via briefing note), such as ID at entry notification and notice of publishing results of Deloitte AML bi-annual assessment on BCLC's website
<p>Sustain operations while collaborating with casino service providers and ensuring alignment with the provincial government's COVID-19 recovery efforts.</p>	<p>Completed:</p> <ul style="list-style-type: none"> • Casinos and community gaming centres across the province are open and operating at pre-pandemic levels • All provincewide COVID-19 restrictions are now lifted
<p>As appropriate, and in alignment with responsible gambling practices, explore options to increase and/or enhance PlayNow.com's online gambling offerings to increase revenue from this product stream.</p>	<p>Ongoing:</p> <ul style="list-style-type: none"> • PlayNow.com is now available in three provinces: British Columbia, Manitoba and Saskatchewan • Sports betting on PlayNow.com launched with the single-events betting • Further web and app enhancements for PlayNow.com being developed

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

B.C. Lottotech International Inc.

The consolidated financial statements of BCLC include B.C. Lottotech International Inc. (Lottotech), a wholly owned subsidiary of BCLC. The primary purpose of Lottotech is to optimize sales taxes through the purchase of capital assets for leasing to BCLC. The main operating activities are revenue from the lease of assets to BCLC and the depreciation associated with capital acquisitions.

The management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through BCLC's annual business planning and budget process.

Financial Summary

(\$m) ¹	2021/22 Actual	2022/23 Budget	2022/23 Actual
Revenues	65	87	67
Expenses	65	88	67
Net Gain (Loss)	-	(1)	-

¹ Financial information was prepared based on an accrual basis.

Operating Segments

BCLC's operating segments consist of casino and community gaming, lottery, and eGaming. BCLC's casino and community gaming operations are results from land-based gaming facilities offering slots, tables and bingo games. Lottery operations are results from brick-and-mortar retail sales of lottery draw-based games, lottery instant tickets and sports betting. eGaming operations are results of BCLC's website PlayNow.com, which extends all BCLC's product offerings for play online. Operating costs for any departments that are not directly dedicated to supporting one of these areas of operations are allocated proportionally across these areas based on their revenues.

Financial Summary

Casino and Community Gaming Operations

(\$m) ¹	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance ²
Total Revenue	1,337	1,751	1,945	194
Expenses				
Direct Costs	467	628	694	(66)
Gaming Support Costs	22	32	28	4
Operating Costs	91	130	122	8
Amortization and Other	57	66	56	10
Total Expenses	637	856	900	(44)
Net Income Before Taxes	700	895	1,045	150
Indirect Tax	33	47	47	-
Net Income	667	848	998	150

¹ Financial information was prepared based on current International Financial Reporting Standards.

² Favourable (unfavourable).

Lottery Operations

(\$m) ¹	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance ²
Total Revenue	588	537	572	35
Expenses				
Direct Costs	116	112	116	(4)
Gaming Support Costs	21	20	23	(3)
Operating Costs	65	68	60	8
Amortization and Other	17	23	15	8
Total Expenses	219	223	214	9
Net Income Before Taxes	369	314	358	44
Indirect Tax	15	18	14	4
Net Income	354	296	344	48

¹ Financial information was prepared based on current International Financial Reporting Standards.

² Favourable (unfavourable).

eGaming Operations

(\$m) ¹	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance ²
Total Revenue	437	473	440	(33)
Expenses				
Direct Costs	75	85	72	13
Gaming Support Costs	11	13	13	-
Operating Costs	44	46	47	(1)
Amortization and Other	5	5	4	1
Total Expenses	135	149	136	13
Net Income Before Taxes	302	324	304	(20)
Indirect Tax	9	16	10	6
Net Income	293	308	294	(14)

¹ Financial information was prepared based on current International Financial Reporting Standards.

² Favourable (unfavourable).

Appendix C: Auditor's Report and Audited Financial Statements

British Columbia Lottery Corporation
Consolidated Financial Statements
Year ended March 31, 2023



KPMG LLP
560 Victoria Street
Kamloops BC V2C 2B2
Canada
Telephone (250) 372-5581
Fax (250) 828-2928

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of British Columbia Lottery Corporation (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2023
- the consolidated statement of net income and comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditor’s Responsibilities for the Audit of the Financial Statements**” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Kamloops, Canada
May 11, 2023

British Columbia Lottery Corporation

Consolidated Statement of Financial Position

March 31, 2023, with comparative information for 2022
(in thousands of Canadian dollars)

	2023	2022
ASSETS		
Cash and cash equivalents (note 5)	\$ 30,893	\$ 59,261
Accounts receivable (note 6)	64,528	66,822
Prepaid and deferred expenses	22,824	17,436
Inventories (note 7)	8,916	10,546
Commission advances (note 8)	33,529	-
Gaming cash floats (note 9)	47,811	-
Current assets	208,501	154,065
Prepaid and deferred expenses	3,433	4,012
Commission advances (note 8)	1,662	33,825
Gaming cash floats (note 9)	-	46,661
Right-of-use assets (note 10)	57,376	52,484
Property and equipment (note 11)	298,729	280,291
Intangible assets (note 12)	34,052	40,660
Employee benefits (note 13)	83,990	47,679
Non-current assets	479,242	505,612
Total assets	\$ 687,743	\$ 659,677
LIABILITIES		
Prizes payable (note 14)	\$ 33,589	\$ 40,410
Accounts payable, accrued and other liabilities (note 15)	125,203	132,783
Short-term financing (note 16)	140,274	140,070
Deferred revenue (note 17)	23,209	26,425
Unsettled wagers (note 18)	7,110	14,470
Lease liabilities (note 10)	5,799	6,320
Due to the Government of British Columbia (note 19)	177,234	168,360
Current liabilities	512,418	528,838
Lease liabilities (note 10)	54,502	48,569
Provisions (note 20)	3,488	3,343
Employee benefits (note 13)	46,535	47,581
Non-current liabilities	104,525	99,493
Total liabilities	616,943	628,331
EQUITY		
Accumulated deficit (note 21)	(17,850)	(17,850)
Accumulated other comprehensive income	88,650	49,196
Total equity	70,800	31,346
Total liabilities and equity	\$ 687,743	\$ 659,677

The accompanying notes are an integral part of these consolidated financial statements.
Commitments and contingencies are outlined in notes 10, 11 and 24.

Approved on behalf of the Board of Directors:


Greg Moore
Chair, Board of Directors


Lisa Ethans
Chair, Audit Committee

British Columbia Lottery Corporation

Consolidated Statement of Net Income and Comprehensive Income

Year ended March 31, 2023, with comparative information for 2022
(in thousands of Canadian dollars)

	2023	2022
Revenue (note 22)	\$ 2,957,231	\$ 2,361,603
Expenses		
Commissions and fees	771,294	551,478
Employee costs	151,442	138,525
Gaming equipment leases and licenses	96,028	92,802
Amortization and depreciation (notes 10, 11, and 12)	77,428	75,305
Systems, maintenance, and ticket distribution	69,676	59,201
Advertising, marketing, and promotions	39,879	36,322
Ticket printing	14,453	13,245
Professional fees and services	16,771	12,906
Cost of premises	6,663	6,322
Loss on disposal of property and equipment and intangible assets	885	272
Other	6,119	4,303
	1,250,638	990,681
Income from operations before the undernoted	1,706,593	1,370,922
Indirect tax expense (note 26)	71,051	57,242
Net income	1,635,542	1,313,680
Other comprehensive income		
<i>Item that will never be reclassified to net income</i>		
Net defined benefit plan actuarial gain (note 13)	39,454	71,536
Total comprehensive income	\$ 1,674,996	\$ 1,385,216

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Changes in Equity

Year ended March 31, 2023, with comparative information for 2022
(in thousands of Canadian dollars)

	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity (Deficit)
Balance, April 1, 2021	\$ (17,850)	\$ (22,340)	\$ (40,190)
Net income	1,313,680	-	1,313,680
Net defined benefit plan actuarial gain (note 13)	-	71,536	71,536
Total comprehensive income	1,313,680	71,536	1,385,216
Payments to the Government of Canada on behalf of the Government of British Columbia (note 23)	(11,187)	-	(11,187)
Distributions to the Government of British Columbia (note 19)	(1,302,493)	-	(1,302,493)
Balance, March 31, 2022	\$ (17,850)	\$ 49,196	\$ 31,346
Net income	1,635,542	-	1,635,542
Net defined benefit plan actuarial gain (note 13)	-	39,454	39,454
Total comprehensive income	1,635,542	39,454	1,674,996
Payments to the Government of Canada on behalf of the Government of British Columbia (note 23)	(12,026)	-	(12,026)
Distributions to the Government of British Columbia (note 19)	(1,623,516)	-	(1,623,516)
Balance, March 31, 2023	\$ (17,850)	\$ 88,650	\$ 70,800

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Lottery Corporation

Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022
(in thousands of Canadian dollars)

	2023	2022
Cash flows from operating activities:		
Net income	\$ 1,635,542	\$ 1,313,680
Items not involving cash:		
Depreciation (notes 10 and 11)	64,903	63,817
Amortization (note 12)	12,525	11,488
Loss on disposal of property and equipment	885	200
Loss on disposal of intangible assets	-	72
Interest expense (notes 10 and 16)	4,025	772
Net benefit plan expense (note 13)	16,389	22,019
	1,734,269	1,412,048
Changes in:		
Accounts receivable	2,294	(19,820)
Prepaid and deferred expenses	(4,809)	(177)
Inventories	1,630	(793)
Commission advances	(1,366)	(33,825)
Gaming cash floats	(1,150)	(46,661)
Employee benefits	(14,292)	(13,128)
Prizes payable	(6,821)	4,922
Accounts payable, accrued and other liabilities	4,954	11,235
Deferred revenue	(3,216)	(829)
Unsettled wagers	(7,360)	6,018
Provisions	145	247
Net cash from operating activities	1,704,278	1,319,237
Cash flows from financing activities:		
Short-term financing (note 16)	(89)	(39,844)
Interest paid (notes 10 and 16)	(5,119)	(782)
Payments on lease liabilities (note 10)	(6,489)	(6,363)
Payments to the Government of Canada on behalf of the Government of British Columbia (note 23)	(12,026)	(11,187)
Distributions to the Government of British Columbia (note 19)	(1,614,642)	(1,182,183)
Net cash used in financing activities	(1,638,365)	(1,240,359)
Cash flows from investing activities:		
Additions to property and equipment	(87,102)	(58,640)
Additions to intangible assets	(7,795)	(6,699)
Net proceeds on disposal of property and equipment	616	567
Net cash used in investing activities	(94,281)	(64,772)
Net (decrease) increase in cash and cash equivalents	(28,368)	14,106
Cash and cash equivalents, beginning of year	59,261	45,155
Cash and cash equivalents, end of year (note 5)	\$ 30,893	\$ 59,261

The accompanying notes are an integral part of these consolidated financial statements.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements

Year ended March 31, 2023

(in thousands of Canadian dollars)

1. Corporate information

British Columbia Lottery Corporation (BCLC or the Corporation) is a crown corporation of British Columbia (B.C.) incorporated under the *Company Act* (B.C.) on October 25, 1984 and continued under the *Gaming Control Act* (B.C.). The Government of British Columbia has delegated BCLC the responsibility to develop, undertake, organize, conduct, manage and operate provincial gaming on behalf of the government. Gaming activities include lottery, casino, bingo, and internet gaming (eGaming).

BCLC is also the B.C. regional marketing organization for national lottery games, which are collective undertakings by the provinces of Canada acting through the Interprovincial Lottery Corporation (ILC).

The address of BCLC's registered office is 74 West Seymour Street, Kamloops, B.C., Canada.

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

These consolidated financial statements (hereinafter referred to as the 'financial statements') include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC.

These financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 11, 2023.

2. Basis of preparation

A. Basis of accounting

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

B. Basis of measurement

These financial statements have been prepared on a historical cost basis except for employee benefit plan assets and unsettled wagers. Employee benefit plans, which include a registered pension plan, a supplementary pension plan, and a non-pension post-retirement benefit plan, are measured at the fair value of plan assets less the present value of the defined benefit obligation, as explained in note 3(E)(iii). Unsettled wagers are measured at fair value, as explained in note 3(C).

C. Functional and presentation currency

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

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

2. Basis of preparation (continued)

D. Use of judgments and estimates

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

i. Judgments

Information about judgments made that have the most significant effects on the amounts recognized in the financial statements include:

- the determination of the ability to exercise control over gaming facility service providers and lottery retailers (note 3(A));
- whether the Corporation is reasonably certain to exercise extension options under lease agreements (note 3(F)).

ii. Estimates

Information about assumptions and estimation uncertainty that may have a significant effect on the amounts recognized in the financial statements and could result in a material adjustment within the next fiscal year include:

- key actuarial assumptions used in the measurement of defined benefit obligations for the Corporation's pension and post-retirement benefit plans (note 13(D)(i));
- the valuation of private equity and infrastructure investments in the measurement of plan assets for the Corporation's pension plan (note 13(C)).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

3. Significant accounting policies

The Corporation and its subsidiary have consistently applied the following accounting policies to all periods presented in these financial statements:

A. Basis of consolidation

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Intercompany transactions and balances are eliminated on consolidation.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

A. Basis of consolidation (continued)

The Corporation does not control gaming facility service providers or lottery retailers and therefore these financial statements do not include the financial results of those entities.

B. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments and form an integral part of the Corporation's cash management. They consist of readily convertible instruments having a maturity of three months or less from the acquisition date and their carrying amount approximates their fair value.

C. Financial instruments

Financial instrument	Classification	Initial measurement	Subsequent measurement
Financial assets			
Cash and cash equivalents	AC ¹	FV ²	AC ¹
Accounts receivable	AC ¹	TP ³	AC ¹
Commission advances	AC ¹	FV ²	AC ¹
Gaming cash floats	AC ¹	FV ²	AC ¹
Financial liabilities			
Prizes payable	AC ¹	FV ²	AC ¹
Accounts payable, accrued and other liabilities	AC ¹	FV ²	AC ¹
Short-term financing	AC ¹	FV ²	AC ¹
Unsettled wagers	FVPL ⁴	FV ²	FVPL ⁴
Lease liabilities	AC ¹	FV ²	AC ¹
Due to the Government of British Columbia	AC ¹	FV ²	AC ¹

¹ For accounting recognition and measurement purposes, classified as amortized cost (AC). Financial assets and financial liabilities are subsequently measured using the effective interest method, less any allowances for expected losses (see note 3(I)(i)). The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortized cost of the financial liability.

² For initial recognition purposes, measured at fair value plus or minus transaction costs (FV). Financial assets are initially measured at the present value of future cash flows under the contractual terms plus any directly attributable transaction costs. Financial liabilities are initially measured at fair value less any directly attributable transaction costs.

³ For initial recognition purposes, measured at transaction price (TP).

⁴ For accounting recognition and measurement purposes, classified as fair value through profit or loss (FVPL).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

C. Financial instruments (continued)

i. Financial assets

Financial assets are recognized initially on the trade dates, which is when the Corporation becomes a party to the contractual provisions of the instruments. Financial assets measured at amortized cost are those held in order to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Gains or losses on derecognition are recognized in profit or loss.

ii. Financial liabilities

Financial liabilities are recognized initially on the trade dates, which are the dates the Corporation becomes a party to the contractual provisions of the instruments.

Net gains and losses, including any interest expense and foreign exchange gains and losses, are recognized in profit or loss.

The Corporation derecognizes a financial liability when its contractual obligations expire, are discharged, or are cancelled. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognized in profit or loss.

iii. Offsetting

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

D. Inventories

Inventories include lottery instant tickets and slot machine spare parts. Inventories are measured at the lower of cost, determined on a weighted average basis, and net realizable value. For spare parts, net realizable value is the estimated value in use; for instant ticket inventories, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

E. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the reporting period in which the benefit is earned. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognized for any amount not yet paid for past services provided by the employee where there is a legal or constructive obligation.

ii. Termination benefits

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. Benefits payable are discounted to their present values when they are not expected to be settled wholly within 12 months of the reporting date.

iii. Defined benefit plans

The Corporation's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the benefit, payable in the future, that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

The fair value of any plan assets is deducted from the obligation to determine the net defined benefit liability (asset). When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of future economic benefits, consideration is given to any applicable minimum funding requirements.

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

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

E. Employee benefits (continued)

iii. *Defined benefit plans (continued)*

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

F. Leases

At inception of a contract, the Corporation determines whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. *Right-of-use asset*

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and any estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

A right-of-use asset is depreciated from the commencement date to the end of the lease term, which includes the initial lease term and any optional renewal period if the Corporation is reasonably certain to exercise an option, using the straight-line method. A right-of-use asset will be reduced by impairment losses, if any, and adjusted for the remeasurement of the lease liability.

ii. *Lease liability*

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The Corporation determines its incremental borrowing rate on a lease-by-lease basis by obtaining Government of Canada bond rates and making adjustments to reflect the term of the lease.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

F. Leases (continued)

ii. Lease liability (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option.

Variable lease payments based on revenues or usage are recognized in profit or loss in the period in which the expenses are incurred.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an applicable index or rate, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the right-of-use asset; or if the carrying amount of the right-of-use asset has been reduced to zero, the adjustment is recorded in profit or loss.

The Corporation has elected not to separate non-lease components from lease components within a contract and accounts for these as a single lease component.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases with terms of less than 12 months. The Corporation recognizes the payments associated with these leases as an expense, on a straight-line basis, over the lease term.

G. Property and equipment

i. Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset to the location and condition for its intended use. The cost of self-constructed assets includes the cost of materials and any other costs directly attributable to bringing the assets to a suitable condition for their intended use. Borrowing costs related to the construction of qualifying assets are capitalized.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

G. Property and equipment (continued)

i. Recognition and measurement (continued)

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

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Corporation.

iii. Depreciation

Land and assets under construction are not depreciated. When property and equipment are available for use, they are depreciated over their estimated useful lives on a straight-line basis. Depreciation is based on cost less estimated residual value and based on the following estimated useful lives:

Asset	Rate
Corporate facilities and equipment	
Building	5 to 20 years
Equipment	2 to 15 years
Leasehold improvements	3 to 30 years
Lottery gaming	
Equipment	3 to 10 years
Retail kiosks	2 to 10 years
Casino and community gaming	
Equipment	2 to 8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

H. Intangible assets

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

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

H. Intangible assets (continued)

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

The cost of computer software and systems that are acquired by the Corporation includes the purchase price and any expenditures directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are capitalized.

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Assets under development are not amortized. When intangible assets are available for use they are amortized using the straight-line method over their estimated useful lives (two to ten years). Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

I. Impairment

i. Financial assets

Financial assets not classified at fair value through profit or loss are assessed under an expected credit loss model, which requires the recognition of an allowance for expected losses upon recognition of the asset. The Corporation measures loss allowances at an amount equal to the lifetime expected credit losses, which are the losses that result from all possible default events over the expected life of a financial instrument. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment, which includes forward-looking information. The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the future cash flows of the financial asset have occurred.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

I. Impairment (continued)

i. Financial assets (continued)

The Corporation considers expected credit risk for these assets at both an individual asset and a collective level. All individually significant assets are assessed for expected credit losses. Assets that are not individually significant are assessed collectively for expected credit losses by grouping together assets with similar risk characteristics.

In the statement of financial position, loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Expected credit losses are a probability-weighted estimate of credit losses. Expected credit losses are based on the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive, discounted at the effective interest rate of the financial asset. Losses are recognized in profit or loss and are deducted from the gross carrying amount of the assets. If the amount of the credit loss subsequently decreases and the decrease can be related objectively to an event occurring after the expected credit loss was recognized, then the previously recognized credit loss is reversed through profit or loss.

ii. Non-financial assets

The carrying amounts of non-financial assets, other than inventories and employee benefit plan assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the greater of an asset's or cash generating unit's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Impairment losses are recognized in income and are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

J. Provisions

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

K. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is earned through various distribution channels.

i. Administered games

In transactions in which the Corporation administers a game amongst players (“Administered Games”), the Corporation recognizes the portion of the wagers retained, and not distributed as prizes, as revenue from operating the game.

Product	Channel	Revenue recognition policy
Lottery draw-based games	LR ¹ and PN ²	Recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue (note 17) with a corresponding financial liability for the portion to be paid as prizes.
Lottery instant tickets	LR ¹	Recognized at the point of sale to a player. Instant ticket prizes are recorded as a financial liability at the expected prize percentage concurrently with the recognition of revenue.
Sports betting	LR ¹ and PN ²	Recognized in the period in which the bets settle. Receipts for bets that are received before March 31 for events that occur subsequent to that date are recorded as deferred revenue and as a financial liability for the portion to be paid as prizes.
Bingo games	GF ³ and PN ²	Recognized in the same period in which the games are played.

¹ Revenue is generated through contracted lottery retailers (LR).

² Revenue is generated online at PlayNow.com (PN).

³ Revenue is generated through contracted gaming facility service providers (GF).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

K. Revenue (continued)

ii. Wagered games

In transactions in which the Corporation and players are wagering against a specific outcome of an event (“Wagered Games”), the Corporation is exposed to gains or losses, which are recognized in revenue.

Product	Channel	Revenue recognition policy
Slot and table games	GF ¹ and PN ²	Recognized, net of financial liabilities under customer loyalty programs, in the same period in which the games are played.
Lottery draw-based games	LR ³ and PN ²	Recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as unsettled wagers (note 18).
Sports betting	LR ³ and PN ²	Recognized in the period in which the bets settle. Receipts for bets that are received before March 31 for events that occur subsequent to that date are recorded as unsettled wagers.

¹ Revenue is generated through contracted gaming facility service providers (GF).

² Revenue is generated online at PlayNow.com (PN).

³ Revenue is generated through contracted lottery retailers (LR).

In Administered Games where the Corporation earns a variable commission, the variable commission exposes the Corporation to a gain or loss depending on the actual amount of the payout versus the expected prize percentage, which is initially accounted for as a financial liability.

Gains on unclaimed prizes arising from regional lottery games are recognized as revenue when they expire. Unclaimed prizes arising from national lottery games are administered by the Interprovincial Lottery Corporation and, accordingly, are not recognized by the Corporation.

Liabilities under customer loyalty programs are reported as unsettled wagers due to their potential to be discharged through the redemption of free play on Wagered Games.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

3. Significant accounting policies (continued)

L. Commissions

Commissions paid to lottery retailers are based on revenue generated and prize payments to players, in accordance with underlying lottery retailer agreements. BCLC recognizes commission expenses at the point of sale to a player for revenue-based commissions and at the point of ticket validation for prize payment-based commissions.

Commissions paid to gaming facility service providers, including commissions for facility investment, are based on revenue generated in accordance with underlying operational services agreements. BCLC recognizes commission expenses in the same period in which the revenues are generated. Commissions paid in advance of revenue being generated are recognized as commission advances on the statement of financial position.

4. Financial risk management and fair value

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

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

	Risks		
	Credit	Market	Liquidity
Cash and cash equivalents	X		
Accounts receivable	X		
Commission advances	X		
Gaming cash floats	X		
Prizes payable			X
Accounts payable, accrued and other liabilities			X
Short-term financing		X	X
Unsettled wagers			X
Lease liabilities			X
Due to the Government of British Columbia			X

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

4. Financial risk management and fair value (continued)

A. General

The Corporation's Board of Directors has the responsibility to manage the affairs of the Corporation.

The Board's role includes oversight of the Corporation's enterprise risk management program, and the integrity of the Corporation's internal control and management systems. The Board, with the support of its Strategy Committee (formerly, the Strategy & Risk Committee of the Whole), monitors the Corporation's risk tolerance and risk capacity levels and considers strategic risks as part of the annual strategic planning process. The Board, with support of the Audit Committee, provides oversight of the effectiveness of the Corporation's systems of internal control over financial information.

The Corporation has a legal, security and compliance division, as well as an internal audit services department. Furthermore, the Corporation has a dedicated enterprise risk management services department to support the enterprise risk management program in the assessment, monitoring and reporting of strategic and operational risks that may impact the ability of the Corporation to deliver on its objectives. The enterprise risk management services department reports quarterly on its activities and on the Corporation's risk profile for review by management and the Strategy Committee of the Board of Directors.

B. Credit risk

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its contractual obligations to the Corporation. The following table summarizes the Corporation's credit risk by financial asset.

Financial asset	Credit risk
Cash and cash equivalents	Cash and cash equivalents are held with banks and counterparties that have high credit ratings and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. The Corporation has a formal policy and guidelines in place for cash equivalents that provide direction for the management of the Corporation's funds with respect to the allocation of responsibilities, investment objectives, asset allocation, allowable fund holdings and investment constraints, and performance standards.
Accounts receivable	Accounts receivable relates to credit provided to lottery retailers and gaming facility service providers. Normal credit terms for accounts receivable are payment within 30 days or less. As at March 31, 2023 and 2022, there were no significant invoiced accounts receivable outstanding for more than 30 days.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

4. Financial risk management and fair value (continued)

B. Credit risk (continued)

Financial asset	Credit risk
Commission advances	Commission advances resulted from the Corporation providing eligible gaming facility service providers with the option to receive an advance of future commissions to support facility reopening after the extended period of closure due to the COVID-19 pandemic. Commencing April 2023, weekly commission payments to gaming facility service providers will be reduced by 10% until the commission advance is fully repaid. Service providers may exercise the right to make prepayments.
Gaming cash floats	Gaming cash floats have been temporarily provided to gaming facility service providers under amendments to operational services agreements. Although the gaming cash floats are unsecured, the Corporation has limited the exposure to credit risk by restricting their use by gaming facility service providers. These floats are held separately onsite at gaming facilities and are authorized to be used solely by the gaming facility service providers for the purposes of making change, redeeming chips, and paying winnings. The operational services agreement amendments provide the Corporation the right to call back these funds with 60 days notice, and the right to require the repayment of the gaming cash floats upon an event of default. The Corporation requires gaming facility service providers to include the repayment schedule of gaming cash floats in their annual business plan submissions, including outlining how they will fund the repayment of the gaming cash floats. The gaming cash floats are repayable on or before December 31, 2023.

The Corporation's net exposure to credit risk for financial assets at the reporting date is represented by the carrying amounts less any irrevocable standby letters of credit or security deposits. These amounts are listed as follows:

	2023		2022	
Maximum exposure	\$	178,423	\$	206,569
Collateral		(4,082)		(3,936)
Net exposure	\$	174,341	\$	202,633

Expected credit losses

Accounts receivable, gaming cash floats and commission advances are net of expected credit losses, which consist of a specific allowance estimated based on assessment of the current economic environment and past experience. The Corporation's exposure to credit losses is primarily due to amounts owing from lottery retailers and gaming facility service providers.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

4. Financial risk management and fair value (continued)

B. Credit risk (continued)

i. Lottery retailers

The Corporation has arrangements with approximately 3,500 lottery retailers but is not materially exposed to any individual lottery retailer. The objectives of the Corporation's lottery retailer credit policies are to provide retailers with adequate time to sell lottery products before payment is required, while not exposing the Corporation to unacceptable risks. Credit assessments are completed for new retailers and may also be completed for retailers who have experienced insufficient fund occurrences on bank sweeps, or in cases where there are concerns that retailers might be experiencing financial difficulties. Security is obtained from lottery retailers who are considered to be of high financial risk or from lottery retailers where minimal credit information is available. Security may include irrevocable standby letters of credit, security deposits, or personal guarantees.

The Corporation has assessed the expected credit loss for lottery retailers and no material credit losses are expected as the balances outstanding continue to be short-term in nature and collected through bank sweeps without any material losses.

ii. Gaming facility service providers

The Corporation has operating agreements with 13 gaming facility service providers. The Corporation has a concentrated credit risk exposure with its three (2022: three) largest gaming facility service providers. Concentrated credit risk exists when the outstanding balance owing from an individual gaming facility service provider represents more than 10% of the total owed from all gaming facility service providers. As at March 31, 2023, the total balance of financial assets subject to a concentration of credit risk was \$103,216 (2022: \$95,743), which represents 95% (2022: 96%) of the total amount due from gaming facility service providers.

At any time, accounts receivable from gaming facility service providers includes balances relating to player funds held for outstanding chips. These balances, which represent the Corporation's liability to players, are held in trust and are not invoiced because they will be relieved through the normal course of operations.

The Corporation monitors gaming facility service providers' financial health by reviewing their cash-flow and liquidity, solvency, and profitability metrics to assess their ability to service external debt obligations. The Corporation has not experienced any material collection issues related to accounts receivable from gaming facility service providers. The Corporation has considered its historical experience and current collection of accounts receivable in the assessment of credit risk related to gaming cash floats and commission advances.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

4. Financial risk management and fair value (continued)

B. Credit risk (continued)

ii. Gaming facility service providers (continued)

At March 31, 2023, an allowance for expected credit losses of \$1,820 (2022: \$1,010) has been recognized. The estimated allowance for impairment loss is reflective of the related credit risk.

The movement in the allowance for impairment in respect of accounts receivable, commission advances and gaming cash floats during the year was as follows:

	2023	2022
Balance at April 1	\$ 1,010	\$ 1,000
Net remeasurement of loss allowance	810	(864)
Provision of gaming cash floats and commission advances	-	874
Balance at March 31	\$ 1,820	\$ 1,010

C. Market risk

Market risk, including interest rate risk, is the risk that changes in market prices will affect the fair value of, or future cash flows from, a financial instrument. The Corporation is subject to interest rate risk when it renews its short-term financing at rates determined by current market conditions.

The Corporation does not account for any fixed-rate financial liabilities at fair value through profit or loss and does not utilize interest rate swaps. Therefore, a change in interest rates at the reporting date would not affect income.

D. Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

4. Financial risk management and fair value (continued)

D. Liquidity risk (continued)

To manage cash flow requirements, the Corporation has a short-term financing agreement with the Government of British Columbia under its Fiscal Agency Loan program (note 16). Under this agreement, the Corporation may, until March 31, 2024, borrow up to an aggregate amount of \$325 million, thereafter \$250 million. The Government of British Columbia uses reasonable efforts to comply with the borrowing requirements of the Corporation by securing funds at market rates; however, the interest rate on any loan will be determined at the sole discretion of the Government of British Columbia. Loans are unsecured and there are no pre-established repayment terms other than the requirement that loans must have a short-term duration. The terms are set by the Government of British Columbia each time a loan is requested under this agreement. To date, the durations of the loans have not exceeded 90 days.

The Corporation also has an unused \$10 million demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2022: prime rate).

The contractual maturities of all financial liabilities except lease liabilities as at March 31, 2023 and 2022 are 90 days or less. The contractual maturities of the Corporation's lease liabilities are included in note 10.

The Corporation manages liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis to ensure that sufficient funds are available to meet the Corporation's financial obligations.

E. Fair values

The carrying amounts of financial assets and financial liabilities not classified as fair value through profit or loss approximate their fair values at the reporting date. This is due to the relatively short periods to maturity of these items or because they are due on demand. The carrying values of gaming cash floats and commission advances approximate their fair values and are estimated based on discounted contractual future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

5. Cash and cash equivalents

	2023	2022
Cash	\$ 6,221	\$ 35,421
Funds held for player accounts	20,967	20,249
Funds held for security deposits	3,705	3,591
	\$ 30,893	\$ 59,261

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player accounts liability in the amount of \$20,967 (2022: \$20,249) is included in accounts payable, accrued and other liabilities (note 15).

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of \$3,705 (2022: \$3,591) is included in accounts payable, accrued and other liabilities (note 15).

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

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

6. Accounts receivable

The Corporation has an enforceable right to offset certain liabilities payable with accounts receivable and intends to settle the amounts on a net basis.

	Gross amounts	Amounts offset in the statement of financial position ¹	Net amounts presented in the statement of financial position
As at March 31, 2023			
Lottery retailers	\$ 50,517	\$ (15,111)	\$ 35,406
Gaming facility service providers ²	33,376	(11,368)	22,008
Other	11,913	(4,799)	7,114
	\$ 95,806	\$ (31,278)	\$ 64,528
As at March 31, 2022			
Lottery retailers	\$ 52,368	\$ (16,118)	\$ 36,250
Gaming facility service providers ²	23,634	(8,284)	15,350
Other	16,324	(1,102)	15,222
	\$ 92,326	\$ (25,504)	\$ 66,822

¹ Impacts of offsetting to liabilities are disclosed in note 15.

² Net of allowance for impairment of \$316 (2022: \$136).

The accounts receivable balances include amounts from the sale of both Administered Games and Wagered Games.

The Corporation's exposure to credit risk and impairment losses related to accounts receivable is disclosed in note 4(B).

7. Inventories

The major components of inventories are as follows:

	2023	2022
Lottery instant tickets	\$ 4,298	\$ 5,094
Slot machine spare parts	2,880	3,302
Other	1,738	2,150
	\$ 8,916	\$ 10,546

For the year ended March 31, 2023, inventories recognized as an expense amounted to \$18,796 (2022: \$18,164), which includes write-downs of \$1,573 (2022: \$833).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

8. Commission advances

	2023	2022
Balance at April 1	\$ 33,825	\$ -
Repayments	(395)	-
Advances against future commissions	-	32,699
Service fees accrued	2,106	1,499
Allowance for expected credit losses	(345)	(373)
	\$ 35,191	\$ 33,825
Current	\$ 33,529	\$ -
Non-current	1,662	33,825
Balance at March 31	\$ 35,191	\$ 33,825

Commission advances are subject to a monthly service fee of 0.5% to be applied on the aggregate outstanding amount. Collection of the aggregate outstanding amount will commence April 2023 with repayment terms as described in note 4(B).

The Corporation's exposure to credit risk related to commission advances is disclosed in note 4(B).

9. Gaming cash floats

	2023	2022
Balance at April 1	\$ 46,661	\$ -
Funds advanced	-	49,711
Fair value adjustment on initial recognition	-	(3,662)
Accretion income	1,435	1,113
Allowance for expected credit losses	(285)	(501)
	\$ 47,811	\$ 46,661
Current	\$ 47,811	\$ -
Non-current	-	46,661
Balance at March 31	\$ 47,811	\$ 46,661

Gaming cash floats advanced to gaming facility service providers of \$49,711 are due to the Corporation on December 31, 2023. The measurement of the fair value of the financial asset on initial recognition considered the present value of cash flows to be received by the maturity date. The expected cash flows were discounted using a risk-adjusted discount rate of 3%. Among other factors, the discount rate estimation considered the credit risk of the gaming facility service providers, inflation rate, prime rate, the term of the gaming cash floats, and the restricted use associated with the funds.

The Corporation's exposure to credit risk related to gaming cash floats is disclosed in note 4(B).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

10. Leases

The Corporation leases office and warehouse real estate, lottery retail locations, vehicles and equipment. Leases of real estate have lease terms between 8 and 30 years, while lottery retail locations, vehicles, and equipment generally have lease terms of 5 years. Real estate and lottery retail location lease agreements frequently include extension options, which have been included in the term of the leases after consideration of the likelihood of the Corporation exercising the options. Generally, the lease payments under the extensions will be negotiated upon exercise of the option.

The Corporation leases casino and community gaming equipment with lease terms between less than one year and two years. The Corporation has elected not to recognize right-of-use assets and lease liabilities for the leases of less than one year.

The Corporation leases space within the casino and community gaming service provider facilities for gaming purposes. Lease payments for the gaming floors are fully variable; as such, right-of-use assets and lease liabilities have not been recognized.

Information about leases for which the Corporation is a lessee is presented below.

i. Right-of-use assets

	Real estate	Lottery retail locations	Gaming equipment	Fleet vehicles and other	Total
Balance at April 1, 2021	\$ 35,997	\$ 8,851	\$ 188	\$ 265	\$ 45,301
Additions	9,795	2,303	959	185	13,242
Depreciation	(2,785)	(2,896)	(12)	(137)	(5,830)
Derecognition	-	(36)	(193)	-	(229)
Balance at March 31, 2022	\$ 43,007	\$ 8,222	\$ 942	\$ 313	\$ 52,484
Additions	9,273	2,497	-	170	11,940
Depreciation	(3,179)	(2,901)	(767)	(162)	(7,009)
Derecognition	-	(39)	-	-	(39)
Balance at March 31, 2023	\$ 49,101	\$ 7,779	\$ 175	\$ 321	\$ 57,376

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

10. Leases (continued)

ii. Lease liabilities

	2023	2022
Balance at April 1	\$ 54,889	\$ 48,239
Additions	11,940	13,242
Interest expense	972	685
Derecognized	(39)	(229)
Interest paid	(972)	(685)
Principal payments	(6,489)	(6,363)
	\$ 60,301	\$ 54,889
Current	\$ 5,799	\$ 6,320
Non-current	54,502	48,569
Balance at March 31	\$ 60,301	\$ 54,889

	2023	2022
Maturity analysis – undiscounted cash flows		
Less than one year	\$ 6,767	\$ 7,161
One to five years	16,996	18,066
More than five years	44,928	45,920
Total undiscounted lease liabilities at March 31	\$ 68,691	\$ 71,147

iii. Amounts recognized in profit or loss

	2023	2022
Expenses relating to short-term leases	\$ 22,881	\$ 13,952
Depreciation of right of use assets	7,009	5,830
Variable lease payments not included in the measurement of the lease liabilities ¹	2,961	2,059
Interest on lease liabilities	972	685

¹ These amounts do not include variable lease payments for the use of the gaming floors as they are recorded as part of the total commissions paid to gaming facility service providers.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

11. Property and equipment

	Land	Corporate facilities and equipment	Lottery gaming	Casino and community gaming	Assets under construction	Total
Cost						
Balance at April 1, 2022	\$ 5,373	\$ 126,732	\$ 131,932	\$ 534,586	\$ 79,286	\$ 877,909
Additions (derecognition)	(146)	3,525	1,601	38,602	34,251	77,833
Transfers	-	6,058	1,360	31,433	(38,851)	-
Disposals and retirements	-	(3,620)	(3,123)	(29,049)	-	(35,792)
Balance at March 31, 2023	5,227	132,695	131,770	575,572	74,686	919,950
Accumulated depreciation						
Balance at April 1, 2022	-	108,882	110,607	378,129	-	597,618
Depreciation for the year	-	6,322	7,185	44,387	-	57,894
Disposals and retirements	-	(3,613)	(3,120)	(27,558)	-	(34,291)
Balance at March 31, 2023	-	111,591	114,672	394,958	-	621,221
Carrying amounts						
At March 31, 2023	\$ 5,227	\$ 21,104	\$ 17,098	\$ 180,614	\$ 74,686	\$ 298,729
Cost						
Balance at April 1, 2021	\$ 5,027	\$ 125,137	\$ 128,581	\$ 522,463	\$ 50,454	\$ 831,662
Additions	346	793	3,549	21,764	44,029	70,481
Transfers	-	2,821	2,360	10,016	(15,197)	-
Disposals and retirements	-	(2,019)	(2,558)	(19,657)	-	(24,234)
Balance at March 31, 2022	5,373	126,732	131,932	534,586	79,286	877,909
Accumulated depreciation						
Balance at April 1, 2021	-	103,937	106,141	353,020	-	563,098
Depreciation for the year	-	6,963	6,998	44,026	-	57,987
Disposals and retirements	-	(2,018)	(2,532)	(18,917)	-	(23,467)
Balance at March 31, 2022	-	108,882	110,607	378,129	-	597,618
Carrying amounts						
At March 31, 2022	\$ 5,373	\$ 17,850	\$ 21,325	\$ 156,457	\$ 79,286	\$ 280,291

As of March 31, 2023, the Corporation is committed to incur capital expenditures relating to property and equipment and intangible assets of \$14,640 (2022: \$11,714). These commitments are expected to be settled within the next 12 months.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

12. Intangible assets

	Software	Assets under development	Total
Cost			
Balance at April 1, 2022	\$ 207,616	\$ 7,496	\$ 215,112
Acquisitions – separately acquired	890	4,053	4,943
Acquisitions – internally generated	-	974	974
Transfers	769	(769)	-
Disposals and retirements	(132)	-	(132)
Balance at March 31, 2023	209,143	11,754	220,897
Accumulated amortization			
Balance at April 1, 2022	174,452	-	174,452
Amortization for the year	12,525	-	12,525
Disposals and retirements	(132)	-	(132)
Balance at March 31, 2023	186,845	-	186,845
Carrying amounts			
At March 31, 2023	\$ 22,298	\$ 11,754	\$ 34,052
Cost			
Balance at April 1, 2021	\$ 189,442	\$ 19,360	\$ 208,802
Acquisitions - separately acquired	1,909	4,516	6,425
Acquisitions - internally generated	249	692	941
Transfers	17,072	(17,072)	-
Disposals and retirements	(1,056)	-	(1,056)
Balance at March 31, 2022	207,616	7,496	215,112
Accumulated amortization			
Balance at April 1, 2021	163,949	-	163,949
Amortization for the year	11,488	-	11,488
Disposals and retirements	(985)	-	(985)
Balance at March 31, 2022	174,452	-	174,452
Carrying amounts			
At March 31, 2022	\$ 33,164	\$ 7,496	\$ 40,660

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

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

13. Employee benefits

The Corporation contributes to and controls the following pension and post-retirement defined benefit plans:

Registered Pension Plan (Plan A)

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

Supplementary Pension Plan (Plan B)

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

Post-Retirement Benefit Plan – Non-Pension (Plan C)

Plan C covers qualifying employees for post-retirement medical, dental and life insurance benefits.

The Corporation, as the plan sponsor and plan administrator, has established the Pension Committee to have primary responsibility for the administration and oversight of the plans and to perform certain delegated responsibilities. The Board of Directors provides governance oversight of the plan through the Audit Committee and People and Culture Committee.

These plans expose the Corporation to foreign currency risk, interest rate risk, longevity risk, inflation risk, and other market price risk.

A. Funding

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

If at any time the actuary certifies that the net assets available for benefits under Plan A exceed the actuarially-determined present value of the accrued pension benefit obligation, such surplus, or any portion thereof, may be used by the Corporation at its discretion, to improve the benefits provided by Plan A or reduce contribution obligations, subject to PBSA restrictions and *Income Tax Act (Canada)* requirements.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

13. Employee benefits (continued)

A. Funding (continued)

The Corporation expects to contribute \$12,606 to Plan A in the year ending March 31, 2024. This amount may materially change based on the results of the actuarial valuation for funding purposes as of December 31, 2022, which is in progress at the reporting date.

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

B. Movement in net defined benefit liability (asset)

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2023	2022	2023	2022	2023	2022
Balance at April 1	\$ 378,823	\$ 425,417	\$ (378,921)	\$ (362,870)	\$ (98)	\$ 62,547
Included in income						
Current service cost	15,601	19,027	-	-	15,601	19,027
Interest cost (income)	17,155	14,950	(16,697)	(12,343)	458	2,607
Administration cost	-	-	330	385	330	385
	32,756	33,977	(16,367)	(11,958)	16,389	22,019
Included in other comprehensive income						
Re-measurements loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	-	(7,504)	-	-	-	(7,504)
Financial assumptions	(41,550)	(61,332)	-	-	(41,550)	(61,332)
Experience adjustments	1,636	502	-	-	1,636	502
Loss (return) on plan assets excluding interest income	-	-	460	(3,202)	460	(3,202)
	(39,914)	(68,334)	460	(3,202)	(39,454)	(71,536)
Other						
Contributions paid by the employer	-	-	(14,292)	(13,128)	(14,292)	(13,128)
Contributions paid by the employee	3,445	3,199	(3,445)	(3,199)	-	-
Benefits paid	(16,509)	(15,436)	16,509	15,436	-	-
	(13,064)	(12,237)	(1,228)	(891)	(14,292)	(13,128)
Balance at March 31	\$ 358,601	\$ 378,823	\$ (396,056)	\$ (378,921)	\$ (37,455)	\$ (98)
Represented by:					2023	2022
Net defined benefit asset (Plan A)					\$ (83,990)	\$ (47,679)
Net defined benefit liability (Plans B and C)					46,535	47,581
					\$ (37,455)	\$ (98)

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

13. Employee benefits (continued)

C. Plan assets

Plan assets are comprised of:

	2023	2022
Global equities		
Financials	\$ 39,092	\$ 37,548
Information technology	38,379	40,528
Health care	26,874	26,558
Industrials	23,143	21,538
Consumer discretionary ¹	15,865	14,663
Communication services ¹	14,848	14,087
Consumer staples	12,533	16,412
Other ¹	19,032	22,740
	189,766	194,074
Private equities	66,215	50,299
Infrastructure	42,156	-
Long term bonds		
Government	38,041	49,033
Corporate	16,277	17,341
	54,318	66,374
Real return bonds		
Government	41,185	56,867
Cash	2,416	11,307
Total Plan Assets	\$ 396,056	\$ 378,921

¹ The current year presentation has been updated to report consumer discretionary and communication services separately. In the prior year consumer discretionary of \$14,663 and communication services of \$14,087 were included in other.

Global equities are held in pooled funds and are valued at the unit values supplied by the pooled fund administrator, which represent Plan A's proportionate share of the underlying net investments at fair values determined using closing share prices in active public markets.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

13. Employee benefits (continued)

C. Plan assets (continued)

Private equities and infrastructure assets are held in funds with external investment managers and are valued based on provided valuation statements, which represent Plan A's proportionate share of the estimated fair value of the underlying assets. For private equities, fair values of the underlying assets are determined using valuation models incorporating data from recent transactions and comparable public market investments, discounted cash flow analysis, and valuations of partner capital statements. For infrastructure assets, the fair value of the underlying investments is determined through a process undertaken with an independent third-party external valuator on a quarterly basis, with each investment undergoing a full independent valuation at least once per year.

The fair values of long-term bonds and real return bonds are determined based on price quotations; however, the underlying market in which a substantial portion of these instruments are traded is not considered active.

Plan contributions are invested in equities, infrastructure and bonds. With consideration of the long-term nature of the plan liabilities, and the shorter-term liquidity needs for payments to retirees, the Corporation has a general target allocation of 60% return seeking assets and 40% liability hedging assets. As a general policy, and in accordance with the relevant regulations, the Corporation has adopted the investment guidelines of the PBSA for defining permissible investment activities for money held in trust. Overall, the portfolio of Plan A's assets is managed within the parameters of the strategic asset mix comprising of 40% to 70% return seeking assets, 30% to 50% liability hedging assets, and up to 5% cash and cash equivalents.

D. Defined benefit obligation

i. Actuarial valuation and assumptions

An actuarial valuation for funding purposes is required, at a minimum, every three years to assess the financial position of Plan A. An actuarial valuation for funding purposes as of December 31, 2022 is in progress at the reporting date and a determination of the funded status of the pension plan will be available in mid-2023. The most recently completed actuarial valuation of Plan A for funding purposes was performed as at December 31, 2019, by LifeWorks (Canada) Ltd. doing business as TELUS Health (formerly Morneau Shepell Ltd.), an independent firm of consulting actuaries. The defined benefit obligation for Plan A has been based on this valuation, with adjustments made for cash flows and material events since that date. In addition, certain assumptions have been updated to reflect market conditions as at March 31, 2023.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

13. Employee benefits (continued)

D. Defined benefit obligation (continued)

i. Actuarial valuation and assumptions (continued)

There is no statutory actuarial valuation requirement for Plan B. The defined benefit obligation for Plan B is based on data collected for those members as at March 31, 2023.

There is no statutory actuarial valuation requirement for Plan C; however, a full actuarial valuation is completed every three years on Plan C. A full actuarial valuation of Plan C was performed by HUB International Ltd. as at November 2, 2021. The defined benefit obligation for Plan C has been based on this valuation, with adjustments made for cash flows and material events to March 31, 2023.

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

	Plans A and B		Plan C	
	2023	2022	2023	2022
Discount rate:				
Defined benefit obligation	5.00%	4.40%	5.00%	4.40%
Benefit cost	4.40%	3.40%	4.40%	3.40%
Rate of compensation increase for the fiscal year	3.00%	2.50%	-	-
Future compensation increases	3.00%	2.50%	-	-
Inflation	2.00%	2.30%	-	-
Initial weighted-average health care trend rate	-	-	4.87%	4.87%
Ultimate weighted-average health care trend rate	-	-	3.97%	3.97%
Year ultimate weighted-average health care trend rate reached	-	-	2040	2040
Assumed life expectations on retirement at age 65				
Current pensioners				
Male	22.8	22.8	22.8	22.8
Female	25.2	25.1	25.2	25.1
Retiring in 20 years				
Male	23.8	23.8	23.8	23.8
Female	26.1	26.1	26.1	26.1

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

13. Employee benefits (continued)

D. Defined benefit obligation (continued)

ii. Sensitivity analysis

Changes at March 31, 2023 to one of the relevant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation by the following amounts:

	Effect on the defined benefit obligation			
	2023		2022	
	Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
Discount rate (1% movement)	\$ (45,363)	\$ 56,992	\$ (49,228)	\$ 62,358
Future compensation increase (1% movement)	14,645	(12,921)	13,899	(11,946)
Inflation (1% movement)	22,480	(20,543)	22,998	(20,967)
Health care cost trend rate (1% movement)	3,091	(3,081)	3,412	(3,411)
Future mortality (10% movement)	(5,830)	6,334	(6,382)	6,969

In practice, it is unlikely that one assumption would change while all other assumptions remained constant, since changes in some of the assumptions are interdependent; however, this analysis does provide an approximation of the sensitivity of the assumptions shown.

iii. Maturity profile of plan membership

The breakdown of the defined benefit obligation at March 31, 2023 (as a percentage of the total) in respect of active employees, former employees who have not yet started receiving a pension (deferred vested), and former employees and other beneficiaries receiving a pension (retirees), is as follows:

	Defined benefit obligation	
	2023	2022
Active members	51%	52%
Deferred vested members	5%	5%
Retirees	44%	43%
Total	100%	100%

At March 31, 2023, the weighted-average duration of the defined benefit obligation was 13.7 years (2022: 14.6 years).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

14. Prizes payable

	2023	2022
Lottery games	\$ 25,252	\$ 29,471
Progressive jackpots	8,081	10,841
Other	256	98
	\$ 33,589	\$ 40,410

15. Accounts payable, accrued and other liabilities

	2023	2022 ¹
Accrued expenses ¹	\$ 44,592	\$ 43,029
Trade payables	24,256	39,717
Player accounts liability (note 5)	20,967	20,249
Indirect tax payable	6,229	5,199
Security deposits payable (note 5)	3,705	3,591
Interprovincial Lottery Corporation	3,607	3,516
Other	21,847	17,482
	\$ 125,203	\$ 132,783

¹ The current year presentation of provisions has been updated to report provisions separately in note 20. In the prior year provisions of \$3,343 were included in accrued expenses.

Under agreements with its counterparties, the Corporation has an enforceable right to offset certain liabilities payable with accounts receivable and intends to settle the amounts on a net basis (note 6). As at March 31, 2023, gross accounts payable, accrued and other liabilities of \$156,481 (2022: \$158,287) were offset against accounts receivable in the amount of \$31,278 (2022: \$25,504), resulting in a net balance of \$125,203 (2022: \$132,783) presented in the statement of financial position.

The Corporation's exposure to liquidity risk related to accounts payable, accrued and other liabilities is disclosed in note 4(D).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

16. Short-term financing

2023						
Type	Repayment	Principal	Interest	Rate	Maturity	Outstanding
Government of British Columbia loans (unsecured)	Single installment	\$ 50,001	\$ 199	4.40%	April 11, 2023 ¹	\$ 50,134
	Single installment	49,966	184	4.33%	April 3, 2023 ¹	50,131
	Single installment	39,999	141	4.29%	April 28, 2023 ¹	40,009
		\$ 139,966	\$ 524			\$ 140,274

¹ Repaid and refinanced within the normal course of operations subsequent to March 31, 2023

2022						
Type	Repayment	Principal	Interest	Rate	Maturity	Outstanding
Government of British Columbia loans (unsecured)	Single installment	\$ 50,036	\$ 7	0.16%	April 11, 2022	\$ 50,041
	Single installment	50,030	9	0.20%	April 4, 2022	50,037
	Single installment	39,989	11	0.36%	April 21, 2022	39,992
		\$ 140,055	\$ 27			\$ 140,070

Reconciliation of the movements of liabilities to cash flows arising from financing activities:

	2023	2022
Balance at April 1	\$ 140,070	\$ 179,896
Changes from financing cash flows		
Proceeds from borrowings	1,845,192	1,899,866
Repayment of borrowings	(1,845,281)	(1,939,710)
Total changes from financing cash flows	(89)	(39,844)
Other changes		
Interest expense	3,053	87
Interest paid	(4,147)	(97)
Capitalized borrowing costs	1,387	28
Total other changes	293	18
Balance at March 31	\$ 140,274	\$ 140,070

The Corporation's exposure to liquidity risk related to short-term financing is disclosed in note 4(D).

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

17. Deferred revenue

Deferred revenue includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date as described in note 3(K). The amounts recorded below are expected to be recognized as revenue by the Corporation within 12 months. All deferred revenue at March 31, 2022 has been recognized as revenue during the year ended March 31, 2023.

	2023	2022
Lottery games	\$ 22,407	\$ 25,153
Other	802	1,272
	\$ 23,209	\$ 26,425

18. Unsettled wagers

Unsettled wagers include revenue expected to be recognized in the future related to outcomes that have not yet occurred at the reporting date as described in note 3(K). The amounts recorded below are expected to be recognized as revenue by the Corporation within 12 months.

	2023	2022
Customer loyalty programs	\$ 3,551	\$ 11,536
Lottery games	1,391	1,208
Sports betting	1,337	1,000
Other	831	726
	\$ 7,110	\$ 14,470

19. Distributions to the Government of British Columbia

In accordance with the *Gaming Control Act* (B.C.) (“the Act”), net income in each fiscal year, after deducting amounts due to the Government of Canada (note 23), is paid into the consolidated revenue fund of the Government of British Columbia in the manner directed by the Lieutenant Governor in Council. These distributions are inclusive of the 7% of “actual net income” as defined in the Act, that is remitted by the Government of British Columbia to the BC First Nations Gaming Revenue Sharing Limited Partnership as outlined in section 14.3 of the Act. The Government of British Columbia has also established various agreements that further distribute the Corporation’s net income, including payments to host local governments of gaming facilities and the horse racing industry. The Corporation’s transfer of distributions to the Government of British Columbia occurs after each fiscal month-end. The Corporation does not retain any earnings.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

20. Provisions

The Corporation recognizes provisions for liabilities associated with the decommissioning or environmental remediation of property and equipment when obligations result from acquisition, construction, development and/or normal operation of assets. The Corporation expects that the associated cash outflows in respect of the balance accrued as at the financial statement date will occur proximate to the dates these assets are retired or remediated.

	2023	2022 ¹
Balance at April 1	\$ 3,343	\$ 3,096
Additions and effect of discounting	525	364
Uses	(234)	(117)
Reversals	(146)	-
Balance at March 31	\$ 3,488	\$ 3,343

¹ The current year presentation of provisions has been updated to report provisions separately. In the prior year provisions of \$3,343 were included in accrued expenses (note 15).

21. Accumulated deficit

Upon adoption of IFRS, subsequent adoption of new or amended IFRS standards, and retrospective application of changes to accounting policies, the Corporation was required to adjust amounts previously reported in its financial statements. These adjustments did not reduce the amounts distributed to the Government of British Columbia and therefore resulted in the Corporation recognizing an accumulated deficit.

	Accumulated deficit
Adoption of IFRS ¹	\$ (17,728)
Adoption of amended IAS 19 <i>Employee Benefits</i> ²	584
Adoption of IFRS 15 <i>Revenue from Contracts with Customers</i> ³	(8,319)
Adoption of International Financial Reporting Standards Interpretations Committee (IFRIC) clarifying guidance on IAS 19 <i>Employee Benefits</i> ⁴	7,613
	\$ (17,850)

¹ IFRS was adopted for the fiscal year ended March 31, 2012.

² Amended IAS 19 was adopted for the fiscal year ended March 31, 2014.

³ IFRS 15 was adopted for the fiscal year ended March 31, 2019.

⁴ IAS 19 IFRIC clarifying guidance was adopted for the fiscal year ended March 31, 2022.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

22. Revenue

The Corporation's revenue is disaggregated by major product lines as follows:

		2023		
	Wagered Games	Administered Games	Total	
Slot and table games	\$ 2,218,042	\$ 29,583	\$ 2,247,625	
Lottery games	220,358	403,228	623,586	
Sports betting	37,443	1,586	39,029	
Bingo games	-	17,215	17,215	
Other	-	29,776	29,776	
	\$ 2,475,843	\$ 481,388	\$ 2,957,231	

		2022		
	Wagered Games	Administered Games	Total	
Slot and table games	\$ 1,642,161	\$ 8,619	\$ 1,650,780	
Lottery games	229,297	408,969	638,266	
Sports betting	29,858	1,819	31,677	
Bingo games	-	11,845	11,845	
Other	-	29,035	29,035	
	\$ 1,901,316	\$ 460,287	\$ 2,361,603	

For the year ended March 31, 2023, gains on the expiry of prizes payable of \$9,300 (2022: \$7,574) are included in revenue.

23. Payments to the Government of Canada on behalf of the Government of British Columbia

The Corporation makes payments to the Interprovincial Lottery Corporation (ILC), which are then paid to the Government of Canada as a result of an agreement between the provincial and federal governments following the withdrawal of the Government of Canada from the lottery field. The agreement requires the provinces, on a combined basis, to make on-going payments of \$24 million in 1979 dollars annually on an inflation adjusted basis. The Corporation, as the B.C. regional marketing organization of ILC, remits the Government of British Columbia's portion of the payments based on current population statistics.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

24. Contingencies

From time to time, the Corporation is party to legal proceedings and claims that arise in the ordinary course of business. A provision for these contingencies is recognized when it is probable that there will be an outflow of economic benefits and the amount can be estimated reliably.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. BCLC is required to have all indemnification obligations approved by the B.C. Government Risk Management Branch. These indemnifications typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third-party claims. The nature of these agreements prevents the Corporation from making reasonable estimates of the maximum amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnifications.

25. Related party transactions

BCLC, as a wholly-owned crown corporation, is controlled by the Government of British Columbia. Included in these financial statements are transactions with various ministries, agencies, and crown corporations related to the Corporation by virtue of common control.

All transactions with the Government of British Columbia ministries, agencies, and crown corporations occurred in the normal course of operations. Transactions that are considered to be individually or collectively significant include loan agreements (note 16) and distributions to the Government of British Columbia (note 19). The Corporation pays Provincial Sales Tax on its taxable purchases and also collects and remits Provincial Sales Tax to the Government of British Columbia on its taxable sales (note 26).

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

	2023	2022
Short-term employee benefits ¹	\$ 2,239	\$ 2,193
Post-retirement benefits ²	192	175
	\$ 2,431	\$ 2,368

¹ Salaries and non-cash benefits

² Contributions to the Registered Pension Plan and amounts for the Supplementary Pension Plan outlined in note 13

The Corporation is also related to the pension and post-retirement defined benefit plans. Transactions with these plans are disclosed in note 13.

British Columbia Lottery Corporation

Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2023

(in thousands of Canadian dollars)

26. Indirect tax expense

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

Provincial Sales Tax is calculated and remitted to the Province of B.C. pursuant to the *Provincial Sales Tax Act*.