2018–19 ANNUAL REPORT

ONTARIO LOTTERY AND GAMING CORPORATION

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MESSAGE FROM THE CHAIR

OLG's results in 2018–19 demonstrate an effective balance between continued strong financial performance and progress toward realizing its Vision, which is to develop world-class gaming entertainment in a way that benefits the province and its communities.

The Board of Directors was pleased to provide oversight and advice to the executive team throughout the year, as it continued to meet financial targets, move OLG's transformation and business plans forward, and promote economic development in Ontario. We saw our core business grow, with $8.3 billion in proceeds from Lottery and Gaming – an additional $480 million from the previous year – including record proceeds in Lottery and Land-based Gaming.

We are nearing completion of Land-based Gaming modernization and have significantly advanced our Lottery, Sports, and iGaming modernization by completing procurements and engaging service providers for our Player Platform, Lottery Terminal Network and Enterprise Website and Mobile Apps projects. We enhanced our partnerships by striking new deals in sports and entertainment to reach under-penetrated customer segments and continued our journey to a new organizational structure while supporting a culture of performance.

As a board, we are supportive of OLG's attention to Responsible Gambling, with a focus on preventing and mitigating the negative effects of problem gambling. This includes educating players, encouraging healthy play habits and supporting problem gamblers. To that end, we are pleased with the work OLG is doing to advance its *PlaySmart* program and we are encouraged by the international recognition the program continues to receive.

This past year, we said goodbye to six board members – Sunir Chandaria, John Craig, Mary Beth Currie, Urban Joseph, Frances Lankin and Joanne Lefebvre. I want to thank each of them for the extensive experience, knowledge and expertise they brought to OLG. Their significant and long-lasting contributions have helped to position the organization well for continued success and we wish them all the best in their future endeavours. I would also like to welcome our newest board member, Peter Deeb, whose arrival this past May will only enhance our board's already strong and vibrant leadership.

On behalf of the Board of Directors, I would like to thank our President and CEO, Stephen Rigby, and his executive team for their leadership, as well as all OLG employees for their individual and collective contributions and commitments to advancing the important work of this organization for the province.

Since 1975, OLG has proudly provided more than $52 billion to the people and Province of Ontario. We are committed to building on that strong foundation and, through continued innovation, to reaching new heights of success for Ontario.

George L Cooke

George L. Cooke
Chair

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The fiscal year has been defined by strong financial performance and determined progress against corporate priorities. The organization exceeded its financial targets and completed important procurement streams for its Land-based Gaming, Lottery and Digital Gaming operations.

In fiscal 2018–19, OLG continued to reshape its Land-based Gaming landscape, transitioning the West GTA and Central Gaming Bundles to service providers in May and July 2018, respectively. As we increasingly shift our focus to managing our relationships with service providers, benefits of our transformation are being realized. Proceeds continue to grow, new jobs are being created and new capital investments are being made in communities across Ontario. The organization is well positioned for continued growth under the Land-based Gaming modernization program.

Financial performance of the Lottery business continues to grow and significantly exceed budget targets. Growth in Lottery remains balanced across all lottery product categories; national and regional Lotto, INSTANT and Sports all exceeded the previous year's proceeds.

In the past year, we advanced plans to deliver new products and customer experiences in a growing digital economy. Key foundational pieces were put in place to realize and accelerate our digital evolution. New service providers were brought on board to launch an integrated player platform, to develop a new gaming website and mobile applications and to replace and upgrade our retail point-of-sale system with a state-of-the-art network and new lottery terminals. In the coming year, we expect to select a service provider for an enhanced sports betting solution that will be applied to retail and digital channels.

While this future development necessitated a tremendous amount of work, it did not take away from our current-day focus to meet targets and deliver on our core business. Growth in top-line proceeds combined with a reaffirmed commitment to cost management resulted in $2.47 billion in Net Profit to the Province, a full 10 per cent or $225 million above target. The organization will continue to maintain a determined focus on managing our expenditures, finding efficiencies and implementing more robust enterprise-wide risk management measures.

Our achievements this past fiscal year were driven by focusing on our customers, enhancing their experience and being responsive to their changing expectations. To ensure we can advance this customer-centric strategy, we are leveraging data and analytics to enhance our understanding of the market. As we become a more performance-driven organization, we are setting and measuring our progress against key performance indicators that align with our strategic priorities.

An imperative for the organization and a key to our continued success is OLG's commitment to Responsible Gambling and our industry-leading *PlaySmart* program. In 2018, OLG was selected from among more than 200 members from 80 countries to receive the World Lottery Association's (WLA) Best Overall Responsible Gambling Award. In making the announcement, the WLA recognized *PlaySmart*'s strategic approach to responsible gambling, its commitment to continuous improvement and its success in implementing robust and innovative training programs for retailers and employees.

We continue to prosper as a vibrant company in two important communities in this province. This past fall, OLG was named to the prestigious list of *Greater Toronto's Top Employers.* Winners in this region routinely rank among the highest in the nation in workplace best practices. And in January, OLG was presented a Community First Award for outstanding business achievement in Sault Ste. Marie. OLG was recognized for its contribution to the well-being of the community by sourcing local products and services, growing employment and supporting the community through charitable activities. While it's gratifying to win awards of this nature, we are committed to make OLG an even better partner for our communities and place to work for our valued employees. The significant achievements of 2018–19 would not have been possible without the dedication and commitment of our employees. It can be challenging to balance the needs of our current business while also driving organizational change, but our employees are dedicated to helping us meet our objectives. I thank them for continually delivering strong returns to the Government of Ontario and exceptional service to our customers and all Ontarians.

As an organization, we are proud of all that's been accomplished this past fiscal year and, together with our employees, look forward to the new challenges and opportunities ahead as we continue to build a strong gaming industry for the benefit of the people of Ontario.

Stephen Rigby
President and Chief Executive Officer

OVERVIEW

Ontario Lottery and Gaming Corporation (OLG or the Corporation) conducts and manages Land-based Gaming, Digital Gaming (e.g., PlayOLG Internet Gaming), the sale of province-wide lottery games and the delivery of bingo and other electronic gaming products at Charitable Gaming Centres. OLG is also helping to build a more sustainable horse racing industry in Ontario.

The Corporation provides gaming entertainment in an efficient and socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and host communities.

OLG’s Vision is to develop world-class gaming entertainment for Ontario.

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net revenue from its operations be paid to the Government of Ontario Consolidated Revenue Fund. In fiscal 2018–19, the government used these funds to help support provincial priorities including the operation of hospitals; problem gambling prevention, treatment and research; amateur sport and local and provincial charities. OLG’s Charitable Gaming program also makes direct funding contributions to participating charitable gaming associations.

ONTARIO GAMING MARKET

The Ontario Lottery and Gaming Corporation continues to develop a vibrant and growing Ontario gaming market that offers both traditional gaming products and new entertainment experiences that our current and future customers want.

Through its ongoing modernization, OLG’s Land-based Gaming business is leveraging private sector partnerships to expand casino-style gaming and to develop new non-gaming experiences. In Lottery and Digital gaming, OLG continues its work to expand distribution while creating new and exciting products and experiences based on customer demand.

OLG’s proactive and responsible approach to growing Ontario’s gaming marketplace starts by identifying new gaming entertainment opportunities, optimizing and managing their delivery structures and implementing strategies to achieve the desired results. This approach is complemented by a focus on cultivating and managing new relationships with our Land-based Gaming Service Providers. Since fiscal 2014–15, the Ontario gaming market has experienced a compound annual growth rate of 4.9 per cent. This rate has exceeded the growth rate of the Ontario population over the same time period, affirming OLG as a leader among the many choices for recreational spending among adults in Ontario.

OLG'S BENEFIT TO THE PROVINCE OF ONTARIO*

Since 1975, OLG has provided more than $52 billion to the people and Province of Ontario. OLG's annual payments to the province have helped support provincial priorities including the operation of hospitals; problem gambling prevention, treatment and research; amateur sport; and local and provincial charities, among other initiatives. In addition to OLG's payments to the province, there are several direct beneficiaries of gaming proceeds, including host communities, Ontario First Nations and Ontario's horse racing industry.

ECONOMIC ACTIVITY GENERATED BY OLG IN ONTARIO: $5.0 billion

OLG operations contribute to the economy in many ways. In fiscal 2018–19, OLG and its Land-based Gaming Service Providers contributed more than $5.0 billion in economic activity in the Province of Ontario.

NET PROFIT TO THE PROVINCE**: $2.47 billion

These funds are directed by the Government of Ontario to provincial priorities. Since the start of OLG's modernization, this amount has grown by more than 30 per cent, from $1.88 billion in fiscal 2011–12 to $2.47 billion in fiscal 2018–19. Among Government Business Enterprises, OLG is the largest source of non-tax revenue for the Province of Ontario.

SUPPORT FOR ONTARIO'S ECONOMY: $2.52 billion

In addition to Net Profit to the Province, OLG and its Land-based Gaming Service Providers made additional contributions including:

- **$992.8 million** for the employment of 17,600 people at OLG, including the Resort Casinos it owns, and at gaming facilities operated by Land-based Gaming Service Providers across Ontario
- **$304.4 million** in commissions paid to lottery retailers across the province
- **$160.8 million** in payments to municipalities and Ontario First Nations that host gaming facilities and Charitable Gaming Centres
- **$146.4 million** in payments to Ontario First Nations through the Gaming Revenue Sharing and Financial Agreement
  $920.0 million in goods and services purchased from Ontario businesses to support Land-based Gaming facilities, including Resort Casinos across the province***

CORPORATE RESPONSIBILITY: $64.4 million

OLG continues to invest in programs that support Responsible Gambling and charitable organizations. This includes:

- **$17.3 million** directed by OLG to its Responsible Gambling program, including Resource Centres, education and technology, program delivery, staff training, self-exclusion including capital costs for facial recognition systems
- **$43.9 million** in Charitable Gaming proceeds distributed to participating local charities
- **$3.2 million** in corporate and lottery festival and event engagements

Host municipalities also receive direct financial benefit from hosting fees, property tax revenue, development fees and other payments, and the creation of jobs.

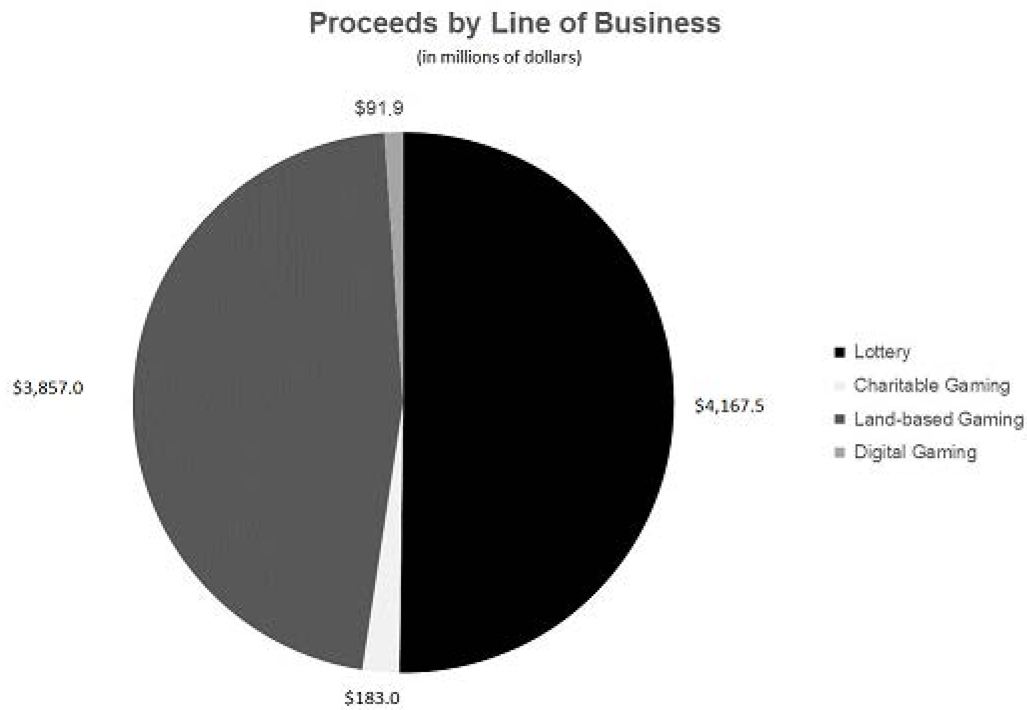
**fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)*

***Net Profit to the Province is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments.*

****includes spend information as reported by Land-based Gaming Service Providers*

FINANCIAL HIGHLIGHTS

OLG's operations are organized under four lines of business. In fiscal 2018–19, these lines of business collectively generated a record $8.3 billion in proceeds.

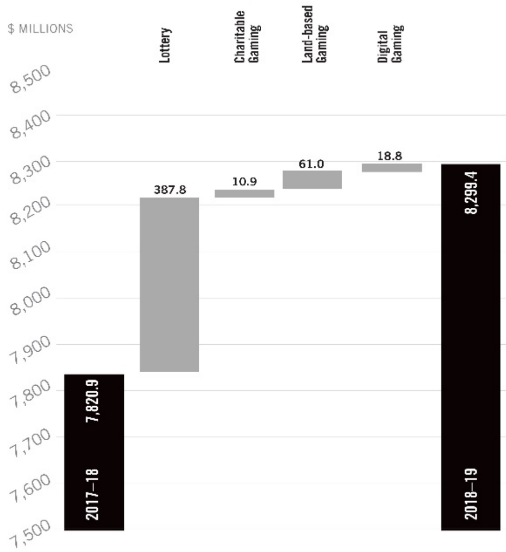


(in millions of dollars) for the fiscal year ended March 31	**2018–19**	**2017–18***
Proceeds		
Lottery	4,167.5	3,779.7
Charitable Gaming	183.0	172.1
Land-based Gaming	3,857.0	3,796.0
Digital Gaming	91.9	73.1
Total OLG Proceeds	8,299.4	7,820.9

Proceeds from Lottery and Gaming represents sales from Lottery before the deduction of Lottery prizes, net win from Charitable Gaming, Digital Gaming, and Land-based Gaming before the deduction of Service Provider fees. Proceeds do not include revenue from non-gaming sources nor revenue from leases.

** Starting in fiscal 2018–19, the Corporation adopted IFRS 15 and IFRS 9 (See Note 3.e in Notes to the Consolidated Financial Statements). Comparative figures have been reclassified, where necessary, to reflect the current year's presentation.*

CHANGE IN REVENUE 2017–18 TO 2018–19



(in millions of dollars)

	2018–19 vs. 2017–18 $ Change in Proceeds
Lottery	$387.8
Charitable Gaming	$ 10.9
Land-based Gaming	$ 61.0
Digital Gaming	$ 18.8
Total Change in Proceeds	**$478.5**

Lottery – OLG operates 21 terminal-based lottery and sports games and offers 78 INSTANT lottery products through approximately 9,800 independent retailers across the province.

Charitable Gaming – OLG conducts and manages the operations of 31 Charitable Gaming Centres across Ontario. In addition to the classic paper-based play, these sites offer a variety of bingo and break open ticket games in electronic formats.

Land-based Gaming – At the end of the fiscal year, OLG was responsible for conducting and managing gaming at three Resort Casinos* (Caesars Windsor, Casino Niagara and Niagara Fallsview Casino Resort) and at 23 slots and casino facilities operated by Service Providers.

A Casino Operating and Services Agreement (COSA) governs each Service Provider's operation of the gaming sites. OLG's share of proceeds from Service Provider-operated gaming sites is also defined in each COSA. In accordance with International Financial Reporting Standards, OLG recognizes revenue from these sites differently from those sites that it operates directly. OLG's revenue from Service Provider sites is reported as total proceeds less certain defined amounts that primarily include fixed fees, variable fees that are calculated as a percentage of total gaming revenue, as defined in the COSA, and amounts that are permitted for capital improvements.

Digital Gaming – OLG conducts and manages the operation of PlayOLG, its Internet Gaming website. The site offers slots and table games as well as sales of select Lotto games** (i.e., LOTTO MAX, LOTTO 6/49 and ENCORE).

**Casino Rama transitioned to a new operating and services model under a COSA in July 2018. Casino Niagara and Fallsview Casino Resort transitioned to a new operating and services model under a COSA in June 2019.*

***Revenue from these Lotto games is recorded in the Lottery line of business.*

OLG'S PATH FORWARD

OLG's Vision is to develop world-class gaming entertainment for Ontario. Its Mission is to generate revenue for the province; stimulate and enhance economic development; and promote high standards of responsible gambling – all in the best interests of the Province of Ontario.

Designed to deliver on the Vision and Mission are four strategic themes that define OLG's customer focus and inform the organization's priorities.

Four Customer-Focused Themes of OLG's Strategy	
Theme	**Description**
Strong and Responsible Growth	Create long-term value for customers, Ontario's gaming market, and the province in a socially responsible manner.
Digital Development	Ensure new products and experiences are available where and when customers want them.
Know Our Customers	Understand our customers' needs and identify new opportunities using data and analytics.
Culture of Performance	Develop a high functioning organization that responds to customers' needs.

Strong and Responsible Growth

OLG's transformation of Land-based Gaming neared completion in fiscal 2018–19. Gaming facilities assets and operations in the West GTA and Central Gaming Bundles were transferred to service providers and OLG announced the successful proponent for the Niagara Gaming Bundle.

As a result of OLG's modernization, service providers are investing significant private sector capital, creating jobs and delivering economic benefits for the province. Early returns include:

- New land-based casinos built and opened in Belleville and Peterborough
- Three new gaming facilities under construction in Chatham, North Bay and Pickering
- Construction of a new 5,000-seat entertainment centre in Niagara Falls that is nearing completion
- Capital improvements and expansions at a number of gaming sites including the introduction of live table games at racetrack locations – Flamboro, Hanover, Georgian, Mohawk, Rideau Carleton and Woodbine

While the Land-based Gaming market is well positioned for continued financial growth, OLG must proactively manage its relationships with its service providers to ensure that opportunities are identified and realized and that new capital investments across the province are effectively implemented.

Beyond relationships with Land-based Gaming Service Providers, OLG continues to develop and strengthen several other successful partnerships that are benefiting communities across the province.

The Ontario government, the horse racing industry and OLG worked together to reach a long-term funding agreement that came into effect on April 1, 2019. This agreement provides stable funding for horse racing and helps to ensure the vitality of the industry for generations to come. It replaces the transfer payment agreements between the government and Ontario's racetracks that were in place from April 1, 2014 to March 31, 2019.

OLG's partnership with the charitable gaming industry through the Charitable Gaming Revitalization Program has seen 31 paper-based bingo halls convert to electronic Charitable Gaming Centres that have helped raise $237 million for approximately 1,900 local charities across Ontario since the program's inception in 2005. In 2018–19, OLG and the industry continued to make progress towards a sustainable business model for the program that will allow for new and expanded products and experiences for customers while ensuring local charities continue to have a reliable and sustainable means to raise funds.

Responsible Gambling also remains fundamental to OLG's business and its future success. That is why OLG launched *PlaySmart* in 2016. The program is a radically different approach to Responsible Gambling education and player support, targeting the right information and resources to the right players at the right time.

PlaySmart continued to receive international attention in 2018–19. The World Lottery Association recognized the *PlaySmart* Responsible Gambling program as the best in the world in November 2018. Having previously been awarded this distinction in 2014, OLG is the only lottery and gaming organization in the world to earn it twice. The website, PlaySmart.ca, was also named 2018's Best Website by the North American Association of State and Provincial Lotteries.

Digital Development

The evolving and growing digital economy is driving a rapid change in customers' expectations. To remain competitive, OLG strives to deliver superior experiences through compelling gaming entertainment that customers seek. After assessing emerging trends in digital gaming entertainment, OLG announced new strategic partnerships to advance its digital strategy and meet those expectations.

In September 2018, OLG announced that Bede Gaming Canada Limited would be OLG's new digital platform provider. This platform will serve as a central point of integration for OLG's products and channels. It will allow OLG to improve its online offering, add new games, enhance customer choice, and enable mobile responsiveness. Specifically, this flexible and scalable platform will be the foundation from which OLG can offer personalized gaming entertainment through a competitive website and mobile applications, an expanded digital library including digital lottery products, integration with leading entertainment brands and additional customer services such as live player support. World-leading Responsible Gambling options and customer-driven controls will also be built into the platform.

Also in September, OLG announced a partnership with IDEMIA Identity & Security France SAS to replace and upgrade its lottery retail terminals and network. The new terminals will allow OLG to add more products and provide a better retail experience for customers, while delivering enhanced features for retailers.

Recognizing the global popularity of sports betting and the demand in Ontario, OLG is procuring a service provider to enhance and expand its digital and sports betting solutions. When implemented, OLG will be able to offer a variety of new sports products at retail locations, online and through mobile devices. OLG is nearing the end of this procurement process and hopes to announce a service provider by fall of 2019.

OLG's Digital Development strategy is critical for the continued growth of the customer base, which in turn, is critical to the ongoing sustainability and future growth of this gaming market for the Province of Ontario.

Knowing Our Customers

OLG is improving how it connects with customers to deliver the products and experience its customers expect.

Investments in new technology will help OLG better understand its customers' needs across all business channels. In fiscal 2018–19, OLG continued to expand its capabilities in data analytics by implementing an Enterprise Analytics Platform, as well as introducing leading business intelligence reporting tools and advanced analytical methods. This will enable OLG to understand and respond to our customers' needs with multiple products across various channels.

The following are some examples of new games and improvements to existing products based on customer demand:

- the new $10 INSTANT game THE BIGGER SPIN that launched on October 1, 2018. This retail game builds on the success of THE BIG SPIN and gives customers the chance of an added experience to spin THE BIGGER SPIN Wheel for a guaranteed prize ranging from $500,000 to $1 million.
- changes to LOTTO MAX that took effect in May 2019, giving customers the chance to win larger jackpots by increasing the maximum jackpot prize from $60 million to $70 million. Draws are held twice a week, meaning jackpots grow more quickly.

- enhancements to the OLG Lottery App that are improving the customer experience by allowing players to log into their Winner's Edge accounts through their mobile devices and receive personalized offers, coupons and contest information.

OLG will continue to focus on developing its expertise in customer insights and analytics to ensure it delivers products and experiences that meet evolving customer expectations.

Culture of Performance

OLG continues to refine a culture of performance to help drive growth and innovation to advance the Ontario gaming market.

It is doing this by creating a new corporate operating model that enables OLG to work horizontally across the organization to unlock more opportunities, allow for greater agility and optimize talent and expenditures across the organization. OLG will continue the development and implementation of this new operating model to ensure optimal results for the province are realized.

As this work continues, OLG is supporting its employees so they can thrive and succeed within this changing operating environment. Because their work benefits the people and the Province of Ontario, OLG wants employees to have the space to be themselves and empowers them to use their imaginations and skills. To this end, it is building a culture of inclusion where employee differences are valued and celebrated.

In 2017, OLG established two Employee Resource Groups (ERGs): the Women's Network and the Pride Network. ERGs are employee-led groups, each defined by a common identity, characteristic and set of interests. The groups support a culture of inclusion that enhances employee engagement and offer unique perspectives and experiences. In 2018-19, OLG introduced two new ERGs – the Mental Wellness Network and the Cultural Diversity Network, continuing its efforts to identify opportunities to embed diversity and inclusion into key programs and policies.

OLG also introduced a five-year strategy this year that reaffirms its commitment to Diversity and Inclusion as a business priority. The strategy considers formal policies and programs, customs and everyday behaviours that not only allow for diverse representation, but also contribute to an inclusive culture. OLG's Diversity and Inclusion efforts were highlighted by Mediacorp Canada Inc. when it named the Corporation one of Greater Toronto's Top Employers for 2019.

In April 2018, OLG introduced the *PlaySmart* employee pledge which asks employees to express their commitment to the fundamentals of "Responsibility". The *PlaySmart* Pledge is part of OLG's brand and is a visual demonstration for players of how seriously OLG and its employees take Responsible Gambling across all lines of business.

Delivering on its mandate

OLG’s achievements in 2018–19 have been driven by its focus on the customer and align with the priorities outlined in the mandate letter it received from the Ontario government. These priorities include:

- Securing partnerships with service providers to enhance the customer experience in Land-based Gaming
- Investing in digital technology to connect with customers in new and better ways
- Working collaboratively with the government to finalize a long-term funding agreement for the horse racing industry
- Working with the charitable gaming sector toward the implementation of a new business model
- Continuously improving responsible gambling standards and social responsibility.

OLG also continues to adhere to directives and policies regarding compensation and expenses and submits required business plans and financial reports to the government.

> *Since September 2009, OLG and other large Ontario government agencies were required to submit the expenses of its Directors and senior management to the Office of the Integrity Commissioner (OIC) for review. In 2018–19, the OIC noted that OLG had demonstrated its full compliance with the Travel, Meals and Hospitality Expenses Directive and the requirements set out in the Public Sector Expenses Review Act, 2009, and was no longer required to make this quarterly submission to the OIC. OLG still makes these reports available on OLG.ca.*

GOVERNANCE

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999* (the *Act*). Classified as an Operational Enterprise Agency, OLG has a single shareholder, the Government of Ontario, and for fiscal 2018–19 reported through its Board of Directors to the Minister of Finance. Members of the Board of Directors and its Chair are appointed by the Lieutenant Governor in Council. Neither the Chair nor the members of the board are full-time, nor are they members of Management.

BOARD MANDATE

The Board of Directors oversees the overall management of the affairs of the Corporation in accordance with its objectives as set out in the *Act,* the Corporation's bylaws, the approved business plan and the Memorandum of Understanding between the Corporation and the Minister of Finance. The board's mandate is to direct Management's work on optimizing the Corporation's overall performance and increasing shareholder value by executing its various responsibilities, which include:

- to establish the goals, objectives and strategies for the Corporation consistent with the Corporation's mandate and applicable government policies
- to approve the annual business plan as well as operating and capital budgets
- to define and assess business risks
- to review the adequacy and effectiveness of internal controls in managing risks
- to appraise the performance of the President and Chief Executive Officer
- to oversee a code of conduct to ensure the highest standards in dealing with customers, suppliers and staff, with due regard to ethical values and the interests of the community at large in all corporate endeavours
- to track the overall performance of the Corporation
- to remain informed and provide input, as required, concerning communications with the Government of Ontario and stakeholders
- to ensure compliance with key policies, laws and regulations

The total remuneration paid to board members in fiscal 2018–19 was $357,000.

BOARD OF DIRECTORS

The following directors served as members of the board during fiscal 2018–19.

George L. Cooke, Chair
(December 7, 2016 – December 6, 2019)

George Cooke is a corporate director and currently serves as Chair of the Board of Directors, OMERS Administration Corporation.

In 2012, Mr. Cooke retired after a tenure of more than 20 years as the CEO and a Director of The Dominion of Canada General Insurance Company.

His past positions include Chair of the Board of Directors, CANATICS; Director, EL Financial Corporation; Director, Empire Life Insurance Company; Director, Atomic Energy Canada Limited; Director and Chair, Insurance Bureau of Canada; Director and Chair, Property and Casualty Insurance Corporation; Director, Facility Association; Director, Toronto Rehabilitation Institute; and Director, Hydro One.

Mr. Cooke holds a Masters of Business Administration and a Bachelor of Arts (Honours) degree from Queen's University.

Gail Beggs, Director
(May 17, 2013 – November 19, 2019)

Gail Beggs is a former public servant with more than 30 years of experience in the Ontario Public Service, including more than nine years as Deputy Minister of the Ministry of the Environment, the Ministry of Natural Resources and, concurrently, the Ontario Secretariat for Aboriginal Affairs.

During her public service career, Ms. Beggs also served as President and CEO and Chair of the Ontario Clean Water Agency, an Ontario Crown corporation, and as Chair of the Great Lakes Fishery Commission, an international agency.

Since retiring from the Ontario Public Service, Ms. Beggs has utilized her experience in leading organizations and her skills in public administration, organizational transformation and program delivery by serving on and leading the boards of several not-for-profit organizations in the regulatory, natural environment, social services and scientific sectors.

Sunir Chandaria, Director
(March 5, 2015 – March 4, 2019)

Sunir Chandaria is President of the LePage's 2000, Inc. division of Conros Corporation, a position he has held since 2009. LePage's is a leader in office supplies distribution to major retailers across the U.S. and Europe. Mr. Chandaria also represents Conros in a consortium of multinational companies that is exploring Information Communications Technology opportunities in Kigali, Rwanda, including the establishment of a regional data centre and IT infrastructure investment.

Mr. Chandaria has a Bachelor of Arts (Honours) from St. Peter's College at Oxford University.

John H. Craig, Director
(December 2, 2015 – December 1, 2018)

John H. Craig is Senior Counsel at Cassels Brock & Blackwell LLP and has been practising securities law, primarily in the resource sector for over 40 years.

Mr. Craig also served as a director of a number of public companies, again primarily in the resource sector, during the same period. He has been an active participant in the Standardbred horse racing industry as an owner for over 30 years.

Mary Beth Currie, Director
(November 20, 2013 – November 19, 2018)

Mary Beth Currie has practiced law for more than 25 years. She was a partner at McCarthy Tétrault and most recently at Bennett Jones LLP, where she specialized in employment law.

At Bennett Jones LLP, Ms. Currie was co-leader of the firm's employment services practice where she regularly provided advice about general employment, corporate mergers and acquisitions, restructurings, employee outsourcings, occupational health and safety, workers' compensation, human rights, employment standards, privacy, pay equity and wrongful dismissal.

Urban Joseph, Director
(December 11, 2013 – December 10, 2018)

Urban Joseph began a distinguished career with the Toronto Dominion Bank in 1952 in Quebec, which culminated in his appointment as Vice Chairman in 1992.

Although Mr. Joseph retired from TD Bank in 1996, he is active as a corporate director. He was made an Officer of the Order of Canada in 2001 for his contributions to the aboriginal community and to Canadian youth.

Mr. Joseph holds an Associate in Arts from the University of Saskatchewan, an Honours degree in Business and a Masters of Business Administration from the University of Western Ontario.

Frances Lankin, Director
(November 20, 2013 – March 1, 2019)

Frances Lankin is a corporate director. She is the former President and CEO of the United Way Toronto (2001–10). In 2009, Ms. Lankin was appointed to the Queen’s Privy Council for Canada and served for five years as a member of the Security Intelligence Review Committee. In 2014, Ms. Lankin was appointed to the Premier’s Advisory Council on Government Assets whose mandate was to review and identify opportunities to modernize government business enterprises.

Ms. Lankin formerly served on the Board of Directors of Hydro One, Metrolinx and the Institute of Corporate Directors. Ms. Lankin was appointed a Member of the Order of Canada in 2012 and in April of 2016, was appointed to the Senate of Canada.

Joanne Lefebvre, Director
(November 20, 2013 – November 19, 2018)

Joanne Lefebvre is a Management Consultant. For 15 years while President and CEO of the Regroupement des gens d'affaires de la Capitale nationale (RGA), her leadership grew the RGA into the largest bilingual and French-language association of business people in Canada.

Ms. Lefebvre is currently a member of the Board of Governors of the University of Ottawa and member of the boards of The Royal Ottawa Mental Health Hospital Foundation and Club du Midi.

Ms. Lefebvre holds a Masters in Business Administration from the University of Ottawa.

Lori O'Neill, Director
(February 12, 2014 – February 11, 2020)

Lori O'Neill is an independent financial and governance consultant to several growth companies. Ms. O'Neill serves on the board of Constellation Software Inc., Hydro Ottawa Holding Inc., Pythian Group, University of Ottawa Heart Institute and Ashbury College. Ms. O'Neill is an FPCA, FCA with over 24 years of experience in a global accounting firm.

Ms. O'Neill previously served on the board of a federal Crown corporation, an SEC-registrant technology company, a number of privately held technology companies, Startup Canada and the Executive Committee of the Ottawa Chapter of the Institute of Corporate Directors.

Ms. O'Neill holds an ICD.D designation, a U.S. CPA designation and a Bachelor of Commerce from Carleton University.

Shelly Rae, Director
(February 8, 2018 – February 7, 2020)

Shelly Rae is the Head of Human Resources Consulting at People R Us. Ms. Rae has more than 25 years of experience in the Human Resources profession.

Ms. Rae has worked across a broad range of industries including financial services, manufacturing, retail, consumer packaged goods and the public sector. She specializes in finding workable solutions to human resource issues in support of business leaders in small and midsized companies — developing and executing on mission critical human capital strategies and tactics.

Prior to starting up People R Us, Ms. Rae held executive and leadership positions with The Dominion of Canada General Insurance Company, the Municipality of Metro Toronto and Hallmark Cards.

Orlando M. Rosa, Director
(December 11, 2013 – December 10, 2018; January 31, 2019 – January 30, 2022)

Orlando Rosa has built depth and variance in a law practice primarily focused on civil and commercial litigation.

Mr. Rosa is Managing Partner of Wishart Law Firm LLP in Sault Ste. Marie. He handles a variety of large and complex litigation including railroad liability cases, environmental, insurance, contractual, municipal and tort claims for various clients.

Mr. Rosa graduated cum laude from the Faculty of Law at the University of Ottawa in 1981.

Darryl Rowe, Director
(February 8, 2018 – February 7, 2020)

Darryl Rowe has been in the consumer-packaged-goods industry for almost 30 years in Canada. In that time, he has had the opportunity to work with global multinationals Rothmans, Benson and Hedges (now Phillip Morris International) and the Coca-Cola Company.

More recently, Mr. Rowe served as the President of privately held McCain Foods (Canada) and was the President of Weston Bakeries Limited.

Mr. Rowe has made many contributions to the consumer-packaged-goods industry having served as Chair of Food and Consumer Products of Canada (FCPC), Chair of the Associated Members Council of the Canadian Federation of Independent Grocers (CFIG) and most recently, Chair of the Healthy Grains Institute.

Steve Williams, Director
(May 27, 2015 – May 26, 2019)

Steve Williams is a former Chief of Six Nations of the Grand River Territory, the largest First Nations community in Canada. He continues his success in business as the current president of Grand River Enterprises International, the largest First Nations' owned tobacco company in the world.

Mr. Williams is a member of the Board of Directors of the Ontario First Nations Limited Partnership.

Mr. Williams has contributed more than 30 years of volunteer service to national and regional First Nations boards and commissions, including local charitable and non-profit organizations in his home community, Six Nations of the Grand River Territory.

BOARD COMMITTEES

As of March 31, 2019, the OLG Board of Directors operated through four working committees.

AUDIT AND RISK MANAGEMENT COMMITTEE

The primary function of the Audit and Risk Management Committee is to assist the board in fulfilling its oversight responsibilities by reviewing and monitoring the Corporation's financial statements, systems of internal controls including those over financial reporting, capital expenditure program and Enterprise Risk Management program, as well as the compliance systems that have been established. In addition, the Committee assists the board by inquiring into and overseeing the financial matters of the Corporation. It reviews the budget framework, policies and procedures, oversees and contributes to the development of the annual budget and projections and reviews financial performance. The Chair of this committee, as of March 31, 2019, is Lori O'Neill.

GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Governance and Corporate Social Responsibility Committee assists the board in developing and monitoring governance policies and practices. It helps identify policy areas for review and presents recommendations to the board for consideration so that the board can ensure the Corporation's adherence to the highest standards in corporate governance. In addition, the Committee assists the board and the Corporation in fulfilling its social responsibility in the conduct of its business. It inquires into and oversees such areas as responsible gambling, game integrity and Smart Serve food and beverage service. The Chair of this committee, as of March 31, 2019, is Gail Beggs.

TALENT, CULTURE AND COMPENSATION COMMITTEE

The Talent, Culture and Compensation Committee helps ensure that the Corporation has sufficient organizational strength at the senior management level to achieve its short- and long-term goals. It also recommends, for board approval, the compensation and benefit plans for senior management. The Chair of this committee, as of March 31, 2019, is Shelly Rae.

TRANSFORMATION AND TECHNOLOGY COMMITTEE

The Transformation and Technology Committee assists the board in overseeing matters pertaining to the development and review of the Corporation's strategic plans and the development, review and implementation of associated information technology and major business transformation plans and programs aimed at achieving the Corporation's mission, vision, strategic direction, objectives and goals. The Chair of this committee, as of March 31, 2019, is Darryl Rowe.

EXECUTIVE COMMITTEE

As of March 31, 2019, senior executives responsible for day-to-day operations were:

Stephen Rigby
President and Chief Executive Officer

Over the last four years, Mr. Rigby has led OLG through a significant and successful transformation focused on strategic public-private partnerships, digital transformation and market and revenue growth.

Stephen Rigby joined OLG in January 2015 following a 35-year career in the Federal Public Service, culminating in his four-and-a-half-year appointment as National Security Advisor to Prime Minister Stephen Harper.

Prior to that, Mr. Rigby held several other Deputy Ministerial positions in the broader National Security field, including President of the Canada Border Services Agency (CBSA), Associate Deputy Minister of Foreign Affairs and Executive Vice President of the CBSA. Earlier in his career, he spent a number of years at the Canada Revenue Agency holding a range of senior executive positions including Chief Financial Officer and Assistant Commissioner Policy and Planning.

Mr. Rigby holds a Bachelor of Arts (Honours) in Public Administration from Carleton University.

Alexandra Aguzzi
Senior Vice President, Corporate Affairs

Ms. Aguzzi provides executive leadership for strategic communications, stakeholder management, government relations, municipal engagement, social responsibility and corporate marketing.

Since joining OLG in 2007, Ms. Aguzzi has managed OLG's relationship with the Ontario government, establishing the Government Relations department to lead this work. Her role has since expanded to include public affairs, internal and external communications, issues management, media relations, French language services, social responsibility and corporate marketing.

Before joining OLG, Ms. Aguzzi spent 17 years working in the Ontario government including the Ministry of Finance. Ms. Aguzzi received an Amethyst for supporting negotiations with Ontario First Nations (2008). Ms. Aguzzi also served as Chief of Staff for two Deputy Ministers and led a team responsible for oversight of the LCBO, AGCO and the Ontario Racing Commission.

Ms. Aguzzi holds a Bachelor of Arts (Honours) and a Masters of Social Work from the University of Toronto.

Lisa Bell-Murray
Senior Vice President and Chief Financial Officer

Ms. Bell-Murray is responsible for the company's overall financial management and for multiple corporate functions including financial planning, controllership, procurement, facilities and administration.

Ms. Bell-Murray, an accomplished finance professional with more than 30 years of public sector experience, joined the corporation in 1990 and has held progressively responsible roles during her career at OLG. Ms. Bell-Murray brings experience in providing stewardship and advice to executives and other business partners, influencing corporate decisions and processes that support an accountability framework and regulatory legislation compliance.

Ms. Bell-Murray is a Chartered Professional Accountant, Certified Management Accountant (CPA, CMA) and holds a Bachelor of Commerce degree from Laurentian University. She is an active member of her community and currently sits on the Board of Directors of the Sault Area Hospital and has held previous board roles with Algoma University, the Group Health Centre and the Interprovincial Lottery Corporation.

Cal Bricker
Senior Vice President, Horse Racing

Working in tandem with the Ontario government and stakeholders from across the horse racing community, Mr. Bricker is responsible for leading the integration of horse racing into the province's gaming strategy to enhance its sustainability and ensure its strong future in Ontario.

Mr. Bricker leads a team charged with helping the industry become self-governing and increasing its appeal.

Mr. Bricker brings over 30 years of extensive expertise in municipal stakeholder engagement as well as regulatory compliance and communications. He previously served as Vice President, Government Affairs and Communications for Canada with Waste Management as well as President and Chairman of the Ontario Waste Management Association. Previously, he held increasingly senior public affairs and government relations roles with Labatt Breweries and Molson Breweries. Prior to that, he was a Senior Policy Analyst with the Ontario government.

Mr. Bricker earned a PhD from the University of Alberta as well as a Bachelor of Arts and Masters from Wilfrid Laurier University. He is currently a Director on the Board of Management at the Toronto Zoo and a Director at the Canadian Journalism Foundation.

Brian Gill
Senior Vice President and Chief Technology Officer

Mr. Gill oversees all aspects of OLG's business information management and the use of technology to ensure trustworthy interactions between OLG and the public, business partners, government, external service providers and other external stakeholders.

Mr. Gill, who brings more than 15 years of executive and CIO leadership experience to OLG, has spearheaded change initiatives that have transformed organizations through business and technology re-engineering. Before joining OLG, Mr. Gill served as Chief Technology Officer for the Ontario Retirement Pension Plan Administration Corporation. Previous roles included Head of Global Technology Services for Blackberry and Chief Information Officer for the Canadian Depository for Securities.

Mr. Gill holds a Bachelor of Computer Science degree from the University of Waterloo.

Nancy Kennedy
Vice President of Social Responsibility and Senior Strategic Advisor in the Office of the CEO

Ms. Kennedy was responsible for the agency's responsible gambling, community sponsorship and municipal relations programs. Before joining OLG, Ms. Kennedy served as the Deputy Minister of Treasury Board Secretariat and prior to that, was the inaugural President and Chief Operating Officer at the Ontario Cannabis Store (OCS), a position she accepted after leading the cannabis file as Associate Deputy Minister in the Office of Regulatory Policy and Agency Relations at the Ministry of Finance.

Ms. Kennedy has two decades of senior public policy and regulatory experience, having led high profile projects, including work with OLG, OCS, the Liquor Control Board of Ontario and Metrolinx. Ms. Kennedy also held senior positions leading policy and strategy in Cabinet Office and the Ministries of Health and Long-Term Care, Transportation, and Government and Consumer Services.

Ms. Kennedy was appointed Senior Vice President, Human Resources effective May 13, 2019.

Malissa Lundgren
Senior Vice President, Risk and Audit

Ms. Lundgren is responsible for advancing OLG's risk management, business continuity, and internal audit programs. Her focus is on the design of enterprise-wide risk strategy and framework that integrates within existing strategic and operational processes, enables advancement of an agile, risk-based decision-making culture, and ultimately helps the organization achieve the goals and objectives outlined under the organization's modernization strategy.

Ms. Lundgren previously led the Canadian Enterprise Risk Management (ERM) practice at PWC and developed their performance-based ERM methodology. Prior to this, Ms. Lundgren served as Vice President, Services and Client Experience and Vice President, Product for Resolver Inc. over a ten-year period. With 15 years as an Audit, Risk and Compliance professional, she has helped over 200 global private and public-sector clients build, refine, and mature their Audit, Risk and Compliance programs.

Ms. Lundgren holds a Bachelor of Commerce from Queen's University and is a certified Project Management Professional, (PMP) and certified Governance, Risk and Compliance Professional (GRCP).

Greg McKenzie
Executive Vice President and Chief Operating Officer

Reporting to the President and CEO, Mr. McKenzie oversaw the business operations of the corporation and was responsible for ensuring integrity in all gaming and lottery ventures. As part of the role, he also had oversight of strategic planning for OLG's Responsible Gambling program and was responsible for the consistency and compliance of OLG's corporate marketing.

Mr. McKenzie completed a two-year term as President of the Interprovincial Lottery Corporation (ILC), a nationwide lottery organization consisting of five Canadian provincial lottery corporations.

Mr. McKenzie holds an Honours Bachelor of Business Administration degree from Wilfrid Laurier University and a Chartered Director designation.

Mr. McKenzie left OLG effective April 12, 2019.

David Pridmore
Senior Vice President, Enterprise Strategy and Analytics

Mr. Pridmore is leading the organization's increased focus on agility, innovation and partnerships. He is directly responsible for the application of data and analytics across the organization, strategy development, corporate strategic planning and the continued focus on creating new strategic partnerships that will grow the business in the future. In this role, Mr. Pridmore is responsible for ensuring that OLG is aligned to deliver on the goals and objectives outlined in the organization's strategic plan.

With more than 15 years of experience, Mr. Pridmore is an accomplished finance and strategy executive with significant expertise in strategy development, financial assessment and commercial transactions. He previously held multiple roles at Shoppers Drug Mart and OLG where he was responsible for infrastructure development, financial relationship management and the development of the Land-based Gaming modernization strategy.

Mr. Pridmore holds a Masters of Business Administration from the Rotman School of Management at the University of Toronto and a Bachelor of Business Administration from McMaster University.

Larry Rourke
Senior Vice President, Human Resources

Mr. Rourke was responsible for OLG's strategic human resources and talent management functions, change management and employee communications, all of which contribute to the organization's goals of being one of Ontario's leading employers and a world-class leader in responsible adult gaming entertainment.

He previously held senior financial and human resources leadership roles at Canadian Imperial Bank of Commerce (CIBC) and HSBC Financial.

Mr. Rourke holds a Masters of Business Administration from Simon Fraser University, a Bachelor of Business Administration from Wilfrid Laurier University and a Senior HR Professional Designation from the Human Resources Professionals Association.

Mr. Rourke left OLG effective May 10, 2019.

Lori Sullivan
Senior Vice President, Governance, Legal and Compliance, General Counsel and Corporate Secretary

Working closely as an advisor and counsel to OLG's Board of Directors and Executive Committee, Ms. Sullivan was responsible for all governance, legal and compliance matters related to OLG's province-wide mandate including its modernization plan.

An experienced business and legal executive, Ms. Sullivan has significant expertise negotiating, managing, evaluating and structuring complex transactions on behalf of public, private and government entities. Previously, she was a Partner in the Toronto office of Davies Ward Phillips & Vineberg LLP where she practised for 14 years.

Ms. Sullivan earned a Bachelor of Laws from the University of Western Ontario and a Bachelor of Business Administration (Honours) from Wilfrid Laurier University. She is a member of the Law Society of Upper Canada and the Canadian Bar Association.

Ms. Sullivan was appointed Chief Operating Officer effective April 12, 2019.

Wai-Ming Yu
Senior Vice President, Business Design

Ms. Yu is responsible for establishing and developing the business to enable enhanced customer experiences. In this role, Ms. Yu leads the application of strategy into practice by developing integrated customer experiences, through leading brand and marketing strategies, and the delivery of competitive products for execution by Operations. Ms. Yu is responsible for the enterprise-wide brand and marketing capability, digital strategy and the development of new products.

With more than 22 years of experience, Ms. Yu has deep expertise in strategy development, organizational effectiveness, business design, technology modernization and business and digital transformation.

Ms. Yu's career includes several leadership roles, including serving as Accenture's Ontario Health and Public Service Managing Director, Accenture Canada's Pensions Practice Managing Director and the Chair of the Ontario Information Technology Association of Canada.

In 2012, Ms. Yu was presented with the Queen Elizabeth II Diamond Jubilee Medal of Honour for her significant contributions to Information Technology in Canada.

Management's Discussion and Analysis

For the fiscal year ended March 31, 2019

1. Introduction and Disclosures

The following Management's Discussion and Analysis (MD&A) comments on the consolidated financial position and financial performance of the Ontario Lottery and Gaming Corporation (OLG or the Corporation) and should be read together with the audited Consolidated Financial Statements of OLG for the fiscal year ended March 31, 2019.

The Consolidated Financial Statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (IFRS).

Certain comparative figures in this MD&A and the accompanying audited Consolidated Financial Statements have been reclassified, where necessary, to reflect the current year's presentation.

Numbers have been rounded or truncated for ease of readability. Consequently, certain charts or tables may not add or cross-tabulate.

The Board of Directors, on the recommendation of its Audit and Risk Management Committee, approved the contents of this MD&A on July 24, 2019.

Forward-Looking Statements

This MD&A contains forward-looking statements about expected or potential future business and financial performance. For OLG, forward-looking statements include, but are not limited to: statements about possible transformation initiatives; future revenue and profit guidance; and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve uncertainties that could cause actual results to differ materially from those projected. These uncertainties include but are not limited to: the economic environment; customer demand; the outcome of litigation; the competitive environment; the timing and scale of potential capital investments by Land-based Gaming Service Providers; market response to new gaming amenities; and changes in government policy or regulation.

Although such statements are based on Management's current estimates, expectations and currently available competitive, financial and economic data, forward-looking statements are inherently uncertain. The reader is cautioned that a variety of factors could cause business conditions and results to differ materially from what is contained herein.

Non-IFRS measures

In the following analysis, OLG has used several key performance indicators and non-IFRS measures which Management believes are useful in assessing the Corporation's performance. Readers are cautioned that these measures may not have standardized meanings under IFRS and therefore may not be comparable to similar terms used by other companies.

Proceeds from Lottery and Gaming (proceeds) represent sales from Lottery before the deduction of Lottery prizes, net win from Charitable Gaming, Digital Gaming, and Land-based Gaming before the deduction of Service Provider fees.

Net Income before Stakeholder payments (as it pertains to the Charitable Gaming line of business) represents net income before the deduction of charity payments, host municipality commissions and payments to the Government of Canada.

Net Profit to the Province (NPP) is the dividend the Corporation provides to the Province of Ontario. This is calculated on an accrual basis by adding back win contribution to net income.

Net win per patron is derived by dividing proceeds before the deduction of Service Provider fees (net win) by the number of patrons.

Corporate Services expenses as a percentage of proceeds is derived by dividing Corporate Services expenses by proceeds.

Other Non-IFRS measures used in this document may be specific to the Line of Business in which they occur and are defined when they are first introduced.

2. Executive Summary

OLG realized strong financial performance in fiscal 2018–19 across all its lines of business. Budget targets and plans were successfully achieved while financial results compared to prior year continue to demonstrate growth and stability. In addition, OLG continues to make significant progress to implement its new vision and strategy across all lines of business to ensure future growth is realized.

Key Highlights of financial performance in fiscal 2018–19 include:

- Proceeds from lottery and gaming set another record and exceeded budget by 1.5 per cent and prior year results by 6.1 per cent

- Net Profit to the Province exceeded budget by 10.1 per cent and would have exceeded prior year results after normalizing for non-recurring events (e.g., sales of gaming bundle assets)

- Significant growth in Lottery proceeds above budget and prior year was primarily due to record LOTTO MAX sales related to favourable jackpot levels and accompanying marketing strategies

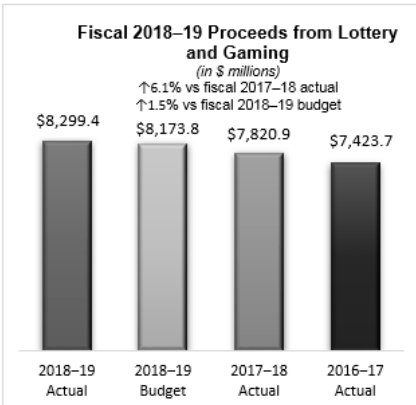
- Increase in proceeds over the prior year at most Land-based Gaming sites was due to the introduction of new gaming products based on customer demand and the introduction of new non-gaming amenities

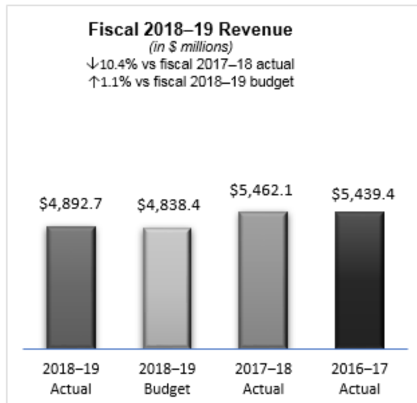
- Digital gaming proceeds significantly exceeded budget by 30.3 per cent and prior year results by 25.8 per cent as new products were launched and new customers were acquired

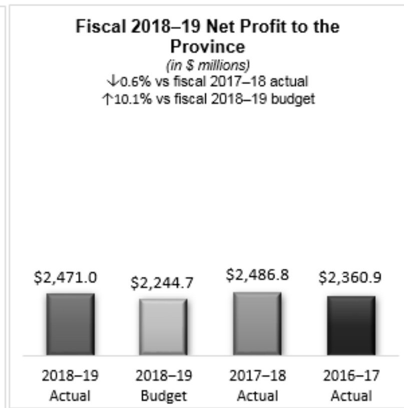
- OLG continues its strategy to replace its current Digital Gaming platform with a comprehensive solution that will expand its product base and enhance the customer experience

- Finalization of the revised charitable gaming model to ensure continued financial support for participating charities

- Corporate services expenses were $44.6 million, or 17.1 percent lower compared to prior year due to a continued focus on expense management







Fiscal 2018–19 Financial Highlights

- Proceeds from Lottery and Gaming set a new record, exceeding both prior year and budget expectations
- NPP exceeded budget expectations and was consistent with the prior year

Proceeds

Proceeds for fiscal 2018–19 exceeded the year's budget projections and the actual results for fiscal 2017–18 – setting new highs for all lines of business – Lottery, Land-based Gaming, Digital Gaming and Charitable Gaming. For the year ended March 31, 2019, proceeds were $8.30 billion, $125.6 million or 1.5 per cent above budget and $478.5 million or 6.1 per cent above fiscal 2017–18. Higher LOTTO MAX proceeds drove this growth in Lottery proceeds with a larger number of jackpots that were $50 million or more. Land-based Gaming also contributed to this growth with the successful launch of table games at Casino Woodbine to meet customer demand in the Greater Toronto Area.

The Corporation considers proceeds to be a key measure of performance that is most reflective of its product offerings and relationships with third parties. Reporting on the financial performance of the Corporation's lottery and gaming business has been subject to material changes this fiscal year, namely the adoption of new IFRSs and the manner in which revenue share with Land-based Gaming Service Providers and lottery revenues are reported. The accounting presentation impacts of the adoption of this new standard are further explained on page 50.

Revenue

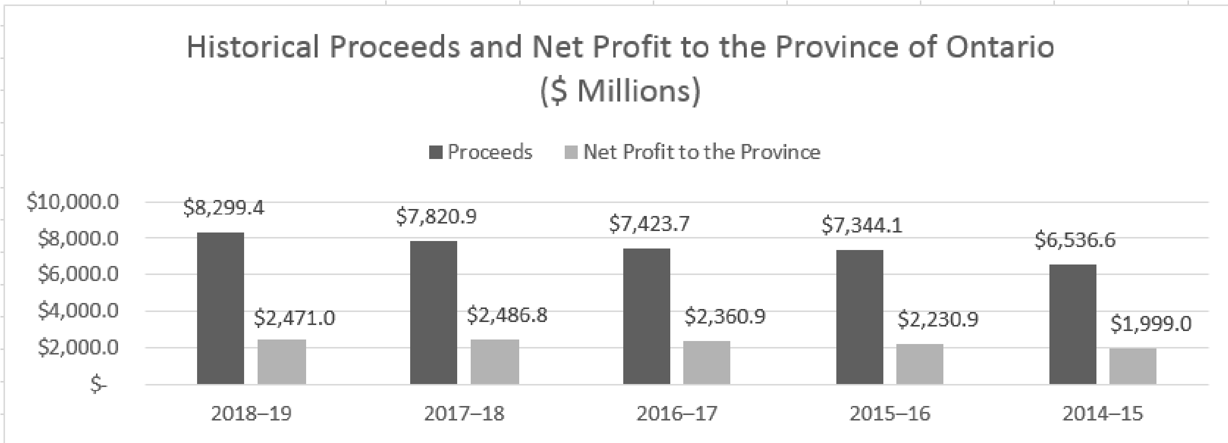
Fiscal 2018–19 revenue (which is defined as sales from Lottery less Lottery prizes, net win from Charitable Gaming and Digital Gaming, and net win from Land-based Gaming after the deduction of Service Provider fees), was above budget expectations but below actual results for fiscal 2017–18. Fiscal 2018–19 was a year of transition from gaming sites primarily operated by OLG to all gaming sites operated by Service Providers under a new operating model, with the exception of the Niagara Casinos and Caesars Windsor sites. Under this new operating model, the majority of expenses are shifted from OLG to Service Providers, and OLG's revenue is reported as the amount of proceeds after the deduction of fees paid to the Service Providers. Although proceeds continue to be reported on a consistent basis, the change in operating models results in a lower presentation of revenue this fiscal year (primarily Service Provider-operated sites) compared to last fiscal (primarily OLG-operated sites). Moving beyond these transition years, once Land-based Gaming modernization is complete and all gaming sites are governed by a similar operating model, revenue on a year-over-year basis will be reported in a consistent manner for comparison and analysis purposes.

For the year ended March 31, 2019, revenue was $4.89 billion, $54.4 million or 1.1 per cent above budget, driven by higher LOTTO MAX proceeds and the launch of table games at Casino Woodbine as indicated above. Revenue for the current fiscal was $569.4 million or 10.4 per cent below the prior year, due to the reasons described above.

NPP

NPP for fiscal 2018–19 was $2.47 billion, $226.3 million or 10.1 per cent above budget, driven by positive Lottery revenues and the successful transition of gaming sites in the West GTA and Central Gaming Bundles to Service Providers. These transitions provided one-time gains on the sale of assets in fiscal 2018–19 NPP. In addition, the Corporation's continued focus on expenditure management resulted in lower discretionary spending, a reduction in personnel costs and lower marketing and project expenditures. The favourable results were offset by the temporary closure of Caesars Windsor in the early part of fiscal 2018–19 due to a labour dispute.

NPP was $15.8 million or 0.6 per cent below the previous year primarily due to larger one-time gains in the previous year on the sale of assets related to the transition of gaming bundles to Service Providers as well as the decrease in fiscal 2018–19 NPP as a result of the Caesars Windsor labour disruption in fiscal 2018–19. In fiscal 2017–18, OLG transferred the assets of the North, Southwest, Ottawa and GTA Gaming Bundles to Service Providers for one-time gains of $102.9 million. In fiscal 2018–19, the transition of the West GTA and Central Gaming Bundles posted one-time gains of $42.5 million.



Over the last five years, OLG's modernization has delivered significant returns to the province:

- Total proceeds have grown by $1.76 billion, or 27.0 per cent (representing a Compound Annual Growth Rate of 4.9 per cent)
- Total NPP has grown by $472.0 million, or 23.6 per cent (representing a Compound Annual Growth Rate of 4.3 per cent)

3. Results of Operations – Lines of Business

The Corporation has four lines of business. The lines of business are Lottery, Land-based Gaming, Digital Gaming (formerly Internet Gaming) and Charitable Gaming. These lines of business are supported by enterprise-wide principles that leverage inherent synergies across the organization, enabling an integrated and horizontal enterprise delivery model. Enhanced insight and analytic capabilities across business lines provide a better understanding of our customers' attitudes and behaviors, which in turn, informs our actions to enhance their awareness, consideration and purchase of OLG gaming entertainment products and experiences. While there are four revenue-generating business units with different products and services, the organization's operating model focuses on delivering superior customer experiences across channels, gaming categories, products and brands.

The Corporation also proudly supports and administers funding to Ontario's horse racing industry.

The following sections summarize the financial results of each line of business as well as Corporate Services expenses in relation to OLG's main key performance indicators, Proceeds, Revenue and NPP.

A. Lottery

Highlights:

- Lottery proceeds reached an all-time high of $4.17 billion
- Important progress was made on advancing technology and product solutions to meet changing customer demands.

A number of priorities were advanced this year in continuing to modernize the lottery business to ensure its technologies and product solutions are responsive to changing customer demands. This included the following major initiatives:

- In June 2018, the launch of MULTILANE LOTTO EXPRESS introduced the ability for Loblaws grocery stores to print and sell LOTTO MAX and LOTTO 6/49 tickets with ENCORE for customers in their checkout lanes. This initiative complements the MULTILANE QUICKTICKET, which was implemented in fiscal 2017–18 and made pre-printed LOTTO MAX and LOTTO 6/49 tickets with ENCORE available for sale in checkout lanes at Metro and Food Basics stores across Ontario. Both initiatives provide a more convenient way for customers to play these national Lotto games with ENCORE.

- In September 2018, Bede Gaming Canada was selected to develop a new digital gaming platform to improve how OLG connects with its customers and advance its customer-focused strategy. OLG and Bede continue to work towards completing the discovery phase of the projects, and progress on the design, building and testing of the new platform, website and mobile applications.

- In October 2018, OLG launched $10 BIGGER SPIN, combining traditional scratch play with a spinning wheel animation displayed to the customer on the retailer lottery terminal. This product also offers a chance to win an in-person spin on THE BIGGER SPIN Wheel located at the OLG Prize Centre in Toronto which is streamed live. A spin on THE BIGGER SPIN wheel has a guaranteed prize of between $500,000 and $1 million.

- The competitive procurement process to update existing lottery retail terminals and the associated network was completed. The successful vendor, Idemia Identity & Security France SAS (Idemia), will introduce new technology to enhance the customer experience and OLG's ability to introduce new games.

Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2018–19	2017–18	**$ Variance**	% Variance
Proceeds	**$ 4,167.5**	$ 3,779.7	**387.8**	10.3
Less: Lottery prizes	**(2,331.3)**	(2,115.6)	**(215.7)**	(10.2)
Revenue	**1,836.2**	1,664.1	**172.1**	10.3
Expenses	**545.1**	483.1	**(61.9)**	(12.8)
Net income before the undernoted	**1,291.2**	1,181.0	**110.1**	9.3
Less: Stakeholder payments/ Win contribution	**(119.4)**	(110.1)	**9.3**	8.4
Net income	**1,171.8**	1,070.9	**100.9**	9.4
Add: Win contribution	**-**	-	**-**	-
Net Profit to the Province	**$ 1,171.8**	$ 1,070.9	**100.9**	9.4

A1. Lottery proceeds and revenue

<u>Proceeds</u>

Lottery continues to lead all business lines, representing the largest contribution to OLG's total business. Lottery proceeds for fiscal 2018–19 achieved an all-time high of $4.17 billion, an increase of $387.8 million or 10.3 per cent, from the previous fiscal year. All lottery product categories – national and regional Lotto, INSTANT and Sports – surpassed their previous years' proceeds. Lottery proceeds were $293.4 million higher than budget due to better than expected proceeds for Lotto games and INSTANT.

The following table shows lottery proceeds and prize information by type of game:

Lottery proceeds and prizes by type of game

Product Groupings	Number of Games		Proceeds (in millions of dollars)		Percentage of Proceeds		Prizes (in millions of dollars)	
For the fiscal year	**2018–19**	2017–18	**2018–19**	2017–18	**2018–19**	2017–18	**2018–19**	2017–18
Lotto	**15**	16	**$ 2,455.9**	$ 2,127.8	**58.9%**	56.3%	**$ 1,210.7**	$ 1,039.9
INSTANT	**78**	79	**1,409.0**	1,353.7	**33.8%**	35.8%	**937.1**	893.4
Sports	**6**	6	**302.6**	298.2	**7.3%**	7.9%	**183.5**	182.3
Totals	**99**	101	**$ 4,167.5**	$ 3,779.7	**100.0%**	100.0%	**$ 2,331.3**	$ 2,115.6

Lotto product proceeds in fiscal 2018–19 increased by $328.1 million, or 15.4 per cent compared to the previous year primarily due to record LOTTO MAX results. Proceeds from LOTTO 6/49 and regional Lotto games were $26.1 million and $27.5 million higher than last year, respectively. The number of jackpot rolls for both LOTTO MAX and LOTTO 6/49 were up, led by LOTTO MAX with 14 more MAXMILLIONS draws than projected for fiscal 2018–19. LOTTO 6/49 results were also buoyed by more favourable jackpot-level draws; there were 22 draws with jackpots of $20 million or more compared to nine that were projected. Successful marketing strategies and brand awareness contributed to driving these favourable results.

INSTANT proceeds of $1.41 billion set yet another record, exceeding both fiscal 2017–18 actual results and fiscal 2018–19 budget. Proceeds increased $55.3 million or 4.1 per cent compared to the prior year and $10.2 million or 0.7 per cent compared to budget. The success was driven in large part by the launch of THE BIGGER SPIN, and the improved performance of the $10 CROSSWORD and $20 VARIETY games. In fiscal 2018–19, there was also an increase in player demand for higher priced INSTANT games.

Sports set a record, surpassing $300 million in proceeds, exceeding fiscal 2017–18's results by $4.4 million or 1.5 per cent, falling just short of its budgeted target by $2.4 million or 0.8 per cent.

Revenue

Total revenue for fiscal 2018–19 was $1.84 billion, an increase of $172.1 million or 10.3 per cent over the previous fiscal year and $132.4 million or 7.8 per cent higher than budget, a direct result of the increase in proceeds explained previously.

A2. Lottery Net Profit to the Province

Fiscal 2018–19 NPP was $1.17 billion, $100.9 million or 9.4 per cent, higher than fiscal 2017–18 and $101.8 million, or 9.5 per cent, higher than budget. This record contribution from Lottery was primarily due to the combined effects of flow through of the increase in proceeds of national Lotto products led by the strong performance of LOTTO MAX combined with the results of the Corporation's focus on expenditure management.

A3. Lottery – Other key performance indicators

The following are additional Lottery key performance indicators (KPIs) for fiscal 2018–19 compared to fiscal 2017–18:

For the Fiscal Year		2018–19		2017–18		$ Variance
Average proceeds per LOTTO MAX jackpot draw* ($ millions)	**$**	**18.6**	$	13.3	$	5.3
Average proceeds per LOTTO 6/49 jackpot draw* ($ millions)	**$**	**6.2**	$	5.9	$	0.3
Total number of retailers		**9,765**		9,790		(25)
INSTANT ticket sales (in millions of tickets sold)		**278**		290		(12)
Average price per INSTANT ticket sold	**$**	**5.06**	$	4.67	$	0.4

**Jackpot draws are the winning numbers drawn for the single main prize of LOTTO MAX (i.e., excludes draws for $1 million MAXMILLIONS prizes) and LOTTO 6/49.*

Average proceeds per jackpot draw for LOTTO MAX were $18.6 million compared to $13.3 million in fiscal 2017–18 due to a marked increase in the number of higher value jackpot draws in fiscal 2018–19, as described previously. Customers tend to wager when the value of the jackpot roll increases. The increased frequency of higher-level jackpots had a positive effect on the player participation rate, which rose to 46.0 per cent in fiscal 2018–19 from 42.0 per cent in the previous year. In fiscal 2018–19, LOTTO MAX had 26 jackpots of $50 million or more plus MAXMILLIONS, compared to 14 such jackpots in the previous fiscal year. In the same period, LOTTO 6/49 had 22 jackpots of $20 million or more versus 14 in the previous year. As a result, the average proceeds per jackpot draw for LOTTO 6/49 increased to $6.2 million in fiscal 2018–19 from $5.9 million in the previous fiscal year. The total number of lottery retailers remained stable over the two years but is expected to grow in the future as OLG completes its terminal replacement and expansion initiative.

Overall, the volume of INSTANT tickets sold in fiscal 2018–19 was 4.0 per cent lower than in the previous fiscal year. The average price per INSTANT ticket sold was higher than fiscal 2017–18 actuals and budget projections due to strong ticket proceeds of higher priced INSTANT games.

A4. Lottery trends and risks

The Lottery line of business faces three distinct risks:

- aging technology that inhibits the customer experience and restricts where tickets are sold
- a reliance on a diminishing core player base
- exposure to revenue fluctuations, highly dependent on national Lotto games with unpredictable jackpot roll patterns that impact sales performance

To address these areas, OLG is becoming more customer-focused and is seeking to enhance its capabilities in technology and innovation through partnerships with the private sector. OLG is embarking on a new digital operating model that will enable play across channels, enhancing the customer experience.

While PlayOLG offers sales of LOTTO 6/49, LOTTO MAX and ENCORE tickets on the Internet, the majority of adult Ontarians purchase paper lottery tickets from a retailer, and OLG's current lottery terminal technology limits where paper-based tickets can be sold. Most adult Ontarians frequent supermarkets, big box stores and large retail locations where OLG products are not conveniently located or are not offered for sale.

One of the ways OLG's modernization is addressing this challenge is by expanding lottery sales into multilane retailers while continuing to support the traditional retailer network. This expansion began in 2017, with Metro and Food Basics stores across Ontario selling pre-printed LOTTO MAX and LOTTO 6/49 tickets with ENCORE at their checkout lanes. This was followed by the introduction of new technology that enabled cashiers at select Loblaws stores to print unique tickets for these same games at their checkout lanes. OLG also launched a Lottery App that allows players to check their lottery tickets and retrieve other lottery information on their smartphones. In the future, this app will also support lottery ticket sales and other transactions.

In fiscal 2018–19, OLG competitively procured the services of a vendor, Bede Gaming Canada Limited, to develop a new digital gaming platform to improve how OLG connects with its customers, all within a framework of social responsibility. This will enable an enhanced web and mobile presence for OLG to introduce new games and improve the online customer experience. It will also add to existing digital capabilities in areas like player registration, responsible gambling controls and player accounts.

As indicated earlier, OLG is in the midst of refreshing existing lottery retail terminals and the associated network. The successful vendor, Idemia, will introduce new technology to enhance the customer experience and OLG's ability to introduce new games. New accessibility features are also planned, like adding an audio jack to the new Ticket Checker to better serve customers who are hearing impaired. OLG expects these Lottery initiatives to be fully implemented in fiscal 2021–22, unlocking new opportunities to create greater value for Ontario.

Lottery proceeds and NPP are expected to grow primarily due to the execution of a product and channel development strategy. This strategy is designed to maximize returns from Lottery's three unique product categories and expand distribution by introducing new sales channels including digital.

In an effort to reduce the revenue fluctuation risk that exists with national Lotto games like LOTTO 6/49 and LOTTO MAX, OLG is pursuing the introduction of new gaming products with higher sales predictability.

B. Land-based Gaming

Highlights:

- OLG's modernization of Land-based Gaming reached a major milestone in fiscal 2018–19. As of March 31, 2019, all gaming sites with the exception of Caesars Windsor and the Niagara Casinos, had been transitioned to a new operating and services model. The Niagara Casinos transitioned to MGE Niagara Entertainment Inc. (Mohegan Sun) on June 11, 2019.
- Since the modernization of Land-based Gaming began, OLG has delivered added value to the Province of Ontario as both total proceeds and NPP have increased significantly.

Service Providers have taken on the day-to-day operations of gaming sites, assuming more of the financial risk and investing their own capital in communities across the province. Land-based Gaming proceeds have grown by more than $500 million since the inception of modernization and NPP has grown by more than $400 million. In addition, the province has seen in excess of

$500 million of private sector capital investment and approximately 500 net new jobs created in the gaming industry.

Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2018–19	2017–18	**$ Variance**	% Variance
Proceeds	**$ 3,857.0**	$ 3,796.0	**61.0**	1.6
Less: Land-based Gaming Service Provider fees	**(1,170.6)**	(364.9)	**(805.7)**	(220.8)
Gaming Revenue	**2,686.3**	3,431.1	**(744.7)**	(21.7)
Non-gaming site revenue	**81.0**	121.7	**(40.8)**	(33.5)
Lease revenue	**14.3**	-	**14.3**	100.0
Revenue	**2,781.6**	**3,552.8**	**(771.2)**	(21.7)
Expenses	**817.5**	**1,435.0**	**617.5**	43.0
Net income before the undernoted	**1,964.1**	2,117.8	**(153.7)**	(7.3)
Less: Stakeholder payments/ Win contribution	**(611.8)**	(629.8)	**(17.9)**	(2.8)
Net income	**1,352.3**	**1,488.0**	**(135.8)**	(9.1)
Add: Win contribution	**280.1**	312.9	**(32.8)**	(10.5)
Net Profit to the Province	**$ 1,632.3**	$ 1,800.9	**(168.6)**	(9.4)

B1. Land-based Gaming Proceeds and Revenue

<u>Proceeds</u>

Total Land-based Gaming proceeds for fiscal 2018–19 were $3.86 billion, an increase of $60.9 million or 1.6 per cent compared to the previous fiscal year with most Land-based Gaming sites experiencing a year-over-year increase. Since assuming control of the day-to-day operations, Service Providers continue to evolve their marketing and player development strategies, as well as deploy capital in the form of additional slot and live table games, non-gaming amenities, general site improvements and new site builds. Under the new operating model, Land-based Gaming expanded in fiscal 2018–19 with Service Providers carrying out a number of activities that directly increased proceeds, including those noted below:

- The introduction of approximately 100 live table games beginning in August 2018 and an additional 400 slot machines throughout the fiscal year at Casino Woodbine
- A full year of live table games at Rideau Carleton Casino that contributed to this increase as well. Tables games were first introduced at this location in February 2018
- The installation of approximately 400 additional slot machines and the launch of 22 live table games in December 2018 that helped boost proceeds at Elements Casino Mohawk above the previous year
- 112 slot machines added in the second half of the fiscal year that helped push up proceeds at Casino Ajax compared to the 2017–18 fiscal year

Experiences at other sites partially offset this overall year-over-year growth:

- Fallsview Casino and Casino Rama posted lower proceeds than in the previous year. Both sites were impacted by increasing competitive pressures primarily from the launch of live table games at Casino Woodbine. As Service Providers execute their development plans, OLG expects that proceeds will undergo a period of redistribution as the marketplace reacts to developments across all gaming bundles
- The expiration of a collective bargaining agreement with UNIFOR and ensuing labour disruption forced the temporary closure of Caesars Windsor from April 6, 2018 to June 7, 2018

<u>Revenue</u>
Gaming revenue for Service Provider-operated sites includes OLG's share of the proceeds, pursuant to the Casino Operating and Services Agreement (COSA), generated at the Resort Casino, Casino or Slot facility, as well as the net win from those gaming sites while they were operated by OLG or a Resort Casino operator under the prior operating model. OLG's share of revenue is after the deduction of fees due to Service Providers primarily comprising a fixed fee, variable fee (calculated as a percentage of gaming revenue, as defined, above a set revenue threshold) and an amount for permitted capital expenditures. The new revenue share model transfers site operational costs to Service Providers. OLG does not recognize non-gaming revenue generated at Service Provider-operated sites.

Total gaming revenue from Land-based Gaming for fiscal 2018–19, was $2.69 billion, a decrease of $744.7 million or 21.7 per cent compared to the previous fiscal year and $112.2 million or 4.0 per cent below budget. Factors contributing to the decrease from budget include:

- Reduced gaming revenue from Casino Rama as a result of increased competition within the GTA Gaming Bundle as explained earlier
- Lower gaming revenue from Caesars Windsor as a result of the labour disruption, as explained earlier
- Lower gaming revenues from Elements Casino Flamboro and Elements Casino Mohawk due to the delayed introduction of additional slot machines and live table games at both properties combined with delayed customer response to the introduction of those games. OLG now anticipates that market development will occur over a longer period of time

Partially offsetting the variances to budget were:

- Earlier than anticipated introduction of live table games at Casino Woodbine
- Increased slot volumes and the launch of live table games in February 2019 at Casino Innisfil

B2. Land-based Gaming Net Profit to the Province

NPP for fiscal 2018–19 was $1.63 billion, $168.6 million or 9.4 per cent below fiscal 2017–18 but $41.3 million or 2.6 per cent above budget. As discussed earlier, after removing the amount of one-time gains on the transfer of gaming assets year-over-year, NPP for fiscal 2018–19 would be higher than the previous year. The sale of assets of the North, Southwest, Ottawa and GTA Gaming Bundles in fiscal 2017–18 produced one-time gains of $102.9 million. Comparatively, the sale of assets of the Central and West GTA Gaming Bundles in fiscal 2018–19 produced one-time gains of $42.5 million. NPP from Caesars Windsor was below the previous year primarily due to the effects of the labour disruption. As Service Providers continue to invest capital to expand gaming and to develop their non-gaming amenities across the province, incremental increases to NPP are expected in the coming years.

Compensation for the Resort Casino operators prior to transition to a Service Provider is based on a fee calculated as a percentage of Gross Revenue and as a percentage of Net Operating Margin, both amounts as defined in the related operating agreements. Total fees paid to the operators in fiscal 2018–19 were lower compared to the previous year and to budget due to lower than anticipated Gross Revenue and Net Operating Margin, attributed primarily to the labour disruption at Caesars Windsor and the competitive pressures impacting Fallsview Casino.

B3. Land-based Gaming – Other key performance indicators

The following are additional Land-based Gaming KPIs for fiscal 2018–19 compared to prior fiscal years:

For the Fiscal Year	**2018–19**	2017–18	2016–17
Total patrons (in millions)	**39.6**	37.7	37.3
Net win per patron*	**$ 97**	$ 101	$ 95
Total number of slots	**23,750**	22,950	22,700
Total number of tables	**680**	590	530
Service Providers' capital investment (in millions)**	**$ 404.1**	$ 77.2	$ 38.1

**Net win per patron is derived by dividing proceeds before the deduction of Service Provider fees (net win) by the number of patrons.*
***Approximated capital spend information obtained from Service Providers' reports*

Capital investments for new sites and expansion at existing sites by Service Providers in fiscal 2018–19 increased the supply of both tables and slots and in turn, the total number of patrons. Total patron site visits were 1.9 million or 5.0 per cent above the prior year driven by a combination of new builds, expanded offerings and evolving marketing and player development techniques employed by Service Providers.

Partially offsetting these areas of growth were declines at the three Resort Casino properties. Fallsview Casino and Casino Rama were impacted by competitive pressures from the GTA Gaming Bundle. The number of patrons visiting Caesars Windsor declined 500,000 or 13.5 per cent in fiscal 2018–19 compared to fiscal 2017–18 because of the labour disruption and resulting temporary closure of the facility.

Net win per patron was $97 in fiscal 2018–19, down $4 from fiscal 2017–18. As gaming and non-gaming amenities continue to expand, OLG anticipates the total number of patrons will continue to increase, but as the customer base becomes more diverse, net win per patron may not increase at the same pace. However, proceeds from Land-based Gaming are still expected to increase as the market matures.

Modernization has driven private sector capital investment across the province helping to further enhance the customer experience. Fiscal 2018–19 saw a $326.9 million increase in the capital investment by Service Providers into current or new gaming properties.

B4. Land-based Gaming trends and risks

By the end fiscal 2018–19, seven of eight gaming bundles had been fully transitioned to third party Service Providers. As a result of this transition, significant Land-based Gaming private sector capital investments were realized with new casinos built and opened in Belleville and Peterborough, new gaming facilities under construction in Chatham, North Bay and Pickering, and capital expansions and improvements completed at a number of other gaming sites, namely the introduction of live table games Flamboro, Hanover, Georgian, Mohawk, Rideau Carleton and Woodbine horse racing track locations. The transition of the Niagara Gaming Bundle to MGE Niagara Entertainment Inc. (MGE) was completed in June 2019 and the construction of the Niagara Falls Entertainment Centre is ongoing and making progress towards an opening planned in 2019.

Work is underway to update the business arrangement for the delivery of day-to-day operations of Caesars Windsor, consistent with OLG's Land-based Gaming modernization.

Gaming proceeds and NPP for Land-based Gaming are projected to grow in the coming years. This will be accomplished by expanding existing gaming sites, relocating sites that are in lower populated locations or establishing new sites in areas that are currently underserviced.

With all but Caesars Windsor now transitioned to Service Providers, OLG recognizes that potential future results can be impacted by a variety of risks which include (but are not limited to):

- Delays in the investment of capital by Service Providers to expand gaming related to factors such as labour disruptions and municipal approval processes; and,
- Slower than anticipated market reaction to increased gaming positions and enhanced non-gaming amenities.

To mitigate these risks, OLG is evolving its third-party management program, which includes improvements to research and risk assessment, adding new skill sets and clarifying key contractual obligations. Efforts will focus on enhancing governance processes and creating holistic performance dashboards for all third-party service providers.

C. Digital Gaming

Highlights:

- While OLG focuses on advancing the lottery business and related digital strategy, the Corporation continues to deliver a growing digital business on the PlayOLG gaming platform, with proceeds increasing by 25.8 per cent from the prior year
- Total gaming product offerings increased by 26.3 per cent year over year, as OLG continues to enhance the customer experience

PlayOLG provides Ontarians with safe, secure and responsible internet gaming that leverages the trust and confidence of the OLG brand. PlayOLG sells lottery products (e.g., LOTTO MAX, LOTTO 6/49 and ENCORE) as single or multiple draw tickets and subscriptions, differentiating from online gaming operators that are neither regulated nor licensed by the Government of Ontario. Proceeds from the sale of lottery products are recorded in the Lottery line of business in the Statement of Comprehensive Income.

Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2018–19	2017–18	**$ Variance**	% Variance
Proceeds/Revenue	**$ 91.9**	$ 73.1	**18.8**	25.8
Expenses	**35.8**	29.9	**(5.8)**	(19.5)
Net income before the undernoted	**56.2**	43.1	**13.0**	30.2
Less: Stakeholder payments/ Win contribution	**(6.5)**	(5.6)	**1.0**	17.6
Net income	**49.6**	37.6	**12.0**	32.0
Add: Win contribution	**-**	-	**-**	**-**
Net Profit to the Province	**$ 49.6**	$ 37.6	**12.0**	32.0

C1. Digital Gaming proceeds and revenue

Digital proceeds and revenue in fiscal 2018–19 were $91.9 million, $18.8 million or 25.8 per cent higher than the previous year and $21.4 million or 30.3 per cent above budget. These increases are attributable to a higher number of active players (a 24.6 per cent increase over the previous year and 27.9 per cent above budget), a larger portfolio of games and an enhanced digital experience with the PlayOLG Casino mobile application. In fiscal 2018–19, PlayOLG focused on player acquisitions through compelling advertising and promotions. In addition, OLG launched relevant customer strategies to engage and retain players. Instant-style and progressive jackpot games were introduced and the number of games for play was increased.

Continued future growth in proceeds is expected once the new digital platform is launched, introducing a greater variety of games to enhance the customer experience, promoting player loyalty and retention; and digital marketing campaigns are implemented to generate awareness of enhanced features such as personalized bonusing and loyalty.

C2. Digital Gaming Net Profit to the Province

NPP for fiscal 2018–19 was $49.6 million, $12.0 million or 32.0 per cent higher than in fiscal 2017–18. The year-over-year increase is directly tied to higher proceeds and revenue, partially offset by higher Service Provider fees (related to higher volumes), payments to the Government of Canada, and marketing and regulatory fees. Compared to budget, NPP was $17.3 million higher or 53.6 per cent above budget due to higher proceeds and revenue and lower costs for regulatory fees and personnel, partially offset by higher Service Provider fees and payments to the Government of Canada. Profit Margins continue to be high in digital gaming, at 54.0 per cent up from 51.5 per cent in the prior fiscal.

C3. Digital Gaming trends and risks

Spending by Ontarians on online gaming sites that are not regulated or licensed by the Government of Ontario provides no return or value to the province. Research indicates that 16.0 per cent of all Ontario adults gamble online and spend more than $500 million a year on websites that offer casino games, bingo and sports betting[1]. The Government of Ontario has recently

[1] Ipsos, 'Online Gambling Market Potential' October 11, 2017

announced its intention to establish a competitive market for online gambling that will reflect consumer choice while protecting consumers who play on these websites.

PlayOLG continues to grow its market share and customer base through enhanced product offerings and leveraging Lottery games as a key differentiator while continuing to provide tools for players to manage their play limits, all under the long-established and respected OLG brand.

In 2018, OLG made the strategic decision to replace its current internet gaming platform with a comprehensive digital solution that will enable the Corporation to expand its presence by allowing greater flexibility and ease in offering new games and products to respond to evolving customer expectations in a changing marketplace. The new digital platform will offer a broader portfolio of casino games (e.g., slots, table games), expanded digital lottery games, integrated digital sports betting products and provide a robust customer experience (e.g., responsive website, customer experience enhancing features and new types of promotions). Through a competitive procurement process, OLG awarded Bede Gaming Canada Limited with contracts to replace its core player account management system as well as to develop a new gaming website and mobile applications. The player account management system will integrate with the website and the mobile applications to deliver a new digital gaming entertainment experience for Ontarians.

OLG is progressing in working with its Digital Service Provider to develop and launch this new flexible and scalable player platform. While implementation schedule risks continue to be tightly managed, once implemented, OLG will offer a competitive product to grey market operators with more games and gaming categories (e.g., digital sports wagering solution, expanded digital lottery, live dealer and peer-to-peer poker); and features such as live attendant player support, group play and shopping cart; enhanced digital marketing and campaign management capabilities; and personalized bonusing and loyalty features.

Responsible gambling (RG) remains a priority for OLG and the new digital solution will provide information to players on how to play responsibly and on how to manage their play with customizable tools to set money, deposit, loss and game session limits (e.g., time per game, time per session), and offer 'take-a-break' features as well as Self-Exclusion.

D. Charitable Gaming

Highlights:

- The Corporation finalized a revised Charitable Gaming business model in fiscal 2018–19 which is intended to create sustainability for all stakeholders and allows greater flexibility for the Charitable Gaming Service Providers to grow their business;
- Strong game performance drove total proceeds up by $10.9 million, or 6.3 per cent from the prior year; and
- Payments to Charities (included in stakeholder payments in the following chart) for fiscal 2018–19 were $43.9 million, up $2.5 million from the prior year.

Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2018–19	2017–18	**$ Variance**	% Variance
Proceeds/Revenue	**$ 183.0**	$ 172.1	**10.9**	6.3
Expenses	**112.8**	106.4	**(6.4)**	(6.1)
Net income before the undernoted	**70.2**	65.7	**4.5**	6.8
Less: Stakeholder payments/ Win contribution	**(66.5)**	(63.4)	**3.1**	4.9
Net income	**3.7**	2.3	**1.3**	57.6
Add: Win contribution	**-**	-	**-**	-
Net Profit to the Province	**$ 3.7**	$ 2.3	**1.3**	57.6

D1. Charitable Gaming proceeds and revenue

OLG conducts and manages the operations of 31 Charitable Gaming Centres across Ontario. These sites offer paper-based bingo and Break Open Ticket (BOT) products as well as related games that are played on electronic devices.

Proceeds and Revenue

Charitable Gaming proceeds and revenue are equivalent as both represent net win. Charitable Gaming proceeds and revenue in fiscal 2018–19 was $183.0 million, an increase of $10.9 million or 6.3 per cent from the previous fiscal year. Compared to budget, Charitable Gaming proceeds and revenue were up $11.2 million or 6.5 per cent. This increase was primarily due to the strong performance of electronic games due to the introduction of new themes and the addition of 110 new electronic products at 12 sites for part of the year.

D2. Charitable Gaming Net Profit to the Province

Net Income before Stakeholder payments for Charitable Gaming in fiscal 2018–19 was $70.2 million, up $4.5 million or 6.8 per cent from fiscal 2017–18, and was attributable to the strong performance of electronic games combined with lower non-cash impairment charges and regulatory fees. Of the $66.5 million in Stakeholder payments for fiscal 2018–19 (fiscal 2017–18 – $63.4 million), $43.9 million (fiscal 2017–18 – $41.4 million) was related to payments made to local charities (see D3. Charity payments). NPP after stakeholder payments for Charitable Gaming was $3.7 million, up $1.3 million or 57.6 per cent from fiscal 2017–18 for the reasons outlined above.

Compared to budget, Charitable Gaming NPP in fiscal 2018–19 was up $8.9 million. In addition to the strong performance of electronic games, discussed above, the deferral of corporate marketing costs to fiscal 2019–20 due to a longer than expected transition to the new business model (see D4. Charitable Gaming trends and risks), contributed to this improvement.

D3. Charity payments

OLG makes direct-to-charity contributions to the respective locations' charity associations to help support more than 1,900 local charity and non-profit groups associated with the 31 Charitable Gaming Centres. As of March 31, 2019, this program made direct-to-charity payments totalling approximately $237.0 million since its launch in fiscal 2005–06.

Payments to charitable associations that rely on funding from Charitable Gaming are included in Stakeholder payments. Charities receive a commission based on a percentage of non-gaming revenue and a percentage of adjusted net win (net win after the payment of applicable marketing expenses). The payments to charitable associations totalled $43.9 million in fiscal 2018–19 representing an increase of $2.5 million or 6.0 per cent when compared to fiscal 2017–18.

Participating charities that benefit from OLG's Charitable gaming program continue to make positive contributions to programs and services in their communities.

D4. Charitable Gaming trends and risks

OLG began a multi-year Charitable Gaming Revitalization Initiative in 2010 to preserve and enhance funding for local charities across Ontario while creating economic benefits, including employment opportunities. This continues to be achieved by introducing and refreshing new electronic products, enhancing customer service, upgrading facilities and promoting continued responsible growth. The Corporation finalized a revised Charitable Gaming business model in fiscal 2018–19 and began implementing in early fiscal 2019–20. The revised business model will be more sustainable for all stakeholders and allows greater flexibility for the Charitable Gaming Service Providers to grow their business, as they will be responsible for the capital and most of the operating costs at their locations.

In fiscal 2019–20, OLG and the Charitable Gaming Service Providers will complete the implementation of the revised business model at the existing 31 Charitable Gaming Centres. Under the revised business model, service providers are expected to expand offerings and improve customer service. It is recognized that market success is variable based on the impact from land-based gaming which leverages a similar customer base. OLG will continue its market management role and proactively manage results, opportunities and risk as the revised model is implemented.

E. Corporate Services net of stakeholder payments

Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2018–19	2017–18	**$ Variance**	% Variance
Proceeds	**$ 8,299,4**	$ 7,820,9	**478,5**	6,1
Corporate Services Expenses	**386,4**	425,0	**38,6**	9,1
Less: Stakeholder payments	**(170,0)**	(164,0)	**6,0**	3,7
Corporate Services Expenses net of Stakeholder payments	**216,4**	261,0	**44,6**	17,1
Corporate Services Expenses net of Stakeholder payments as a Percentage of Proceeds	**2,6%**	3,3%	**0,7%**	-

E1. Corporate Services expenses net of stakeholder payments

Corporate Services expenses for fiscal 2018–19 (excluding Stakeholder payments of $170.0 million for fiscal 2018–19 and $164.0 million for fiscal 2017–18) were $216.4 million, a decrease of $44.6 million or 17.1 per cent compared to the previous fiscal year. The decrease is attributed to three main drivers:

- In alignment with the Corporation's strategy of Strong and Responsible Growth, we continued to enhance our focus on expenditure management – advancing a range of new measures to monitor and contain costs and to improve their effectiveness. Fiscal responsibility remains paramount for the Corporation and we continue to further challenge ourselves to deliver even greater efficiencies and value for money, while protecting revenue and the integrity of programs, including effective management of risk.
- A new operating model that transfers costs to Service Providers. A reduction in costs in fiscal 2018–19 was related to the transition of gaming bundles to Service Providers.
- A one-time non-recurring settlement expense that was incurred in the prior fiscal year.

Corporate services expenses are those expenses incurred by functions that support operations and enable the Corporation's strategy through people, process and technology. Expertise and services are provided across the Corporation enabling efficiency and effectiveness in supporting the four lines of business.

Corporate Services expenses are related to the key functions of Business Design, Corporate Affairs, Enterprise Strategy and Analytics, Executive Offices, Finance, Governance Legal and Compliance, Horseracing, Human Resources, Risk and Audit, and Technology. These enabling functions provide the Corporation with expertise in public sector management, administration and operations; commercial business management; business strategy; project management services; legal, risk and compliance; product development; communications; branding and marketing; responsible gambling; and gaming entertainment. Corporate Services employees protect the public and commercial interests of Ontario by ensuring that OLG directly, or through its third-party service providers, is delivering gaming entertainment to the province in a responsible manner, while optimizing value.

Corporate Services expenses also include certain centralized payments to Stakeholders primarily payments to Ontario First Nations pursuant to the *Gaming Revenue Sharing and Financial Agreement* and payments to the Government of Canada.

E2. Corporate Services expenses net of stakeholder payments as a percentage of proceeds

Corporate Services expenses net of stakeholder payments as a percentage of proceeds decreased to 2.6 per cent in fiscal 2018–19 compared to the previous year for the reasons discussed above.

4. Financial Condition

Liquidity and capital resources

Cash and cash equivalents were $267.5 million as at March 31, 2019, an increase of $58.6 million from $208.9 million as at March 31, 2018. The majority of the Corporation's cash and cash equivalents were denominated in Canadian dollars as at March 31, 2019.

The increase in cash and cash equivalents was primarily due to increased cash from operating and investing activities partially offset by cash used in financing activities as set out in the following chart and explained below:

	For the fiscal year (in millions of dollars)			
Net cash flows provided by (used in):	**2018–19**	2017–18	**$ Variance**	% Variance
Operating activities	**$ 2,322.8**	$ 2,320.3	**2.5**	0.1
Investing activities	**45.8**	109.2	**(63.4)**	(58.1)
Financing activities	**(2,310.0)**	(2,527.8)	**217.8**	8.6
Net increase (decrease) in cash and cash equivalents	**$ 58.6**	$ (98.3)	**156.9**	159.6

Cash provided by operating activities:

Cash flows provided by operating activities for fiscal 2018–19 totalled $2.32 billion, relatively consistent to the previous year.

Cash used in investing activities:

Cash flows provided by investing activities, which include capital expenditures and proceeds from the sale of property, plant and equipment, totalled $45.8 million for fiscal 2018–19, $63.4 million lower than in the previous fiscal year primarily due to a reduction in proceeds on disposal of property, plant and equipment.

Cash used in financing activities:

During fiscal 2018–19, cash flows used in financing activities decreased by $217.8 million to $2.31 billion compared to the previous fiscal year. Included in financing activities are direct payments to the Province of Ontario, which totalled $2.28 billion in fiscal 2018–19, down $212.9 million from the previous fiscal year due to greater gains on sales of Gaming Bundle assets that occurred in fiscal 2017–18. Also included in financing activities are repayment of funds to the Ontario Financing Authority (OFA) related to the Gaming Management System replacement program and lease payments for the Casino Niagara building, Casino Rama Complex and Charitable Gaming assets.

In fiscal 2018–19, long-term debt repayments totalled $19.3 million and included the following:

- Gaming Management System loan – $6.6 million
- Obligations under finance leases – $12.7 million

Gaming Management System loan

In July 2014, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $35.2 million to finance the implementation of its Gaming Management System. This system will replace infrastructure that tracks and records gaming activity and accounting, as well as data and security events, at all slot machines while operated by the Corporation. During fiscal 2017–18, the Corporation fully repaid facility one, with a cumulative balance of $33.1 million, with facility two. Facility two is repayable over five years in average semi-annual payments of $3.5 million. The loan bears interest and fees of 2.7 per cent per annum and is unsecured. The loan is due September 30, 2022.

Player Platform loan
In June 2018, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $28.6 million to finance the development and implementation of a new player platform solution. During fiscal 2018–19, the Corporation drew $3.0 million on facility one bringing the total cumulative loan balance to $3.0 million inclusive of interest. Facility one is repayable, inclusive of interest accrued, at the earlier of the project completion date or July 2020. Facility one bears interest and fees of 3.0 per cent per annum and is unsecured.

Lottery Terminals loan
In February 2018, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $85.7 million to finance the replacement and expansion of the Corporation's lottery terminal network and the Corporation's implementation of an enhanced communications network. During fiscal 2018–19, the Corporation drew $2.1 million on facility one bringing the total cumulative loan balance to $2.1 million inclusive of interest. Facility one is repayable, inclusive of interest accrued, at the earlier of the project completion date or September 2020. Facility one bears interest and fees of 2.6 per cent per annum and is unsecured.

Casino Rama complex
On July 17, 2009, and as amended and restated on June 13, 2017, OLG and Chippewas of Rama First Nation entered into an agreement (called the Post-2011 Contract) relating to the continued conduct of the business of Casino Rama for the 20-year period commencing August 1, 2011. The Post-2011 Contract continues until July 31, 2031, subject to earlier terminations or the exercise by OLG of two successive options to extend for periods of 10 and 5 years, respectively.

The lands used for the Casino Rama Complex are leased under a 30-year Ground Lease, which expires on January 31, 2047, from Her Majesty the Queen in Right of Canada by Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Rama First Nation. On June 13, 2017, OLG and Casino Rama Inc. entered into a new Complex Sublease, which aligns the term with the Post-2011 Contract and consolidates previous leases for office and warehouse space, land, other additional parking lands and the employee parking lot.

In addition to annual rent payments, the Complex Sublease and the Post-2011 Contract entitles Rama First Nation to receive an annual fee from OLG for each successive 12-month period equal to the greater of 1.9 per cent of the Gross Revenues of the Casino Rama Complex (as defined in the Post-2011 Contract) and $5.5 million adjusted annually based on the Consumer Price Index. For accounting purposes, the Complex Sublease and the Post-2011 Contract were determined to contain a finance lease.

In calculating the present value of minimum lease payments, the $5.5 million minimum gross revenue payment was considered in substance to be a payment of rent. A discount rate of 3.2 per cent was used and a term of 24 years.

The total remaining obligation under the finance lease as at March 31, 2019 is $231.4 million (March 31, 2018 – $237.8 million).

On March 29, 2018, OLG and Gateway Casinos and Entertainment Ltd. entered into the Casino Rama Net Sublease and Sub-sublease (collectively, the Sub-sublease) which commenced on the transition of operations of the Central Bundle to the Service Provider on July 18, 2018. The term of the Sub-sublease expires on July 31, 2041 provided that if the term of the Service Provider's operation of the bundle is extended beyond July 31, 2041, the term of the Sub-sublease will automatically be extended for a corresponding period of time. The minimum leases payments to the Corporation under the Sub-sublease are $12.4 million per year and the lease is accounted for as an operating lease.

Capital risk management

The capital structure of the Corporation consists of cash and cash equivalents, long-term debt and equity, which is comprised of retained earnings, contributed surplus and reserves.

The Corporation is required to finance certain capital expenditures with debt obtained from the Ontario Financing Authority (OFA). The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures.

The Corporation's objectives in managing capital are to ensure sufficient resources are available to fund future development and growth of its operations and to provide returns to the Province of Ontario.

The Board of Directors is responsible for the oversight of Management, including the establishment of policies related to financial and risk management. The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. Operating agreements require the Resort Casinos to establish reserve funds. The Corporation is not subject to any externally imposed capital requirements. See Note 23 of the Notes to the Consolidated Financial Statements for further details on the Corporation's financial risk management and financial instruments.

5. Enterprise Risk Management

Overview

OLG has a formal Enterprise Risk Management (ERM) program that focuses on optimizing performance and supporting Management by identifying, assessing and managing risks related to its strategy. The ERM program consists of a risk framework and process (aligned with ISO 31000 and the Ontario Public Service risk management guidance and requirements) that includes regular monitoring and reporting of risks to the Audit and Risk Management Committee of the Board of Directors. The President and CEO has the ultimate accountability for risk management and is supported by Management, the Risk and Audit department and other governance-related departments including Regulatory Compliance, Finance, Legal and Information Security. Through the ERM process, 14 key risks have been identified and the President and CEO and Management have identified risk mitigation strategies for each.

The key risks are in the following areas:

- Strategic Partnerships and Third-Party Management
- Competitive Products
- Workforce
- Information and Technology
- Governance, Legal and Compliance
- Operations
- Government and Stakeholder Relationships

Strategic Partnerships and Third-Party Management

Long-term agreements have been established with Land-based Gaming Service Providers. Over the duration of these agreements, OLG monitors their performance while maintaining healthy relationships with the Service Providers. Significant private capital investment to expand gaming is planned across the province over the next five years and OLG's revenue targets are tied to the completion of this gaming expansion on timelines forecasted by the private sector Service Providers. OLG actively engages with Land-based Gaming Service providers in assessing and monitoring expansion timelines and milestones. Operator performance may be impacted by factors that are not fully within Service Provider control, including municipal zoning issues, such as Local Planning Appeal Tribunal appeals, legal challenges to municipal approvals, such as enacted zoning by-laws or municipal resolutions under Ontario Regulation 81/12 (Requirements for Establishing a Gaming Site) of the *Ontario Lottery and Gaming Corporation Act, 1999*, legal challenges from First Nations, and changes in government direction or policy.

OLG also manages agreements with private sector vendors that are integral to the delivery of new Lottery and Digital Gaming products and customer experiences. The technology solutions to be delivered under these agreements, and the integration of these technology solutions across vendors is complex. OLG's future results depend on these private sector vendors to deliver the technology and innovative products within the committed time frames and that they meet the agreed-to service levels.

To mitigate these risks, OLG is evolving its third-party management program, which includes improvements to research and risk assessment, as well as adding new skill sets and clarifying key contractual obligations. Efforts will focus on enhancing governance processes and creating holistic performance dashboards for all key third-party vendors.

In order to deliver experiences that meet customer expectations and gaming entertainment preferences, OLG will engage in new strategic partnerships. OLG is maturing its capabilities for developing strategic partnerships, which includes improvements to research, risk assessment and contracting. The requirements of OLG's regulatory environment is a key factor that may present challenges to forming certain partnerships or moving quickly enough to remain competitive with market operators that are unregulated in Ontario.

Competitive Products

With the rapid pace of change in an evolving and growing digital economy, OLG is currently undertaking its next phase of transformation—focusing on winning market share through superior gaming entertainment customer experiences. This is crucial to sustaining and growing the value delivered by OLG to Ontario.

To this end, OLG has invested in refreshing its customer experience and product strategy to align with the evolving expectations of the marketplace. Specifically, the Corporation is advancing its strategy through partnerships with world class digital gaming entertainment providers to deliver a modern, scalable and agile digital foundation that includes a new transactional player platform, and web and mobile applications. This digital foundation will enable OLG to provide its customers with a greater selection of internet-based games, allowing for the continuous evolution of its digital offerings as its customers' experience expectations evolve. Additionally, the Corporation has invested in new product and channel roadmaps that accelerate OLG's gaming entertainment offerings across an increased number of gaming categories, improving the choices available and quality of gaming entertainment experiences (e.g., new digital sports wagering, poker, and live dealer products); and new relationships with leading global partners that promote customer traffic to OLG's website and derive value from brand associations.

Providing customers with choices to satisfy the gaming entertainment experiences they seek is a core principle of OLG's customer experience and product strategy. To be competitive, OLG must launch new products at the speed and pace of evolving customer expectations. Today, customers seeking gaming entertainment either opt for OLG specific product offerings or they satisfy their demand via the grey market, which is made up of thousands of providers. These grey market providers are not regulated in Ontario and consequently, they are able to offer new products with an agility and at a frequency that exceeds the pace of OLG operating within the parameters of the laws, regulations and internal standards that govern it. OLG is regulated by the Alcohol and Gaming Commission of Ontario (AGCO), which is responsible for registering vendors and testing and approving new products and platforms before they are released to market. To mitigate the risk of delayed launches to competitive products, OLG continues to regularly collaborate with the AGCO to align on product implementation plans and schedules to facilitate timely approvals.

In addition to collaborating with its regulator to facilitate timely launches of competitive products, OLG must continuously acquire new capabilities and retool its workforce to keep pace with gaming entertainment trends, including emerging online gaming trends that will increasingly require digital acuity. To mitigate risk of falling behind in its skills and capabilities, OLG has conducted a digital capability assessment to identify skill and capability gaps to be addressed.

Workforce

OLG employees and culture are fundamental to the successful execution of OLG's strategy. Once fully implemented, a new target operating model and a supporting organizational structure will align the structure of the organization with OLG's strategy. As a result, there may be some OLG employees who need to adapt to new ways of working and to develop new or different skills and capabilities.

OLG faces competition from other companies to acquire individuals with specific skills and capabilities (e.g., data analytics, robotics, artificial intelligence). As well, a change or loss of leadership or key employees at critical times could impede the progress of the strategic plan. Many of OLG's current and potential employees are in high demand because of their deep knowledge of the gaming industry and/or their experience with major transformation initiatives.

To mitigate this risk, OLG is completing internal talent assessments and finalizing its succession planning. Training and development will focus on preparing employees to take on leadership roles as required. Senior leadership will focus on strategies to ensure employees are engaged and the desired culture is achieved. The Corporation has an Executive subcommittee that forms part of the risk monitoring process in addition to the role of the Talent, Culture and Compensation Committee of the Board Directors. The Board committee oversees matters related to ensuring sufficient organizational strength at the senior management level to achieve its short- and long-term goals.

Information Technology and Infrastructure

While implementing new technologies to support the digital strategy, OLG must ensure that legacy systems continue to sustain and grow the core business and that access to its systems and/or information is not compromised with the expanded use of third parties.

To address these challenges, OLG is working to align its business needs with its technology requirements through a robust planning process. High-value technology improvements are being made and more are planned to enhance functionality, reliability and flexibility. The Corporation monitors this risk through an Executive subcommittee and the Transformation and Technology Committee of the Board Directors. The Board committee oversees matters related to major business transformation plans and associated information technology to ensure alignment with the Corporation's strategic direction.

OLG has a mature cybersecurity risk management program that continues to evolve. OLG's Information Security Department maintains a team of experienced cybersecurity professionals that perform robust and continuous vulnerability and patch management procedures; monitor and align its controls to known and highly regarded frameworks; and assess legal and regulatory changes accordingly. Cyber insurance is in place to mitigate impacts of cybersecurity incidents, and OLG will continue to update and enhance its capabilities to respond to the quickly evolving threat landscape. Furthermore, private sector operators and partners are required to maintain cybersecurity controls and to provide OLG with independent assurance on those controls.

Governance, Legal and Compliance

OLG is required to comply with certain laws and regulations as it carries out its mandate. A focus on compliance is crucial as OLG implements its strategy, enters new relationships with third parties and advances into the digital environment. The legal and regulatory implications of new and innovative technologies need to be fully understood. This includes ensuring that private sector operators and partners understand their obligations in a regulated environment, as they may not be aware of the unique compliance requirements of public sector entities, specifically those of OLG (e.g., Freedom of Information and Protection of Privacy Act). Over the last year, concerns in other gaming jurisdictions over anti-money laundering (AML) have brought a renewed focus on this legislation and OLG's own AML program.

To mitigate this risk, OLG maintains an Enterprise Compliance Framework, processes and dedicated compliance resources. Programs have been put in place to ensure that regulatory compliance requirements are considered with each new initiative. OLG employees and its third parties receive ongoing training on regulatory requirements. Enhancements to OLG's AML program are part of a continuous improvement initiative for regulatory compliance.

With the changing Ontario gaming market, the commercial gaming model has and will continue to evolve as OLG and the government pursue market opportunities. It is anticipated that the legal and regulatory framework governing gaming in Ontario will also evolve but there is uncertainty as to what these changes will be and how they will impact OLG. To help address this risk, OLG is consulting with relevant stakeholders to ensure that any new legal and regulatory framework is aligned with the commercial model in such a way that the interests of the province are protected.

The Corporation monitors compliance risk through an Executive subcommittee and the Audit and Risk Management Committee of the Board Directors.

Operations

OLG is undergoing significant changes to align the organization and its processes to its growth strategy. These necessary changes are occurring in tandem with the execution of significant, complex initiatives so that OLG can keep pace with its competitors, including those in the grey market. While managing the magnitude of these organizational changes on the Corporation and its employees, Management may be challenged to keep OLG focused on its priorities and to ensure the strategic initiatives are delivered on time and on budget.

To mitigate this risk, OLG regularly reprioritizes its initiatives and is evolving capabilities to execute complex technology projects. OLG is working to provide employees, particularly those in project management, with the necessary skills and training to maintain agility in development methodologies and to stay aligned with industry best practices.

Government and Stakeholder Relationships

OLG must communicate effectively with all levels of government (e.g., municipalities, provincial and federal) and a multitude of diverse stakeholders (e.g., charities, business associations, First Nations, Service Providers). The successful execution of OLG's strategy is dependent on timely decisions on government policy and approvals. For example, a decision by the federal government on single-event sports wagering will impact OLG's strategy for its Sports products.

To mitigate this risk, the President and CEO and the Corporate Affairs division continues to focus on open and continuous communication with government. OLG will leverage well-developed planning processes to determine when government approvals are required, and will ensure the materials are prepared at the appropriate time. OLG will also work proactively to ensure that its plans meet the outcomes that the government is seeking.

6. Significant Accounting Policies and Use of Estimates and Judgments

The preparation of these Consolidated Financial Statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements are related to, but are not limited to, revenue, leases and consolidation.

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 years affected. Significant estimates are used in determining, but are not limited to, the following:

- the useful lives and residual value of property, plant and equipment
- disposal group held for sale
- provisions
- obligations under finance leases
- valuation of financial instruments
- employee benefits
- contingencies
- contract liabilities

The Corporation's significant accounting policies, estimates and judgments have been reviewed and discussed with the Audit Risk and Management Committee of the Board of Directors. The Corporation's significant accounting policies are described in Note 4 of the Notes to the Consolidated Financial Statements.

Adoption of new Accounting Standards

Effective April 1, 2018, the Corporation adopted IFRS 9, Financial Instruments (IFRS 9) and IFRS 15, Revenue from Contracts with Customers (IFRS 15). Revenue for lottery is now required to be presented after prize expenses while revenue for Land-based Gaming is now required to be presented as OLG's share of gaming revenue generated at the Service Provider-operated facilities less the fees due to those Service Providers. For comparative purposes, revenue for previous fiscal years has been restated to comply with the new IFRS standards.

The following chart displays the impact of this new IFRS standards and the new revenue share model with Service Providers on the Corporation's revenue presentation. It is important to note under this new revenue share model, site operational costs are now the responsibility of the Service Providers and are no longer presented in OLG's Statement of Comprehensive Income.

(in millions of dollars)	For the fiscal year ended				
		March 31, 2019		March 31, 2018		March 31, 2017
Proceeds from lottery and gaming	**$**	**8,299.4**	$	7,820.9	$	7,423.7
Less: Lottery prizes		**(2,331.3)**		(2,115.6)		(2,035.5)
Less: Land based gaming service provider fees		**(1,170.6)**		(364.9)		(71.2)
Gaming Revenue		**4,797.5**		5,340.4		5,317.0
Non-gaming site revenue		**81.0**		121.7		122.4
Lease revenue		**14.3**		-		-
Revenue	**$**	**4,892.7**	$	5,462.1	$	5,439.4

Financial Instruments

IFRS 9 supersedes IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL). IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. IFRS 9 also accounts for the loss allowance for trade receivables as calculated using the expected lifetime credit loss model and records the allowance at the time of initial recognition of the receivable. There is no significant effect on the carrying value of the financial instruments related to this new model.

As a result of adopting IFRS 9, the classification of the Corporation’s financial instruments changed as follows:

Financial instrument	**IAS 39**	**IFRS 9**
Financial assets:		
Cash and cash equivalents	Held-for-trading (FVTPL)	Amortized cost
Restricted cash	Held-for-trading (FVTPL)	Amortized cost
Trade and other receivables	Loans and receivables (Amortized cost)	Amortized cost
Financial liabilities:		
Trade and other payables	Financial liabilities at amortized cost	Amortized cost
Due to operators and service providers	Financial liabilities at amortized cost	Amortized cost
Due to the Government of Canada	Financial liabilities at amortized cost	Amortized cost
Long-term debt	Financial liabilities at amortized cost	Amortized cost

These new classifications did not have a quantitative impact on the measurement of the financial instruments.

Revenue Recognition

IFRS 15 supersedes the existing standards and interpretations including International Accounting Standard 18, Revenue (IAS 18) and International Financial Reporting Interpretations Committee 13, Customer Loyalty Programmes (IFRIC 13). IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

(i) Identify the contract with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations in the contract; and

(v) Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

Significant judgment is needed to determine whether a gaming transaction is within the scope of IFRS 9 or IFRS 15. In transactions where the Corporation takes a position against the customer such that the Corporation’s net gain or loss on the transaction is determined by an uncertain future event, the transaction is within the scope of IFRS 9 (Wagering Transactions). For all other transactions, where the Corporation administers games amongst players, the transaction falls within the scope of IFRS 15 (Administered Games).

For Wagering Transactions, the Corporation recognizes the gain or loss on the transaction as revenue when settled with the customer. Any unsettled wagers are accounted for as a financial liability at fair value through profit or loss.

For Administered Games, the Corporation’s revenue is recognized net of prize expenses in the period performance occurs. Previously, under IAS 18, revenue from Administered Games was presented gross with prizes presented as an expense in the Consolidated Statements of Comprehensive Income.

The Corporation has made an accounting policy choice to adopt both IFRS 9 and IFRS 15 with full retrospective application. As a result, all comparative information in these financial statements has been prepared as though IFRS 9 and IFRS 15 had been in effect since April 1, 2017. The impact of adopting IFRS 9 and IFRS 15 on the opening Consolidated Statement of Financial Position as at April 1, 2017 is immaterial and therefore a restated Statement of Financial Position as of that date is not presented.

The accounting policies set out in Note 4 of the Notes to the Consolidated Financial Statements have been applied in preparing the Consolidated Financial Statements for the year ended March 31, 2019 and the comparative information presented in these Consolidated Financial Statements for the year ended March 31, 2018. The effect of transition to IFRS 9 and IFRS 15 for the year ended March 31, 2018 is included in the following table:

For the year ended March 31, 2018 (in millions of dollars)		As previously reported		Effect of transition to IFRS 15		Restated
Gaming revenue	$	7,456.0	$	(2,115.6)	$	5,340.4
Lottery prize expense		(2,115.6)		2,115.6		-
Gaming revenue less lottery prize expense	$	5,340.4	$	-	$	5,340.4

Under IFRS 15, prize expense meets the definition of consideration payable to a customer. As a result, lottery prize expense, previously presented as an expense, has been reclassified and netted against gaming revenue.

In addition, amounts previously presented as deferred revenue in the Consolidated Statements of Financial Position have been reclassified to contract liabilities under IFRS 15.

Accounting Standards issued but not yet adopted

IFRS 16, Leases (IFRS 16)

In January 2016, the IASB issued the final publication of the IFRS 16 standard, which will supersede the current IAS 17, Leases (IAS 17) standard. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model and for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The Company will adopt IFRS 16 in its financial statements for the annual period beginning on April 1, 2019. The Corporation is continuing to finalize the impact of adopting this standard.

7. Fees paid to External Auditor

For the fiscal year ended March 31, 2019, the Corporation retained its independent auditor, KPMG LLP, to provide services in the categories and for the amounts shown in the table below:

(in millions of dollars)

For the fiscal year		**2018–19**		2017–18
Audit Services	**$**	**2.3**	$	1.8
Other Services		**0.4**		0.6
Total of all Services	**$**	**2.7**	$	2.4

MANAGEMENT'S RESPONSIBILITY FOR ANNUAL REPORTING

The accompanying consolidated financial statements of the Ontario Lottery and Gaming Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Where required, management has made informed judgments and estimates in accordance with International Financial Reporting Standards.

The Board of Directors oversees management's responsibilities for financial reporting through its Audit and Risk Management Committee, which is composed entirely of directors who are neither officers nor employees of the Corporation. The Audit and Risk Management Committee reviews the financial statements and recommends them to the Board for approval. This Committee meets periodically with management, internal audit and the external auditors.

To discharge its responsibility, management maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that the Corporation's assets are properly safeguarded. The Corporation maintains a staff of internal auditors whose functions include reviewing internal controls and their applications, on an ongoing basis. The reports prepared by the internal auditors are reviewed by the Committee. The Senior Vice President, Risk and Audit, responsible for Internal Audit, reports directly to the President and Chief Executive Officer with unrestricted access to the Audit and Risk Management Committee.

KPMG LLP, the independent auditor appointed by the Board of Directors upon the recommendation of the Audit and Risk Management Committee, has examined the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements. The independent auditor has full and unrestricted access to the Committee.

Stephen Rigby
President and Chief Executive Officer

Lisa Bell-Murray
Senior Vice President and
Chief Financial Officer

June 27, 2019

KPMG

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Lottery and Gaming Corporation
and the Minister of Finance of Ontario

Opinion

We have audited the consolidated financial statements of Ontario Lottery and Gaming Corporation (the Corporation), which comprise:

- the consolidated statements of financial position as at March 31, 2019 and March 31, 2018
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2019 and March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

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

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

Emphasis of Matter

We draw attention to Note 3(e) to the financial statements which indicate that the Corporation has changed its accounting policy for revenue as a result of the adoption of IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments, and has applied those changes using the retrospective method.

Our opinion is not modified in respect of these matters.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in the Corporation's Management's Discussion and Analysis
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "OLG Annual Report 2018-19".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information included in the Corporation's Management's Discussion and Analysis and the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "OLG Annual Report 2018-19" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

June 27, 2019

Ontario Lottery and Gaming Corporation
Consolidated Statements of Financial Position
As at March 31, 2019 and 2018
(in thousands of dollars)

	Notes	March 31, 2019	March 31, 2018
Assets			
Current assets			
Cash and cash equivalents		$ 267,542	$ 208,903
Restricted cash	6	72,384	59,955
Trade and other receivables	7	139,145	209,558
Due from Service Providers		18,838	-
Prepaid expenses		27,562	33,285
Inventories	8	31,158	38,156
Assets held for sale	10	136,108	117,987
Total current assets		692,737	667,844
Non-current assets			
Restricted cash	6	115,994	119,903
Property, plant and equipment	9	1,054,147	1,148,979
Goodwill		-	1,776
Total non-current assets		1,170,141	1,270,658
Total assets		**$ 1,862,878**	**$ 1,938,502**
Liabilities and Equity			
Current liabilities			
Trade and other payables	11	$ 309,059	$ 364,841
Provisions	12	20,689	6,007
Due to operators and Service Providers	15	288,844	94,427
Due to the Government of Canada	17	43,769	27,330
Current portion of contract liabilities	18	34,063	8,506
Current portion of long-term debt	19	22,594	19,734
Liabilities held for sale	10	13,660	9,437
Total current liabilities		732,678	530,282
Non-current liabilities			
Due to operators and Service Providers	15	-	148,230
Due to the Government of Canada	17	-	16,305
Contract liabilities	18	22,744	24,016
Long-term debt	19	270,646	287,167
Employee benefits	24	13,848	16,190
Total non-current liabilities		307,238	491,908
Total liabilities		1,039,916	1,022,190
Equity			
Retained earnings		644,623	734,064
Contributed surplus		62,345	62,345
Reserves	6	115,994	119,903
Total equity		822,962	916,312
Total liabilities and equity		**$ 1,862,878**	**$ 1,938,502**

Related party transactions (Note 14)
Commitments (Notes 15 and 25)
Contingencies (Note 26)
Subsequent events (Notes 15, 19, 25 and 28)

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

Approved on behalf of the Board

George L Cooke

George L Cooke, Chair

L O'Neill

Lori O'Neill, Director

Ontario Lottery and Gaming Corporation
Consolidated Statements of Comprehensive Income
For the years ended March 31, 2019 and 2018
(in thousands of dollars)

	Notes	March 31, 2019	March 31, 2018 Restated (Notes 3.e and 4.t)
Proceeds from Lottery and Gaming		$ 8,299,400	$ 7,820,919
Less: Lottery prizes		(2,331,311)	(2,115,607)
Less: Land-based gaming Service Provider fees		(1,170,628)	(364,934)
Gaming revenue		4,797,461	5,340,378
Non-gaming site revenue		80,955	121,731
Lease revenue		14,306	-
Revenue		4,892,722	5,462,109
Expenses (income)			
Stakeholder payments	20	694,150	659,864
Personnel		572,055	855,794
Commissions and fees		486,496	484,352
Win contribution	16	280,093	312,929
Marketing and promotion		215,351	281,774
Systems maintenance		96,486	109,763
Amortization	9	94,426	204,426
General operating, administration and other	22	78,576	132,931
Food, beverage and other purchases		73,752	103,074
Facilities		66,861	159,100
Ticket printing, distribution and testing		56,089	50,259
Regulatory fees		28,809	36,030
Finance costs	13	14,299	16,023
Finance income	13	(14,143)	(10,998)
Gains on disposal of property, plant and equipment, net	21	(41,498)	(107,086)
		2,701,802	3,288,235
Net income and comprehensive income		$ 2,190,920	$ 2,173,874

Other information (Note 27)

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

Ontario Lottery and Gaming Corporation
Consolidated Statements of Changes in Equity
For the years ended March 31, 2019 and 2018
(in thousands of dollars)

	Retained earnings	Contributed surplus	Capital renewals reserves	Operating reserves	Severance reserves	Total
Balance at March 31, 2017	$ 1,056,010	$ 62,345	$ 19,267	$ 55,516	$ 46,518	$ 1,239,656
Net income and comprehensive income	2,173,874	-	-	-	-	2,173,874
Contributions or distributions						
Transfers to (from) reserves	1,398	-	(3,167)	1,233	536	-
Payments to the Province of Ontario	(2,497,218)	-	-	-	-	(2,497,218)
Balance at March 31, 2018	$ 734,064	$ 62,345	$ 16,100	$ 56,749	$ 47,054	$ 916,312
Net income and comprehensive income	2,190,920	-	-	-	-	2,190,920
Contributions or distributions						
Transfers to (from) reserves	3,909	-	(5,803)	1,034	860	-
Payments to the Province of Ontario	(2,284,270)	-	-	-	-	(2,284,270)
Balance at March 31, 2019	$ 644,623	$ 62,345	$ 10,297	$ 57,783	$ 47,914	$ 822,962

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

Ontario Lottery and Gaming Corporation
Consolidated Statements of Cash Flows
For the years ended March 31, 2019 and 2018
(in thousands of dollars)

	Notes	March 31, 2019	March 31, 2018
Cash flows from operating activities			
Net income and comprehensive income		$ 2,190,920	$ 2,173,874
Adjustments to reconcile profit for the period to net cash from operating activities:			
Amortization	9	94,426	204,426
Gains on disposal of property, plant and equipment, net	21	(41,498)	(107,086)
Net finance costs	13	156	5,025
Impairment loss on property, plant and equipment	9	755	976
Other long-term employee benefits	24.c	(2,342)	(1,484)
Other		(1,272)	-
Operating cash flows before change in non-cash working capital		2,241,145	2,275,731
Changes in non-cash working capital and current restricted cash:			
(Increase) decrease in current restricted cash		(12,429)	2,169
Decrease (increase) in trade and other receivables		70,413	(58,627)
(Increase) in due from Service Providers		(18,838)	-
Decrease in prepaid expenses		5,723	13,879
Decrease (increase) in inventories		6,998	(6,898)
(Decrease) increase in trade and other payables		(54,060)	15,750
Increase (decrease) in provisions		14,682	(777)
Increase in due to operators and Service Providers		43,751	46,570
(Decrease) increase in due to the Government of Canada		(134)	11,152
Increase in current portion of contract liabilities		25,557	21,362
Net cash from operating activities		2,322,808	2,320,311
Cash flows from (used) in investing activities			
Interest received		14,143	10,998
Capital expenditures		(74,001)	(113,241)
Change in net assets held for sale		3,078	(22,310)
Proceeds from disposal of property, plant and equipment		98,721	232,353
Non-current restricted cash		3,909	1,398
Net cash from investing activities		45,850	109,198
Cash flows from (used) in financing activities			
Interest paid		(11,595)	(13,364)
Proceeds from long-term debt		5,100	3,400
Repayments of long-term debt		(19,254)	(20,648)
Payments to the Province of Ontario		(2,284,270)	(2,497,218)
Net cash used in financing activities		(2,310,019)	(2,527,830)
Increase (decrease) in cash and cash equivalents		58,639	(98,321)
Cash and cash equivalents, beginning of year		208,903	307,224
Cash and cash equivalents, end of year		$ 267,542	$ 208,903
Supplemental disclosure relating to non-cash financing and investing activities:			
Acquisition of property, plant and equipment through finance leases		$ 436	$ 243,303
Acquisition of property, plant and equipment not yet paid for		$ 2,553	$ 3,782

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

1. Reporting entity

Ontario Lottery and Gaming Corporation (OLG or the Corporation) was established without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation is classified as an Operational Enterprise Agency of the Ontario government and is responsible for conducting and managing lottery games, Charitable Gaming (cGaming), Digital Gaming (formerly Internet Gaming), and Land-based Gaming, which includes OLG-operated Slots and Casinos prior to the transition to Service Providers, Service Provider-operated Slots and Casinos and Resort Casinos; Caesars Windsor, Casino Rama prior to the transition to a Service Provider, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview) in the Province of Ontario. In addition, the Corporation proudly supports and administers funding to Ontario's horse racing industry (Note 25.e).

As at March 31, 2019, the Corporation had operating agreements with Caesars Entertainment Windsor Limited (CEWL) and Falls Management Group, L.P. for the operation of Caesars Windsor, Casino Niagara and Fallsview, respectively. The Corporation consolidates the financial positions and results of the Resort Casinos but not those of their respective operators. OLG also had an operating agreement with CHC Casinos Canada Limited for the operation of Casino Rama. This agreement was terminated on July 18, 2018 at which time an agreement with a new Service Provider (Note 2) became effective. OLG consolidated the financial results of Casino Rama up until July 18, 2018, which was the period OLG controlled the operations.

As detailed in Note 2, the Corporation entered into Casino Operating Services Agreements (COSAs) with certain Service Providers. The Corporation does not control these Service Providers and therefore does not consolidate the financial position or results of operations of these Service Providers. In accordance with the COSAs, OLG recognizes its share of gaming revenue generated at the Casino, Slot or Resort facility operated by the Service Provider in the same period the game is played. In addition to the long-term gaming revenue share arrangement, when OLG sites transition to Service Providers, OLG recognizes any applicable gains on sale of gaming bundle assets (Note 21).

The Corporation’s head office and corporate office, respectively, are located at:

- 70 Foster Drive, Suite 800, Sault Ste. Marie, Ontario, P6A 6V2
- 4120 Yonge Street, Suite 402, Toronto, Ontario, M2P 2B8

These Consolidated Financial Statements were authorized for issue by the Board of Directors of the Corporation on June 27, 2019.

2. Modernizing Gaming in Ontario

As part of the Corporation's modernization strategy, the Corporation bundled all slots at racetracks and casino operations, with the exception of Caesars Windsor, into eight gaming bundles. The bundles transferred the tangible assets, working capital and the right to operate and build to private sector service providers (each, a Service Provider) following the successful procurement process. Once the Request for Proposal (RFP) stage for a gaming bundle is completed, OLG selects a Service Provider and a Transition and Asset Purchase Agreement (TAPA) is signed by the parties. The TAPA commits the Service Provider to acquire certain assets and assume certain liabilities related to the gaming sites in the bundle and to sign the COSA, which governs the operations of the gaming sites in the bundle. OLG continues to conduct and manage land-based gaming sites in the bundles while the Service Providers assume control of the day-to-day operations.

(tabular amounts in thousands of Canadian dollars)

2. Modernizing Gaming in Ontario (continued)

OLG's procurement activities for existing and proposed gaming facilities either have been completed or remain in progress as outlined in the chart below:

OLG Gaming Bundle	Sites	Service Provider	Status of Bundle	COSA Effective Date	Operating Agreement Term Expiration
East	Shorelines: Casino Thousand Islands Slots at Kawartha Downs Casino Belleville Casino Peterborough	Ontario Gaming East Limited Partnership (OGELP)	TAPA signed on September 8, 2015 COSA signed on January 11, 2016	January 11, 2016	March 31, 2036
Southwest	Gateway Casinos: Point Edward London Clinton Dresden Hanover Woodstock	Gateway Casinos & Entertainment Limited (Gateway)	TAPA signed on December 13, 2016 COSA signed on May 9, 2017	May 9, 2017	March 31, 2037
North	Gateway Casinos: Sault Ste. Marie Thunder Bay Sudbury North Bay (New Build) Kenora (Optional New Build)	Gateway	TAPA signed on December 13, 2016 COSA signed on May 30, 2017	May 30, 2017	March 31, 2037
Ottawa	Rideau Carleton Raceway Casino	HR Ottawa L.P. (Hard Rock)	TAPA signed on May 15, 2017 COSA signed on September 12, 2017	September 12, 2017	March 31, 2037
Greater Toronto Area	Casino Woodbine Casino Ajax Great Blue Heron Casino Pickering (New Build)	Ontario Gaming GTA Limited Partnership (OGGLP)	TAPA signed on August 7, 2017 COSA signed on January 23, 2018	January 23, 2018	January 22, 2039
West Greater Toronto Area	Elements Casino Brantford Flamboro Mohawk Grand River	Ontario Gaming West GTA Limited Partnership (OGWGLP)	TAPA signed on December 18, 2017 COSA signed on May 1, 2018	May 1, 2018	March 31, 2038
Central	Slots at Georgian Downs Casino Rama Resort Simcoe County (New Build)	Gateway	TAPA signed on March 14, 2018 COSA signed on July 18, 2018	July 18, 2018	July 31, 2041
Niagara	Casino Niagara Fallsview	Mohegan Gaming & Entertainment	TAPA signed on September 10, 2018 COSA signed on June 11, 2019	June 11, 2019	March 31, 2040

3. Basis of preparation

a. Statement of compliance

These Consolidated Financial Statements include the accounts of the Corporation, the Resort Casinos prior to transition to Service Providers and the wholly owned subsidiary, Ontario Gaming Assets Corporation (OGAC), and have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

b. Basis of measurement

These Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments classified as financial liabilities through profit and loss that are measured at fair value (Note 4.k).

c. Functional and presentation currency

These Consolidated Financial Statements are presented in Canadian dollars. The Canadian dollar is the Corporation's functional currency and the currency of the primary economic environment in which the Corporation operates.

d. Use of estimates and judgments

The preparation of these Consolidated Financial Statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues 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 years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements are included in the following notes:

- Revenue (Notes 3.e and 4.c)
- Leases (Note 4.o)
- Consolidation (Note 4.a)

Areas of significant estimation and uncertainty that may have a significant effect on the amounts recognized in the Consolidated Financial Statements, and could result in a material adjustment within the next fiscal year, are discussed in the following notes:

- Property, plant and equipment – useful lives and residual values (Note 4.l)
- Disposal group held for sale (Note 10)
- Provisions (Note 12)
- Obligations under finance leases (Note 19.d)
- Valuation of financial instruments (Note 23)
- Employee benefits (Note 24)
- Contingencies (Note 26)
- Contract liabilities (Note 18)

3. Basis of preparation (continued)

e. Adoption of new accounting standards

Effective April 1, 2018, the Corporation adopted IFRS 9, Financial Instruments (IFRS 9) and IFRS 15, Revenue from Contracts with Customers (IFRS 15).

Financial Instruments

IFRS 9 supersedes IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL). IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. IFRS 9 also accounts for the loss allowance for trade receivables as calculated using the expected lifetime credit loss model and records the allowance at the time of initial recognition of the receivable. There is no significant effect on the carrying value of the financial instruments related to this new model.

As a result of adopting IFRS 9, the classification of the Corporation's financial instruments changed as follows:

Financial instrument	IAS 39	IFRS 9
Financial assets:		
Cash and cash equivalents	Held-for-trading (FVTPL)	Amortized cost
Restricted cash	Held-for-trading (FVTPL)	Amortized cost
Trade and other receivables	Loans and receivables (Amortized cost)	Amortized cost
Financial liabilities:		
Trade and other payables	Financial liabilities at amortized cost	Amortized cost
Due to operators and Service Providers	Financial liabilities at amortized cost	Amortized cost
Due to the Government of Canada	Financial liabilities at amortized cost	Amortized cost
Long-term debt	Financial liabilities at amortized cost	Amortized cost

These new classifications did not have a quantitative impact on the measurement of the financial instruments.

3. Basis of preparation (continued)

e. Adoption of new accounting standards (continued)

Revenue Recognition

IFRS 15 supersedes the existing standards and interpretations including International Accounting Standard 18, Revenue (IAS 18) and International Financial Reporting Interpretations Committee 13, Customer Loyalty Programmes (IFRIC 13). IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

(i) Identify the contract with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations in the contract; and

(v) Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

Significant judgment is needed to determine whether a gaming transaction is within the scope of IFRS 9 or IFRS 15. In transactions where the Corporation takes a position against the customer such that the Corporation's net gain or loss on the transaction is determined by an uncertain future event, the transaction is within the scope of IFRS 9 (Wagering Transactions). For all other transactions, where the Corporation administers games amongst players, the transaction falls within the scope of IFRS 15 (Administered Games).

For Wagering Transactions, the Corporation recognizes the gain or loss on the transaction as revenue when settled with the customer. Any unsettled wagers are accounted for as a financial liability at fair value through profit or loss.

For Administered Games, the Corporation's revenue is recognized net of prize expenses in the period performance occurs. Previously, under IAS 18, revenue from Administered Games was presented gross with prizes presented as an expense in the Consolidated Statements of Comprehensive Income.

The Corporation has made an accounting policy choice to adopt both IFRS 9 and IFRS 15 with full retrospective application. As a result, all comparative information in these financial statements has been prepared as though IFRS 9 and IFRS 15 had been in effect since April 1, 2017. The impact of adopting IFRS 9 and IFRS 15 on the opening Consolidated Statement of Financial Position as at April 1, 2017 is immaterial and therefore a restated Statement of Financial Position as of that date is not presented.

(tabular amounts in thousands of Canadian dollars)

3. Basis of preparation (continued)

e. Adoption of new accounting standards (continued)

The accounting policies set out in Note 4.c have been applied in preparing the Consolidated Financial Statements for the year ended March 31, 2019 and the comparative information presented in these Consolidated Financial Statements for the year ended March 31, 2018. The effect of transition to IFRS 9 and IFRS 15 for the year ended March 31, 2018 is included in the following table:

For the year ended March 31, 2018	As previously reported	Effect of transition to IFRS 15	Restated
Gaming revenue	$ 7,455,985	$ (2,115,607)	$ 5,340,378
Lottery prize expense	(2,115,607)	2,115,607	-
Gaming revenue less lottery prize expense	$ 5,340,378	$ -	$ 5,340,378

Under IFRS 15, prize expense meets the definition of consideration payable to a customer. As a result, lottery prize expense, previously presented as an expense, has been reclassified and netted against gaming revenue.

In addition, amounts previously presented as deferred revenue in the Consolidated Statements of Financial Position have been reclassified to contract liabilities under IFRS 15.

4. Significant accounting policies

The following accounting policies have been applied consistently by the Corporation in the Consolidated Financial Statements as at and for the years ended March 31, 2019 and March 31, 2018.

a. Basis of consolidation

The Consolidated Financial Statements include the accounts of the Corporation, OGAC and the Resort Casinos. The Corporation consolidates the results of operations prior to the transition of the sites to Service Providers (Note 2). The Corporation does not control any of the Gaming Bundle Service Providers (Note 2) and therefore does not consolidate their respective financial position and results. In accordance with agreements entered into with Services Providers, OLG recognizes its share of revenue as disclosed in Note 4.c. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated on consolidation.

4. Significant accounting policies (continued)

b. Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the Corporation's functional currency at the exchange rates at that date. Non-monetary assets and liabilities in foreign currencies measured in terms of historical cost are converted at historical exchange rates at the date of the transaction. Transactions in foreign currencies are converted to the Corporation's functional currency using the exchange rates at the date of the transactions. The Consolidated Statements of Comprehensive Income items are converted at the rate of exchange in effect on the transaction date. Foreign currency transaction gains and losses are recognized within Finance income or Finance costs in the Consolidated Statements of Comprehensive Income in the period in which they arise. The Corporation does not have any foreign operations.

c. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the core operating business transactions accounted for under both IFRS 15 and IFRS 9. IFRS 15 reflects revenue earned from transactions where the Corporation administers games amongst players, (Administered Games) as well as other transactions made in exchange for a defined good or service. IFRS 9 reflects revenue from transactions where the Corporation takes a position against the customer such that the Corporation's net gain or loss on the transaction is determined by an uncertain future event (Wagering Transactions). Significant judgment is needed to determine whether wagering transactions are within the scope of IFRS 9 or IFRS 15. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Revenue from Administered Games is recognized as follows:

- Revenue from tickets sold to customers for lottery games, through contracted lottery retailers and over the internet at PlayOLG.ca, for which results are determined based on a draw and the Corporation can definitively determine its return, is recognized when the related draw occurs net of awarded prizes.

- National Lotto games are administered by the Interprovincial Lottery Corporation and sold throughout Canada, while regional Lotto games are administered by the Corporation and sold only in Ontario. Unclaimed prizes on national Lotto games are returned to players through guaranteed jackpots and bonus draws. Expired unclaimed prizes on regional Lotto games are returned to the Province of Ontario through distributions to the province. Unclaimed regional Lotto game prizes anticipated to reach expiration, are estimated based on a 12 month period average and are recorded as a reduction to the unclaimed prize liability included in trade and other payables as well as an increase to gaming revenue.

- Revenue from INSTANT games is recognized net of the predetermined prize structure when retailers make them available for sale to the public, as indicated by the retailers' activation of tickets which acts as a proxy for the eventual sale to the customer.

- Revenue from certain cGaming products is recognized net of the predetermined prize structure once the period of play has ended.

4. Significant accounting policies (continued)

c. Revenue recognition (continued)

Gaming revenue from Land-based Gaming Service Provider-operated sites, which includes OLG's share, pursuant to the COSA, of the proceeds generated at the facility operated by the Service Provider, is recognized in the same period the game is played. OLG's share of revenue is after the deduction of Service Providers' fees, primarily comprising a fixed fee, a variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures.

Non-gaming site revenue generated at sites operated or owner by OLG, includes revenue earned from accommodations, food and beverage, entertainment centre and other services excluding the retail value of accommodations, food and beverage and other goods and services provided to customers on a complimentary basis. Non-gaming site revenue is recognized at retail value, being the stand-alone selling price of the underlying items as goods are delivered and services are performed. OLG does not recognize non-gaming revenue generated at Service Provider-operated sites. Revenue is recognized in the period it is earned.

The Corporation leases certain properties to Land-based gaming Service Providers in exchange for base rent. In addition to the base rent amounts, in accordance with IFRS 15, an adjustment is made to reallocate gaming revenue to lease revenue with the objective of recognizing a fair market value lease payment.

Funds collected for lottery games for which results are determined based on a draw, and for which tickets are sold in advance of the game draw, are recorded as contract liabilities representing the portion of revenue to be recognized once the related draw occurs and a separate portion for prizes that the Corporation expects to be returned to players. Contract liabilities also includes prepaid lease revenue and consideration received from Land-based Gaming Bundle Service Providers related to OLG's future share of gaming revenue which is recognized on a straight-line basis over the duration of the COSA.

Revenue earned from Wagering Transactions is recognized as follows:

Revenue earned from Wagering Transactions where the outcome is based on a future event, includes revenue from certain lottery and digital game offerings, charitable gaming and slot and table game operations operated by the Corporation or its Resort Casino operators. Gaming revenue from Wagering Transactions represents the difference between amounts earned through gaming wagers less the payouts from those wagers, net of any changes in accrued jackpot liabilities and liabilities under customer loyalty incentive programs. For Wagering Transactions, revenue is recognized in the same period the game is played or when the related draw occurs.

d. Customer loyalty incentive programs

The Corporation has customer loyalty incentive programs whereby customers have the choice to receive free or discounted goods and services and, in many cases, the right to receive cash. Some of these customer loyalty incentive programs allow customers to earn points based on the volume of play during gaming transactions. These points are recognized as a separate deliverable in the revenue transaction. A financial liability is recognized when the points are granted and a corresponding amount equal to the cash value is recognized as promotional allowance as a reduction to revenue.

4. Significant accounting policies (continued)

d. Customer loyalty incentive programs (continued)

In certain circumstances, a customer may have the right to receive free or discounted goods and services and/or the option of receiving cash. In such cases, a financial liability is recognized when the points are granted and a corresponding amount equal to the cash value is recognized as a reduction to revenue. A customer's point balance is forfeited in the event the customer does not earn additional points over the subsequent six- to 12-month period. If the points expire or are forfeited, the financial liability is derecognized.

For programs that provide customers the right to receive free or discounted goods and services, revenue, as determined by the fair value of the undelivered goods and services, is deferred until the award is provided or expires.

e. Complimentary goods and services

The Corporation often provides lodging, transportation, food and beverage, entertainment and other goods and services to customers at no charge.

When such complimentaries are provided in conjunction with a gaming transaction, a portion of the transaction price received from such customers is allocated to the complimentary goods and services and recognized when the goods and services are delivered. The Corporation performs this allocation based on the stand-alone selling price of the underlying goods and services.

When such complimentaries are not provided in conjunction with a gaming transaction, the Corporation does not recognize revenue from the complimentary goods and services.

f. Commissions and bonuses

Commissions and bonuses are recognized in the Consolidated Statements of Comprehensive Income in the period in which they are incurred.

(i) Lottery

Commissions paid to lottery retailers are based on revenue earned by OLG, ticket redemptions or sales of major prize-winning tickets.

(ii) cGaming

cGaming service providers receive a commission based on percentages of adjusted net win (net win after the payment of applicable marketing expenses), as defined in their respective agreements.

Charities and not-for-profit agencies receive a commission based on percentages of adjusted net win and non-gaming revenue, as defined in their respective agreements.

Municipalities that host cGaming Centres receive a commission based on a percentage of adjusted net win, as defined in the cGaming Centre Municipality Agreements.

4. Significant accounting policies (continued)

f. Commissions and bonuses (continued)

(iii) Municipalities

Municipalities that host a Casino or Slots at Racetracks facility, including the City of Niagara Falls and the City of Windsor, receive a percentage of Electronic Games Revenue and Live Table Game Revenue as defined in the Municipal Contribution Agreements. OLG continues to pay the obligations within these agreements after the sites transition to Service Providers.

Municipalities that host cGaming Centres receive a commission based on a percentage of adjusted net win, as defined in the cGaming Centre Municipality Agreements.

(iv) Mississaugas of Scugog Island First Nation (MSIFN)

As the host community of the Great Blue Heron Casino, MSIFN receives a Revenue Sharing Payment and Contribution Agreement Payment from the slot and live table game revenue as defined in the respective agreements. OLG continues to pay MSIFN related to these agreements after Great Blue Heron Casino transitioned to Ontario Gaming GTA Limited Partnership (OGGLP).

g. Cash and cash equivalents

Cash and cash equivalents include cash and liquid investments that have a term to maturity of less than 90 days from the time of purchase.

h. Restricted cash

Restricted cash consists of cash and liquid investments that have a term to maturity at the time of purchase of less than 90 days. Cash is restricted for the purposes of funding reserves and includes prize funds on deposit, horse racing program funds, unused proceeds received from term loans and funds held on behalf of Digital Gaming patrons.

i. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less an allowance for expected credit losses. Trade and other receivables are due for settlement no more than 30 days from the date of recognition.

j. Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale.

k. Financial instruments

(i) Non-derivative financial assets recognition

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI). The Corporation does not have FVTPL or FVOCI financial assets.

4. Significant accounting policies (continued)

k. Financial instruments (continued)

The Corporation initially recognizes trade receivables on the date that they originated. All other financial assets are recognized initially on the trade date on 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 expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

(ii) Non-derivative financial asset measurement

Amortized cost	Comprised of all Cash and cash equivalents, Restricted cash, Trade and other receivables, Due from Service Providers	A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Subsequent to initial recognition, such assets are measured at amortized cost using the effective interest method, less any allowance for expected losses.

(iii) Financial liabilities recognition

On initial recognition, a financial liability is classified and measured at amortized cost or FVTPL.

The Corporation's non-derivative financial liabilities are classified and measured at amortized cost. The Corporation's derivative financial liabilities are classified and measured at FVTPL.

The Corporation initially recognizes financial liabilities on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

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

4. Significant accounting policies (continued)

k. Financial instruments (continued)

(iv) Financial liabilities measurement

Amortized cost	Comprised of Trade and other payables, Due to operators and Service Providers, Due to Government of Canada and Long-term debt	Non-derivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation initially recognizes a derivative financial liability at fair value. Subsequently, these financial liabilities are measured at fair value. Net gains or losses, including any interest expense, are recognized in profit or loss. The Corporation's derivative financial liabilities include any liabilities arising from Wagering Transactions as well as the liability relating to the Brantford lease arrangement (Note 18).

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statements of Financial Position when, and only when, the Corporation has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

l. Property, plant and equipment

(i) Recognition and measurement

The Corporation capitalizes any major capital purchase that has a useful life beyond one year.

Property, plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses.

Cost includes an expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and other costs directly attributable to bring the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs on qualifying assets. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized on a net basis within Gains on disposal of property, plant and equipment in the Consolidated Statements of Comprehensive Income.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the 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 upon replacement. The cost of the day-to-day servicing of property, plant and equipment is recognized as incurred in the Consolidated Statements of Comprehensive Income.

4. Significant accounting policies (continued)

l. Property, plant and equipment (continued)

(iii) Amortization

Amortization is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in the Consolidated Statements of Comprehensive Income on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are amortized over the shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the term of the lease.

The estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Buildings	10 to 50 years
Furniture, fixtures and equipment	2 to 10 years
Leasehold improvements	Lesser of useful life or term of lease
Lottery gaming assets	2 to 7 years
Land-based Gaming assets	2 to 10 years

Property, plant and equipment are amortized when they are ready for their intended use. Construction in progress and assets not yet in use are stated at cost, less any recognized impairment loss. Amortization of these assets are determined on the same basis as other property assets and commences when the assets are ready for their intended use.

Amortization methods, useful lives and residual values are reviewed at each fiscal year end and are adjusted if appropriate.

Borrowing costs incurred during the construction and development of qualifying property, plant and equipment are capitalized and amortized over the estimated useful life of the associated property, plant and equipment.

m. Disposal group held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through a sale rather than continuing use. Such assets, or disposal groups, are measured at the lower of the carrying amount or fair value less costs to sell. Any impairment loss on a disposal group is allocated among the related assets and liabilities on a pro rata basis, except that no loss is allocated to inventories and financial assets that continue to be measured in accordance with the Corporation’s other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the Consolidated Statements of Comprehensive Income. Once items of property, plant and equipment are classified as held for sale, they are no longer amortized.

4. Significant accounting policies (continued)

n. Impairment

(i) Financial assets

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit-impaired. The Corporation measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for cash balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month ECLs.

For trade receivables, the Corporation uses historic actual credit losses as the basis for estimating ECLs and uniformly applies this estimate to its gross balance (net of balances already fully impaired and written off) at each reporting date. The Corporation believes this amount to best reflect the ECL. ECLs are discounted at the effective interest rate of the financial asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and including forward-looking information.

Loss allowances on financial assets measured at amortized cost are deducted from the gross carrying amount of the asset and the related impairment loss is recorded separately on the Statement of Comprehensive Income (loss). The gross carrying amount of a financial asset is written off when the Corporation has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset is allocated.

4. Significant accounting policies (continued)

n. Impairment (continued)

(ii) Non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in General operating, administration and other in the Consolidated Statements of Comprehensive Income. Impairment losses recognized in respect of CGUs are first allocated to reduce the carrying amount of any goodwill allocated to the units and then to reduce, on a pro rata basis, the carrying amounts of the other assets in the unit or group of units.

An impairment loss in respect of goodwill is not reversed. For all other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

o. Leases

At the inception of an arrangement, the Corporation determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the Corporation has the right to control the use of the underlying asset.

At the inception or upon the reassessment of the arrangement, the Corporation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Corporation concludes that it is impracticable to separate the payments reliably under a finance lease, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Corporation's incremental borrowing rate.

Leases where the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. On a lease-by-lease basis, the Corporation estimates whether substantially all the risks and rewards of ownership are assumed, considering the length of the lease, the present value of the minimum lease payments compared to the fair value of the leased asset and other terms contained within the lease. 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 costs and the reduction of the outstanding liability. The Finance costs are allocated to each period during the term of the lease to produce a constant periodic rate of interest on the remaining balance of the liability.

4. Significant accounting policies (continued)

o. Leases (continued)

Leases other than finance leases are classified as operating leases and are not recognized in the Corporation's Consolidated Statements of Financial Position. Operating lease payments are recognized as an expense on a straight-line basis over the term of the lease, except when another systematic basis is more representative of the pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

For operating leases where the Corporation is the lessor, the leased assets are recognized as Property, plant and equipment and amortized according to their useful lives. The lease payments earned from the lessee are recognized as Lease revenue in the Consolidated Statements of Comprehensive Income.

p. 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 pre-tax 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 costs.

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

q. Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the Consolidated Statements of Comprehensive Income in the periods during which services are rendered by the employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan, which are due more than 12 months after the end of the period in which the employees render the service, are discounted to their present value.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan that requires entities to record their net obligation in respect of the plan and is not a defined contribution plan. The Corporation provides defined benefit pension plans through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees Union (OPSEU) Pension Fund. The Corporation does not have a net obligation in respect of the defined benefit pension plans as the plans are sole-sponsored defined benefit plans established by the Province of Ontario. The Province of Ontario controls all entities included in the pension plans. The Corporation has classified these plans as state plans as there is no contractual agreement or stated policy for charging the net defined benefit cost of the plans to the Corporation. As such, the Corporation records these post-employment benefits as a defined contribution plan.

4. Significant accounting policies (continued)

q. Employee benefits (continued)

(iii) Other long-term employee benefits

The Corporation's net obligation with respect to long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in the Consolidated Statements of Comprehensive Income in the period in which they arise.

(iv) Termination benefits

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

(v) 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 and expense are recognized for the amount expected to be settled wholly within 12 months of the end of the reporting period 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.

r. Finance income and Finance costs

Finance income consists of interest income on funds invested, changes in the fair value of financial assets at amortized cost and net foreign currency transaction gains. Interest income is recognized as it accrues in the Consolidated Statements of Comprehensive Income using the effective interest method.

Finance costs consist of interest expense on borrowings, unwinding of the discount on provisions and interest on finance leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the Consolidated Statements of Comprehensive Income using the effective interest method.

s. Income taxes

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

t. Consolidated Statements of Comprehensive Income presentation

Proceeds from Lottery and Gaming represents sales from Lottery before the deduction of Lottery prizes and net win from cGaming, Digital and Land-based Gaming before the deduction of Service Provider fees.

Lottery prizes are prizes awarded for Lottery product offerings through retailers and PlayOLG.ca.

(tabular amounts in thousands of Canadian dollars)

4. Significant accounting policies (continued)

t. Consolidated Statements of Comprehensive Income presentation (continued)

Service Provider fees represent primarily the fixed fee, variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures paid or payable to Service Providers.

In addition to adopting the new accounting standards in fiscal 2018–19 (Note 3.e), the Corporation has changed the presentation of the Consolidated Statements of Comprehensive Income for the current and comparative periods to better align internal and external reporting for the users of the financial statements. The following summarizes the changes to the comparative year:

Expense	Fiscal 2017–18 amount	Presentation for the year ended March 31, 2019	Presentation for the year ended March 31, 2018
Host community commissions	$ 137,298	Stakeholder payments	Commissions and fees
Charity payments	$ 41,396	Stakeholder payments	Commissions and fees
Indirect service provider fees	$ 7,383	Commissions and fees	Other
Responsible gambling fees	$ 4,683	Commissions and fees	Other
Payments to the Government of Canada	$ 341,609	Stakeholder payments	Payments to the Government of Canada
Gaming Revenue Sharing Payment	$ 139,561	Stakeholder payments	Gaming Revenue Sharing Payment
Ticket distribution and testing	$ 3,355	Ticket printing, distribution and testing	Other
Facilities	$ 156,931	Facilities	Cost of premises and equipment
Third party utility charges	$ 2,169	Facilities	Other
Systems maintenance	$ 109,763	Systems maintenance	Cost of premises and equipment
AGCO licenses	$ 1,443	Regulatory fees	Other
General operating, administration and other	$ 132,931	General operating, administration and other	Other

u. Accounting standards issued but not yet adopted

The IASB has issued the following new standards that will become effective in a future year and will have an impact on the Corporation's financial statements in a future period.

IFRS 16, Leases (IFRS 16)

In January 2016, the IASB issued the final publication of the IFRS 16 standard, which will supersede the current IAS 17, Leases (IAS 17) standard. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model and for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The Company will adopt IFRS 16 in its financial statements for the annual period beginning on April 1, 2019. The Corporation is continuing to finalize the impact of adopting this standard.

(tabular amounts in thousands of Canadian dollars)

5. Capital risk management

The capital structure of the Corporation consists of cash and cash equivalents, long-term debt and equity, comprised of retained earnings, contributed surplus and reserves.

The Corporation is required to finance certain capital expenditures with debt obtained from the Ontario Financing Authority (OFA). The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures.

The Corporation's objectives in managing capital are to ensure sufficient resources are available to fund future development and growth of its operations and to provide returns to the Province of Ontario.

The Board of Directors is responsible for the oversight of Management, including the establishment of policies related to financial and risk management. The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. Operating agreements require the Resort Casinos to establish reserve funds. The Corporation is not subject to any externally imposed capital requirements. Refer to Note 23 for further details on the Corporation's financial risk management and financial instruments.

6. Restricted cash

Restricted cash, consisting of the following items and respective amounts, is held in separate bank accounts.

	March 31, 2019	March 31, 2018
Current		
Prize funds on deposit (a)	$ 62,645	$ 54,996
Horse racing funds (b)	1,115	2,370
Other (c)	8,624	2,589
	$ 72,384	$ 59,955
Non-current		
Reserves (d)		
Capital renewals	10,297	16,100
Operating	57,783	56,749
Severance	47,914	47,054
	$ 115,994	$ 119,903
Restricted cash	$ 188,378	$ 179,858

a. Prize funds on deposit of $62,645,000 (March 31, 2018 – $54,996,000) are funds set aside for the estimated gross prizes outstanding of $98,996,000 (March 31, 2018 – $92,918,000) less an estimate for prizes not expected to be claimed by customers of $36,351,000 (March 31, 2018 – $37,922,000).

b. In the Corporation's role as administrator of the Horse Racing Partnership Funding Program (Note 25.e), at March 31, 2019 $1,115,000 (March 31, 2018 – $2,370,000) were yet to be distributed.

c. Other restricted cash represents loan proceeds for the Gaming Management System project, funds held on behalf of Digital Gaming patrons and interest earned and received on Ontario Financing Authority loans.

(tabular amounts in thousands of Canadian dollars)

6. Restricted cash (continued)

d. The Corporation has established certain reserves at the Resort Casinos in accordance with their respective operating agreement for the following purposes:

(i) Capital renewals reserves – for property, plant and equipment additions, other than normal repairs, and to satisfy specified obligations if cash flows are insufficient to meet such obligations.

(ii) Operating reserves – to satisfy specified operating obligations if cash flows are insufficient to meet such obligations.

(iii) Severance reserves – to satisfy certain obligations arising from the termination or layoff of employees of an operator in connection with the expiry or termination of the related operating agreement.

The capital renewals reserves and operating reserves related to Casino Rama continue to be held, in accordance with the former operating agreement, to fund non-insured legal costs.

7. Trade and other receivables

	March 31, 2019	March 31, 2018
Trade receivables	$ 80,693	$ 162,815
Less: allowance for impairment	(1,325)	(6,310)
Trade receivables, net	79,368	156,505
Other receivables	59,777	53,053
Trade and other receivables	$ 139,145	$ 209,558

The Corporation's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 23.

8. Inventories

	March 31, 2019	March 31, 2018
Lottery and cGaming tickets and paper	$ 26,876	$ 30,454
Food and beverage	860	2,227
Retail	725	1,093
Slot machine and table game parts	418	1,846
Other	2,279	2,536
Inventories	$ 31,158	$ 38,156

Inventory costs included in expenses for the year ended March 31, 2019 were $98,726,000 (March 31, 2018 – $118,161,000).

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9. Property, plant and equipment

Cost

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based Gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2017	$ 129,651	$ 1,770,552	$ 575,215	$ 612,562	$ 95,519	$ 554,638	$ 73,088	$ 32,048	$ 3,843,273
Additions and assets put into use	-	2,897	47,591	17,233	5,352	41,198	243,303	(8,387)	349,187
Disposals and retirements	-	(2,144)	(82,153)	(452,478)	(76)	(176,901)	-	-	(713,752)
Transfers to held for sale (Note 10)	-	-	(93,865)	(32,438)	-	(151,406)	-	-	(277,709)
Balance at March 31, 2018	**$ 129,651**	**$ 1,771,305**	**$ 446,788**	**$ 144,879**	**$ 100,795**	**$ 267,529**	**$ 316,391**	**$ 23,661**	**$ 3,200,999**
Balance at April 1, 2018	$ 129,651	$ 1,771,305	$ 446,788	$ 144,879	$ 100,795	$ 267,529	$ 316,391	$ 23,661	$ 3,200,999
Additions and assets put into use	-	14,242	25,596	7,439	6,092	19,926	436	(959)	72,772
Disposals and retirements	-	(2,002)	(20,064)	(231)	(23)	(24,499)	-	-	(46,819)
Transfers to held for sale (Note 10)	-	-	(106,857)	(126,880)	-	(170,267)	-	(569)	(404,573)
Balance at March 31, 2019	**$ 129,651**	**$ 1,783,545**	**$ 345,463**	**$ 25,207**	**$ 106,864**	**$ 92,689**	**$ 316,827**	**$ 22,133**	**$ 2,822,379**

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9. Property, plant and equipment (continued)

Accumulated amortization and accumulated impairment losses

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based Gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2017	$ 41,091	$ 1,099,927	$ 502,224	$ 534,439	$ 78,282	$ 428,372	$ 53,262	$ -	$ 2,737,597
Amortization for the period	-	33,379	34,564	76,007	5,798	39,171	10,522	-	199,441
Impairment loss	-	-	976	-	-	-	-	-	976
Disposal and retirements	-	(1,193)	(75,228)	(446,951)	(2)	(140,990)	-	-	(664,364)
Transfers to held for sale (Note 10)	-	-	(76,866)	(32,033)	-	(112,731)	-	-	(221,630)
Balance at March 31, 2018	**$ 41,091**	**$ 1,132,113**	**$ 385,670**	**$ 131,462**	**$ 84,078**	**$ 213,822**	**$ 63,784**	**$ -**	**$ 2,052,020**
Balance at April 1, 2018	$ 41,091	$ 1,132,113	$ 385,670	$ 131,462	$ 84,078	$ 213,822	$ 63,784	$ -	$ 2,052,020
Amortization for the period	-	31,036	24,694	2,275	9,307	14,360	12,754	-	94,426
Impairment loss	-	-	755	-	-	-	-	-	755
Disposal and retirements	-	(1,430)	(21,699)	5,721	(23)	(28,156)	(88)	-	(45,675)
Transfers to held for sale (Note 10)	-	-	(86,647)	(121,084)	-	(125,563)	-	-	(333,294)
Balance at March 31, 2019	**$ 41,091**	**$ 1,161,719**	**$ 302,773**	**$ 18,374**	**$ 93,362**	**$ 74,463**	**$ 76,450**	**$ -**	**$ 1,768,232**

(tabular amounts in thousands of Canadian dollars)

9. Property, plant and equipment (continued)

Carrying amounts

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based Gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at March 31, 2018	$ 88,560	$ 639,192	$ 61,118	$ 13,417	$ 16,717	$ 53,707	$ 252,607	$ 23,661	$ 1,148,979
Balance at March 31, 2019	**$ 88,560**	**$ 621,826**	**$ 42,690**	**$ 6,833**	**$ 13,502**	**$ 18,226**	**$ 240,377**	**$ 22,133**	**$ 1,054,147**

(tabular amounts in thousands of Canadian dollars)

9. Property, plant and equipment (continued)

On September 8, 2016, the OLG entered into a lease agreement with Mississaugas of Scugog Island First Nation (MSIFN) for a term of 22 years plus a Stub Period, as defined therein, for the Great Blue Heron Casino premises. The lease agreement was considered a finance lease for accounting purposes. On January 23, 2018, the lease was part of certain assets acquired and liabilities assumed by Ontario Gaming GTA Limited Partnership (OGGLP) which resulted in the derecognition of the finance lease obligation and corresponding Other asset. Prior to derecognition the amortization expense recognized during fiscal 2017–18 was $4,985,000.

Finance leases as lessee

The Corporation leases certain items of property, plant and equipment under finance lease agreements. At March 31, 2019, the net carrying amount of leased property, plant and equipment was $240,377,000 (March 31, 2018 – $252,607,000) (Note 19.d).

Property, plant and equipment leased to third parties

The Corporation leases certain items of property, plant and equipment to third parties as operating leases.

Future minimum lease payments

At March 31, 2019, the future minimum lease payments under non-cancellable leases to be earned by the Corporation are as follows:

Less than one year	$	19,894
Between one and five years		79,575
More than five years		340,323
Total	$	439,792

Impairment

As a result of the economic performance of the cGaming Cash Generating Units (CGU)s, made up of the individual cGaming Centres, Management performed an impairment analysis.

The recoverable amounts of the CGUs were based on fair value less costs of disposal, which was greater than the value in use. Management performed the fair value analysis utilizing discounted cash flows based on its best estimates and using the market information currently available. The valuation technique used Level 3 inputs which are unobservable inputs supported by little or no market activity for the assets (Note 23.f). Cash flow projections were based on annual approved budgets and Management's projections thereafter. The cash flows are Management's best estimate of future events considering experience and future economic assumptions. A discount rate of 7.0 per cent that was applied to the cash flow projections was derived from Management's consideration of current market assessments and the risks specific to the CGUs.

(tabular amounts in thousands of Canadian dollars)

9. Property, plant and equipment (continued)

Management determined that the recoverable amount of the CGUs of $nil was less than their carrying value and, as a result, an impairment loss of $755,000 (fiscal 2017–18 – $976,000) was recognized in General, operating, administration and other in the Consolidated Statements of Comprehensive Income (Note 22) and relates to the cGaming line of business (Note 27).

Management did not identify any further impairment indicators at any of the Corporation’s other CGUs and, therefore, has not recognized any additional impairment losses at March 31, 2019.

10. Disposal group held for sale

On September 10, 2018, OLG signed a TAPA with MG&E Niagara Entertainment ULC (now MGE Niagara Entertainment Inc. effective April 29, 2019) (MGE) as the Service Provider for the Niagara Gaming Bundle. Under the terms of the TAPA, OLG committed to sell certain assets and MGE agreed to purchase such assets and assume certain liabilities related to the sites in the Bundle (Note 28).

Accordingly, at March 31, 2019, the assets and liabilities to be transferred or disposed of under the Niagara Gaming Bundle met the criteria to be classified as a disposal group held for sale and stated at their carrying values comprised of the following:

	March 31, 2019	March 31, 2018
Cash	$ 49,794	$ 54,663
Property, plant and equipment (Note 9)	71,279	56,079
Other	15,035	7,245
Assets held for sale	$ 136,108	$ 117,987
Trade payables and other	13,660	9,437
Liabilities held for sale	$ 13,660	$ 9,437

On December 18, 2017 and March 14, 2018, OLG signed TAPAs with Ontario Gaming West GTA Limited Partnership (OGWGLP) and Gateway Casinos & Entertainment Limited (Gateway) as the Service Providers for the West GTA and Central Gaming Bundles, respectively. As such, at March 31, 2018, the assets and liabilities to be transferred under the West GTA and Central Gaming Bundles met the criteria to be classified as a disposal group held for sale. The sale of these Bundles was completed in fiscal 2018–19 (Note 21) and resulted in a gain on disposal of $42,496,000.

11. Trade and other payables

	March 31, 2019	March 31, 2018
Trade payables and accruals	$ 88,318	$ 120,605
Prizes payable	62,632	54,996
Short-term employee benefits	31,775	40,613
Gaming liability	61,661	74,618
Commissions payable	32,037	28,910
Horse racing liability	238	475
Due to Rama First Nation	534	1,809
Other payables and accruals	31,864	42,815
Trade and other payables	$ 309,059	$ 364,841

Prizes payable are unclaimed and estimated lottery prizes.

(tabular amounts in thousands of Canadian dollars)

11. Trade and other payables (continued)

Short-term employee benefits include salaries payable, incentive accruals, long-term service awards, vacation pay accrual and other short-term employee-related liabilities.

Gaming liability includes progressive jackpots, unredeemed chips, customer loyalty incentive points and other gaming-related payables. Progressive jackpots are measured based on the anticipated payout of the progressive jackpots. Unredeemed chips are funds deposited by customers for chips before gaming play occurs where the chips remain in the customers' possession. Customer loyalty incentive points that are earned based on the volume of play and redeemable for complimentary goods and services and/or cash are recognized as a liability and measured at the amount payable on demand.

Commissions payable includes amounts payable to lottery retailers and cGaming Centre service providers, municipalities and First Nations that host a Casino, a cGaming Centre or a Slots at Racetracks facility, including the City of Niagara Falls and the City of Windsor.

Horse racing liability includes the funds related to the Horse Racing Partnership Funding Program yet to be distributed.

Due to Rama First Nation includes the variable portion of the annual fee related to the Amended and Restated Post-2011 Contract and services for fire protection, police protection and other community services relating to Casino Rama (Note 19.d).

Other payables and accruals include accrued win contribution, casino customer deposits, security deposits, corporate marketing, and other miscellaneous amounts.

The Corporation's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 23.

12. Provisions

All provisions are included in current liabilities. The carrying amount was:

	Legal claims	Other provisions	Total
Balance at April 1, 2018	$ 1,947	$ 4,060	$ 6,007
Increases and additional provisions	653	15,590	16,243
Amounts paid	(400)	(382)	(782)
Amounts reversed	(425)	(354)	(779)
Balance at March 31, 2019	$ 1,775	$ 18,914	$ 20,689

Legal claims

During fiscal 2018–19, an additional $653,000 of potential legal claims were accrued, with an offsetting reduction of $400,000 in payments to claimants. $425,000 of legal claims were reversed in fiscal 2018–19 because the likelihood of the obligations had become remote. The ultimate outcome or actual cost of settlement depends on the court proceedings and may vary significantly from the original estimates. Legal matters that have not been recognized as provisions, as the outcome is not probable or the amount cannot be reliably estimated, are disclosed as contingent liabilities, unless the likelihood of the outcome is remote (Note 26).

(tabular amounts in thousands of Canadian dollars)

12. Provisions (continued)

Other provisions

Other provisions include provisions for decommissioning obligations, Harmonized Sales Tax (HST) and minor claims managed by a third party.

The decommissioning provision is associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. During fiscal 2018–19, an additional $4,000 of decommissioning obligations were accrued.

The HST provision relates to a refund received in fiscal 2018–19 which is under review with the Canada Revenue Agency (CRA) in the amount of $13,928,000.

During fiscal 2018–19, an additional $1,658,000 of minor claims managed by a third party was accrued, $382,000 of which were settled and $354,000 were reversed as the likelihood was remote that the claims would be incurred.

13. Finance income and Finance costs

	March 31, 2019	March 31, 2018
Interest income on financial assets measured at amortized cost	$ 6,868	$ 3,926
Foreign exchange gain, net	7,275	7,072
Finance income	$ 14,143	$ 10,998
Interest expense for non-derivative financial liabilities:		
Interest on bank overdraft and loans	$ 910	$ 426
Interest on obligations under finance leases	10,605	12,900
Other interest expense	2,784	2,697
Finance costs	$ 14,299	$ 16,023

14. Related parties

The Corporation is related to various other government agencies, ministries and Crown corporations. Related party transactions include loan agreements with the OFA (Note 19), post-employment benefit plans with the Ontario Pension Board (Note 24.b), other long-term employee benefits with the Workplace Safety and Insurance Board (Note 24.c) and restricted intermediary funding arrangements with the Province of Ontario related to horse racing (Note 6).

All transactions with these related parties are within the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

(tabular amounts in thousands of Canadian dollars)

14. Related parties (continued)

Transactions with key management personnel

Key management personnel compensation

The Corporation's key management personnel, consisting of the Corporation's Board of Directors and certain Executive Committee members, have authority and responsibility for overseeing, planning, directing and controlling the activities of the Corporation.

Key management personnel compensation includes:

	March 31, 2019	March 31, 2018
Short-term employee benefits	$ 4,757	$ 4,827
Post-employment benefits	312	244
	$ 5,069	$ 5,071

Short-term employee benefits include salaries and benefits and other short-term compensation.

Post-employment benefits include the employer's portion of pension and other post-retirement benefits.

15. Due to operators and Service Providers

	March 31, 2019	March 31, 2018
Due to operators (a)	$ 178,062	$ 186,821
Due to Service Providers (b)	110,782	55,836
	288,844	242,657
Less: current portion	(288,844)	(94,427)
Non-Current Due to operators and Service Providers	$ -	$ 148,230

(tabular amounts in thousands of Canadian dollars)

15. Due to operators and Service Providers (continued)

a. Due to operators

Under the terms of the operating agreements for each of the Resort Casinos, each operator is entitled to receive an operator's fee calculated as a percentage of Gross Revenue and as a percentage of Net Operating Margin, both as defined in the related operating agreements. OLG also had an operating agreement with CHC Casinos Canada Limited for the operations of Casino Rama. This agreement was terminated on July 18, 2018 at which time an agreement with a new Service Provider became effective. The total amount accrued with respect to the operator's fees at March 31, 2019 was $24,785,000 (March 31, 2018 – $37,264,000). The Resort Casinos, including Casino Rama and their respective operators, are as follows:

Site	Operator	Operating Agreement Term Expiration Date
Casino Rama	CHC Casinos Canada Limited	Terminated July 18, 2018
Casino Niagara and Fallsview	Falls Management Group, L.P.	Terminated June 10, 2019
Caesars Windsor	Caesars Entertainment Windsor Limited (CEWL)	July 31, 2020

Also included in amounts Due to operators are:

i. Casino Niagara and Fallsview

During fiscal 2015–16, the Corporation incurred onetime operator non-extension costs in relation to exercising its option to not extend the Permanent Casino Operating Agreement with Falls Management Group, L.P. As at March 31, 2019, the amount due to the operator was $152,661,000 (March 31, 2018 – $148,230,000). On June 7, 2019, the Corporation paid in full, $153,149,000 to the operator and $16,846,000 to the Government of Canada for HST.

Under the terms of the Permanent Casino Operating Agreement, in a Competitive Environment, as defined in the Permanent Casino Operating Agreement, the operator is entitled to receive additional operator services fees and an attractor fee. As a result, at March 31, 2019, the Corporation has included $294,000 (March 31, 2018 – $1,000,000) in Due to operators and has a remaining commitment as at March 31, 2019 of $456,000.

ii. Caesars Windsor

Under the terms of the Caesars Trademark Licence Agreement related to the rebranding of Casino Windsor, the Corporation pays a licence fee calculated as a percentage of the Adjusted Gross Revenues, as defined, of Caesars Windsor. The Caesars Trademark Licence Agreement is with an affiliate company of CEWL and will terminate on July 31, 2020. As at March 31, 2019, the amount included in Due to operators in respect of the trademark licence agreement was $322,000 (March 31, 2018– $327,000).

15. Due to operators and Service Providers (continued)

a. Due to operators (continued)

At each of the Resort Casinos, the operator is the employer, either directly or indirectly, of the employees working at that facility. OLG also had an operating agreement with CHC Casinos Canada Limited for the operations of Casino Rama. This agreement was terminated on July 18, 2018 at which time an agreement with a new Service Provider as detailed in Note 2 became effective. All payroll and payroll-related costs are charged to the Corporation monthly and expensed in the Corporation’s Consolidated Statements of Comprehensive Income.

b. Due to Service Providers

Under the terms of their respective COSAs, each Service Provider is entitled to receive a share of the gaming proceeds, as defined herein, generated at the Casino, Slot facility or Resort Casino it operates. The amount due to Service Providers represents the Service Provider’s accrued share of gaming revenue primarily comprising a fixed fee, variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures. Also included in Due to Service Providers is an amount due to a Service Provider in the event the Service Provider terminates a lease agreement.

16. Win contribution

The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue, as defined, from the Resort Casinos and the Great Blue Heron Casino in accordance with the *Ontario Lottery and Gaming Corporation Act, 1999*, which amounted to $280,093,000 for fiscal 2018–19 (fiscal 2017–18 – $312,929,000). The Corporation retains the responsibility to remit the contribution once a site is operated by a Service Provider.

17. Due to Government of Canada

As at March 31, 2019, the amount Due to the Government of Canada was $43,769,000 (March 31, 2018 – $43,635,000), of which $16,793,000 (March 31, 2018 – $16,305,000) was the amount Due to the Government of Canada related to the Falls Management Group, L.P. non-extension (Note 15). The recognition of this obligation requires Management to make certain estimates regarding the nature, timing and amounts associated with the Due to the Government of Canada liability.

a. Payments on behalf of the Province of Ontario

The provincial lottery corporations make payments to the Government of Canada under an agreement dated August 1979 between the provincial governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

b. Goods and Services Tax / Harmonized Sales Tax (GST/HST)

As a prescribed registrant, the Corporation makes GST/HST remittances to the Government of Canada pursuant to the Games of Chance (GST/HST) Regulations of the Excise Tax Act. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities.

The net tax attributable to non-gaming activities is calculated in the same way as it is for any other GST/HST registrant in Canada. The non-recoverable GST/HST payable to suppliers and the additional imputed tax payable to the Government of Canada on gaming-related expenses were recognized as payments to the Government of Canada.

(tabular amounts in thousands of Canadian dollars)

17. Due to Government of Canada (continued)

b. Goods and Services Tax / Harmonized Sales Tax (GST/HST) (continued)

The net tax attributable to gaming activities results in a 26 per cent tax burden on most taxable gaming expenditures incurred by the Corporation.

18. Contract liabilities

	March 31, 2019	March 31, 2018
GTA Gaming Bundle contract liability (a)	$ 24,016	$ 25,288
Deferred lease revenue (b)	22,328	-
Deferred lottery gaming revenue	4,513	3,200
Expected prize payout	4,252	2,933
Other	1,698	1,101
	56,807	32,522
Less: current portion	(34,063)	(8,506)
Contract liabilities	$ 22,744	$ 24,016

a. GTA Gaming Bundle contract liability

GTA Gaming Bundle contract liability represents consideration received from the GTA Gaming Bundle Service Provider related to OLG's future share of gaming revenue.

b. Deferred lease revenue

During fiscal 2018–19, the Corporation and OGWGLP entered into 20-year lease agreement for the Brantford Casino land and building. The lease agreement provides OGWGLP the option to terminate the agreement at any time. Upon termination, the Corporation is required to pay OGWGLP the then fair value of the land and building. As part of the lease agreement, OGWGLP prepaid $60,900,000 for use of the land and building where Casino Brantford resides representing a portion of deferred lease revenue to be recognized over the term of the lease and an estimate of the fair value of the Corporation’s obligation related to the put option held by OGWGLP.

19. Long-term debt

	March 31, 2019	March 31, 2018
Gaming Management System loan (a)	$ 26,854	$ 33,079
Player Platform loan (b)	3,043	-
Lottery Terminals loan (c)	2,108	-
Obligations under finance leases (d)	261,235	273,822
	293,240	306,901
Less: current portion	(22,594)	(19,734)
Long-term debt	$ 270,646	$ 287,167

On June 1, 2012, the Province of Ontario amended the *Ontario Lottery and Gaming Corporation Act, 1999* to require the Corporation to finance certain capital expenditures with debt obtained from the OFA. The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures.

19. Long-term debt (continued)

a. Gaming Management System loan

In July 2014, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $35,200,000 to finance the implementation of its Gaming Management System. This system will replace infrastructure that tracks and records gaming activity and accounting, as well as data and security events, at all slot machines while operated by the Corporation. During fiscal 2017–18, the Corporation fully repaid facility one, with a cumulative balance of $33,079,000 with facility two. Facility two is repayable over five years in average semi-annual payments of $3,507,000. The loan bears interest and fees of 2.65 per cent per annum and is unsecured. The loan is due September 30, 2022.

b. Player Platform loan

In June 2018, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $28,600,000 to finance the development and implementation of a new player platform solution. During fiscal 2018–19, the Corporation drew $3,000,000 on facility one bringing the total cumulative loan balance to $3,043,000 inclusive of interest. Facility one is repayable, inclusive of interest accrued, at the earlier of the project completion date or July 2020. Facility one bears interest and fees of 3.027 per cent per annum and is unsecured.

c. Lottery Terminals loan

In February 2018, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $85,700,000 to finance the replacement and expansion of the Corporation's lottery terminal network and the Corporation's implementation of an enhanced communications network. During fiscal 2018–19, the Corporation drew $2,100,000 on facility one bringing the total cumulative loan balance to $2,108,000 inclusive of interest. Facility one is repayable, inclusive of interest accrued, at the earlier of the project completion date or September 2020. Facility one bears interest and fees of 2.589 per cent per annum and is unsecured.

d. Obligations under finance leases

Casino Niagara facility

Effective March 2010, the Corporation entered into an amending agreement for an additional 15-year term with Maple Leaf Entertainment Inc., Canadian Niagara Hotels Inc., 1032514 Ontario Limited and Greenberg International Inc. (collectively, the Landlord) to lease the facility that houses Casino Niagara and to license certain adjacent parking facilities. The amending agreement extends the term of the original lease and licence agreements by 15 years from March 10, 2010 to March 9, 2025. The lease agreement is a finance lease for accounting purposes and has an implicit interest rate of 8.5 per cent. The total remaining obligation under the finance lease was $27,231,000 at March 31, 2019 (March 31, 2018 – $30,453,000).

Subsequent to March 31, 2019, the Casino Niagara finance lease was terminated on June 11, 2019 and MGE entered into its own new lease arrangement with the Landlord immediately following such termination. The Corporation was released of its remaining Casino Niagara finance lease payment obligations resulting in an estimated net gain of $13,227,000 in fiscal 2019–20 for derecognition of the finance lease asset and finance lease liability.

19. Long-term debt (continued)

d. Obligations under finance leases (continued)

cGaming TapTix

The Corporation entered into a master services agreement on August 22, 2012 to lease TapTix, formerly known as Break Open Ticket (BOT) dispensers. This agreement is a finance lease for accounting purposes and has an implicit interest rate of 9.0 per cent. The total remaining obligation under the finance lease was $2,623,000 at March 31, 2019 (March 31, 2018 –$5,531,000).

Casino Rama complex

On July 17, 2009, and as amended and restated on June 13, 2017, OLG and Chippewas of Rama First Nation entered into an agreement relating to the continued conduct of the business of Casino Rama for the 20-year period commencing August 1, 2011 and possible future development (the Post-2011 Contract). The Post-2011 Contract continues until July 31, 2031, subject to earlier terminations or the exercise by OLG of two successive options to extend for periods of 10 and 5 years, respectively.

The lands used for the Complex are leased under a 30-year Ground Lease, which expires on January 31, 2047, from Her Majesty the Queen in Right of Canada by Casino Rama Inc., a wholly owned subsidiary of Chippewas of Rama. On June 13, 2017, OLG and Casino Rama Inc. entered into a new Complex Sublease, which aligns the term with the Post-2011 Contract and consolidates previous leases for office and warehouse space, land, other additional parking lands and the employee parking lot.

In addition to annual rent payments, the Complex Sublease and the Amended and Restated Post-2011 Contract entitles Rama First Nation to receive an annual fee from OLG for each successive 12-month period equal to the greater of 1.9 per cent of the Gross Revenues of the Casino Rama Complex, as defined, and $5,500,000 adjusted annually based on the Consumer Price Index. For accounting purposes, the agreements were determined to contain a finance lease.

In calculating the present value of minimum lease payments, the $5,500,000 minimum gross revenue payment was considered in substance to be a payment of rent. A discount rate of 3.19 per cent was used and a term of 24 years.

The total remaining obligation under the finance lease as at March 31, 2019 is $231,381,000 (March 31, 2018 – $237,838,000).

On March 29, 2018, OLG and Gateway Casinos and Entertainment Ltd. entered into the Casino Rama Net Sublease and Sub-sublease (the sub-sublease) which commenced on the Central Bundle COSA signing date, July 18, 2018. The term of the sub-sublease expires on July 31, 2041 provided that if the term of the COSA is extended beyond July 31, 2041, the Term of the sub-sublease shall automatically be extended for a corresponding period of time. The minimum leases payments to the Corporation under the agreement are $12,400,000 per year and the lease is accounted for as an operating lease.

(tabular amounts in thousands of Canadian dollars)

19. Long-term debt (continued)

e. Payments over the next five years and thereafter

Payments related to long-term debt and obligations under finance leases that are expected to be made over the next five years and thereafter are approximated as follows:

As at March 31	Long-term debt	Obligations under finance leases *		Total
	Principal Repayments	Principal Repayments	Interest Payments	
2020	$ 9,946	$ 12,648	$ 10,121	$ 32,715
2021	6,892	12,003	9,454	28,349
2022	7,816	12,282	8,812	28,910
2023	4,569	13,011	7,889	25,469
2024	1,089	13,434	7,465	21,988
Thereafter	1,693	197,857	49,569	249,119
	$ 32,005	**$ 261,235**	**$ 93,310**	**$ 386,550**

* see Note 23.d regarding the Casino Niagara finance lease derecognition

20. Stakeholder payments

	Notes	March 31, 2019	March 31, 2018
Payments to the Government of Canada	17	$ 362,344	$ 341,609
Gaming Revenue Sharing Payment to OFNLP	25.d	146,379	139,561
Municipal commissions	4.f(iii)	134,987	130,465
Other		50,440	48,229
Stakeholder payments		$ 694,150	$ 659,864

Other Stakeholder payments comprise of charity and non-for-profit agency payments (Note 4.f(ii)) and the MSIFN Revenue Sharing Payment (Note 4.f(iv)).

21. Gains on disposal of property, plant and equipment, net

During fiscal 2018–19, the Corporation realized net gains on disposal of property, plant and equipment of $41,498,000 (fiscal 2017–18 – $107,086,000) which included gains associated with the sales of the assets in the two gaming bundles: West GTA ($16,776,000) and Central ($25,720,000) (See Note 2 and Note 4.c for the related long-term gaming revenue share model entered into by the Corporation and the Service Providers). The gain on disposal in fiscal 2017–18 included gains associated with the sale of the North and Southwest, Ottawa and GTA gaming bundles of $63,088,000, $9,610,000 and $30,251,000, respectively.

22. General operating, administration and other

	March 31, 2019	March 31, 2018
General and administration (a)	$ 101,982	$ 175,559
ATM fees	(13,516)	(33,055)
Impairment charge (b)	755	976
Miscellaneous income	(10,645)	(10,549)
General operating, administration and other	$ 78,576	$ 132,931

22. General operating, administration and other (continued)

a. General and administration

General and administration expenses are primarily comprised of office supplies and consumables, legal and consulting fees, settlements, research and development, travel, telecommunication, information technology and other miscellaneous expenses.

b. Impairment charge

The Corporation recognized an impairment loss for the year ended March 31, 2019 of $755,000 (March 31, 2018 – $976,000) (Note 9).

23. Financial risk management and financial instruments

a. Overview

The Corporation has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Corporation's exposure to each of these risks and the Corporation's objectives, policies and processes for measuring and managing them.

b. Risk management framework

The Corporation has a formal Enterprise Risk Management Program, which aligns with ISO 31000 and conforms to the Ontario Public Service Risk Management guidance and requirements. This program supports the Corporation in the identification, assessment and management of risks that could threaten the achievement of financial and non-financial objectives.

The Board of Directors, through its Audit and Risk Management Committee (ARMC), provides oversight with respect to the identification and management of risk along with adherence to internal risk management policies and procedures. The ARMC was assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc engagements to assess risk management controls and procedures, the results of which are reported to the ARMC.

The Corporation's financial risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

The Corporation, through its policies, training and management standards and procedures, aims to enable employees at all levels of the organization to understand risks, to exercise appropriate risk-taking and to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

c. 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. The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of Trade and other receivables, and Due from Service Providers and liquid investments.

23. Financial risk management and financial instruments (continued)

c. Credit risk (continued)

Trade and other receivables and Due from Service Providers

Trade and other receivables include credit provided to retailers of lottery products, cGaming service providers and customers of Resort Casinos, while Due from Service Providers represents unsettled Service Provider fees, both of which meet the standards set by the Alcohol Gaming Commission of Ontario. The Corporation performs initial credit or similar evaluations and maintains reserves for potential credit losses on accounts receivable balances. The carrying amount of these financial assets represents the maximum credit exposure.

The amounts disclosed in the Consolidated Statements of Financial Position for Trade and other receivables are net of allowances for impairment, which consist of a specific provision that relates to individually significant exposures, estimated by Management based on experience and an assessment of the current economic environment. The Corporation establishes an allowance for impairment that represents its estimate of potential credit losses. Historically, the Corporation has not experienced any significant losses. As at March 31, 2019, the Corporation had an allowance for impairment of $1,325,000 (March 31, 2018 – $6,310,000), which represented approximately 1.0 per cent (March 31, 2018 – 3.0 per cent) of the Corporation's consolidated Trade and other receivables. The Corporation believes that its allowance for impairment is sufficient to reflect the related credit risk. The Corporation has not set up an allowance for the amount Due from Service Providers as the amount is expected to be settled within 120 days after March 31, 2019.

Liquid investments

The Corporation limits its exposure to credit risk by investing only in short-term debt securities with high credit ratings and minimal market risk. The Corporation has a formal policy for short-term investments that provides direction for Management to minimize risk. As a result, this risk is considered minimal.

d. Liquidity risk

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

The Corporation currently settles its financial obligations using cash provided by operations. The Corporation has established reserves at the Resort Casinos in accordance with their respective operating agreements. In addition, all investments held by the Corporation are low risk and have a term to maturity of less than 90 days, further reducing liquidity risk.

The Corporation manages its liquidity risk by performing regular reviews of net income and cash flows from operations and continuously monitoring the forecast against future liquidity needs. Given the Corporation's business historically generates positive cash flows, liquidity risk is considered minimal.

(tabular amounts in thousands of Canadian dollars)

23. Financial risk management and financial instruments (continued)

d. Liquidity risk (continued)

The undiscounted contractual maturities of the financial liabilities are as follows:

March 31, 2019	Carrying amount	Contractual cash flows	<1 year	1 - 2 years	3 - 5 years	> 5 years
Trade and other payables	$ 309,059	$ 309,059	$ 309,059	$ -	$ -	$ -
Due to operators and Service Providers	288,844	289,333	289,333	-	-	-
Due to Government of Canada	43,769	43,823	43,823	-	-	-
Long-term debt, including obligations under finance leases*	293,240	388,459	33,292	29,052	76,948	249,167
	$ 934,912	$ 1,030,674	$ 675,507	$ 29,052	$ 76,948	$ 249,167

March 31, 2018	Carrying amount	Contractual cash flows	<1 year	1 - 2 years	3 - 5 years	> 5 years
Trade and other payables	$ 364,841	$ 364,841	$ 364,841	$ -	$ -	$ -
Due to operators and Service Providers	242,657	245,570	94,427	151,143	-	-
Due to Government of Canada	43,635	43,956	27,330	16,626	-	-
Long-term debt, including obligations under finance leases	306,901	424,814	30,769	33,051	80,355	280,639
	$ 958,034	$ 1,079,181	$ 517,367	$ 200,820	$ 80,355	$ 280,639

* Within Long-term debt, including obligations under finance leases were the future lease payments related to the Casino Niagara property. The Corporation was released of its remaining Casino Niagara finance lease obligations as of June 11, 2019, which would reduce its future contractual cash flows in the above chart by $4,601,000 for less than a year, $5,900,000 for 1-2 years, $17,700,000 for 3-5 years and $5,550,000 greater than 5 years for an overall total of $33,751,000.

e. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, foreign currency risk and other market price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation has financial assets and liabilities that potentially expose it to interest rate risk.

The Corporation is subject to interest rate risk on its cash and cash equivalents, including short-term investments with maturity dates of less than 90 days and long-term debt.

(tabular amounts in thousands of Canadian dollars)

23. Financial risk management and financial instruments (continued)

e. Market risk (continued)

At March 31, 2019, long-term debt consists of three loan agreements with the OFA and obligations under finance leases. The obligations under finance leases (Note 19.d) and the loan agreements have fixed interest rates for their entire terms. Each of the long-term debt instruments is currently subject to limited interest rate risk.

At March 31, 2019, the Corporation had cash and cash equivalents of $267,542,000 (March 31, 2018 – $208,903,000). The impact of fluctuations in interest rates is not significant and, accordingly, a sensitivity analysis of the impact of fluctuations in interest rates on net income has not been provided.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to foreign currency risk by settling certain obligations in foreign currencies, primarily in U.S. dollars (USD), and by holding bank accounts and investments in USD.

The majority of the Corporation’s suppliers and customers are based in Canada and, therefore, transact in Canadian dollars (CAD). Some suppliers and customers are based outside of Canada. The suppliers located outside of Canada typically transact in USD. The Corporation’s border properties attract U.S. players who are required to exchange their USD for CAD prior to play. The Corporation exchanges USD using the daily market exchange rate and utilizes both a ‘buy’ and ‘sell’ rate. The Corporation holds USD cash and bank accounts for the purposes of transacting in USD with customers, as well as paying its U.S. suppliers. The balances held in USD are closely monitored to ensure future USD requirements are met. The Corporation’s net foreign exchange gain for the year ended March 31, 2019 was $7,275,000 (March 31, 2018 – $7,072,000).

The Corporation does not enter into financial instruments for trading or speculative purposes.

The Corporation’s exposure to currency risk, based on the carrying amounts, was:

USD (balances shown in CAD equivalents)	**March 31, 2019**	**March 31, 2018**
Cash and cash equivalents	$ 21,667	$ 24,246
Trade and other payables	(3,069)	(4,463)
Obligations under finance leases	(2,623)	(5,531)
Net exposure	$ 15,975	$ 14,252

Sensitivity analysis

A 10 per cent increase in the value of the USD at March 31, 2019 would have increased net income by $1,598,000. A 10 per cent decrease in the value of the USD at March 31, 2019 would have decreased net income by $1,598,000. This analysis assumes that all other variables, including interest rates, remain constant.

23. Financial risk management and financial instruments (continued)

e. Market risk (continued)

(iii) Other market price risk

The Corporation offers sports-based lottery products. The Corporation manages risks associated with these products by:

- setting odds for each event within a short time frame before the actual event
- establishing sales liability thresholds by sport
- providing credit management controls
- posting conditions and prize structure statements on OLG.ca
- limiting the aggregate amount of prizing that may be won on any given day for all sports-based products
- suppressing sales of any game at any time when liability risk is a concern.

f. Fair values measurement

The carrying values of Cash and cash equivalents and Restricted cash, Trade and other receivables and Due from Service Providers approximate fair value because of the short-term nature of these financial instruments. The carrying amounts of Trade and other payables, current Due to operators and Service Providers and Due to the Government of Canada approximate fair values because of the short-term nature of these financial instruments or because they are payable on demand.

The fair value of the Corporation's long-term debt, excluding obligations under finance leases, is not determinable given its related party nature, and there is no observable market for the Corporation's long-term debt. Obligations under finance leases and non-current Due to operators and Service Providers and Due to the Government of Canada are carried at amortized cost using the effective interest method which approximates fair value.

Financial instruments are measured subsequent to initial recognition at fair value and grouped into one of three levels based on the degree to which the fair value is observable. The Corporation has determined the fair value of its financial instruments as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

The lease arrangement for the Brantford property (Note 18) requires the Corporation on expiry or termination of the lease to buy back the property of the then fair market value. Valuing this option requires level 3 (valuation techniques using non-observable data) inputs for the year ended March 31, 2019. No financial statement categories were in Level 3 for the year ended March 31, 2018.

23. Financial risk management and financial instruments (continued)

f. Fair values measurement (continued)

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

24. Employee benefits

a. Defined contribution plans

The operators of the Resort Casinos have created defined contribution pension plans for their employees. The pension expense for Resorts defined contribution plans for fiscal 2018–19 amounted to $19,068,000 (fiscal 2017–18 – $22,093,000).

b. Other post-employment benefit plans

The Corporation provides pension benefits for all its permanent employees and for non-permanent employees who elect to participate through the PSPF and the OPSEU (up until September 12, 2017) Pension Fund, which are sole-sponsored defined benefit pension plans established by the Province of Ontario. The Province of Ontario controls all entities included in the PSPF and OPSEU Pension Fund. Contribution rates are set by the *Public Service Pension Act*, whereby the Corporation matches all regular contributions made by the member. The Corporation classified these plans as state plans whereby there is no contractual agreement or stated policy for charging the net defined benefit cost of the plans to the Corporation. As such, the Corporation accounts for these post-employment benefits as defined contribution plans and has recorded no additional liability for the plan deficit. The annual contributions made by the Corporation are recorded as an expense in the Consolidated Statements of Comprehensive Income. The Corporation's contribution and pension expense for fiscal 2018–19 was $10,081,000 (fiscal 2017–18 – $15,634,000).

c. Other long-term employee benefits

As a Schedule 2 employer under the *Workplace Safety and Insurance Act, 1997*, (the Act), the Corporation is individually responsible for the full cost of accident claims filed by its workers. The Workplace Safety and Insurance Board (WSIB) maintains full authority over the claims entitlement process and administers and processes claims payments on the Corporation's behalf. WSIB liabilities for self-insured employers are reported in the Consolidated Statements of Financial Position.

The WSIB accrual at March 31, 2019 was $15,409,000 (March 31, 2018 – $17,944,000), of which $13,848,000 (March 31, 2018 – $16,190,000) was included in non-current employee benefits liability and $1,561,000 (March 31, 2018 – $1,754,000) was included in Trade and other payables (Note 11). The accrued benefit costs are based on actuarial assumptions.

The operators of the Resort Casinos are Schedule 1 employers under the Act and are not subject to the financial reporting requirements of self-insured employers. CHC Casinos Canada Limited, as operator of Casino Rama, was also a Schedule 1 employer under the Act until July 18, 2018.

(tabular amounts in thousands of Canadian dollars)

25. Commitments

	Obligations under operating leases (a)	HST on lease commitments (b)	Suppliers (c)
2020	$ 9,990	$ 23,491	$ 85,698
2021	10,027	19,856	52,650
2022	5,208	16,318	6,450
2023	5,130	14,052	6,450
2024	4,393	11,626	6,450
	34,748	85,343	157,698
Thereafter	20,767	178,730	109,658
	$ 55,515	$ 264,073	$ 267,356

a. Obligations under operating leases

The Corporation has several operating leases for facilities, property and equipment with a typical term of five to seven years.

b. HST on lease commitments

The Corporation and the Resort Casinos have entered into several agreements to lease property, plant and equipment from the Corporation’s subsidiary and other external parties. The non-recoverable HST and the additional imputed tax on the gaming-related assets payable to the Government of Canada (Note 17.b) on the future lease payments are approximated as summarized above.

c. Suppliers

The Corporation has computer hardware maintenance, utility service and asset acquisition agreements with future payments as at March 31, 2019. The future payments are approximated as summarized above.

d. Ontario First Nations (2008) Limited Partnership

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation, the Ontario First Nations Limited Partnership and Ontario First Nations (2008) Limited Partnership entered into the Gaming Revenue Sharing and Financial Agreement (GRSFA). Pursuant to the terms of the GRSFA and an Order-in-Council, the Corporation was directed to pay the Ontario First Nations (2008) Limited Partnership (OFNLP), commencing in fiscal 2011–12 and in each fiscal year for the remainder thereafter of the 20-year term, an amount equal to 1.7 per cent of the prior year’s Gross Revenues of the Corporation, as defined (Gaming Revenue Sharing Payment to OFNLP). Pursuant to the GRSFA, during fiscal 2018–19, $146,379,000 was expensed (fiscal 2017–18 – $139,561,000) as Gaming Revenue Sharing Payment to OFNLP.

25. Commitments (continued)

e. Horse Racing Funding Agreement

During 2018–19, the Corporation acted as a flow through intermediary for provincial funding of horse racing pursuant to the Transfer Payment Agreements with racetracks under Horse Racing Partnership Funding Program. The Corporation also provided the Ontario horse racing industry with advice and support in areas including responsible gambling, marketing and performance management.

On May 7, 2018, the Corporation with support from the Ontario government executed a Funding Arrangement for Live Horse Racing for Ontario's horse racing industry. On March 21, 2019, the Ontario government announced increased funding for the horse racing industry in the province pursuant to the Amended and Restated Funding Agreement for Live Horse Racing.

Starting April 1, 2019, the Corporation will directly fund the Ontario horse racing industry pursuant to the terms and conditions of the Amended and Restated Funding Agreement for Live Horse Racing, which will provide the industry with up to approximately $117,000,000 per year for up to 19 years. In addition, the Corporation is committed to contribute $3,000,000 annually as part of the three-year transitional funding support of purses and operating costs for grassroots and signature-level racetracks.

f. Niagara Falls Entertainment Centre

In August 2017, OLG executed a lease agreement with Niagara Falls Entertainment Partners General Partnership (NFEP) requiring NFEP to design, construct, finance and subsequently maintain the Niagara Falls Entertainment Centre (NFEC) in Niagara Falls, Ontario. The construction is scheduled to be completed in late 2019 and the lease term of approximately 21 years will commence at that time. As at March 31, 2019, OLG has not made any payments under the lease agreement. The expected cumulative base rent payments to NFEP are estimated to be a minimum of $130,000,000 plus other costs, as defined, over the term of the lease. OLG intends to transfer the lease of the facility to MGE as the successful Niagara Bundle Service Provider but it will remain jointly liable for all obligations and covenants as tenant. At the expiration or termination of the lease term, OLG holds the option to purchase the land and building.

26. Contingencies

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. In addition, as the Corporation continues to modernize and transition gaming sites to Service Providers, there is a risk of contingent liabilities being present for binding contracts that cannot be assigned to Service Providers. The Corporation believes that the outcome of these outstanding claims and contingencies will not have a material impact on its Consolidated Statements of Comprehensive Income or the possibility of an outflow of resources is not determinable. Estimates, where appropriate, have been included in the Consolidated Statements of Financial Position (Note 12); however, additional settlements, if any, concerning these contingencies will be accounted for as a charge in the Consolidated Statements of Comprehensive Income in the period in which the settlement occurs.

27. Other information

The Corporation has four lines of business supported by Corporate Services. The four lines of business are distinct revenue-generating business units that offer different products and services and are managed separately because they require different technologies and marketing strategies. The following summary describes the operations in each line of business:

- **Lottery** derives its revenue from the sale of lottery products, which include Lotto, INSTANT and Sports products. Lotto products are also available for purchase over the Internet at PlayOLG.ca.

- **Charitable Gaming** (cGaming) derives its revenue from the sale of Charitable Gaming products.

- **Land-based Gaming** comprises:

    - **Slots and Casinos**, which are gaming facilities operated by OLG or a Service Provider, offer slot and table games, as well as food and beverage services. At the Service Provider-operated sites, OLG receives a share of the gaming revenue generated. The non-gaming revenue is earned and retained by the Service Provider.

    - **Resort Casinos**, operated by an Operator or Service Provider, which are full-service casinos that offer customers a variety of amenities, including accommodations, entertainment and food and beverage services, in addition to slot and table games.

- **Digital Gaming** derives its revenue from casino-style games available over the Internet at PlayOLG.ca.

(tabular amounts in thousands of Canadian dollars)

27. Other information (continued)

March 31, 2019	**Lottery**	**cGaming**	**Land-based Gaming**	**Digital Gaming**	**Corporate Services**	**Total**
Proceeds from Lottery and Gaming	$ 4,167,528	$ 182,995	$ 3,856,961	$ 91,916		$ 8,299,400
Less: Lottery prizes	(2,331,311)	-	-	-	-	(2,331,311)
Less: Land based gaming Service Provider fees	-	-	(1,170,628)	-	-	(1,170,628)
Gaming revenue	1,836,217	182,995	2,686,333	91,916	-	4,797,461
Non-gaming site revenue	-	-	80,955	-	-	80,955
Lease revenue	-	-	14,306	-	-	14,306
Revenue (a)	**1,836,217**	**182,995**	**2,781,594**	**91,916**	**-**	**4,892,722**
Expenses (income)						
Personnel	35,008	3,073	409,284	4,158	120,532	572,055
Commissions and fees	304,589	92,039	62,695	21,949	5,224	486,496
Marketing and promotion	92,097	-	98,587	5,648	19,019	215,351
Systems maintenance	25,354	7,893	41,272	-	21,967	96,486
Amortization	12,175	-	75,853	10	6,388	94,426
General operating, administration and other	9,168	981	33,014	349	35,064	78,576
Food, beverage, and other purchases	-	-	73,752	-	-	73,752
Facilities	2,546	-	53,706	284	10,325	66,861
Ticket printing, distribution and testing	50,133	5,956	-	-	-	56,089
Regulatory fees	13,914	2,268	8,515	3,358	754	28,809
Net finance (income) costs	85	604	2,298	-	(2,831)	156
(Gains) losses on disposal of property, plant and equipment, net	(19)	-	(41,480)	-	1	(41,498)
	545,050	**112,814**	**817,496**	**35,756**	**216,443**	**1,727,559**
Net income (loss) before the deduction of the undernoted	**$ 1,291,167**	**$ 70,181**	**$ 1,964,098**	**$ 56,160**	**$ (216,443)**	**$ 3,165,163**
Stakeholder payments	119,371	66,510	331,755	6,529	169,985	694,150
Win contribution	-	-	280,093	-	-	280,093
Net income (loss)	1,171,796	3,671	1,352,250	49,631	(386,428)	2,190,920
Add: Win contribution (Note 16)	-	-	280,093	-	-	280,093
Net Profit (loss) to the Province (b)	**$ 1,171,796**	**$ 3,671**	**$ 1,632,343**	**$ 49,631**	**$ (386,428)**	**$ 2,471,013**

(tabular amounts in thousands of Canadian dollars)

27. Other information (continued)

March 31, 2018	Lottery	cGaming	Land-based Gaming	Digital Gaming	Corporate Services	Total
Proceeds from Lottery and Gaming	$ 3,779,738	$ 172,096	$ 3,796,011	$ 73,074		$ 7,820,919
Less: Lottery prizes	(2,115,607)	-	-	-	-	(2,115,607)
Less: Land based gaming Service Provider fees	-	-	(364,934)	-	-	(364,934)
Gaming revenue	1,664,131	172,096	3,431,077	73,074	-	5,340,378
Non-gaming site revenue	-	-	121,731	-	-	121,731
Lease revenue	-	-	-	-	-	-
Revenue (a)	**1,664,131**	**172,096**	**3,552,808**	**73,074**	**-**	**5,462,109**
Expenses (income)						
Personnel	35,505	2,837	688,613	4,024	124,815	855,794
Commissions and fees	278,172	87,204	97,564	16,729	4,683	484,352
Marketing and promotion	71,753	-	184,208	5,038	20,775	281,774
Systems maintenance	22,847	5,843	69,686	-	11,387	109,763
Amortization	7,764	-	190,059	153	6,450	204,426
General operating, administration and other	8,708	1,258	41,368	506	81,091	132,931
Food, beverage, and other purchases	-	-	103,074	-	-	103,074
Facilities	2,492	-	146,201	398	10,009	159,100
Ticket printing, distribution and testing	44,083	6,176	-	-	-	50,259
Regulatory fees	11,735	2,633	18,473	3,079	110	36,030
Net finance (income) costs	38	417	2,856	(2)	1,716	5,025
(Gains) losses on disposal of property, plant and equipment, net	16	-	(107,073)	-	(29)	(107,086)
	483,113	**106,368**	**1,435,029**	**29,925**	**261,007**	**2,315,442**
Net income (loss) before the deduction of the undernoted	**$ 1,181,018**	**$ 65,728**	**$ 2,117,779**	**$ 43,149**	**$ (261,007)**	**$ 3,146,667**
Stakeholder payments	110,095	63,399	316,845	5,552	163,973	659,864
Win contribution	-	-	312,929	-	-	312,929
Net income (loss)	1,070,923	2,329	1,488,005	37,597	(424,980)	2,173,874
Add: Win contribution (Note 16)	-	-	312,929	-	-	312,929
Net Profit (loss) to the Province (b)	**$ 1,070,923**	**$ 2,329**	**$ 1,800,934**	**$ 37,597**	**$ (424,980)**	**$ 2,486,803**

(a) During fiscal 2018–19, $3,358,510,000 (fiscal 2017–18 - $1,948,610,000) represented revenue earned from Administered Games and $1,534,212,000 (fiscal 2017–18 - $3,513,499,000) represented revenue earned from Wagering Transactions.

(b) Net Profit to the Province (NPP) is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments. NPP is calculated by adding back win contribution to net income (loss).

28. Subsequent events

a) On June 11, 2019, OLG and MGE entered into a 21-year COSA for the Niagara Gaming Bundle and a 21-year lease agreement for the Fallsview and Montrose properties. MGE purchased the assets of the Gaming Bundle for $138,230,000, which included an estimate for working capital of $49,393,000, resulting in an estimated gain on sale of assets of $15,785,000 and assumed day-to-day operations of the sites in the Gaming Bundle from OLG. In addition to the gain on sale of assets, OLG will recognize its share of gaming revenue over the duration of the COSA. MGE is entitled to receive a share of the gaming revenue, as defined in the COSA, generated at the Casinos it operates in the Gaming Bundle. The share of revenue owed to MGE primarily reflects the fixed fee, a variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures. On the sale date, OLG derecognized all held for sale assets and liabilities – including property, plant and equipment – related to the sites in the Niagara Gaming Bundle. As part of the lease agreements, MGE is required to pay OLG approximately $26,700,000 per year for the combined properties subject to CPI adjustments. Also on June 11, 2019, OLG's lease agreement with respect to the Casino Niagara premises was terminated and MGE entered into its own new lease arrangement with the Landlord immediately following such termination. As disclosed in Note 19(d), OLG estimates recognizing a $13,227,000 gain on derecognition of the finance lease liability and asset, bringing the total estimated net gain on sale of the Niagara Bundle to $29,012,000.

b) Subsequent to March 31, 2019, the Corporation entered into 10-year Charitable Gaming Centre Service Provider Agreements (CGCSPA) with three separate Service Providers for 25 out of the 31 charitable gaming centres (cGaming centres). In accordance with the CGCSPA, OLG records its share of gaming revenue generated at the cGaming centres operated by the Service Provider and is recognized in the same period the game is played. The share of revenue owed to the Service Providers primarily reflects the variable fee (calculated as a percentage of gaming revenue) and other costs as defined in the agreement. As sites transitioned to the CGCSPA, OLG sold the assets it owned associated with the charitable gaming centres for a nominal amount.

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