Audited Consolidated Financial Statements of

BRITISH COLUMBIA LOTTERY CORPORATION

Years ended March 31, 2012 and 2011

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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 statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the consolidated statements of comprehensive income, changes in deficit, and cash flows for the years ended March 31, 2012 and 2011, 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 audits. We conducted our audits 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 in our audits 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, 2012, March 31, 2011 and April 1, 2010, and its consolidated financial performance and cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 22, 2012

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BRITISH COLUMBIA LOTTERY CORPORATION

Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

	March 31, 2012	March 31, 2011	April 1, 2010
Assets			
Current assets			
Cash (note 5)	$ 52,130	$ 48,539	$ 33,538
Short-term investments (note 6)	29,335	28,970	29,628
Accounts receivable (note 7)	32,310	24,206	25,859
Receivable from Interprovincial Lottery Corporation	-	-	4,247
Prepaid expenses	4,439	3,962	3,708
Inventories (note 8)	9,819	9,541	9,379
Total current assets	128,033	115,218	106,359
Employee future benefit plan assets (note 9)	1,546	1,641	11,992
Property and equipment (note 10)	138,710	145,528	141,942
Intangible assets (note 11)	43,878	31,114	22,101
Total assets	$ 312,167	$ 293,501	$ 282,394
Liabilities			
Current liabilities			
Cheques issued in excess of funds on hand	$ -	$ -	$ 5,635
Prizes payable (note 12)	31,410	27,198	25,483
Accounts payable and accrued liabilities (note 13)	46,894	43,992	37,819
Short-term financing (note 14)	90,122	85,049	59,996
Payable to Interprovincial Lottery Corporation	714	3,142	-
Due to Government of British Columbia	136,627	115,757	128,715
Deferred revenue	3,825	7,984	5,776
Total current liabilities	309,592	283,122	263,424
Accrued post retirement benefit obligation (note 9)	52,873	42,350	37,304
Provisions (note 15)	800	1,300	500
Total liabilities	363,265	326,772	301,228
Deficit			
Accumulated deficit	(17,728)	(17,728)	(18,834)
Accumulated other comprehensive loss	(33,370)	(15,543)	-
Total deficit	(51,098)	(33,271)	(18,834)
Total liabilities and deficit	$ 312,167	$ 293,501	$ 282,394

Commitments and contingencies (notes 21 and 22)

See accompanying notes to consolidated financial statements.

Approved: _______________ Director _______________ Director

BRITISH COLUMBIA LOTTERY CORPORATION

Consolidated Statements of Comprehensive Income

Years ended March 31, 2012 and 2011
(in thousands of Canadian dollars)

	2012	2011
Revenue (note 16)	$ 2,701,457	$ 2,678,687
Prizes	641,945	652,296
Net win	**2,059,512**	**2,026,391**
Commissions and fees	599,550	589,728
Gaming systems, maintenance and ticket distribution	29,105	24,562
Gaming equipment, leases and licenses	18,631	16,790
Ticket printing	12,145	13,347
	659,431	644,427
Employee costs	82,118	76,623
Amortization and depreciation	67,074	66,004
Advertising, marketing and promotions	31,573	29,493
Professional fees and services	8,089	6,908
Cost of premises	6,265	4,045
Net finance costs (note 17)	458	25
Other	10,167	12,810
	205,744	195,908
Net income before tax	**1,194,337**	**1,186,056**
Harmonized sales tax expense	86,902	80,310
Net income	**1,107,435**	**1,105,746**
Other comprehensive loss		
Defined benefit plan actuarial losses (note 9)	(17,827)	(15,543)
Total comprehensive income	**$ 1,089,608**	**$ 1,090,203**

Sector activity information (note 25)

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA LOTTERY CORPORATION

Consolidated Statements of Changes in Deficit

Years ended March 31, 2012 and 2011
(in thousands of Canadian dollars)

	Accumulated Deficit	AOCL [1]	Total Deficit
Opening balance, April 1, 2010	$ (18,834)	$ -	$ (18,834)
Net income	1,105,746	-	1,105,746
Distributions to Government of British Columbia (note 19)	(1,095,742)	-	(1,095,742)
Distributions to Government of Canada (note 18)	(8,898)	-	(8,898)
Defined benefit plan actuarial losses (note 9)	-	(15,543)	(15,543)
Ending balance, March 31, 2011	(17,728)	(15,543)	(33,271)
Net income	1,107,435	-	1,107,435
Distributions to Government of British Columbia (note 19)	(1,098,271)	-	(1,098,271)
Distributions to Government of Canada (note 18)	(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)

[1] Accumulated Other Comprehensive Loss

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA LOTTERY CORPORATION

Consolidated Statements of Cash Flows

Years ended March 31, 2012 and 2011
(in thousands of Canadian dollars)

	2012	2011
Cash provided by (used in):		
Operating activities:		
Net income	$ 1,107,435	$ 1,105,746
Items not involving cash:		
Depreciation of property and equipment	55,141	56,840
Amortization of intangible assets	11,933	9,164
Loss on disposal of property and equipment	420	1,777
Loss on disposal of intangible assets	369	701
Net benefit plan expense	8,691	6,549
Write-down of inventory to net realizable value	383	722
Unrealized foreign exchange gain	-	(17)
Net finance costs	458	25
	1,184,830	1,181,507
Change in non-cash working capital or operating activities:		
Accounts receivable	(8,104)	1,740
Receivable from Interprovincial Lottery Corporation	-	4,247
Prepaid expenses	(477)	(254)
Inventories	(661)	(884)
Employee future benefit plan assets and accrued post retirement benefit obligation (note 9)	(15,900)	(6,695)
Prizes payable	4,212	1,715
Accounts payable and accrued liabilities	2,782	6,008
Payable to Interprovincial Lottery Corporation	(2,428)	3,142
Deferred revenue	(4,159)	2,208
Provisions	(500)	-
Interest received	406	368
Net cash from operating activities	1,160,001	1,193,102
Cash flows from financing activities:		
Increase in short-term financing	5,073	25,053
Interest paid	(744)	(298)
Distributions to Government of British Columbia (note 19)	(1,077,401)	(1,108,700)
Distributions to Government of Canada (note 18)	(9,164)	(8,898)
Net cash used in financing activities	(1,082,236)	(1,092,843)
Cash flows from investing activities:		
Additions to property and equipment	(49,381)	(62,075)
Additions to intangible assets	(25,066)	(18,878)
Proceeds on disposal of property and equipment	638	672
Net cash used in investing activities	(73,809)	(80,281)
Net increase in cash and cash equivalents	3,956	19,978
Cash and cash equivalents, beginning of years	77,509	57,531
Cash and cash equivalents, end of years	$ 81,465	$ 77,509
Cash and cash equivalents are comprised of:		
Cash (note 5)	$ 52,130	$ 48,539
Short-term investments (note 6)	29,335	28,970
Cash and cash equivalents, end of years	$ 81,465	$ 77,509

See accompanying notes to consolidated financial statements.

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* (British Columbia) 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 B.C., 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) as issued by the International Accounting Standards Board (IASB). These are the Corporation's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1).

In previous years, these consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). This has resulted in certain changes to previously applied accounting policies. The comparative figures from 2011 have been restated to reflect the impact of these changes. The effects of these changes in accounting policies are explained in the disclosures concerning the transition from Canadian GAAP to IFRS required by IFRS 1, as set out in note 26 of the notes to the consolidated financial statements.

The consolidated financial statements were authorized for issue by BCLC's Board of Directors (the Board) on May 22, 2012.

(b) Basis of measurement:

The consolidated financial statements of the Corporation have been prepared on the historical cost basis except for employee future benefit plan assets which are recognized as the net total of the plan assets, plus unrecognized past service costs, less the present value of the defined benefit obligation.

(c) Functional and presentation currency:

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

2. Basis of preparation (continued):

(d) Key assumptions and significant 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 those 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.

Information about significant areas of estimation uncertainty, and critical judgments in applying accounting policies are as follows:

(i) Employee future benefits (note 9)

(ii) Asset lives and residual values of property and equipment (note 10) and intangible assets (note 11)

(iii) Provisions (note 15)

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS. The accounting policies have been applied consistently by the Corporation and its 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.

(c) Cash equivalents:

Cash equivalents include short-term investments in overnight deposits with financial institutions having original maturity dates of 90 days or less. 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.

3. Significant accounting policies (continued):

(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, available-for-sale, 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 recognizes loans and receivables on the date that they are originated. All other financial assets are recognized on the trade date at which 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 are settled or expire.

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. 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.

Accounts receivable are due for settlement no more than 30 days from the date of recognition. Collectability of accounts receivable is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

(ii) Non-derivative financial liabilities:

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

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

The Corporation has the following non-derivative financial liabilities: cheques issued in excess of funds on hand, prizes payable, accounts payable and accrued liabilities, short-term financing, payable to Interprovincial Lottery Corporation, and due to Government of British Columbia.

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.

(iii) Embedded derivatives:

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

(e) Inventories:

Instant tickets and supplies are recorded at the lower of cost, determined on a weighted average basis, and net realizable value. 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.

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.

Inventories of minor spare parts are measured at the lower of cost, determined on a weighted average basis, and net realizable value.

Merchandise prize inventory is recorded at the lower of cost, determined using specific identification, and net realizable value.

3. Significant accounting policies (continued):

(f) Employee future benefits:

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 costs and the fair value of any plan assets are deducted.

When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs 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.

The discount rate is the spot rate yield curve at the end of each month based on Canadian AA corporate bond yields that have maturity dates approximating the terms of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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.

(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. The cost of property and equipment at April 1, 2010, the date of transition to IFRS, was determined by reference to its historical cost at that date.

3. Significant accounting policies (continued):

(g) Property and equipment (continued):

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
Casino and community gaming systems and equipment	3 to 5 years

The residual values, depreciation methods and useful economic lives of property and equipment are reviewed annually. 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.

3. Significant accounting policies (continued):

(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 the intangible asset. Costs include direct costs of materials and services, payroll and payroll-related costs of employees' time spent on the project. 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. These costs are capitalized if they meet all of the following criteria:

- The technical feasibility of completing the intangible asset for use has been demonstrated,
- The Corporation has demonstrated its intention to use the intangible asset,
- The Corporation has demonstrated its ability to use the intangible asset,
- The usefulness of the intangible asset in generating probable future economic benefit has been demonstrated,
- There are adequate technical, financial, and other resources to complete the development of the intangible asset, and
- The expenditures attributable to the intangible asset can be measured reliably during its development.

Other development costs are recognized in income as incurred.

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 five years). The residual values, amortization methods, and useful economic lives of intangible assets are reviewed annually. 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.

3. Significant accounting policies (continued):

(i) Impairment:

(i) Financial assets:

A financial asset not carried 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.

(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 higher 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.

(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.

3. Significant accounting policies (continued):

(k) Provisions (continued):

A provision for decommissioning is recognized when the Corporation enters a lease agreement or acquires property or equipment which the Corporation is legally obliged to decommission at the end of the lease term or the estimated useful life. The provision is based on the estimated future cost of returning the premises or equipment to its required state.

(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 electronically generated lottery tickets sold through retail terminals and 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.

The recognition of lottery 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.

PlayNow Casino revenue is comprised of revenue from eCasino, ePoker, eBingo and interactive products. Revenue from eCasino and ePoker is recorded in income, net of prizes paid, in the same period the game is played. Revenue from other lottery products (including eBingo and interactive products) is recorded in income in the same period the games are played.

Subscription revenue is recognized at the date of each draw over the life of the subscription.

(ii) 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.

3. Significant accounting policies (continued):

(l) Revenue recognition (continued):

(iii) Customer loyalty programs:

The Corporation has several customer loyalty programs through which customers receive free or discounted goods or services. If a customer has the right to receive cash under a customer loyalty program, then the cash value is recognized as a financial liability under IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). 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, and if the patron can redeem the promotional item for free or discounted goods or services, then the revenue, as determined by the fair value of the undelivered goods and services related to the customer loyalty program estimated 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.

(iv) Net win:

Net win represents revenue net of prizes paid.

(m) Prize expenses:

Lottery 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 (facility development commission (FDC) and accelerated facility development commission (AFDC)), up to contractually determined limits, based on net win earned.

The FDC and AFDC 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 not classified as finance leases are considered operating leases. 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 rate method.

Foreign currency gains and losses are reported on a net basis.

(q) Sector activity reporting:

The Corporation’s reportable sectors are business units that represent distinct distribution channels for similar products and services. These sectors are lottery, and casino and community gaming. The sector activity is illustrated in note 25. The accounting policies of the sectors do not differ from the accounting policies of the Corporation.

3. Significant accounting policies (continued):

(r) New standards and interpretations issued but not yet adopted:

The following standard has been issued but is not effective until July 1, 2012:

Presentation of Financial Statements:

Amendments to IAS 1 *Presentation of Financial Statements* have been published which revise the presentation of other comprehensive income. The amendments to the standard retain the one or two statement approach alternative at the option of the entity and revise the presentation of other comprehensive income by requiring separate subtotals for those elements which may ultimately be reclassified to net income as well as for those elements that will not. 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.

The following standards have been issued but are not effective until January 1, 2013:

Employee Benefits:

IAS 19 *Employee Benefits* has been amended 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. 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.

Financial Instruments:

IFRS 7 *Financial Instruments: Disclosures* has been amended to contain new disclosure requirements for financial assets and liabilities that are:

- offset in the statement of financial position; or
- subject to master netting arrangements or similar arrangements.

These amendments are to be applied retrospectively. 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.

3. Significant accounting policies (continued):

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

The following standard has been issued but is not effective until January 1, 2014:

Financial Instruments:

IAS 32 *Financial Instruments: Presentation* has been amended to clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. These amendments are to be applied retrospectively. 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, 2015.

The following standard has been issued but is not effective until January 1, 2015:

Financial Instruments:

IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. The new standard provides new requirements for classifying and measuring financial assets and financial liabilities and maintains the existing requirements for derecognition of financial assets and financial liabilities. 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.

4. Financial risk management (continued):

General:

BCLC's Board of Directors (the Board) is responsible for the oversight of management including its policies related to financial and risk management issues. The Board uses BCLC's Audit Committee to assist in the review of the risk register prepared by management on 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 and Audit Committee.

The Corporation also has a division focused on corporate security and compliance. Further, the Corporation has 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.

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, investments and cash floats.

<u>Trade receivables, net win less commissions outstanding, and cash floats:</u>

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 or gaming facility service provider except as noted below.

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.

(in thousands of Canadian dollars)

4. Financial risk management (continued):

Credit risk (continued):

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

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, 2012, the net win less commissions owing to the Corporation from the two largest gaming facility service providers accounts for $7,730 (2011: $3,549; April 1, 2010: $1,282) of the accounts receivable carrying amount.

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, 2012	March 31, 2011	April 1, 2010
Lottery retailers	$ 13,980	$ 13,059	$ 14,652
Gaming facility service providers	-	-	-
Other	1,703	1,015	6,246
	$ 15,683	$ 14,074	$ 20,898

Normal credit terms of trade receivables or net win less commissions outstanding are due within 30 days. As at March 31, 2012, March 31, 2011 and April 1, 2010, 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.

4. Financial risk management (continued):

Credit risk (continued):

Investments (continued):

Specifically, the Corporation may invest in the following short-term investments:

- Fixed income securities issued, insured, or guaranteed by the Government of Canada, a provincial or municipal government, or the Government of the United States;
- Short-term financial and corporate commercial paper rated R-1 by the Dominion Bond Rating Service (DBRS) or an equivalent rating agency;
- Short-term paper issued by savings institutions;
- Fixed income securities from corporate issuers with a rating of A or R-1 or better from DBRS or with an equivalent rating from another rating agency; and
- Canadian dollar denominated fixed income securities issued, insured or guaranteed by a non-Canadian sovereign government or a supranational entity (e.g., the World Bank), with a rating of A or R-1 or better from DBRS, or with an equivalent rating from another rating agency.

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

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 4,000 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.

4. Financial risk management (continued):

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 B.C. under its Fiscal Agency Loan (FAL) program. Under this agreement, the Corporation may borrow up to $150 million. In making a loan to the Corporation, the Government of B.C. 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 B.C. Loans are unsecured and there are no pre-established repayment terms. The terms are set by the Government of B.C. 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 (2011: prime rate; April 1, 2010: prime rate plus 0.5 per cent).

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 B.C. As a result of fluctuating cash flow requirements and to minimize financial risk, the Corporation maintains a high degree of liquidity.

(in thousands of Canadian dollars)

4. Financial risk management (continued):

Liquidity risk (continued):

The contractual maturities of financial liabilities at March 31, 2012, March 31, 2011 and April 1, 2010 are as follows:

March 31, 2012:	Carrying amount	Contractual cash flows	3 months or less	3-12 months
Prizes payable	$ 31,410	$ (31,410)	$ (25,093)	$ (6,317)
Accounts payable and accrued liabilities	46,894	(46,894)	(46,894)	-
Short-term financing	90,122	(90,122)	(90,122)	-
Payable to Interprovincial Lottery Corporation	714	(714)	(714)	-
Due to Government of British Columbia	136,627	(136,627)	(136,627)	-
	$ 305,767	$ (305,767)	$ (299,450)	$ (6,317)

March 31, 2011:	Carrying amount	Contractual cash flows	3 months or less	3-12 months
Prizes payable	$ 27,198	$ (27,198)	$ (23,118)	$ (4,080)
Accounts payable and accrued liabilities	43,992	(43,992)	(43,992)	-
Short-term financing	85,049	(85,049)	(85,049)	-
Payable to Interprovincial Lottery Corporation	3,142	(3,142)	(3,142)	-
Due to Government of British Columbia	115,757	(115,757)	(115,757)	-
	$ 275,138	$ (275,138)	$ (271,058)	$ (4,080)

(in thousands of Canadian dollars)

4. Financial risk management (continued):

Liquidity risk (continued):

April 1, 2010:	Carrying amount	Contractual cash flows	3 months or less	3-12 months
Cheques issued in excess of funds on hand	$ 5,635	$ (5,635)	$ (5,635)	$ -
Prizes payable	25,483	(25,483)	(19,112)	(6,371)
Accounts payable and accrued liabilities	37,819	(37,819)	(37,819)	-
Short-term financing	59,996	(59,996)	(59,996)	-
Due to Government of British Columbia	128,715	(128,715)	(128,715)	-
	$ 257,648	$ (257,648)	$ (251,277)	$ (6,371)

Market risk:

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of 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 and investments 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.

(in thousands of Canadian dollars)

4. Financial risk management (continued):

Market risk (continued):

Currency risk (continued):

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

	March 31, 2012		March 31, 2011		April 1, 2010	
	CAD	USD[1]	CAD	USD[1]	CAD	USD[1]
Short-term investments	$ 29,216	$ 119	$ 28,854	$ 116	$ 29,507	$ 121
Cash held	55,490	694	53,151	376	31,076	545
Accounts payable and accrued liabilities	(46,829)	(65)	(42,907)	(1,085)	(37,379)	(440)
Net exposure	$ 37,877	$ 748	$ 39,098	$ (593)	$ 23,204	$ 226

[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.

(in thousands of Canadian dollars)

4. Financial risk management (continued):

Market risk (continued):

Interest rate risk:

The Corporation is exposed to interest rate risk through its short-term financing agreement with the Government of B.C. The terms are set by the Government of B.C. 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 from the Government of B.C. for the minimum time necessary.

The Corporation is also exposed to interest rate risk through the Corporation's demand operating credit facility (when used) which is subject to interest charged at its bank's commercial prime lending rate (2011: prime rate; April 1, 2010: prime rate plus 0.5 per cent).

The Corporation mitigates this risk by minimizing the use of the demand operating credit facility.

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, 2012	March 31, 2011	April 1, 2010
Short-term investments (fixed rate instruments)	$ 29,335	$ 28,970	$ 29,628
Short-term financing (fixed rate instruments)	(90,122)	(85,049)	(59,996)
	$ (60,787)	$ (56,079)	$ (30,368)

(in thousands of Canadian dollars)

4. Financial risk management (continued):

Market risk (continued):

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, 2012		March 31, 2011	
	1% increase	1% decrease	1% increase	1% decrease
Short-term investments	$ 293	$ (293)	$ 289	$ (289)
Short-term financing	$ (901)	$ 901	$ (850)	$ 850

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.

(in thousands of Canadian dollars)

5. Cash:

	March 31, 2012	March 31, 2011	April 1, 2010
Gaming cash floats	$ 41,347	$ 41,120	$ 24,104
Funds held for security deposits	3,434	3,353	7,958
Funds held for player accounts	2,667	2,262	1,476
Unrestricted operating cash	4,682	1,804	-
	$ 52,130	$ 48,539	$ 33,538

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 $3,434 (2011: $3,353; April 1, 2010: $7,958) is included in accounts payable and accrued liabilities.

Funds held for player accounts represent funds provided to the Corporation by PlayNow.com players 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 PlayNow.com player account liability in the amount of $2,667 (2011: $2,262; April 1, 2010: $1,476) is included in accounts payable and accrued liabilities.

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 policy and 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.

(in thousands of Canadian dollars)

6. Short-term investments:

	March 31, 2012	March 31, 2011	April 1, 2010
BC Investment Management Corporation:			
Canadian Money Market Fund (overnight deposit)	$ 29,216	$ 28,854	$ 29,507
US Dollar Money Market Fund (overnight deposit)	119	116	121
	$ 29,335	$ 28,970	$ 29,628

7. Accounts receivable:

	March 31, 2012	March 31, 2011	April 1, 2010
Trade receivables and net win less commissions outstanding:			
Lottery retailers	$ 17,774	$ 16,819	$ 18,552
Gaming facility service providers	12,833	6,372	5,308
	30,607	23,191	23,860
Other	1,703	1,015	1,999
Total accounts receivable	$ 32,310	$ 24,206	$ 25,859

(in thousands of Canadian dollars)

8. Inventories:

The major components of inventories are as follows:

		March 31, 2012		March 31, 2011		April 1, 2010
Slot machine spare parts	$	5,700	$	5,723	$	5,171
Instant tickets		2,404		1,888		2,366
Lottery ticket supplies and other supplies		1,069		1,248		1,156
Merchandise prizes		646		682		686
	$	9,819	$	9,541	$	9,379

For the year ended March 31, 2012, inventories recognized as an expense amounted to $15,024 (2011: $17,653).

For the year ended March 31, 2012, the write-down of ticket inventories and merchandise prizes to net realizable value amounted to $383 (2011: $722) of which $339 (2011: $722) was included in ticket printing expense and $44 (2011: $nil) was included in prize expense.

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. The non-pension post-retirement plan is unfunded.

(in thousands of Canadian dollars)

9. Employee future benefits (continued):

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

	Pension Plans			Post Retirement Benefit Plan		
	March 31, 2012	March 31, 2011	April 1, 2010	March 31, 2012	March 31, 2011	April 1, 2010
Present value of unfunded accrued benefit obligation	$ (6,855)	$ (5,684)	$ (5,028)	$ (49,611)	$ (38,681)	$ (33,227)
Present value of funded accrued benefit obligation	(134,863)	(115,748)	(88,538)	-	-	-
Total present value of obligations[1]	(141,718)	(121,432)	(93,566)	(49,611)	(38,681)	(33,227)
Fair value of plan assets	142,972	122,998	105,467	-	-	-
Unamortized past service costs (benefit)	292	75	91	(3,262)	(3,669)	(4,077)
Accrued employee future benefit plan asset (liability)	$ 1,546	$ 1,641	$ 11,992	$ (52,873)	$ (42,350)	$ (37,304)

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

	March 31, 2012	March 31, 2011	April 1, 2010
1% increase in assumed healthcare cost trend rate	$ 10,648	$ 7,511	$ 6,126
1% decrease in assumed healthcare cost trend rate	$ (8,249)	$ (5,902)	$ (4,852)

A one per cent increase in the discount rate at the reporting date would decrease the value of the accrued benefit obligation in the funded registered pension plan by an estimated $21,000. A one per cent decrease in the discount rate at the reporting date would increase the value of the accrued benefit obligation in the funded registered pension plan by an estimated $27,000.

Change in the present value of the **defined benefit obligations**	Pension Plans 2012	Pension Plans 2011	Post Retirement Benefit Plan 2012	Post Retirement Benefit Plan 2011
Balance at April 1	$ 121,432	$ 93,566	$ 38,681	$ 33,227
Current service cost	6,363	4,931	1,899	1,421
Interest cost	7,351	5,995	2,403	2,180
Plan amendments	257	-	-	-
Employee contributions	2,569	2,452	-	-
Benefits paid	(4,555)	(2,794)	(666)	(602)
Actuarial loss	8,434	17,282	7,294	2,455
Curtailment gain	(133)	-	-	-
Balance at March 31	$ 141,718	$ 121,432	$ 49,611	$ 38,681

(in thousands of Canadian dollars)

9. Employee future benefits (continued):

Change in the fair value of **plan assets**	Pension Plans 2012	Pension Plans 2011	Post Retirement Benefit Plan 2012	Post Retirement Benefit Plan 2011
Fair value at April 1	$ 122,998	$ 105,467	$ -	$ -
Expected return on plan assets[1]	8,825	7,586	-	-
Actuarial (loss) gain	(2,099)	4,194	-	-
Employer contributions[2]	15,234	6,093	666	602
Employee contributions	2,569	2,452	-	-
Benefits paid	(4,555)	(2,794)	(666)	(602)
Balance at March 31	$ 142,972	$ 122,998	$ -	$ -

[1]Actual return on plan assets was $6,726 (2011: $11,780).

[2]The total employer contributions for all plans for the year ended March 31, 2012 are $15,900 (2011: $6,695).

Plan assets by asset category for the registered plan only:

	March 31, 2012	March 31, 2011	April 1, 2010
Equity securities	63%	61%	61%
Debt securities	37%	39%	39%
	100%	100%	100%

(in thousands of Canadian dollars)

9. Employee future benefits (continued):

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

	Pension Plans		Post Retirement Benefit Plan	
	2012	2011	2012	2011
Current service cost	$ 6,363	$ 4,931	$ 1,899	$ 1,421
Interest cost	7,351	5,995	2,403	2,180
Expected return on plan assets	(8,825)	(7,586)	-	-
Past service cost (credit) recognized in the year	40	16	(407)	(408)
Curtailment gain recognized	(133)	-	-	-
Total expense recognized in income[1]	$ 4,796	$ 3,356	$ 3,895	$ 3,193

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:

	2012	2011
1% increase in assumed healthcare cost trend rate	$ 1,079	$ 839
1% decrease in assumed healthcare cost trend rate	$ (807)	$ (640)

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

	Pension Plans		Post Retirement Benefit Plan	
	2012	2011	2012	2011
Cumulative amount at April 1	$ 13,088	$ -	$ 2,455	$ -
Actuarial loss	10,533	13,088	7,294	2,455
Cumulative amount at March 31	$ 23,621	$ 13,088	$ 9,749	$ 2,455

The total actuarial losses recognized for all plans in other comprehensive loss for the year ended March 31, 2012 are $17,827 (2011: $15,543).

(in thousands of Canadian dollars)

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. There is no statutory requirement to perform actuarial valuations of the supplementary plan and the non-pension post-retirement benefit plan. 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, 2012	March 31, 2011	April 1, 2010	March 31, 2012	March 31, 2011	April 1, 2010
Discount rate at reporting dates	5.10%	5.91%	6.25%	5.10%	5.98%	6.35%
Expected return on plan assets at beginning of years	6.25%	7.00%	7.00%	-	-	-
Rate of compensation increase for the fiscal year	3.78%	2.80%	4.27%	-	-	-
Future compensation increases	2.50%	3.50%	3.00%	-	-	-
Future pension increases	3.25%	3.25%	3.00%	-	-	-
Inflation	2.25%	2.75%	2.50%	-	-	-
Initial weighted-average health care trend rate	-	-	-	6.55%	6.64%	6.84%
Ultimate weighted average health care trend rate	-	-	-	4.50%	4.50%	4.50%
Year ultimate reached	-	-	-	2029	2029	2029

Historical information:

	Pension Plans			Post Retirement Benefit Plan		
	March 31, 2012	March 31, 2011	April 1, 2010	March 31, 2012	March 31, 2011	April 1, 2010
Present value of accrued benefit obligation	$ (141,718)	$ (121,432)	$ (93,566)	$ (49,611)	$ (38,681)	$ (33,227)
Fair value of plan assets	142,972	122,998	105,467	-	-	-
Surplus (deficit)	$ 1,254	$ 1,566	$ 11,901	$ (49,611)	$ (38,681)	$ (33,227)

(in thousands of Canadian dollars)

9. Employee future benefits (continued):

	Pension Plans			Post Retirement Benefit Plan		
	March 31, 2012	March 31, 2011	April 1, 2010	March 31, 2012	March 31, 2011	April 1, 2010
Experience adjustments arising on plan liabilities	$ (2,329)	$ (3)	n/a	$ 63	$ 25	n/a
Experience adjustments arising on plan assets	$ (2,099)	$ 4,194	n/a	n/a	n/a	n/a

The contributions expected to be paid during the year ended March 31, 2013 amount to $13,447 for the funded registered plan, $244 for the unfunded supplementary plan and $828 for the unfunded non-pension plan.

10. Property and equipment:

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Cost						
Balance at April 1, 2010	$ 700	$ 55,339	$ 112,995	$ 279,244	$ 1,234	$ 449,512
Additions	-	20,630	2,585	38,083	1,551	62,849
Borrowing costs capitalized	-	26	-	-	-	26
Transferred to systems and equipment	-	54	1,180	-	(1,234)	-
Disposals and retirements	-	(1,510)	(2,640)	(19,338)	-	(23,488)
Balance at March 31, 2011	$ 700	$ 74,539	$ 114,120	$ 297,989	$ 1,551	$ 488,899
Additions	-	7,983	2,552	37,061	1,785	49,381
Borrowing costs capitalized	-	-	-	-	-	-
Transferred to systems and equipment	-	1,204	-	-	(1,204)	-
Disposals and retirements	-	(6,509)	(2,388)	(18,213)	-	(27,110)
Balance at March 31, 2012	$ 700	$ 77,217	$ 114,284	$ 316,837	$ 2,132	$ 511,170

(in thousands of Canadian dollars)

10. Property and equipment (continued):

	Land	Corporate facilities, systems and equipment	Lottery gaming systems and equipment	Casino and community gaming systems and equipment	Assets under construction	Total
Depreciation						
Balance at April 1, 2010	$ -	$ 41,184	$ 80,408	$ 185,978	$ -	$ 307,570
Depreciation for the year	-	6,911	11,476	38,453	-	56,840
Disposals and retirements	-	(627)	(2,162)	(18,250)	-	(21,039)
Balance at March 31, 2011	$ -	$ 47,468	$ 89,722	$ 206,181	$ -	$ 343,371
Depreciation for the year	-	9,191	9,474	36,476	-	55,141
Disposals and retirements	-	(6,377)	(2,301)	(17,374)	-	(26,052)
Balance at March 31, 2012	$ -	$ 50,282	$ 96,895	$ 225,283	$ -	$ 372,460
Carrying Amounts						
At April 1, 2010	$ 700	$ 14,155	$ 32,587	$ 93,266	$ 1,234	$ 141,942
At March 31, 2011	$ 700	$ 27,071	$ 24,398	$ 91,808	$ 1,551	$ 145,528
At March 31, 2012	$ 700	$ 26,935	$ 17,389	$ 91,554	$ 2,132	$ 138,710

For the year ended March 31, 2012, net losses on disposal of property and equipment amounted to $420 (2011: $1,777) and were included in other expenses in the consolidated statement of comprehensive income.

(in thousands of Canadian dollars)

10. Property and equipment (continued):

Borrowing costs:

During the year ended March 31, 2012, no borrowing costs were capitalized to property and equipment (2011: 7.46 per cent of borrowing costs were eligible for capitalization and borrowing costs of $26 were capitalized).

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, 2010	$ 46,023	$ 3,213	$ 49,236
Acquisitions – separately acquired	16,815	118	16,933
Acquisitions – internally generated	-	1,940	1,940
Borrowing costs capitalized	-	5	5
Transferred to intangibles	3,213	(3,213)	-
Disposals and retirements	(959)	-	(959)
Balance at March 31, 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

(in thousands of Canadian dollars)

11. Intangible assets (continued):

	Software	Assets under development	Total
Amortization			
Balance at April 1, 2010	$ 27,135	$ -	$ 27,135
Amortization for the year	9,164	-	9,164
Disposals and retirements	(258)	-	(258)
Balance at March 31, 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
Carrying Amounts			
At April 1, 2010	$ 18,888	$ 3,213	$ 22,101
At March 31, 2011	$ 29,051	$ 2,063	$ 31,114
At March 31, 2012	$ 23,863	$ 20,015	$ 43,878

For the year ended March 31, 2012, net losses on disposal of intangible assets amounted to $369 (2011: $701) and were included in other expenses in the consolidated statement of comprehensive income.

Borrowing costs:

During the year ended March 31, 2012, 5.77 per cent (2011: 1.18 per cent) of borrowing costs were eligible for capitalization and borrowing costs of $50 (2011: $5) were capitalized.

(in thousands of Canadian dollars)

12. Prizes payable:

	March 31, 2012	March 31, 2011	April 1, 2010
Lottery	$ 24,393	$ 21,650	$ 20,737
Casino and community gaming	7,017	5,548	4,746
	$ 31,410	$ 27,198	$ 25,483

13. Accounts payable and accrued liabilities:

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables	$ 9,759	$ 7,624	$ 6,850
Accrued expenses	22,395	21,954	17,196
Harmonized sales tax payable	8,259	8,545	4,188
Other	6,481	5,869	9,585
	$ 46,894	$ 43,992	$ 37,819

(in thousands of Canadian dollars)

14. Short-term financing:

	March 31, 2012	March 31, 2011	April 1, 2010
Government of B.C., loan, payable in a single instalment including interest of $35 at 0.91%, unsecured, due April 4, 2012	$ 30,102	$ -	$ -
Government of B.C., loan, payable in a single instalment including interest of $40 at 0.92%, unsecured, due May 15, 2012	29,966	-	-
Government of B.C., loan, payable in a single instalment including interest of $52 at 0.92%, unsecured, due May 31, 2012	30,054	-	-
Government of B.C., loan, payable in a single instalment including interest of $63 at 0.87%, unsecured, settled April 2011	-	45,081	-
Government of B.C., loan, payable in a single instalment including interest of $16 at 0.87%, unsecured, settled April 2011	-	19,987	-
Government of B.C., loan, payable in a single instalment including interest of $22 at 0.90%, unsecured, settled May 2011	-	19,981	-
Government of B.C., loan, payable in a single instalment including interest of $8 at 0.17%, unsecured, settled April 2010	-	-	59,996
	$ 90,122	$ 85,049	$ 59,996

(in thousands of Canadian dollars)

15. Provisions:

		Total
Balance at April 1, 2010	$	500
Provisions made during the year		800
Balance at March 31, 2011		1,300
Provisions made during the year		-
Provisions settled during the year		(293)
Provisions reversed during the year		(207)
Balance at March 31, 2012	$	800

Decommissioning:

Total provisions of $1,300 existed at March 31, 2011 in respect of the Corporation’s obligation to bring certain premises, held under operating leases, back to their original states as required by the lease agreements. This includes $800 for certain current leased space and $500 for former leased space. The required work was completed during fiscal 2012 for the former leased space at a cost of $293. The unused provision of $207 was reversed.

In accordance with the lease terms, certain current leased space must be brought back to its original state. During the year ended March 31, 2011, the Corporation provided $800 for this purpose. Because of the long-term nature of this liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. Decommissioning is expected to occur in 15 years at the end of the lease term.

(in thousands of Canadian dollars)

16. Revenue:

	2012	2011
Lottery:		
Keno	$ 234,929	$ 229,741
LOTTO MAX	197,772	248,608
Lotto 6/49	161,190	155,929
Scratch & Win	172,395	165,652
Sports Action	53,678	48,847
Extra	51,960	54,160
BC/49	43,178	42,041
PlayNow Casino	39,250	18,452
Pacific Hold'Em Poker	37,627	41,879
Pull Tabs	34,493	36,210
Special Event	20,491	10,528
Poker Lotto	9,128	-
SportsFunder	5,331	6,168
Knockout 21	-	113
Millionaire Life	-	4,051
	1,061,422	1,062,379
Casino and Community Gaming:		
Slot machines – revenue net of prizes paid[1]	1,140,704	1,126,602
Table games – revenue net of prizes paid[1]	380,973	357,087
Electronic Bingo	58,480	67,897
Paper Bingo	37,789	42,254
Poker	22,089	22,468
	1,640,035	1,616,308
Total revenue	$ 2,701,457	$ 2,678,687

[1]Net win

(in thousands of Canadian dollars)

17. Net finance costs:

	2012	2011
Finance income	$ (406)	$ (455)
Interest expense	821	344
Foreign exchange loss	43	136
	$ 458	$ 25

18. 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.

19. 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 18), is paid into the consolidated revenue fund of the Government of B.C. in the manner directed by the Lieutenant Governor in Council. The Corporation’s transfer to the Government of B.C. occurs four weeks after each fiscal month-end. The Corporation does not retain any earnings. For the years ended prior to and including March 31, 2011, the Corporation remitted its net income to the Government of B.C. and Government of Canada (note 18) based on previously reported Canadian GAAP amounts.

20. 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.

21. Commitments:

Operating leases:

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

2013	$ 4,843
2014	4,636
2015	4,262
2016	3,514
2017	3,203
Thereafter	27,330

21. Commitments (continued):

Operating leases (continued):

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 rent and service fees that are reviewed, negotiated and possibly adjusted as necessary.

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

During the year ended March 31, 2012, $22,745 (2011: $15,477) 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 $305 (2011: $301). The Corporation recognized income of $1,395 (2011: $1,317) in respect of rent under cancellable operating agreements with lottery retailers.

22. Contingencies:

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

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.

(in thousands of Canadian dollars)

23. Related party transactions:

BCLC is a wholly owned Crown corporation of the Government of B.C.

All transactions with the Government of B.C. 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:

	2012	2011
Compensation and other employee benefits	$ 2,913	$ 3,227
Pension and post-employment benefits	343	300
	$ 3,256	$ 3,527

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 19 to the consolidated financial statements.

24. 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.

Prior to July 2010, BCLC was a prescribed Goods and Services Tax (GST) registrant making remittances to the Government of Canada pursuant to the Regulations.

(in thousands of Canadian dollars)

25. Sector activity information:

Year ended March 31, 2012	Lottery	Casino & Community Gaming	Consolidated
Revenue (note 16)	$ 1,061,422	$ 1,640,035	$ 2,701,457
Prizes	580,795	61,150	641,945
Net Win	**480,627**	**1,578,885**	**2,059,512**
Gaming support costs:			
Commissions and fees	60,599	538,951	599,550
Gaming systems, maintenance and ticket distribution	18,160	10,945	29,105
Gaming equipment, leases and licenses	5,642	12,989	18,631
Ticket printing	11,180	965	12,145
Total gaming support costs	95,581	563,850	659,431
Operating expenses:			
Employee costs	30,684	51,434	82,118
Amortization and depreciation	18,379	48,695	67,074
Advertising, marketing and promotions	22,260	9,313	31,573
Other administrative expenses	4,233	6,673	10,906
Professional fees and services	2,578	5,511	8,089
Cost of premises	1,680	4,585	6,265
Other expenses (income)	15	(754)	(739)
Net finance costs (note 17)	95	363	458
Total operating expenses	79,924	125,820	205,744
Net income before tax	**305,122**	**889,215**	**1,194,337**
Harmonized sales tax expense	26,137	60,765	86,902
Net income	$ **278,985**	$ **828,450**	$ **1,107,435**

(in thousands of Canadian dollars)

25. Sector activity information (continued):

Year ended March 31, 2011	Lottery	Casino & Community Gaming	Consolidated
Revenue (note 16)	$ 1,062,379	$ 1,616,308	$ 2,678,687
Prizes	581,484	70,812	652,296
Net Win	**480,895**	**1,545,496**	**2,026,391**
Gaming support costs:			
Commissions and fees	61,731	527,997	589,728
Gaming systems, maintenance and ticket distribution	15,098	9,464	24,562
Gaming equipment, leases and licenses	3,271	13,519	16,790
Ticket printing	12,192	1,155	13,347
Total gaming support costs	92,292	552,135	644,427
Operating expenses:			
Employee costs	29,394	47,229	76,623
Amortization and depreciation	18,237	47,767	66,004
Advertising, marketing and promotions	21,444	8,049	29,493
Other administrative expenses	4,622	7,140	11,762
Professional fees and services	3,298	3,610	6,908
Cost of premises	1,146	2,899	4,045
Other expenses	84	964	1,048
Net finance costs (income) (note 17)	(46)	71	25
Total operating expenses	78,179	117,729	195,908
Net income before tax	**310,424**	**875,632**	**1,186,056**
Harmonized sales tax expense	20,993	59,317	80,310
Net income	$ **289,431**	$ **816,315**	$ **1,105,746**

26. Transition to IFRS:

As stated in note 2(a), these are the Corporation's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2012, the comparative information presented in these consolidated financial statements for the year ended March 31, 2011 and in preparation of an opening IFRS statement of financial position at April 1, 2010 (the Corporation's date of transition).

In preparing the opening IFRS statement of financial position, the Corporation adjusted amounts previously reported in its consolidated financial statements prepared in accordance with Canadian GAAP, BCLC's previous basis of accounting.

The Corporation has taken the following optional and mandatory elections and exemptions, respectively, as allowed under IFRS 1 *First-Time Adoption of International Financial Reporting Standards*:

IFRS optional elections:

- Cumulative actuarial gains/losses on its pension plans have been recognized as an opening adjustment to deficit.
- The capitalization of borrowing costs as required under IAS 23 *Borrowing Costs* was applied prospectively from the transition date.
- All agreements in effect at the transition date have been assessed to determine if they contain leases based on conditions as at the transition date, and not retroactively.
- Existing provisions have been measured as at the date of transition. The standard, with regard to changes in existing decommissioning liabilities, has not been applied retroactively.

IFRS mandatory exemptions:

- Hindsight is not used to create or revise estimates. The estimates previously made by the Corporation under Canadian GAAP were not revised for the application of IFRS except where necessary, to reflect any differences in accounting policies between IFRS and Canadian GAAP.

The following reconciliations, with the accompanying notes, provide quantification of the effect of the transition to IFRS and provide details of the impact of transition on:

- Financial position at March 31, 2011 and April 1, 2010
- Comprehensive income for the year ended March 31, 2011

(in thousands of Canadian dollars)

26. Transition to IFRS (continued):

Reconciliation of financial position as at March 31, 2011:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
## Assets				
Current assets				
Cash		$ 48,539	$ -	$ 48,539
Short-term investments		28,970	-	28,970
Accounts receivable		24,206	-	24,206
Prepaid expenses		3,962	-	3,962
Inventories		9,541	-	9,541
Total current assets		115,218	-	115,218
Employee future benefit plan assets	*A*	34,302	(32,661)	1,641
Property and equipment	*B*	144,792	736	145,528
Intangible assets		31,114	-	31,114
Total assets		$ 325,426	$ (31,925)	$ 293,501
## Liabilities				
Current liabilities				
Prizes payable		$ 27,198	$ -	$ 27,198
Accounts payable and accrued liabilities		43,992	-	43,992
Short-term financing		85,049	-	85,049
Payable to Interprovincial Lottery Corporation		3,142	-	3,142
Due to Government of British Columbia		115,757	-	115,757
Deferred revenue		7,984	-	7,984
Total current liabilities		283,122	-	283,122
Accrued post retirement benefit obligation	*A*	41,004	1,346	42,350
Provisions		1,300	-	1,300
Total liabilities		325,426	1,346	326,772
## Deficit				
Accumulated deficit	*A & B*	-	(17,728)	(17,728)
Accumulated other comprehensive loss	*A*	-	(15,543)	(15,543)
Total deficit		-	(33,271)	(33,271)
Total liabilities and deficit		$ 325,426	$ (31,925)	$ 293,501

(in thousands of Canadian dollars)

26. Transition to IFRS (continued):

Reconciliation of financial position as at April 1, 2010 (date of transition):

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
Assets				
Current assets				
Cash		$ 33,538	$ -	$ 33,538
Short-term investments		29,628	-	29,628
Accounts receivable		25,859	-	25,859
Receivable from Interprovincial Lottery Corporation		4,247	-	4,247
Prepaid expenses		3,708	-	3,708
Inventories		9,379	-	9,379
Total current assets		106,359	-	106,359
Employee future benefit plan assets	*A*	32,404	(20,412)	11,992
Property and equipment	*B*	141,472	470	141,942
Intangible assets		22,101	-	22,101
Total assets		$ 302,336	$ (19,942)	$ 282,394
Liabilities				
Current liabilities				
Cheques issued in excess of funds on hand		$ 5,635	$ -	$ 5,635
Prizes payable		25,483	-	25,483
Accounts payable and accrued liabilities		37,819	-	37,819
Short-term financing		59,996	-	59,996
Due to Government of British Columbia		128,715	-	128,715
Deferred revenue		5,776	-	5,776
Total current liabilities		263,424	-	263,424
Accrued post retirement benefit obligation	*A*	38,412	(1,108)	37,304
Provisions		500	-	500
Total liabilities		302,336	(1,108)	301,228
Deficit				
Accumulated deficit	*A & B*	-	(18,834)	(18,834)
Total liabilities and deficit		$ 302,336	$ (19,942)	$ 282,394

(in thousands of Canadian dollars)

26. Transition to IFRS (continued):

Reconciliation of comprehensive income for the year ended March 31, 2011:

	Note	2011
Total net income, being comprehensive income for the year (under Canadian GAAP)		$ 1,104,640
Reconciling items		
Amortization and depreciation	*B*	266
Employee costs	*A*	840
Actuarial loss	*A*	(15,543)
Total comprehensive income for the year (under IFRS)		$ 1,090,203

Notes to the reconciliations:

(A) Under Canadian GAAP, the Corporation amortized past service costs from plan amendments or initiations on a straight-line basis over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan. In addition, cumulative gains and losses were recognized using the corridor method.

At the date of IFRS transition, all previously unrecognized cumulative actuarial gains and losses were recognized in deficit.

The Corporation's accounting policy is to amortize past service costs on a straight-line basis over the average vesting period. Past service costs are recognized immediately to the extent that the benefits are fully vested. In addition, all actuarial gains and losses are recognized immediately in other comprehensive loss. The unrecognized actuarial gains and losses exceeding the corridor that were recognized in income in the year ended March 31, 2011 under previous Canadian GAAP were reversed, and all actuarial gains and losses and vested past service costs arising in the year ended March 31, 2011 were recognized in other comprehensive loss.

The impact arising from the change is summarized as follows:

	March 31, 2011	April 1, 2010
Consolidated statement of financial position		
Decrease in employee future benefit plan assets	$ (32,661)	$ (20,412)
Decrease (increase) in accrued post retirement benefit obligation	(1,346)	1,108
Increase in accumulated other comprehensive loss	15,543	-
Increase in deficit	$ (18,464)	$ (19,304)

(in thousands of Canadian dollars)

26. Transition to IFRS (continued):

Notes to the reconciliations (continued):

(A) The impact arising from the change is summarized as follows (continued):

	Year ended March 31, 2011
Consolidated statement of comprehensive income	
Decrease in employee costs	$ 840
Increase in other comprehensive loss	(15,543)
Decrease in total comprehensive income	$ (14,703)

(B) At the date of IFRS transition and March 31, 2011, property and equipment was revalued to capture the impact of componentization of corporate facilities, systems and equipment with different estimated useful lives.

Under IFRS, the Corporation's accounting policy is to separately account for major components of property and equipment with different useful lives. Depreciation recognized under Canadian GAAP for the year ended March 31, 2011 was reduced to capture the impact of componentization arising in the year.

The impact arising from the change is summarized as follows:

	March 31, 2011	April 1, 2010
Consolidated statement of financial position		
Increase in property and equipment	$ 736	$ 470
Decrease in deficit	$ 736	$ 470

	Year ended March 31, 2011
Consolidated statement of comprehensive income	
Decrease in depreciation	$ 266
Increase in total comprehensive income	$ 266