British Columbia Lottery Corporation

Audited Consolidated Financial Statements

Year ended March 31, 2013

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KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the British Columbia Lottery Corporation which are comprised of the consolidated statement of financial position as at March 31, 2013, the consolidated statements of comprehensive income, changes in deficit, and cash flows for the year then ended, and notes, which are comprised of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the British Columbia Lottery Corporation as at March 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 22, 2013

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British Columbia Lottery Corporation
Consolidated Statement of Financial Position

March 31, 2013, with comparative information for 2012
(in thousands of Canadian dollars)

		March 31, 2013		March 31, 2012
Assets				
Current assets				
Cash (note 5)	$	**48,758**	$	52,130
Short-term investments (note 6)		**14,754**		29,335
Accounts receivable (note 7)		**41,933**		32,310
Receivable from Interprovincial Lottery Corporation		**7,154**		-
Prepaid expenses		**5,485**		4,439
Inventories (note 8)		**9,998**		9,819
Total current assets		**128,082**		128,033
Employee future benefits (note 9)		**-**		1,546
Property and equipment (note 10)		**141,192**		138,710
Intangible assets (note 11)		**82,652**		43,878
Total non-current assets		**223,844**		184,134
Total assets	$	**351,926**	$	312,167
Liabilities				
Current liabilities				
Cheques issued in excess of funds on hand	$	**7,325**	$	-
Prizes payable (note 12)		**31,201**		31,410
Accounts payable, accrued liabilities and other (note 13)		**69,240**		47,694
Short-term financing (note 14)		**131,704**		90,122
Payable to Interprovincial Lottery Corporation		**-**		714
Due to Government of British Columbia		**111,296**		136,627
Deferred revenue		**6,274**		3,825
Total current liabilities		**357,040**		310,392
Employee future benefits (note 9)		**57,375**		52,873
Total non-current liabilities		**57,375**		52,873
Total liabilities		**414,415**		363,265
Deficit				
Accumulated deficit		**(17,728)**		(17,728)
Accumulated other comprehensive loss		**(44,761)**		(33,370)
Total deficit		**(62,489)**		(51,098)
Total liabilities and deficit	$	**351,926**	$	312,167

Commitments and contingencies (notes 19 and 20)

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Chair, Board of Directors

Michael Riley
Chair, Audit Committee

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Year ended March 31, 2013
(in thousands of Canadian dollars)

		2013		2012
Revenue	**$**	**2,731,901**	$	2,701,457
Prizes		**649,558**		641,945
Net win		**2,082,343**		2,059,512
Commissions and fees		**605,784**		599,550
Systems, maintenance and ticket distribution		**29,420**		29,105
Gaming equipment, leases and licenses		**19,545**		18,631
Ticket printing		**11,811**		12,145
		666,560		659,431
Employee costs		**84,348**		82,118
Amortization and depreciation		**54,709**		67,074
Advertising, marketing and promotions		**28,279**		31,573
Professional fees and services		**9,149**		8,089
Cost of premises		**6,384**		6,265
Net finance costs (note 15)		**350**		458
Other		**8,208**		10,167
		191,427		205,744
Income before the undernoted		**1,224,356**		1,194,337
Harmonized sales tax expense		**96,751**		86,902
Net income		**1,127,605**		1,107,435
Other comprehensive loss				
Defined benefit plan actuarial losses (note 9)		**(11,391)**		(17,827)
Total comprehensive income	**$**	**1,116,214**	$	1,089,608

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation
Consolidated Statement of Changes in Deficit

Year ended March 31, 2013
(in thousands of Canadian dollars)

	Accumulated Deficit	AOCL [1]	Total Deficit
Opening balance, April 1, 2011	$ (17,728)	$ (15,543)	$ (33,271)
Net income	1,107,435	-	1,107,435
Distributions to Government of British Columbia (note 16)	(1,098,271)	-	(1,098,271)
Distributions to Government of Canada (note 17)	(9,164)	-	(9,164)
Defined benefit plan actuarial losses (note 9)	-	(17,827)	(17,827)
Ending balance, March 31, 2012	$ (17,728)	$ (33,370)	$ (51,098)
Net income	**1,127,605**	**-**	**1,127,605**
Distributions to Government of British Columbia (note 16)	**(1,118,394)**	**-**	**(1,118,394)**
Distributions to Government of Canada (note 17)	**(9,211)**	**-**	**(9,211)**
Defined benefit plan actuarial losses (note 9)	**-**	**(11,391)**	**(11,391)**
Ending balance, March 31, 2013	**$ (17,728)**	**$ (44,761)**	**$ (62,489)**

1 Accumulated Other Comprehensive Loss

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation
Consolidated Statement of Cash Flows

Year ended March 31, 2013
(in thousands of Canadian dollars)

	2013	2012
Cash provided by (used in):		
Cash flows from operating activities:		
Net income	**$ 1,127,605**	$ 1,107,435
Items not involving cash:		
Depreciation of property and equipment	**40,983**	55,141
Amortization of intangible assets	**13,726**	11,933
Loss on disposal of property and equipment	**130**	420
Loss on disposal of intangible assets	**3**	369
Net benefit plan expense	**8,870**	8,691
Write-down of inventory to net realizable value	**1,004**	383
Net finance costs	**350**	458
	1,192,671	1,184,830
Changes in:		
Accounts receivable	**(9,691)**	(8,104)
Receivable from Interprovincial Lottery Corporation	**(7,154)**	-
Prepaid expenses	**(1,046)**	(477)
Inventories	**(1,183)**	(661)
Employee future benefits	**(14,213)**	(15,900)
Prizes payable	**(209)**	4,212
Accounts payable, accrued liabilities and other	**8,929**	2,282
Payable to Interprovincial Lottery Corporation	**(714)**	(2,428)
Deferred revenue	**2,449**	(4,159)
Interest received	**564**	406
Net cash from operating activities	**1,170,403**	1,160,001
Cash flows from financing activities:		
Increase in short-term financing	**41,582**	5,073
Interest paid	**(843)**	(744)
Distributions to Government of British Columbia	**(1,143,725)**	(1,077,401)
Distributions to Government of Canada	**(9,211)**	(9,164)
Net cash used in financing activities	**(1,112,197)**	(1,082,236)
Cash flows from investing activities:		
Additions to property and equipment	**(42,589)**	(49,381)
Additions to intangible assets	**(41,428)**	(25,066)
Proceeds on disposal of property and equipment	**533**	638
Net cash used in investing activities	**(83,484)**	(73,809)
Net increase (decrease) in cash and cash equivalents	**(25,278)**	3,956
Cash and cash equivalents, beginning of year	**81,465**	77,509
Cash and cash equivalents, end of year	**$ 56,187**	$ 81,465
Cash and cash equivalents are comprised of:		
Cash	**$ 48,758**	$ 52,130
Short-term investments	**14,754**	29,335
Cheques issued in excess of funds on hand	**(7,325)**	-
Cash and cash equivalents, end of year	**$ 56,187**	$ 81,465

See accompanying notes to consolidated financial statements.

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1. Reporting entity:

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

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

2. Basis of preparation:

a. Statement of compliance:

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

The consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 22, 2013.

b. Basis of measurement:

The consolidated financial statements of the Corporation have been prepared on a historical cost basis except for employee future benefit plan assets, which are recognized as plan assets plus unrecognized past service cost less the present value of the defined benefit obligation and are limited as explained in note 3(f).

c. Functional and presentation currency:

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

2. Basis of preparation (continued):

d. Use of estimates and judgments:

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

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

Management does not believe it was required to make any critical judgments in applying accounting policies that would have a significant effect on the amounts recognized in the consolidated financial statements.

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

- Measurement of defined benefit obligations (note 9)

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Corporation's subsidiary.

a. Basis of consolidation:

The consolidated financial statements include B.C. Lottotech International Inc., a wholly-owned Canadian subsidiary of BCLC. The financial statements used for consolidation are at the reporting date. Intercompany transactions and balances are eliminated on consolidation.

b. Foreign currency transactions:

Transactions in foreign currencies are translated to Canadian dollars at the exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the reporting date. Foreign currency exchange differences are recorded in income in the period incurred.

3. Significant accounting policies (continued):

c. Cash equivalents:

Cash equivalents include short-term investments in overnight deposits with financial institutions having original maturity dates of three months or less from the acquisition date, that are subject to an insignificant risk of changes in their fair value, and are used by the Corporation in the management of its short-term commitments. Short-term investments are highly liquid and form an integral part of the Corporation's cash management. As such, they are a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

d. Financial instruments:

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

i. Non-derivative financial assets:

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

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

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any provision for doubtful debts and impairment losses (see note 3(i)). Amortized cost is determined with reference to any discounts or premiums on acquisition over the period to maturity.

Loans and receivables are comprised of cash, short-term investments, accounts receivable and the receivable from Interprovincial Lottery Corporation.

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3. Significant accounting policies (continued):

d. Financial instruments (continued):

ii. Non-derivative financial liabilities:

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

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

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

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

iii. Embedded derivatives:

Embedded derivatives are separated from host contracts and accounted for separately if the economic characteristics and risks of the host contracts and the embedded derivatives are not closely related, a separate instrument with the same terms as an embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through income.

e. Inventories:

Inventories of slot machine spare parts, instant tickets and other inventory are measured at the lower of cost, determined on a weighted average basis, and net realizable value.

The net realizable value of instant tickets is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. For all other inventories, net realizable value is cost.

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

3. Significant accounting policies (continued):

f. Employee future benefits:

i. Short-term employee benefits:

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

ii. Defined benefit plans:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

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

The discount rate assumption is based upon utilizing Canadian AA corporate bond yields that have maturity dates approximating the terms of the Corporation's obligations, with extrapolated data created by term-based yield spreads over long provincial bond yields, and that are denominated in the same currency in which the benefits are expected to be paid.

When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service cost and the present value of the economic benefits available in the form of any future refunds from the plan, if allowed, or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in income on a straight-line basis over the average vesting period. To the extent that the benefits vest immediately, the portion of the increased benefit relating to past service is recognized immediately in income.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive loss, and reports them in accumulated other comprehensive loss. Also, any variations in the asset limit are recognized in other comprehensive loss.

The actuarial valuations of the defined benefit plans for IAS 19 (Employee Benefits) purposes are performed annually by qualified actuaries using the projected unit credit method and management's best estimate assumptions.

3. Significant accounting policies (continued):

g. Property and equipment:

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

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

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

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

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

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

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

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3. Significant accounting policies (continued):

g. Property and equipment (continued):

The residual values, depreciation methods and useful economic lives of property and equipment are reviewed annually and adjusted if appropriate. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. An impairment loss on property and equipment may be reversed upon subsequent increase of the fair value of such assets.

Property and equipment under construction is not depreciated. Depreciation commences upon completion of the construction when the assets are available for use.

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

h. Intangible assets:

Costs incurred in developing or acquiring computer software products or systems that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalized as intangible assets. Costs capitalized are directly attributable to the development or acquisition of intangible assets. Costs include direct costs of materials and services, payroll and payroll-related costs of employees' time spent on projects. Borrowing costs related to the development of qualifying assets are capitalized.

The cost of internally developed intangible assets is comprised of developmental costs that are directly attributable to creation, production and preparation of the asset to be capable of operating in the manner intended by management. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs 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.

Other development costs are recognized in income as incurred.

3. Significant accounting policies (continued):

h. Intangible assets (continued):

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of the assets (three to ten years). The residual values, amortization methods, and useful economic lives of intangible assets are reviewed annually and adjusted if appropriate. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. An impairment loss for an intangible asset may be reversed upon subsequent increase of the fair value of such assets.

i. Impairment:

i. Financial assets:

A financial asset not classified as at fair value through income is assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

ii. Non-financial assets:

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

j. Borrowing costs:

Borrowing costs directly attributable or allocated to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial amount of time to get ready for their intended use or sale, are added to the cost of those assets. The Corporation uses the weighted average of the general borrowing costs of the Corporation, exclusive of specific borrowing costs, and the effective interest rate method to determine the capitalization rate for allocation of borrowing costs. The Corporation ceases to capitalize borrowing costs when the asset is substantially ready for use.

All other borrowing costs are recognized in income in the period in which they are incurred.

3. Significant accounting policies (continued):

k. Provisions:

Provisions are liabilities of uncertain timing and amount. 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 as finance cost.

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

l. Revenue recognition:

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

i. Lottery:

The recognition of revenue and the corresponding direct expenses for lottery tickets sold through retail terminals is 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.

The recognition of revenue, net of buybacks, and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

ii. eGaming:

The recognition of revenue for lottery tickets sold online through PlayNow.com is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue.

Revenue from eCasino and ePoker is recorded in income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in income in the period they are incurred.

Revenue from eGames, and the associated selling costs and prize expenses, is recorded in income in the same period the games are played.

iii. Casino and Community Gaming:

Revenue from casino and community gaming slot machines and table games is recorded in income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in income in the period they are incurred. Revenue from the operation of bingo games, and the associated selling costs and prize expenses, are included in income in the same period the games are played.

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3. Significant accounting policies (continued):

l. Revenue recognition (continued):

iv. Customer loyalty programs:

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

v. Net win:

Net win represents revenue net of prizes paid.

m. Prizes:

Lottery, bingo and eGames prize expenses are recorded based on the actual prize liability experienced for each game, with the exception of instant ticket games which are recorded at theoretical prize liabilities for each game.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the actual life cycle of the game. Over the life of a game, the actual prize expense will closely approximate the theoretical expense.

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

Unclaimed prizes of national lottery games are administered by the Interprovincial Lottery Corporation.

Progressive jackpots:

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

3. Significant accounting policies (continued):

n. Commissions:

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

Commissions paid to gaming facility service providers are based on net win earned. BCLC records these commission expenses as net win is earned.

BCLC employs a commission structure that enables gaming facility service providers to earn additional commission for facility development, up to contractually determined limits, based on net win earned.

The facility development commissions are recorded as commission expenses by BCLC as net win is earned.

o. Leases:

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

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

p. Finance income and finance costs:

Finance income is comprised of interest income on funds invested. Interest income is recognized as it accrues in income, using the effective interest method.

Finance costs are comprised of interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in income using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3. Significant accounting policies (continued):

q. New standards and interpretations issued but not yet adopted:

IAS 1 - Presentation of Financial Statements:

In June 2011, the International Accounting Standards Board (IASB) issued an amendment to IAS 1, Presentation of Financial Statements, which requires entities to separately present items in other comprehensive earnings based on whether they may be recycled to earnings or loss in future periods. The amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012. The amendments to IAS 1 will impact the presentation of the components of other comprehensive loss in the Corporation's consolidated statement of comprehensive income. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

IAS 19 - Employee Benefits:

In June 2011, the IASB published an amended version of IAS 19, Employee Benefits, to modify accounting for changes in the net defined benefit liability and termination benefits, enhance the disclosure requirements around defined benefit plans, and provide further clarification on certain matters. The amendment is effective for annual periods beginning on or after January 1, 2013. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

IFRS 10 - Consolidated Financial Statements:

In May 2011, the IASB issued IFRS 10 which establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 introduces a single consolidation model for all entities based on control, irrespective of the nature of the entity. IFRS 10 supersedes all of the guidance in IAS 27, Consolidated and Separate Financial Statements and Standing Interpretations Committee 12, Consolidation – Special Purpose Entities. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

IFRS 12 - Disclosure of Interests in Other Entities:

In May 2011, the IASB issued IFRS 12 which provides the disclosure requirements for entities reporting under IFRS 10 and IFRS 11 and replaces the disclosure requirements currently in IAS 28, Investments in Associates. IFRS 12 requires the disclosure of the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2014.

3. Significant accounting policies (continued):

q. New standards and interpretations issued but not yet adopted (continued):

IFRS 9 - Financial Instruments:

In November 2009, the IASB issued IFRS 9 (2009), Financial Instruments, which represents the first phase of its replacement of IAS 39, Financial Instruments: Recognition and Measurement, introduces new requirements for the classification and measurement of financial assets, and removes the need to separately account for certain embedded derivatives. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2009 and 2010) is effective for annual periods beginning on or after January 1, 2015. At the date of these consolidated financial statements, the impact of this standard is unknown. The Corporation plans to adopt this new standard for its fiscal year ending March 31, 2016.

4. Financial risk management:

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

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

General:

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

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

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

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

4. Financial risk management (continued):

Credit risk:

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

Trade receivables, net win less commissions outstanding and cash floats

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

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

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

The Corporation's PlayNow.com sales are paid in advance through credit card, debit card, or online bill payment transactions.

As at March 31, 2013, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $10,996 (2012: $7,730) of the accounts receivable carrying amount.

4. Financial risk management (continued):

Credit risk (continued):

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

The maximum exposure to credit risk for trade receivables and net win less commissions outstanding at the reporting date by type of debtor is represented by the carrying amounts, as detailed in note 7, less any Irrevocable Standby Letters of Credit or security deposits. These amounts are listed as follows:

		March 31, 2013		March 31, 2012
Lottery retailers	**$**	**18,780**	$	13,980
Gaming facility service providers		**2,658**		-
Other		**2,264**		1,703
	$	**23,702**	$	15,683

Normal credit terms of trade receivables or net win less commissions outstanding are due within 30 days. As at March 31, 2013 and March 31, 2012, there were no trade receivables or net win less commissions outstanding more than 60 days overdue.

Investments

The Corporation limits its exposure to credit risk by investing only in short-term debt securities with high credit ratings (as noted below) and minimal market risk. Given these high credit ratings, management does not expect any counterparty to fail to meets its obligations.

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

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

4. Financial risk management (continued):

Credit risk (continued):

Concentrations

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

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

Liquidity risk:

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

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

The Corporation also has a $10 million unused demand operating credit facility with a Canadian commercial bank that is unsecured. Interest is payable at the bank's commercial prime lending rate (2012: prime rate).

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

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

The contractual maturities of all financial liabilities as at March 31, 2013 and March 31, 2012 are within three months or less.

4. Financial risk management (continued):

Market risk:

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

Currency risk

The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily U.S. dollars (USD)) and by holding bank accounts in USD.

The Corporation limits its exposure by holding minimal USD investments and only maintaining required funds in USD bank accounts. Gains and losses due to foreign exchange rate fluctuations are also minimized by settling USD obligations as quickly as possible.

The Corporation's exposure to currency risk, based on notional amounts, is as follows:

	March 31, 2013		March 31, 2012	
	CAD	**USD[1]**	CAD	USD[1]
Short-term investments	**$ 14,754**	**$ -**	$ 29,216	$ 119
Cash held	**45,326**	**641**	55,490	694
Accounts payable, accrued liabilities and other	**(69,200)**	**(40)**	(47,629)	(65)
Net exposure	**$ (9,120)**	**$ 601**	$ 37,077	$ 748

[1] Note: All USD balances are shown in Canadian dollar (CAD) equivalents.

The Corporation does not have material currency risk since substantially all of its transactions are settled in Canadian dollars.

Interest rate risk

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

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

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4. Financial risk management (continued):

Market risk (continued):

Interest rate risk (continued):

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

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

	March 31, 2013	March 31, 2012
Short-term investments (fixed rate instruments)	**$ 14,754**	$ 29,335
Short-term financing (fixed rate instruments)	**(131,704)**	(90,122)
	$ (116,950)	$ (60,787)

Sensitivity analysis

The Corporation has classified its fixed-rate short-term investments as loans and receivables and its short-term financing as non-derivative financial liabilities. A one percent change in interest rates at the reporting date would have increased (decreased) net income by the amounts shown below. This analysis assumes that all other variables, including foreign currency rates, remain constant.

	Net Income		Net Income	
	March 31, 2013		March 31, 2012	
	1% increase	**1% decrease**	1% increase	1% decrease
Short-term investments	**$ 148**	**$ (148)**	$ 293	$ (293)
Short-term financing	**$ (1,317)**	**$ 1,317**	$ (901)	$ 901

Fair values

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

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5. Cash:

		March 31, 2013		March 31, 2012
Gaming cash floats	**$**	**41,826**	$	41,347
Funds held for security deposits		**3,511**		3,434
Funds held for player accounts		**3,421**		2,667
Unrestricted operating cash		**-**		4,682
	$	**48,758**	$	52,130

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

Funds held for security deposits include security deposit amounts provided by lottery retailers and gaming facility service providers to the Corporation. These funds are deposited into a separate bank account. All security deposit amounts are internally restricted by the Corporation exclusively for funding the security deposit liability. A corresponding security deposit liability in the amount of $3,511 (2012: $3,434) is included in accounts payable, accrued liabilities and other.

Funds held for player accounts represent funds provided to the Corporation through player accounts on PlayNow.com. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the player accounts liability. A corresponding player account liability in the amount of $3,421 (2012: $2,667) is included in accounts payable, accrued liabilities and other.

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

6. Short-term investments:

		March 31, 2013		March 31, 2012
B.C. Investment Management Corporation:				
Canadian Money Market Fund (overnight deposit)	**$**	**14,754**	$	29,216
US Dollar Money Market Fund (overnight deposit)		**-**		119
	$	**14,754**	$	29,335

7. Accounts receivable:

		March 31, 2013		March 31, 2012
Trade receivables and net win less commissions outstanding:				
Lottery retailers	**$**	**22,597**	$	17,774
Gaming facility service providers		**17,072**		12,833
		39,669		30,607
Other		**2,264**		1,703
	$	**41,933**	$	32,310

8. Inventories:

The major components of inventories are as follows:

		March 31, 2013		March 31, 2012
Slot machine spare parts	**$**	**5,942**	$	5,700
Instant tickets		**2,730**		2,404
Other		**1,326**		1,715
	$	**9,998**	$	9,819

For the year ended March 31, 2013, inventories recognized as an expense amounted to $15,488 (2012: $15,024).

For the year ended March 31, 2013, the write-down of inventories to net realizable value amounted to $1,004 (2012: $383).

9. Employee future benefits:

The Corporation sponsors two defined benefit pension plans: a registered plan which covers substantially all of its employees and a supplementary plan which covers employees designated by the Corporation. The pension benefits are based on length of service and the average of the 60 consecutive months of highest pensionable earnings, and are partially indexed for inflation after retirement. The registered plan is funded by employee and employer contributions. The supplementary plan is unfunded.

The Corporation also sponsors a non-pension post-retirement defined benefit plan covering substantially all of its employees for post-retirement medical, dental and life insurance benefits. The non-pension post-retirement plan is unfunded.

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

	Pension Plans		Post Retirement Benefit Plan	
	March 31, 2013	March 31, 2012	**March 31, 2013**	March 31, 2012
Present value of unfunded accrued benefit obligation	**$ (7,880)**	$ (6,855)	**$ (49,184)**	$ (49,611)
Present value of funded accrued benefit obligation	**(163,435)**	(134,863)	**-**	-
Total present value of obligations [2]	**(171,315)**	(141,718)	**(49,184)**	(49,611)
Fair value of plan assets	**165,731**	142,972	**-**	-
Unamortized past service cost (benefit)	**248**	292	**(2,855)**	(3,262)
Accrued employee future benefit plan asset (liability)[1]	**$ (5,336)**	$ 1,546	**$ (52,039)**	$ (52,873)

[1] Total employee future benefit liability as at March 31, 2013 is $57,375.

[2] Estimated accrued benefit obligation increase (decrease) on the post-retirement benefit plan - effect with:

	March 31, 2013	March 31, 2012
1% increase in assumed health care cost trend rate	**$ 9,770**	$ 10,648
1% decrease in assumed health care cost trend rate	**$ (7,575)**	$ (8,249)

If all other variables remain constant, a one per cent increase in the discount rate at the reporting date would decrease the value of the accrued benefit obligation by an estimated $34,000 and a one per cent decrease in the discount rate at the reporting date would increase the value of the accrued benefit obligation by an estimated $44,000.

9. Employee future benefits (continued):

Change in the present value of the **defined benefit obligations**	Pension Plans **2013**	Pension Plans 2012	Post Retirement Benefit Plan **2013**	Post Retirement Benefit Plan 2012
Balance at April 1	**$ 141,718**	$ 121,432	**$ 49,611**	$ 38,681
Current service cost	**6,160**	6,363	**2,410**	1,899
Interest cost	**7,337**	7,351	**2,632**	2,403
Plan amendments	**-**	257	**-**	-
Employee contributions	**2,490**	2,569	**-**	-
Benefits paid	**(6,334)**	(4,555)	**(679)**	(666)
Actuarial loss (gain)	**19,944**	8,434	**(4,790)**	7,294
Curtailment gain	**-**	(133)	**-**	-
Balance at March 31	**$ 171,315**	$ 141,718	**$ 49,184**	$ 49,611

Change in the fair value of **plan assets**	Pension Plans **2013**	Pension Plans 2012	Post Retirement Benefit Plan **2013**	Post Retirement Benefit Plan 2012
Fair value at April 1	**$ 142,972**	$ 122,998	**$ -**	$ -
Expected return on plan assets [1]	**9,306**	8,825	**-**	-
Actuarial (loss) gain	**3,763**	(2,099)	**-**	-
Employer contributions [2]	**13,534**	15,234	**679**	666
Employee contributions	**2,490**	2,569	**-**	-
Benefits paid	**(6,334)**	(4,555)	**(679)**	(666)
Balance at March 31	**$ 165,731**	$ 142,972	**$ -**	$ -

[1] Actual return on plan assets was $13,069 (2012: $6,726).

[2] The total employer contributions for all plans for the year ended March 31, 2013 are $14,213 (2012: $15,900).

Plan assets by asset category for the registered plan only:

	March 31, 2013	March 31, 2012
Equity securities	**63%**	63%
Debt securities	**37%**	37%
	100%	100%

9. Employee future benefits (continued):

The Corporation's total expense recognized in income is as follows:

	Pension Plans		Post Retirement Benefit Plan	
	2013	2012	**2013**	2012
Current service cost	**$ 6,160**	$ 6,363	**$ 2,410**	$ 1,899
Interest cost	**7,337**	7,351	**2,632**	2,403
Expected return on plan assets	**(9,306)**	(8,825)	**-**	-
Past service cost (credit) recognized in the year	**44**	40	**(407)**	(407)
Curtailment gain recognized	**-**	(133)	**-**	-
Total expense recognized in income [1]	**$ 4,235**	$ 4,796	**$ 4,635**	$ 3,895

The total expense is recognized in employee costs in the consolidated statement of comprehensive income.

1 Estimated effect on the aggregate of current service cost and interest cost on the post-retirement benefit plan – income decrease (increase) effect with:

	2013	2012
1% increase in assumed health care cost trend rate	**$ 1,391**	$ 1,079
1% decrease in assumed health care cost trend rate	**$ (1,033)**	$ (807)

The actuarial losses (gains) recognized in other comprehensive loss are as follows:

	Pension Plans		Post Retirement Benefit Plan	
	2013	2012	**2013**	2012
Cumulative amount at April 1	**$ 23,621**	$ 13,088	**$ 9,749**	$ 2,455
Actuarial loss (gain)	**16,181**	10,533	**(4,790)**	7,294
Cumulative amount at March 31	**$ 39,802**	$ 23,621	**$ 4,959**	$ 9,749

The total actuarial losses recognized for all plans in other comprehensive loss for the year ended March 31, 2013 are $11,391 (2012: $17,827).

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9. Employee future benefits (continued):

An actuarial valuation is required, at a minimum, every three years to assess the financial position of the registered pension plan. The most recent actuarial valuation of the registered plan for funding purposes was made as of December 31, 2010 by Mercer (Canada) Limited, a firm of consulting actuaries. The next required actuarial valuation will be made as of December 31, 2013, with results expected to be available in 2014. Although there is no statutory requirement, an actuarial valuation is completed every three years on the non-pension post-retirement benefit plan. An actuarial valuation for the non-pension post-retirement benefit plan was performed as of January 31, 2013. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations for accounting purposes are as follows:

	Pension Plans		Post Retirement Benefit Plan	
	March 31, 2013	March 31, 2012	**March 31, 2013**	March 31, 2012
Discount rate at March 31	**4.40%**	5.10%	**4.40%**	5.10%
Expected return on plan assets at April 1	**6.25%**	7.00%	**-**	-
Rate of compensation increase for the fiscal year	**2.67%**	3.78%	**-**	-
Future compensation increases	**2.25%**	2.50%	**-**	-
Inflation	**2.25%**	2.25%	**-**	-
Initial weighted-average health care trend rate	**-**	-	**6.15%**	6.55%
Ultimate weighted-average health care trend rate	**-**	-	**4.50%**	4.50%
Year ultimate reached	**-**	-	**2029**	2029

The overall expected long-term rate of return on assets is 6.25 per cent (2012: 7.00 per cent). The expected long-term rate of return is based on the portfolio as a whole and not the sum of the returns on individual asset categories. The expected return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation.

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9. Employee future benefits (continued):

Historical information:

	Pension Plans			Post Retirement Benefit Plan		
	March 31, 2013	March 31, 2012	March 31, 2011	**March 31, 2013**	March 31, 2012	March 31, 2011
Present value of accrued benefit obligation	**$ (171,315)**	$ (141,718)	$ (121,432)	**$ (49,184)**	$ (49,611)	$ (38,681)
Fair value of plan assets	**165,731**	142,972	122,998	-	-	-
Surplus (deficit)	**$ (5,584)**	$ 1,254	$ 1,566	**$ (49,184)**	$ (49,611)	$ (38,681)

	Pension Plans			Post Retirement Benefit Plan		
	March 31, 2013	March 31, 2012	March 31, 2011	**March 31, 2013**	March 31, 2012	March 31, 2011
Experience adjustments arising on plan liabilities [1]	**$ (439)**	$ 2,329	$ 3	**$ (1,940)**	$ 63	$ 25
Experience adjustments arising on plan assets [2]	**$ 3,763**	$ (2,099)	$ 4,194	**n/a**	n/a	n/a

[1] (Increases) decreases in plan liabilities

[2] Increases (decreases) in plan assets

The contributions expected to be paid during the year ended March 31, 2014 amount to $12,603 for the funded registered plan, $246 for the unfunded supplementary plan and $929 for the unfunded non-pension plan.

10. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost							
Balance at April 1, 2011	$ 700	$ 74,539	$ 107,921	$ 6,199	$ 297,989	$ 1,551	$ 488,899
Additions	-	7,983	2,552	-	37,061	1,785	49,381
Transferred to systems and equipment	-	1,204	-	-	-	(1,204)	-
Disposals and retirements	-	(6,509)	(2,254)	(134)	(18,213)	-	(27,110)
Balance at March 31, 2012	$ 700	$ 77,217	$ 108,219	$ 6,065	$ 316,837	$ 2,132	$ 511,170
Additions	**-**	**6,177**	**3,063**	**529**	**29,933**	**4,426**	**44,128**
Transferred to systems and equipment	**-**	**-**	**841**	**-**	**75**	**(916)**	**-**
Disposals and retirements	**-**	**(2,929)**	**(7,790)**	**(46)**	**(11,616)**	**-**	**(22,381)**
Balance at March 31, 2013	**$ 700**	**$ 80,465**	**$ 104,333**	**$ 6,548**	**$ 335,229**	**$ 5,642**	**$ 532,917**

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10. Property and equipment (continued):

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	eGaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Depreciation							
Balance at April 1, 2011	$ -	$ 47,468	$ 86,556	$ 3,166	$ 206,181	$ -	$ 343,371
Depreciation for the year	-	9,191	8,695	779	36,476	-	55,141
Disposals and retirements	-	(6,377)	(2,195)	(106)	(17,374)	-	(26,052)
Balance at March 31, 2012	$ -	$ 50,282	$ 93,056	$ 3,839	$ 225,283	$ -	$ 372,460
Depreciation for the year	**-**	**9,394**	**7,495**	**769**	**23,325**	**-**	**40,983**
Disposals and retirements	**-**	**(2,826)**	**(7,517)**	**(40)**	**(11,335)**	**-**	**(21,718)**
Balance at March 31, 2013	**$ -**	**$ 56,850**	**$ 93,034**	**$ 4,568**	**$ 237,273**	**$ -**	**$ 391,725**
Carrying amounts							
At March 31, 2012	$ 700	$ 26,935	$ 15,163	$ 2,226	$ 91,554	$ 2,132	$ 138,710
At March 31, 2013	**$ 700**	**$ 23,615**	**$ 11,299**	**$ 1,980**	**$ 97,956**	**$ 5,642**	**$ 141,192**

For the year ended March 31, 2013, net losses on disposal of property and equipment amounted to $130 (2012: $420) and were included in other expenses in the consolidated statement of comprehensive income.

Change in estimate:

The Corporation reviews the estimated lives of its long-lived assets and related depreciation periods on an annual basis. During the year ended March 31, 2013, this review indicated the estimated depreciation periods of the Corporation’s casino and community gaming systems and equipment were deemed to be longer than the previously assigned depreciation periods. As a result, effective April 1, 2012, the Corporation changed its estimate of the expected useful lives of these assets. The effect of this change in estimate is a decrease of $14,053 in depreciation expense for the year ended March 31, 2013.

11. Intangible assets:

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

	Software	Assets under development	Total
Cost			
Balance at April 1, 2011	$ 65,092	$ 2,063	$ 67,155
Acquisitions - separately acquired	6,888	15,337	22,225
Acquisitions - internally generated	-	2,791	2,791
Borrowing costs capitalized	-	50	50
Transferred to intangibles	226	(226)	-
Disposals and retirements	(1,564)	-	(1,564)
Balance at March 31, 2012	$ 70,642	$ 20,015	$ 90,657
Acquisitions – separately acquired	**10,707**	**33,685**	**44,392**
Acquisitions – internally generated	**3,081**	**4,806**	**7,887**
Borrowing costs capitalized	**18**	**206**	**224**
Transferred to intangibles	**8,971**	**(8,971)**	**-**
Disposals and retirements	**(4,397)**	**-**	**(4,397)**
Balance at March 31, 2013	**$ 89,022**	**$ 49,741**	**$ 138,763**

11. Intangible assets (continued):

	Software	Assets under development	Total
Amortization			
Balance at April 1, 2011	$ 36,041	$ -	$ 36,041
Amortization for the year	11,933	-	11,933
Disposals and retirements	(1,195)	-	(1,195)
Balance at March 31, 2012	$ 46,779	$ -	$ 46,779
Amortization for the year	**13,726**	**-**	**13,726**
Disposals and retirements	**(4,394)**	**-**	**(4,394)**
Balance at March 31, 2013	**$ 56,111**	**$ -**	**$ 56,111**
Carrying amounts			
At March 31, 2012	$ 23,863	$ 20,015	$ 43,878
At March 31, 2013	**$ 32,911**	**$ 49,741**	**$ 82,652**

For the year ended March 31, 2013, net losses on disposal of intangible assets amounted to $3 (2012: $369) and were included in other expenses in the consolidated statement of comprehensive income.

Borrowing costs:

During the year ended March 31, 2013, 21.50 percent (2012: 5.77 percent) of borrowing costs were eligible for capitalization and borrowing costs of $224 (2012: $50) were capitalized.

12. Prizes payable:

		March 31, 2013		March 31, 2012
Lottery	**$**	**24,941**	$	24,393
Casino and community gaming		**6,260**		7,017
	$	**31,201**	$	31,410

13. Accounts payable, accrued liabilities and other:

		March 31, 2013		March 31, 2012
Trade payables	**$**	**8,866**	$	9,759
Accrued expenses		**49,443**		23,195
Harmonized sales tax payable		**3,641**		8,259
Other		**7,290**		6,481
	$	**69,240**	$	47,694

14. Short-term financing:

		March 31, 2013		March 31, 2012
Government of British Columbia, loans, payable in single instalments including interest ranging from $17 to $35 at rates ranging from 0.88% to 0.94%, unsecured, due between April 3, 2013 and May 7, 2013	**$**	**131,704**	$	-
Government of British Columbia, loans, payable in single instalments including interest ranging from $35 to $52 at rates ranging from 0.91% to 0.92%, unsecured, settled between April 4, 2012 and May 31, 2012		**-**		90,122
	$	**131,704**	$	90,122

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15. Net finance costs:

		2013		2012
Finance income	**$**	**(492)**	$	(406)
Interest expense		**846**		821
Foreign exchange (gain) loss		**(4)**		43
	$	**350**	$	458

16. Payments to the Government of British Columbia:

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

17. Payments to the Government of Canada:

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

18. Interprovincial Lottery Corporation expenses and interest revenue:

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

19. Commitments:

Operating leases:

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

2014	$	4,910
2015		4,591
2016		3,775
2017		3,395
2018		3,064
Thereafter		24,633

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

The Corporation leases a number of lottery retail locations under non-cancellable operating leases. These leases typically run for a period of five years. Many of these lease agreements include a base amount and an additional contingent rent amount based on sales volume of the retail location. In turn, the Corporation has entered into cancellable operating agreements with lottery retailers to operate these locations. These agreements have standard terms and are indeterminate in length. As part of the agreement to operate a location, the retailers pay location and service fees that are reviewed, negotiated and adjusted as necessary. In 2013, the location fees were comprised solely of contingent rents.

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

During the year ended March 31, 2013, $21,436 (2012: $22,745) was recognized as an expense in the consolidated statement of comprehensive income in respect of operating leases. Included in this amount were contingent rents totaling $292 (2012: $305). The Corporation recognized income of $2,693 (2012: $1,395) in respect of rent under cancellable operating agreements with lottery retailers.

20. Contingencies:

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

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

21. Related party transactions:

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

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

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

	2013	2012
Compensation and other employee benefits	**$ 3,187**	$ 2,913
Pension and post-employment benefits	**412**	343
Termination benefits	**1,102**	-
	$ 4,701	$ 3,256

The Corporation contributes to defined benefit pension plans and a post-retirement plan. Transactions with these entities are disclosed in note 9.

Other related party transactions have been disclosed in note 16 to the consolidated financial statements.

22. Harmonized Sales Tax (HST) expense:

As a prescribed HST registrant, the Corporation makes HST remittances to the Government of Canada pursuant to the Games of Chance Regulations of the *Excise Tax Act* (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 HST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to other HST registrants.

As of April 1, 2013, the Province of British Columbia will be reverting back to a GST/PST system. GST will be calculated and remitted to the Government of Canada in the same manner as HST described above. PST will be calculated and remitted to the Province of British Columbia pursuant to the *Provincial Sales Tax Act.*