


ONTARIO LOTTERY AND GAMING CORPORATION

ANNUAL REPORT **2012–13**


Cover photos

Top right: The City of Sault Ste. Marie invested the proceeds from its OLG Gaming Centre in building a new hospital.

Bottom right: The Town of Innisfil invested the proceeds from its OLG Gaming Centre in building a community centre.

In fiscal 2012–13 alone, OLG Gaming Centres gave back $94.1 million to their host communities.

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The Ontario Lottery and Gaming Corporation ("OLG") had another exceptional year. While launching the modernization of lottery and gaming in Ontario, the organization continued to perform above target, providing a net profit of $1.8 billion to its shareholder, the Province of Ontario.

Message from the President and Chief Executive Officer

The lottery business achieved another record result for sales this year, translating into revenue growth of 2.5 per cent year over year. This year OLG launched a new daily lottery game — MEGADICE LOTTO — which has delivered $34 million in sales. In addition, the popular LOTTO MAX offered three draws with $100 million in total jackpot-level prizing this year — the first time in the history of the game. In addition, INSTANT games and regional LOTTO games had record sales this year.

Our Slots and Casinos business saw somewhat lower revenue (down 5.5 per cent) compared to last year. Resort Casinos revenue, however, was relatively unchanged (down 0.5 per cent), despite the slow economic recovery of bordering U.S. states.

The organization continues to undergo a significant shift in the way lottery and gaming is delivered in the Province of Ontario.

Through modernization, we will expand the role the private sector plays in lottery and gaming, while we become a leaner organization, focused on our customers, on our responsibility for managing the market, and on maintaining a gold standard in Responsible Gambling programs. At the same time, we will increase our contribution to the Province by continuing to create jobs and triggering private investment across Ontario.

Over the course of the year, as public awareness of this undertaking grew, OLG's confidence and favourability ratings remained stable among Ontario adults. According to OLG tracking data, the public confidence rating in OLG's ability to operate averaged 77 per cent during the fourth quarter of the fiscal year. The public's overall favourability rating of OLG averaged 71 per cent in that same quarter.

The modernization of OLG maximizes long-term value without compromising necessary oversight. It is an innovative solution that invites the private sector to share the risk and allows government to improve its returns.

To engage the private sector, we have laid out a fair and comprehensive procurement process. Given what is at stake, the integrity of this procurement is of the utmost importance. That's why we appointed two impartial advisors — former Associate Chief Justice of Ontario, Coulter A. Osborne, Q.C., and PPI Consulting — to provide oversight on the integrity and fairness of our procurement process. We've made significant progress this year on that process.

In the spring of 2012, we launched a Request for Information (RFI) for lottery and gaming to better understand the expertise and interest of the industry. We were very pleased with the quality and the quantity of the responses we received from around the world. The information we gathered was valuable in helping to inform the next phase of the procurement process — Requests for Pre-Qualifications (RFPQs).

At the end of 2012, we issued four RFPQs — one for lottery and three for gaming. The RFPQs for gaming closed in March 2013 and attracted significant interest. The RFPQ for lottery closed in April 2013 and also attracted substantial interest. In fact, the lottery RFPQ was accessed more than 100 times.

As part of the procurement process, OLG needed to affirm municipalities' commitment to becoming or remaining hosts to gaming facilities. A total of 40 municipalities in 29 Gaming Zones have formally expressed interest in maintaining or building a gaming facility in their community. Any new gaming sites must be approved by OLG and the Ontario government, and must have requisite municipal support.

At its core, modernization is about improving the customer experience. It's providing the games customers want to play, where they want to play them. That's why OLG's modernization includes the introduction of online gaming. By making a full range of games available online, OLG will be joining British Columbia, Quebec, the Atlantic Provinces and many European Union states that already allow regulated online gaming.

In January 2013, we launched PlayOLG.ca, the future home of online gaming in Ontario. As of March 31, 2013, the site hosts information on the types of online games that will be available through this platform in the future. It also provides details on Responsible Gambling and OLG's commitment to player protection.

In fiscal 2012-13, almost $130 million was made available to thousands of well-deserving charities across Ontario - $120 million through the Ontario Trillium Foundation and $9.3 million from Charitable Gaming Centre revenue - making OLG one of the largest sources of charitable funding in the country.

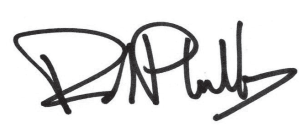
The Charitable Gaming Revitalization Initiative continued to progress this year. Revenue from this initiative was up 25.4 per cent compared to last year, primarily due to the opening of five additional Charitable Gaming Centres, for a total of 11 centres by the end of the fiscal year. All locations offered session bingo in both paper and electronic formats. Nine locations also offered Play on Demand games and eight offered the new Break Open Ticket dispensers.

The goal of the revitalization program is to increase the ability of charities to raise funds for local communities. Once the revitalization of charitable bingo is complete, OLG expects to deliver a total of more than $300 million to charities within an eight-year period. The work that charities do with the funds they raise through charitable gaming is important to this Province and to individuals and local communities that benefit from the proceeds.

We know Responsible Gambling (RG) programming is critical to our future success. Today, Ontario spends more than any other jurisdiction in North America on Responsible Gambling — over $50 million a year. As OLG modernizes, that amount will increase. Over the past year, OLG has continued its focus on maintaining a gold standard in RG programs. We've moved forward with providing RG information to the public through our player-focused education campaign and we continue to enhance our Self-Exclusion program.

Our success over the past year could not have been possible without the hard work and dedication of OLG employees. They were instrumental in helping the organization to strike a balance between the demands of modernizing and the work and performance required to meet current-year targets and effectively manage daily operations. In the face of tremendous and ongoing change, that is a credit to the entire OLG workforce.

I, along with the entire leadership team, appreciate the contribution all of our employees make to our overall success.



Rod Phillips
President and Chief Executive Officer

Board of Directors

INTERIM BOARD OF DIRECTORS

Peter Wallace (Interim Chair)
May 16, 2013

Gail Beggs
May 17, 2013

Lynn Betzner
May 17, 2013

Greg Orencsak
May 17, 2013

Steve Orsini
May 17, 2013

The Interim Board of Directors approved this Annual Report in July 2013.

Paul Godfrey (Chair)
February 18, 2010 – May 16, 2013

Charlotte Burke
September 29, 2010 – April 28, 2012

Ron Carinci
September 15, 2010 – May 17, 2013

Victoria Chiappetta
September 29, 2010 – November 2, 2012

Shirley Hoy
February 18, 2010 – May 17, 2013

Jason Melbourne
September 29, 2010 – May 17, 2013

Anthony Melman
February 18, 2010 – May 17, 2013
(Leave of Absence effective January 22, 2013)

Thomas O'Brien
February 18, 2010 – May 17, 2013

William Swirsky
February 18, 2010 – May 17, 2013

Jan Westcott
September 15, 2010 – May 17, 2013

Monique Wilberg
September 29, 2010 – May 17, 2013

Executive Leadership Team

For fiscal 2012–13, senior executive members responsible for day-to-day operations were:

Rod Phillips
President and Chief Executive Officer

Preet Dhindsa
Executive Vice President, Chief Administrative Officer and Chief Financial Officer

Walter Fioravanti
Senior Vice President, Legal, Regulatory and Compliance, General Counsel and Corporate Secretary

Larry Flynn
Senior Vice President, Gaming

Thomas Marinelli
Executive Vice President, Chief Transformation Officer and Chief Information Officer

Greg McKenzie
Senior Vice President, Lottery

George Sweny
Senior Vice President, Charitable and iGaming
(effective July 16, 2012)

Beth Webster
Senior Vice President, Marketing, Communications and Stakeholder Relations

Ontario Lottery and Gaming Corporation ("OLG" or the "Corporation") and its contract management companies employ nearly 17,000 people across Ontario. OLG is responsible for 24 gaming sites as well as the sale of lottery products at approximately 9,800 retail locations.

Overview

A Government Business Enterprise created by the Government of Ontario, the Corporation is intended to provide gaming entertainment in an efficient and socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and host communities.

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net revenue from lotteries, casinos and slots at racetracks be paid to the Government of Ontario Consolidated Revenue Fund. In fiscal 2012-13, this revenue supported services such as the operation of hospitals, amateur sports and problem gambling and related programs. Revenue from these activities is also made available to the Ontario Trillium Foundation (the "Foundation") by the Government for distribution to charitable and not-for-profit organizations every year. The amount directed to the Foundation in fiscal 2012-13 totalled $120 million.

CORPORATE MISSION

OLG's corporate mission guides employees in their work with customers and stakeholders. In all we do, we are asked to reflect on our purpose, realize our vision and embody clearly identified values.

PURPOSE

Making life better for people across Ontario. We make it possible by generating revenue provincially and economic and social benefits locally.

- Our **vision** is to create excitement and fulfill dreams.
- Our **commitment** is to build trust by delivering gaming responsibly.
- Our **success** is demonstrated by the profit and jobs we generate.
- Our **strength** is our sophisticated understanding of our customers.
- Our **goal** is to be a destination of choice for world-class entertainment.

VALUES

Be Accountable. We accept the responsibility of setting and attaining high standards for ourselves in servicing our customers and acting in the public interest.

Act with Integrity. This means doing the right thing. We will balance what our customers and business partners ask of us with what the people of Ontario expect of us.

Respect our customers, employees, partners and the people of Ontario. Respect starts with listening openly and honestly to the diversity of people and ideas around us.

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999.*

Governance

Classified as a Government Business Enterprise, OLG has a single shareholder, the Government of Ontario, and for fiscal 2012-13 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 members of the Board are full-time, nor are they members of Management.

BOARD MANDATE

The Board of Directors establishes policies for the Corporation and counsels the President and CEO and senior executives, who oversee the Corporation's business operations. The Board's mandate is to direct Management's focus to optimizing the Corporation's overall performance and increasing shareholder value by executing its various responsibilities, which include:

- to establish a well-defined strategic planning process, setting strategic direction
- 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.

BOARD COMMITTEES

The OLG Board of Directors operates through five permanent working committees.

GOVERNANCE AND NOMINATING COMMITTEE

The Governance and Nominating 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 in order that the Board may ensure the Corporation's adherence to the highest standards in corporate governance. The committee also identifies individuals qualified to become directors, consistent with core competencies approved by the Board.

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, internal controls over financial reporting, capital expenditure program and enterprise risk management program as well as compliance systems that have been established.

LEADERSHIP DEVELOPMENT AND COMPENSATION COMMITTEE

The Leadership Development 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. This committee also recommends, for Board approval, the compensation and benefit plans for senior management.

SOCIAL RESPONSIBILITY COMMITTEE

The Social Responsibility Committee assists the Board to ensure that the Corporation conducts its business in a socially responsible manner. It inquires into and oversees such areas as responsible gaming, game integrity and Smart Serve food and beverage service. It reviews, in particular, the design and implementation of Internet gaming and other new game offerings, with a particular focus on preventing underage and problem gambling.

BUDGET/FINANCE COMMITTEE

The Budget/Finance 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 total remuneration paid to board members in fiscal 2012-13 was $234,000.

This past fiscal year, OLG made important progress in its modernization of the province's lottery and gaming industry. At the same time, the organization has continued to effectively manage daily operations, delivering an annual dividend to the Province, which once again represented the Ontario government's largest source of non-tax revenue.

Lottery and Gaming in Ontario: Modernization and Ongoing Operations

The successful implementation of OLG's modernization is expected to widen the appeal of gaming in Ontario, creating a broader player base while reducing the amount of public capital dedicated to gaming and lottery infrastructure.

The modernization of OLG, one of the largest transformations for an Ontario Crown agency in history, will further entrench OLG as a valuable partner with the Province in protecting important government programs, and as a safe and reliable source of entertainment and fun for the people of Ontario.

ModernOLG

At the request of the government, OLG's modernization began in March 2012, after completing a year-long comprehensive strategic review of its business. The review revealed that OLG's current business model is not sustainable over the long term. Advances in technology, changes to shopping patterns, aging demographics and declining visits from the U.S. combined to threaten the industry and the contribution to the Province. All these factors were putting OLG's future financial contribution to the Province at risk. If no action were taken, OLG would need to spend $1 billion in public capital just to update its current service.

In a report delivered to the Minister of Finance, the organization outlined three recommendations:

- Become more customer-focused.
- Expand regulated private sector delivery of lottery and gaming.
- Renew OLG's role in oversight of lottery and gaming.

The modernization of OLG will assist in the creation of thousands of jobs in the industry and increase revenue for the Province and the people of Ontario. Modernization represents a significant shift in Ontario's lottery and gaming industry. It is also an innovative model for reforming government and its agencies, while preserving government control over the business.

The modernization of OLG is primarily about improving the customer experience — providing the games customers want to play, where they want to play them. This includes an iGaming strategy that will make a full range of games available online. OLG's secure website — PlayOLG.ca — will offer fun and exciting games and feature a comprehensive Responsible Gambling program. It will include increased player protection, secure transaction capacity and data privacy as well as mandatory registration for players. OLG estimates that regulated Internet gaming could increase the Net Profit to the Province by $375 million over its first five years of operation.

In addition, OLG's modernization includes expanding charitable gaming with new electronic bingo games in halls across Ontario. OLG is working closely with the Commercial Gaming Association of Ontario (CGAO) and the Ontario Charitable Gaming Association (OCGA) to revitalize the province's charitable bingo and gaming industry. By developing and introducing new products and technologies that will invigorate the traditional charitable gaming experience, more money will be generated for thousands of local charities across the province. The revitalization initiative is intended to preserve and enhance funding for charities across Ontario while creating economic benefits, including employment opportunities at local Charitable Gaming Centres. Once the revitalization of charitable bingo is complete, OLG expects to deliver a total of more than $300 million to charities within an eight-year period.

OLG will engage regulated private sector service providers to help modernize the lottery and gaming industry in Ontario. To engage the private sector, OLG has laid out a fair and competitive procurement process. Accordingly, two impartial advisors are providing OLG oversight on the integrity and fairness of the procurement process. PPI Consulting is the procurement fairness monitor. The Honourable Coulter A. Osborne, former Associate Chief Justice of Ontario and former Integrity Commissioner of Ontario, is serving as Independent Fairness Advisor for the modernization process.

At the same time as OLG expands the role of the private sector, the organization will also strengthen its role in the oversight of lottery and gaming. OLG will retain control over lottery and gaming but will expect service providers to recommend approaches to the operation of a gaming site or the lottery that could improve customer service, increase gaming revenue, and/or increase Net Profit to the Province.

As a Crown agency, OLG will continue to:

- Maintain the overall integrity of gaming and lottery operations in Ontario.
- Ensure that all gaming in Ontario complies with applicable regulations and supports government objectives.
- Be the sole owner of customer information and of player information.
- Decide where and how gaming will be offered in the province.
- Work within the Province's overall problem gambling strategy to contribute to the prevention and mitigation of problem gambling through its Responsible Gambling program, which is recognized internationally by the World Lottery Association's certification program.

By modernizing lottery and gaming in Ontario, OLG will become a leaner, more focused organization, responsible for managing the lottery and gaming market, while maintaining a gold standard in Responsible Gambling programs. Currently, Ontario invests more in Responsible Gambling that any other jurisdiction in North America — over $50 million every year. OLG expects this amount will increase with the modernization of OLG.

All Ontarians will benefit once the modernization of lottery and gaming is complete. OLG currently makes payments of nearly $2 billion annually to the Ontario government. This money is used to help fund provincial priorities such as local hospitals and municipal infrastructure across Ontario.

Modernization will enable OLG to provide additional revenues to the Province to help fund the operation of hospitals and other provincial priorities.

KEY MILESTONES

OLG has made great progress with the modernization of OLG this past fiscal year.

- Beginning in the spring of 2012, OLG employed a wide variety of strategies to engage and inform the public about the changes taking place and the benefits that will come from modernization. The modernization of the agency was referenced in OLG advertising and directed content, and in speeches and media interviews given by senior OLG executives, including Rod Phillips, President and CEO.

- In April 2012, OLG contacted mayors and senior staff of each gaming host municipality to discuss OLG's modernization plans and associated changes and opportunities. After those initial meetings, OLG's President and CEO and the Senior Vice President of Gaming met with each host community mayor, site holder, local gaming employees and local MPPs to share OLG's modernization plans for the renewed gaming industry in Ontario and to respond to questions.

- In May 2012, OLG launched a Request for Information (RFI) for the expansion of regulated private sector gaming in Ontario. The purpose of the RFI was to better understand the level of interest and ability that exists in the market as it relates to gaming operations. In the RFI, OLG identified 29 Gaming Zones where service providers would be permitted to operate a single gaming facility. In June 2012, OLG launched a similar RFI to modernize lottery operations. Both RFIs generated over 100 responses from a wide range of potential service providers, confirming widespread interest and capability among private sector companies.

- In June 2012, OLG retained the services of the Honourable Coulter A. Osborne, Q.C., to serve as Independent Fairness Advisor for OLG's modernization process. He was selected to give OLG the perspective of a neutral and highly skilled advisor who will help ensure the agency's complex and multi-faceted plan is executed in a fair and competitive manner.

- In September 2012, OLG launched a new website, ModernOLG.ca, a one-stop source for information relating to OLG's modernization. The site, designed to keep the public informed and engaged as OLG's modernization is implemented, includes in-depth details about how modernization is progressing as well as provides balanced viewpoints on the future of OLG. The website was publicized in a variety of OLG communications in an effort to increase public awareness and interest. Additionally, a dedicated Twitter account (@Modern_OLG) was launched in January 2013 to give Ontarians the opportunity to stay informed as the modernization of OLG proceeded.

- In November 2012, as part of a comprehensive fair and competitive procurement process, OLG issued the first wave of gaming Requests for Pre-Qualification (RFPQs). Three separate RFPQs were released for nine gaming sites in the Ottawa Area and in Eastern and Northern Ontario. The Eastern and Northern RFPQs bundled together three and five gaming zones respectively. This enables OLG to effectively manage the gaming market as each bundle represents a single and separate bidding opportunity. These three RFPQs closed in March 2013.

- In December 2012, OLG issued a Request for Pre-Qualification (RFPQ) for the day-to-day operation of lottery, which closed in April 2013.

- In January 2013, iGaming launched its new information site — PlayOLG.ca — the future home of online gaming in Ontario. The site currently emphasizes the safe, secure, legitimate and fun nature of the online games that will be available in fiscal 2013-14. It also features material related to Responsible Gambling and OLG's ongoing commitment to player protection.

- As of February 26, 2013, OLG, together with the Ontario Charitable Gaming Association and Commercial Gaming Association of Ontario, made further progress in the revitalization of charitable bingo with the introduction of electronic games to six charity bingo centres across Ontario — Pembroke, Barrie, Penetanguishene, Sudbury, Kingston and Peterborough.

- A total of 40 municipalities in the 29 Gaming Zones have formally expressed interest in maintaining or building a gaming facility in their community. Any new gaming sites must be approved by OLG and the Ontario government and must have requisite municipal support.

- At the request of the Premier of Ontario, OLG reviewed its funding formula for host municipalities. A new and equitable formula to determine the fee municipalities receive for hosting an OLG gaming facility came into effect April 1, 2013. The new formula is part of a new Municipality Contribution Agreement (MCA) that is consistent across the province and provides more money for host municipalities.

  Under the new MCA formula, host municipalities receive:
  - 5.25 per cent on the first $65 million of annual slot revenue; plus
  - 3.0 per cent on the next $135 million of annual slot revenue; plus
  - 2.5 per cent on the next $300 million of annual slot revenue; plus
  - 0.5 per cent on annual slot revenue above $500 million; plus
  - 4.0 per cent on table game revenue, where applicable.

- At the end of fiscal 2012-13, OLG was working on selecting a service provider for PlayOLG.ca. Following a competitive procurement process, Boss Media AB (a part of SPIELO G2, the iGaming division of SPIELO International) was publicly announced on April 12, 2013, as OLG's primary service provider to provide interactive casino-style games for PlayOLG.ca, including slots, video poker games and table games. PlayOLG.ca will also allow customers to purchase lottery tickets, including LOTTO 6/49, LOTTO MAX and ENCORE. OLG's Internet gaming program will be launched in phases, with the first to include lottery and gaming offerings. Subsequent phases will include bingo, sports wagering, online poker and the introduction of other new products. As part of OLG's Internet gaming program, Boss Media will provide a player account management system that will implement a strong online Responsible Gambling program and offer increased player protection, secure transaction and data privacy. This system will provide an age verification requirement and customers will have the ability to manage their online play with time and money limits and the option to take breaks from play.

- Also at the end of fiscal 2012-13, as part of modernization, OLG was working closely with the Horse Racing Industry Transition Panel to ensure horse racing is integrated with the provincial gaming strategy.

DAY-TO-DAY OPERATIONS CONTINUE

While taking on this transformation, OLG protected its annual dividend to the Province by continuing to successfully operate the day-to-day business of lottery and gaming. The organization struck a balance between the demands of modernizing for the needs of the future and the work and performance required to meet current-year targets. Success on both fronts is a credit to OLG's many proud and hard-working employees. Highlights include:

LOTTERY

- For the first time in LOTTO MAX history, OLG offered three $100 million jackpots in total prizing. Since LOTTO MAX launched in September 2009, 25 LOTTO MAX jackpots have been won or shared by 130 Ontarians, and 102 MAXMILLIONS prizes have been won or shared by 398 Ontarians.
- Regional LOTTO games in total had record sales of $644 million. In June 2012, OLG launched a new PICK 2 daily game plus midday draws for PICK 3, PICK 4, DAILY KENO and ENCORE. In October 2012, a new daily lottery game, MEGADICE LOTTO, was introduced with two chances to win. The new game delivered $34 million in sales.
- INSTANT games also had a record sales year — the third in a row. Sales were $951 million. The Interprovincial Lottery Corporation (ILC) launched four national INSTANT games with $228 million in total prize pools.
- OLG launched mobile communication tools, including a new Quick Response code, a website and social media tools in support of PRO•LINE.

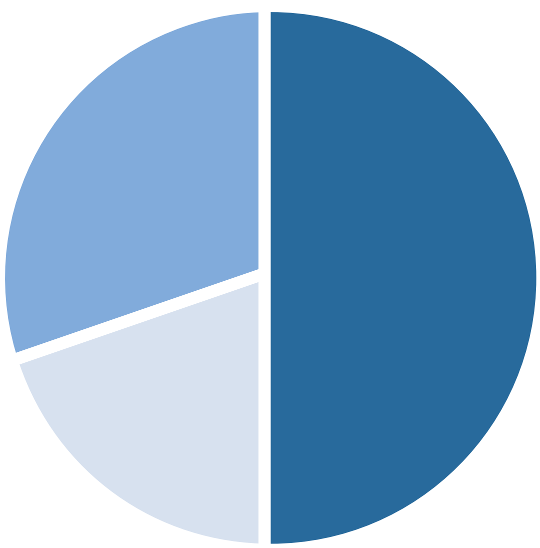
GAMING

- In March 2013, OLG reached lease agreements in principle with site holders for all 14 of its slots facilities at racetracks.
- The Woodbine Expansion project, which included an addition of approximately 1,000 slot machines as well as enhancements to surveillance operations, was completed in December 2012.

OLG's operations and revenues are organized under three operating segments. In fiscal 2012–13, these operating segments collectively generated $6.63 billion in revenue.

Sources of Revenue

REVENUE BY OPERATING SEGMENT



Lottery & Charitable Gaming	$3,327 million
Resort Casinos	$1,297 million
OLG Slots & Casinos	$2,008 million

LOTTERY AND CHARITABLE GAMING

OLG operates 18 terminal-based lottery and sports games and offers 75 INSTANT lottery products through approximately 9,800 independent retailers across the province.

OLG conducts and manages the operations of 11 Charitable Gaming Centres across Ontario. These sites offer bingo games on tabletop devices in addition to the classic paper-based play.

OLG RESORT CASINOS

OLG is responsible for conducting and managing four Resort Casinos - Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort. These sites are operated, under contract, by private operating companies.

OLG SLOTS AND CASINOS

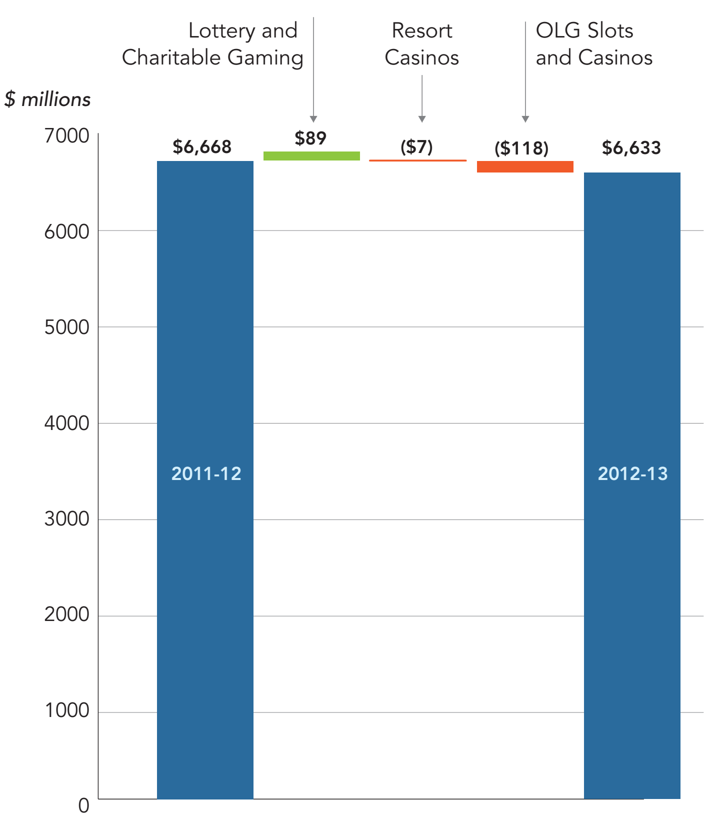
OLG owns and operates five casinos in Ontario. It also owns and maintains authority over the slot machine operation at the Great Blue Heron Charity Casino, an aboriginal casino owned by the Mississaugas of Scugog Island First Nation. OLG also operates 14 slot machine facilities at racetracks across Ontario.

Financial Highlights

(in thousands of dollars)

For the fiscal year ended March 31	**2013**	2012*
Lottery and Charitable Gaming revenue	**$ 3,327,345**	$ 3,238,308
Resort Casinos revenue	**1,297,145**	1,303,912
OLG Slots and Casinos revenue	**2,008,081**	2,125,888
Total OLG revenue	**6,632,571**	6,668,108
Lottery and Charitable Gaming prizes	**$ 1,805,710**	$ 1,752,528
Commissions	**637,792**	661,080
Marketing and promotion	**297,190**	305,226
Gaming revenue sharing payment**	**119,901**	119,352
Payments to the Province of Ontario***	**$ 1,903,256**	$ 1,924,284
Payments to the Government of Canada	**262,964**	263,992

**Amounts have been restated, as the Corporation made a change in revenue accounting policy. Certain charitable gaming products previously recognized on a gross basis have been changed to net resulting in prize expenses being reclassified to revenue providing more reliable and relevant information.*
***Pursuant to the Gaming Revenue Sharing and Financial Agreement, this amount is equal to 1.7 per cent of the gross revenue, as defined, of the Corporation.*
****Payments to the Province of Ontario include win contribution. The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999.*



(in thousands of dollars)

	2012–13
	$ Change
Lottery and Charitable Gaming revenue	89,037
Resort Casinos revenue	(6,767)
OLG Slots and Casinos revenue	(117,807)
Total OLG revenue change	**(35,537)**

Since 1975, OLG has provided nearly $38 billion to the Province and the people of Ontario.

Economic Impact

OLG's annual payments to the Province of close to $2 billion for the past several years have helped support health care and education, research, prevention and treatment of problem gambling, amateur sport through the Quest for Gold program, and local and provincial charities through the Ontario Trillium Foundation.

In addition to OLG's payments to the Province, there are several direct beneficiaries of gaming proceeds, including 23 host municipalities and Ontario First Nations.

Lottery and gaming also contribute to the economy in a number of other ways. In fiscal 2012–13, OLG operations generated $3.4 billion in total economic activity in Ontario.

NET PROFIT TO THE PROVINCE*

$1.8 billion

This includes:

- **$1.6 billion** directed to the operation of hospitals and other provincial priorities
- **$120 million** distributed through the Ontario Trillium Foundation for the benefit of local and provincial charities
- **$38.8 million** directed by the Ministry of Health and Long-Term Care for research, prevention and mitigation of problem gambling**
- **$10 million** to support amateur athletes through the Quest for Gold program

**Net Profit to the Province is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments.*
***based on government policy that directs 2% of OLG slot revenue to problem gambling funding*

CORPORATE RESPONSIBILITY

$23.6 million

This includes:

- **$12.1 million** – what OLG directed to its Responsible Gaming Resource Centres, policy and program development, staff training and self-exclusion capital costs. Together, OLG and the Ministry of Health and Long-Term Care spent **$50.9 million** on responsible gambling in Ontario.
- **$9.3 million** in charitable gaming proceeds distributed to participating local charities
- **$2.2 million** dedicated to the sponsorship of community festivals and events

SUPPORT FOR LOCAL ECONOMIES

$1.6 billion

This includes:

- **$892.5 million** to pay OLG's 16,900 direct and indirect employees across the province
- **$333.1 million** in payments relating to Ontario's horse racing industry through the Slots at Racetracks Program (This program ended on March 31, 2013.)
- **$228.3 million** in commissions paid to lottery retailers across Ontario
- **$94.1 million** in payments to municipalities that host OLG gaming facilities, including Resort Casinos and Charitable Gaming Centres
- **$58.2 million** in goods and services purchased from Ontario businesses to support gaming operations (excludes Resort Casinos)

Host municipalities benefit directly from hosting fees, property tax revenue, development fees and the creation of well-paying permanent jobs.

Hosting fees can be spent by a municipality in any way it sees fit. For example, the City of Brantford, which has received nearly $50 million in hosting fees since 1999, used the funds to revitalize its downtown core. Sault Ste. Marie, which has received more than $21 million in hosting fees since 1999, used the money to help build a new state-of-the-art hospital.

LIFE-CHANGING JACKPOTS

During fiscal 2012-13, OLG awarded $1.8 billion in lottery prizes to customers across the province. Some highlights from this year's jackpot winners:

- In May 2012, seven employees at a Durham region Eggsmart breakfast restaurant split a LOTTO 6/49 jackpot of $21.4 million. The group's leader immediately texted her boss, saying, "Can't work today because we won LOTTO 6/49!"
- In July 2012, Enid Wilson and Joyce Verrinder of London, ON – friends for 30 years – shared a LOTTO 6/49 ENCORE jackpot. Joyce, who bought the ticket, called Enid to say, "I think we won ENCORE. Check the numbers." Enid said, "I think you're right!" They intend to help family with their $1 million windfall.
- In August 2012, Susannah and Ron Higgs of Orillia, ON won a $25 million LOTTO MAX jackpot. The Higgs said they would give away at least half their winnings to family members.

"When all the bells and whistles went off at the terminal, I watched as my daughter ran around the store all excited, realizing that I had the winning ticket," Susannah said.

Canadian securities regulations require public companies to include a discussion of operating results in their annual reports, in addition to annual financial statements. As a Government Business Enterprise ("GBE") of the Province of Ontario, the Ontario Lottery and Gaming Corporation ("OLG" or the "Corporation") is not subject to these regulations. However, this discussion has been included to increase the reader's understanding of the operations of OLG.

Management's Discussion and Analysis

For the fiscal year ended March 31, 2013

The following Management's Discussion and Analysis ("MD&A") of Financial Position and Results of Operations should be read together with the audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements of OLG for the fiscal year ended March 31, 2013. The Consolidated Financial Statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain comparative period amounts in this MD&A and the accompanying Consolidated Financial Statements have been restated and reclassified to reflect the current year's accounting policies and presentation.

This MD&A provides information for the fiscal year ended March 31, 2013 and is dated July 4, 2013.

This MD&A contains forward-looking statements about our expected or potential future business and financial performance. For OLG, forward-looking statements include, but are not limited to, statements about possible modernization initiatives; future revenue and net income guidance; and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to: the uncertain economic environment; fluctuations in customer demand; the outcome of litigations; and changes in government or regulation.

Although such statements are based on Management's current estimates and 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.

FISCAL 2012–13 OPERATING RESULTS – EXECUTIVE SUMMARY

The following table contains data from the Consolidated Statements of Comprehensive Income for the years indicated as well as data from the Consolidated Statements of Financial Position as at March 31, 2013 and March 31, 2012.

(in thousands of dollars)

For the fiscal year	**2012–13**	2011–12	**$ Variance**	% Variance
Revenue				
Lottery and charitable gaming	**$ 3,327,345**	$ 3,238,308	**89,037**	2.7
Resort casinos	**1,297,145**	1,303,912	**(6,767)**	(0.5)
OLG slots and casinos	**2,008,081**	2,125,888	**(117,807)**	(5.5)
	6,632,571	6,668,108	**(35,537)**	(0.5)
Expenses				
Lottery and charitable gaming	**2,467,396**	2,379,885	**(87,511)**	(3.7)
Resort casinos	**1,373,033**	1,400,895	**27,862**	2.0
OLG slots and casinos	**1,197,492**	1,240,164	**42,672**	3.4
	5,037,921	5,020,944	**(16,977)**	(0.3)
Income before the undernoted	**1,594,650**	1,647,164	**(52,514)**	(3.2)
Other expenses	**35,715**	25,111	**(10,604)**	(42.2)
Net income	**$ 1,558,935**	$ 1,622,053	**(63,118)**	(3.9)
Payments to the Province of Ontario*	**$ 1,903,256**	$ 1,924,284	**(21,028)**	(1.1)
Payments to the Government of Canada	**$ 262,964**	$ 263,992	**1,028**	0.4
Net Profit to the Province**	**$ 1,815,991**	$ 1,879,960	**(63,969)**	(3.4)

As at March 31,	**2013**	2012	**$ Variance**	% Variance
Total assets	**$ 2,206,784**	$ 2,303,000	**(96,216)**	(4.2)
Total liabilities	**$ 622,447**	$ 631,398	**8,951**	1.4
Total long-term liabilities	**$ 103,048**	$ 138,860	**35,812**	25.8
Total equity	**$ 1,584,337**	$ 1,671,602	**(87,265)**	(5.2)

**Payments to the Province of Ontario include win contribution. The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility in accordance with the Ontario Lottery and Gaming Corporation Act, 1999.*
***Net Profit to the Province is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments. Net Profit to the Province is computed by adding back win contribution to Net income. In fiscal 2012–13, win contribution was $257,056,000 (fiscal 2011–12 $257,907,000).*

The following table contains data from the Consolidated Statements of Comprehensive Income expressed as a percentage of consolidated revenue for the periods indicated:

For the fiscal year	**2012–13**	2011–12	**% Variance**
Revenue			
Lottery and charitable gaming	**50.2%**	48.6%	**1.6**
Resort casinos	**19.6%**	19.6%	**–**
OLG slots and casinos	**30.2%**	31.8%	**(1.6)**
	100.0%	100.0%	**–**
Expenses			
Lottery and charitable gaming	**37.2%**	35.7%	**(1.5)**
Resort casinos	**20.7%**	21.0%	**0.3**
OLG slots and casinos	**18.1%**	18.6%	**0.5**
	76.0%	75.3%	**(0.7)**
Income before the undernoted	**24.0%**	24.7%	**(0.7)**
Other expenses	**0.5%**	0.4%	**(0.1)**
Net income	**23.5%**	24.3%	**(0.8)**

Consolidated revenue for fiscal 2012-13 was $6.63 billion, a decrease of $35.5 million or 0.5 per cent from $6.67 billion in the previous fiscal year, primarily due to a decline in revenue in the OLG Slots and Casinos segment, which was approximately $117.8 million or 5.5 per cent lower than in the previous fiscal year. Of the $117.8 million decrease in OLG Slots and Casinos revenue, $85.5 million was attributable to three site closures - OLG Slots at Fort Erie Race Track, OLG Slots at Hiawatha Horse Park and OLG Slots at Windsor Raceway - effective April 30, 2012. As part of OLG's modernization, the permanent closure of these three U.S. border slots facilities was necessitated by the impact of changing customer demand over the past decade. The remainder of the decrease is largely due to a decline in gaming site visits. On a same-site basis (excluding closed sites), revenue decreased by $32.3 million or 1.6 per cent year-over-year. This decrease was partially offset by an increase in Lottery and Charitable Gaming revenue of $89.0 million or 2.7 per cent, a result of higher sales for Online and INSTANT games, partially offset by lower Sports product sales. Charitable Gaming revenue increased due to the opening of five new sites and strong performance of paper break open tickets. Resort Casino revenue overall remained relatively consistent with the previous fiscal year, decreasing by $6.8 million or 0.5 per cent, mitigating the continued pressures experienced from improved and expanded U.S. gaming facilities, the ongoing impacts of U.S. passport regulations, the slow economic recovery of U.S. border states and the U.S. dollar averaging on par with the Canadian dollar.

The Corporation's net income for fiscal 2012-13 was $1.56 billion, $63.1 million or 3.9 per cent lower than in the previous fiscal year. The decrease in net income in fiscal 2012-13 was driven by decreased revenue in the OLG Slots and Casinos segment as discussed above and an increase in the one-time costs associated with OLG's modernization. This increase was primarily due to site holder one-time settlement payments resulting from the termination of the Slots at Racetracks program ($80.6 million) and accelerated amortization of leaseholds ($48.1 million). These costs were partially offset by decreased operating costs in OLG Slots and Casinos attributable to the site closures described above.

OLG's payment to the Province of Ontario of $1.90 billion represents the largest contribution of non-tax revenue for the Province and is used by the Government to invest in health care and other priority programs and to support Ontario's elite amateur athletes and charitable and non-profit organizations through the Ontario Trillium Foundation.

Consolidated revenue was $173.2 million or 2.5 per cent lower than budget primarily due to decreased site visitation at OLG Slots and Casinos, delayed new Charitable Gaming initiatives, including new site launches, lower than expected Lottery sales of regional Online products, such as MEGADICE LOTTO, POKER LOTTO and ROCK PAPER SCISSORS and lower than anticipated Sports sales due to the NHL lock-out.

The Corporation's net income of $1.56 billion and Net Profit to the Province of $1.82 billion (including win contribution) were higher than budget by $75.8 million or 5.1 per cent and $77.0 million or 4.4 per cent respectively, due to cost constraints across all operating segments.

A more thorough analysis of these factors is contained in the Results of Operations.

1. RESULTS OF OPERATIONS – OPERATING SEGMENTS

The Corporation has three reportable operating segments, each a distinct revenue-generating business unit that offers different products and services. The segments are Lottery and Charitable Gaming, Resort Casinos and OLG Slots and Casinos.

The Lottery and Charitable Gaming operating segment is further divided into two separate divisions, the Lottery division and the Charitable Gaming division, which are discussed separately below.

A. LOTTERY

Summary data from statement of comprehensive income

(in thousands of dollars)

For the fiscal year	**2012–13**	2011–12	**$ Variance**	% Variance
Revenue	**$ 3,287,469**	$ 3,206,508	**80,961**	2.5
Expenses	**2,405,580**	2,329,155	**(76,425)**	(3.3)
Income before the undernoted	**$ 881,889**	$ 877,353	**4,536**	0.5
Other income	**1,164**	552	**612**	110.9
Net income	**$ 883,053**	$ 877,905	**5,148**	0.6

A1. Lottery revenue

Lottery revenue for fiscal 2012-13 was $3.29 billion, an increase of $81.0 million or 2.5 per cent from the previous fiscal year, primarily due to higher sales for Online and INSTANT games partially offset by lower Sports product sales. Lottery revenue was $38.9 million or 1.2 per cent lower than budget due to lower than expected Online and Sports product sales partially offset by favourable INSTANT sales as described below.

The following table sets forth lottery sales and prize data by type of game:

Lottery sales and prize data by type of game

Product Groupings	**Number of Games**		**Revenue** *(in millions of dollars)*		**Percentage of Revenue**		**Prizes** *(in millions of dollars)*	
For the fiscal year	**2012–13**	2011–12	**2012–13**	2011–12	**2012–13**	2011–12	**2012–13**	2011–12
Online	**12**	10	**$ 2,079.9**	$ 2,000.4	**63.3%**	62.4%	**$ 1,027.5**	$ 985.8
Sports	**6**	6	**256.9**	272.3	**7.8%**	8.5%	**153.8**	162.5
INSTANT	**75**	82	**950.7**	933.8	**28.9%**	29.1%	**614.9**	596.7
Totals	**93**	98	**$ 3,287.5**	$ 3,206.5	**100.0%**	100.0%	**$ 1,796.2**	$ 1,745.0

Online games are lotteries that are played by tickets generated on a lottery terminal. These include games such as LOTTO MAX, LOTTO 6/49 and LOTTARIO. Sports games are also played through a lottery terminal; however, these games are played by predicting the outcomes of sporting events or events within a single event (for example, in baseball, the number of base hits one player achieves versus another). INSTANT games are lotteries that are played by removing the scratch-off layer on the face of the ticket to reveal a series of symbols or numbers to determine if the ticket is a winner.

Online sales increased by $79.5 million or 4.0 per cent over the period as national Online sales (i.e., LOTTO MAX and LOTTO 6/49) increased by $54.4 million or 3.9 per cent and regional (Ontario only) Online sales increased by $25.1 million or 4.1 per cent. National Online sales were higher than in the previous fiscal year primarily as a result of higher LOTTO MAX sales driven by more high-valued jackpots. Due to new game introductions, such as PICK 2 and MIDDAY Draws in June 2012 and MEGADICE LOTTO in October 2012, regional Online product sales increased over the prior fiscal year.

The INSTANT product sales increase of $16.9 million or 1.8 per cent was driven in large part by the success of the $5 CROSSWORD, $20 NATIONAL $100,000 PER YEAR FOR LIFE, $5 VARIETY, and $5 NATIONAL INSTANT LOTTO 6/49 games.

Sports product sales decreased by $15.4 million or 5.7 per cent primarily due to the negative impact of the NHL lockout on PRO•LINE sales offset partially by increases in POINT SPREAD and PRO*PICKS.

A2. Lottery net income

Net income from Lottery for fiscal 2012-13 was $883.1 million, $5.1 million or 0.6 per cent higher than in the previous fiscal year. This increase is due mainly to higher overall revenue as explained above, partially offset by increased one-time costs associated with OLG's modernization. Net income was $66.2 million or 8.1 per cent higher than budget due to lower operating costs, primarily prize expense.

A3. Lottery financial key performance indicators

The Corporation continues to focus on maximizing operational efficiencies and profits and uses financial and other key performance indicators ("KPIs") as useful tools for assessing critical expenses relative to revenue and other underlying drivers of business activity.

Following are the Lottery KPIs for fiscal 2012-13 compared to fiscal 2011-12:

For the fiscal year	**2012–13**	2011–12
Adjusted EBITDA margin*	**64.9%**	64.5%
Marketing as a percentage of adjusted gaming revenue**	**3.6%**	3.6%
Payroll as a percentage of adjusted total revenue***	**1.8%**	1.8%
Average sales per jackpot draw**** ($ millions)	**$ 9.2**	$ 8.7
Total retailers	**9,835**	9,887
INSTANT ticket sales (millions of tickets)	**266**	277
Average price per INSTANT ticket sold	**$ 3.58**	$ 3.37

**The adjusted EBITDA margin represents earnings before finance costs, amortization, payments relating to the Gaming Revenue Sharing and Financial Agreement ("GRSFA") and modernization charges as a percentage of adjusted total revenue. Adjusted EBITDA margin is a common measure used in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. Adjusted EBITDA margin is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*
***Marketing as a percentage of adjusted gaming revenue is derived by dividing marketing expenses by adjusted gaming revenue. Adjusted gaming revenue includes revenue from lottery games net of prizes, but excludes all non-gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures. Marketing expenses include promotions, advertising, corporate marketing and marketing-related payroll costs.*
****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*
*****Jackpot draws are the winning number drawings for the single main prizes of LOTTO 6/49 and LOTTOMAX (i.e. excludes draws for $1 million MAXMILLIONS prizes).*

Both marketing and payroll indicators represent key cost drivers of the Corporation that Management uses to evaluate the results of the business division.

The adjusted EBITDA margin for Lottery in fiscal 2012-13 increased marginally compared to the previous fiscal year due mainly to improved revenues as discussed above. The adjusted EBITDA margin was higher than budget primarily due to lower than expected operating costs. Marketing as a percentage of adjusted gaming revenue was consistent with fiscal 2011-12 at 3.6 per cent and marginally lower than budget as a result of marketing savings for LOTTO 6/49 due to lower jackpots and savings realized during the NHL lockout. Payroll as a percentage of adjusted total revenue was consistent with fiscal 2011-12; however slightly lower than the budgeted 1.9 per cent.

OLG continues to be a participating member of the Interprovincial Lottery Corporation ("ILC") which was incorporated to manage and conduct lotteries on behalf of Her Majesty the Queen in Right of all provinces. Other participating members include British Columbia Lottery Corporation, Atlantic Lottery Corporation, Loto-Québec and Western Canada Lottery Corporation. The two main games it oversees are LOTTO MAX and LOTTO 6/49.

Average sales per jackpot draw increased due to ILC's accelerated jackpot roll strategy, which resulted in more high-valued jackpots for LOTTO MAX. LOTTO MAX offers jackpots starting at $10 million, growing to a maximum of $50 million and then creating a series of individual $1 million prizes ("MAXMILLIONS") thereafter. The accelerated roll strategy skipped some lower valued jackpots ($15 million and $25 million) in order to get to the maximum $50 million faster. In fiscal 2012-13, LOTTO MAX had 17 jackpots of $50 million plus MAXMILLIONS compared to 12 jackpots of $50 million plus MAXMILLIONS in fiscal 2011-12 and 17 jackpots of $50 million plus MAXMILLIONS projected in the budget. The average number of MAXMILLIONS prizes for each $50 million LOTTOMAX jackpot plus MAXMILLIONS was 18.4 in fiscal 2012-13 compared to 10.9 in the previous fiscal year. Typically, larger jackpots generate higher sales.

The total number of lottery retailers decreased slightly as OLG reduced the number of off-line retailers (those who sell only INSTANT tickets) largely due to the closure of a large retail chain in the province.

Although overall INSTANT ticket volume decreased in fiscal 2012-13, the increased sales mix of higher price point games resulted in a higher average price per INSTANT ticket sold in fiscal 2012-13 generating the overall increase in INSTANT ticket sales.

A4. Lottery trends and risks

In accordance with the recommendations contained in OLG's report, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*, OLG will become more customer-focused; secure qualified service providers for the day-to-day operations of lottery and gaming and renew its oversight role.

Today, Ontarians purchase lottery products through a retail clerk who hands them a paper ticket. OLG has a largely paper-based lottery system in an economy that is increasingly becoming paper-free. In a move to adapt to this change, OLG is developing an Internet Gaming ("iGaming") platform with a planned launch in fiscal 2013-14. Following a staged rollout of products, OLG will deliver a full range of games on the Internet through PlayOLG.ca — an online site accessible by computers and other Internet-connected devices offering lottery ticket sales, interactive casino-style (against the house) games and peer-to-peer games such as poker.

OLG's current terminal technology limits where lottery tickets can be sold and is not suited to adopt current shopping patterns. The majority of Ontario adults under 45 years of age frequently visit supermarkets, big box stores and large retail locations, where OLG products are not conveniently located or currently not offered for sale. As a result, even though about 50 per cent of adult Ontarians play the lottery regularly, only 14 per cent of adults under 45 play the lottery at least once a week. OLG's modernization addresses this demographic challenge by recommending the expansion of lottery retail options to include multi-lane retailers, such as supermarkets and big box stores, the Internet and mobile devices, while continuing to support the existing retailer network. OLG is also continuing to work on broadening its player base to ensure it includes the younger generation of adults as well as new Canadians.

In fiscal 2012-13, OLG commenced the formal strategic procurement process to obtain a lottery service provider. OLG's procurement process includes Request for Information (RFI), Request for Pre-Qualification (RFPQ) and Request for Proposal (RFP). OLG released the RFI for modernizing lottery on June 7, 2012, and it closed on August 2, 2012. As a result of the evaluation of the RFI submissions, the Corporation issued a RFPQ on December 14, 2012 with a closing date of April 30, 2013. The Corporation is currently evaluating the RFPQ submissions and will select service providers who are eligible to receive the RFP document, expected to occur in fiscal 2013-14.

In fiscal 2013-14, along with ILC, OLG will launch an enhanced LOTTO 6/49 across Canada. The improved game will offer players an additional guaranteed $1 million prize each and every draw, jackpots that will start at $5 million and a new free play prize category. These enhancements align with the OLG modernization and the Lottery division's mandate to become more customer-focused and deliver sustainable growth.

B. CHARITABLE GAMING ("cGAMING")

Summary data from statement of comprehensive income

(in thousands of dollars)

For the fiscal year		**2012–13**		2011–12	**$ Variance**	% Variance
Revenue	**$**	**39,876**	$	31,800	**8,076**	25.4
Expenses		**61,816**		50,730	**(11,086)**	(21.9)
Loss before the undernoted	**$**	**(21,940)**	$	(18,930)	**(3,010)**	(15.9)
Other expenses		**115**		70	**(45)**	(64.3)
Net loss		**(22,055)**		(19,000)	**(3,055)**	(16.1)
Add: charity payments		**9,265**		8,375	**890**	10.6
Adjusted net loss*	**$**	**(12,790)**	$	(10,625)	**(2,165)**	(20.4)

**Adjusted net loss represents net loss before charity payments. OLG makes direct-to-charity contributions to the charity associations at each of the participating 11 Charitable Gaming Centres by sharing in their respective locations' Linked Bingo and/or eBingo proceeds to help support hundreds of local charity and non-profit groups. Adjusted net loss is not a defined term under IFRS; however, it is useful to Management in assessing the performance of the Charitable Gaming division and its ability to generate cash flows. Accordingly, this measure should not be considered a substitute or alternative for net loss as determined in accordance with IFRS.*

B1. Charitable Gaming revenue

OLG conducts and manages the operations of 11 Charitable Gaming Centres across Ontario. These sites offer bingo games on tabletop devices in addition to the classic paper-based play. The enhanced Play on Demand ("POD") games were introduced at nine of 11 locations in fiscal 2012-13. POD games are personal Bingo games with different price and prize levels that players can play against the computer between sessions, at intermission or even during live bingo games. OLG also introduced Break Open Ticket ("BOT") dispensers at eight sites in fiscal 2012-13. BOT dispensers are electrical or mechanical devices used to validate and dispense break open tickets. As the ticket is dispensed, a graphical representation of the results is displayed on the screen.

Charitable Gaming revenue for fiscal 2012-13 was $39.9 million, an increase of $8.1 million or 25.4 per cent over the previous fiscal year. This increase was primarily due to the opening of five new sites and strong performance of paper break open tickets, which increased by $3.1 million or 27.4 per cent; session Bingo, which increased by $3.0 million or 17.1 per cent; and POD games, which increased by $1.7 million or 84.7 per cent. Partially offsetting these increases was lower revenue for Big Link Bingo of $0.6 million as this product was decommissioned in August 2012. The BOT dispensers introduced in fiscal 2012-13 contributed $0.8 million in revenue. Charitable Gaming revenue was $66.5 million or 62.5 per cent lower than budget primarily due to the delayed launch of the BOT dispenser initiative and delays in new site rollouts.

B2. Charitable Gaming adjusted net loss

Charitable Gaming adjusted net loss in fiscal 2012–13 was $12.8 million, an increase of $2.2 million or 20.4 per cent as compared to fiscal 2011–12. The increase was primarily attributed to the Alternate Service Delivery fees related to the outsourcing of the IT function to a third party, which supports the Charitable Gaming Revitalization Initiative. Charitable Gaming adjusted net loss was $4.6 million or 56.7 per cent more than budget primarily attributable to lower revenue associated with the delayed launch of BOT dispensers and new site rollouts.

Payments to charitable associations that rely on funding from Charitable Gaming are included in expenses. These payments are calculated as a percentage of adjusted net gaming win, defined as net gaming win less allocations to the site and corporate marketing funds. The payments to charitable associations totalled $9.3 million in fiscal 2012–13, representing an increase of $0.9 million or 10.6 per cent over fiscal 2011–12.

B3. Charitable Gaming financial key performance indicators

Following are the Charitable Gaming financial KPIs for fiscal 2012–13 compared to fiscal 2011–12:

For the fiscal year	**2012–13**	2011–12
Adjusted EBITDA margin*	**(20.9%)**	(31.1%)
Marketing as a percentage of adjusted gaming revenue**	**11.4%**	8.2%
Payroll as a percentage of adjusted total revenue***	**7.5%**	7.7%

**The adjusted EBITDA margin represents earnings before finance costs, amortization, GRSFA payments, charity payments and modernization charges as a percentage of adjusted total revenue. Adjusted EBITDA margin is a common measure used in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. Adjusted EBITDA margin is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*
***Marketing expenses include promotions, advertising, corporate marketing and marketing-related payroll costs. These expenses are divided by adjusted gaming revenue. Adjusted gaming revenue includes revenue from all Charitable Gaming products net of prizes except Break Open Ticket (paper) which is recognized as gross sales, but excludes all non-gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*
****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

Both marketing and payroll indicators represent key cost drivers of the Corporation that Management uses to evaluate the results of the business division.

The negative adjusted EBITDA margin for Charitable Gaming in fiscal 2012–13 improved compared to the previous fiscal year due to the launch of five new sites as well as transferring four of six pilot sites from the gross revenue basis commission model to the new net win basis commission model. The transfer of four existing sites to the new revenue model supports Charitable Gaming's mandate to conduct and manage Charitable Gaming on a break–even basis.
The negative adjusted EBITDA margin was more than budget primarily due to lower revenue associated with the delayed launch of BOT dispensers and new site rollouts. The increase in marketing as a percentage of adjusted gaming revenue in fiscal 2012–13 compared to fiscal 2011–12 was attributed primarily to increased marketing expenses which supported the opening of five new sites and the addition of BOT dispensers to the product mix. Marketing as a percentage of adjusted gaming revenue was higher than budget as a result of the reduction in revenue. Payroll as a percentage of adjusted total revenue declined in the current fiscal year from the previous fiscal year as revenue increased more significantly than payroll costs. Payroll as a percentage of adjusted total revenue was higher than budget primarily attributable to lower revenue in the current fiscal year.

B4. Charitable Gaming trends and risks

In 2010 OLG was directed by the Ontario Government to launch a new focused program to support sustainable revenue growth for the Charitable Bingo and Gaming sector. OLG, in collaboration with the Ontario Charitable Gaming Association ("OCGA") and Commercial Gaming Association Ontario ("CGAO"), embarked on a multi-year Revitalization Initiative. The collective vision is to sustain and grow social and economic benefits to local communities by developing an enhanced Charitable Bingo and Gaming entertainment experience to meet current and future customer expectations.

The first phase of the Charitable Gaming Revitalization Initiative includes the continued expansion of electronic Bingo and additional products including:

- BOT dispensers
- POD games
- Rapid Draw Bingo – a bingo game that is similar in nature to a lottery, based on a quickly drawn keno system, where players select their own set of numbers and then a "winning" set is drawn
- Electronic Shutterboard – an electronic version of the traditional shutterboard bingo game where players can play bingo cards on touch-screen devices that can be embedded into slanted counters instead of playing on hard, static cards with little plastic shutters.

In May 2011 OLG announced to internal stakeholders its intention to investigate potential service providers with a view to creating much-needed capacity, reduce risks, enable more agility and improve certainty of delivery on this program. In May 2012, OLG announced it had signed an agreement with service provider Canadian Bank Note Company Limited ("CBN") for technical services to support the Charitable Gaming Revitalization Initiative.

Through the strong relationship shared by the OCGA, CGAO and OLG that was forged over a decade of working together collaboratively, the deployment of electronic sites was implemented. Of the current 61 bingo centres still in operation in Ontario, more than 37 have committed to implement the new line of electronic products under OLG's Conduct and Manage responsibility. OLG will work collaboratively with service providers, charities and the host municipalities to implement the Revitalization Initiative. To date, 11 centres are operational, and the Corporation expects to add an additional 11 centres in fiscal 2013-14.

C. RESORT CASINOS

Summary data from statement of comprehensive income

(in thousands of dollars)

For the fiscal year	**2012–13**	2011–12	**$ Variance**	% Variance
Revenue	**$ 1,297,145**	$ 1,303,912	**(6,767)**	(0.5)
Expenses	**1,373,033**	1,400,895	**27,862**	2.0
Loss before the undernoted	**$ (75,888)**	$ (96,983)	**21,095**	21.8
Other income	**20,125**	16,782	**3,343**	19.9
Net loss	**(55,763)**	(80,201)	**24,438**	30.5
Add: win contribution	**242,231**	242,942	**(711)**	(0.3)
Adjusted net income*	**$ 186,468**	$ 162,741	**23,727**	14.6

**Adjusted net income represents net loss adjusted for adding back of win contribution. The Corporation remits a win contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999. Adjusted net income is not a defined term under IFRS; however, it is useful to Management in assessing the performance of the Resort Casinos business division and its ability to generate cash flows. Accordingly, this measure should not be considered a substitute or alternative for net loss as determined in accordance with IFRS.*

C1. Resort Casinos revenue

OLG is responsible for four Resort Casinos – Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort. These sites are owned and managed by OLG and are operated by private casino operating companies pursuant to the terms of their respective operating agreements. The operator is the employer of all employees working at each Resort Casino.

Caesars Windsor is located in the City of Windsor, Ontario, and its day-to-day operations are carried out by Caesars Entertainment Windsor Limited ("CEWL") which is owned by Caesars Entertainment Corporation. CEWL superseded Windsor Casino Limited ("WCL") as the operator on June 6, 2012.

Casino Rama is located on the Chippewas of Mnjikaning First Nation (Rama First Nation), near Orillia, Ontario, and its day-to-day operations are carried out by CHC Casinos Canada Limited, an indirectly wholly owned subsidiary of Penn National Gaming, Inc.

The Niagara Casinos – Casino Niagara and Niagara Fallsview Casino Resort – are located in the City of Niagara Falls, Ontario, and their day-to-day operation are carried out by Falls Management Group, L.P., the general partner of which is Falls Management Company (owned by Niagara Casino Group, L.P., Highland Gaming, Inc., Shiplake Gaming Corporation, Olympic V, Inc. and 3048505 Nova Scotia Company) and the sole limited partner of which is Falls Entertainment Corporation.

Total Resort Casino revenue for fiscal 2012-13 was $1.30 billion, a slight decrease of $6.8 million or 0.5 per cent from fiscal 2011-12. An increase in gaming revenue at the Niagara Casinos was offset by the decline in revenue at Casino Rama resulting from decreased volumes while gaming revenue at Caesars Windsor was comparable to prior-year levels (see Section 7 — Supplementary data for further details). Total revenue was $6.0 million or 0.5 per cent higher than budget due to increased slot and table revenue at Casino Rama and table revenue at the Niagara Casinos, partially offset by lower slot and table revenue at Ceasars Windsor.

On March 14, 2012, the Corporation announced the closure of three Slots at Racetracks facilities – OLG Slots at Windsor Raceway, OLG Slots at Hiawatha Horse Park and OLG Slots at Fort Erie Race Track – effective April 30, 2012. The fiscal 2012-13 budget assumed that a percentage of gaming revenue from Slots at Fort Erie Race Track and Slots at Windsor Raceway would migrate to neighbouring Niagara properties and Caesars Windsor respectively. It is estimated that approximately $35 million of gaming revenue is attributable to the migration.

C2. Resort Casinos adjusted net income

In fiscal 2012-13, the Resort Casinos experienced an adjusted net income of $186.5 million, an increase of $23.7 million from fiscal 2011-12 and $89.0 million or 91.3 per cent higher than budget. This is mainly due to municipal tax and related rent recoveries realized at the Niagara properties. In addition, Resort properties decreased staffing levels, which resulted in lower operating costs.

Pursuant to specific provisions in the operating agreements, each operator is entitled to receive fees calculated as a percentage of gross revenue and as a percentage of net operating margin. Operator fees increased in fiscal 2012-13 by $6.1 million compared to the previous fiscal year. This is primarily attributable to the increase in net operating margin realized from the reduced municipal tax and rent costs at the Niagara properties as well as the decrease in personnel costs.

C3. Resort Casinos financial key performance indicators

Following are the Resort Casinos financial KPIs for fiscal 2012–13 compared to fiscal 2011–12:

For the fiscal year	**2012–13**	2011–12
Adjusted EBITDA margin*	**25.6%**	23.5%
Marketing as a percentage of adjusted gaming revenue**	**12.3%**	12.4%
Payroll as a percentage of adjusted total revenue***	**35.4%**	36.7%
Total patrons (in millions)	**14.8**	15.1
Win per patron	**$ 82**	$ 80
Rated U.S. play****		
Caesars Windsor	**31.0%**	41.0%

**The adjusted EBITDA margin represents earnings before finance costs, win contribution, amortization, GRSFA payments, municipality host commissions and modernization charges as a percentage of adjusted total revenue. Adjusted EBITDA margin is a common measure used in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBITDA by adding back win contribution to ensure comparability of profitability margins across divisions and with other gaming organizations. Adjusted EBITDA margin is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

***Marketing expenses include promotions, advertising, corporate marketing and marketing-related payroll costs. These expenses are divided by adjusted gaming revenue. Adjusted gaming revenue includes revenue from slot and table gaming operations but excludes all non-gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

Both marketing and payroll indicators represent key cost drivers of the Corporation that Management uses to evaluate the results of the business division.

*****Rated U.S. play represents theoretical win contributed by U.S. carded patrons as a percentage of theoretical win contributed by all carded patrons. Theoretical win is based on probability theory, the intended win according to table games rule of play and slots payout schedule. One benefit of using theoretical win is that it eliminates the impact of hold volatility.*

The adjusted EBITDA margin for Resort Casinos was higher in fiscal 2012–13 than in the previous fiscal year and when compared to budget of 21.7 per cent primarily driven by municipal tax and personnel savings. The municipal tax savings were derived from settling appeals filed for both Casino Niagara and Niagara Fallsview Casino Resort. Marketing as a percentage of adjusted gaming revenue marginally decreased from fiscal 2011–12 and was lower than budget as a result of the reduction in marketing campaigns due to the NHL lockout. Payroll costs decreased from the prior fiscal year and when compared to budget by managing business volumes with fewer employees while maintaining revenue, the effect of which resulted in a lower payroll cost as a percentage of adjusted total revenue.

The total number of patrons was 14.8 million in fiscal 2012–13, a reduction of 2.0 per cent from 15.1 million patrons in fiscal 2011–12 and 6.3 per cent lower than the 15.8 million patrons identified in the budget. The win per patron increased marginally to $82 from $80 in the previous fiscal year and compared to budget of $76, mainly as a result of an increase in patron spend.

The ongoing cross–border issues continued to negatively affect the rated U.S. play at Caesars Windsor. Rated U.S. play declined to 31 per cent in fiscal 2012–13 from 41 per cent in fiscal 2011–12. The change was not a significant factor at Casino Rama and the Niagara Casinos.

C4. Resort Casinos trends and risks

In accordance with the report entitled *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*, OLG will continue to leverage the regulated private sector involvement in the operations of the Resort Casinos.

Gaming revenue has flattened due to ongoing cross-border competition. When Ontario's casinos first opened, border communities had few gaming options. Now a number of U.S. cities such as Chicago, Detroit, Baltimore, Boston, Buffalo and a number of cities in Ohio host casinos. The opening of the four Ohio casinos in fiscal 2012-13, notably Hollywood Toledo and Horseshoe Cleveland, as well as slots-like video lottery terminals planned at seven Ohio horse tracks, will put additional pressure on Caesars Windsor revenues.

Similar to a number of OLG Slots and Casinos, three of OLG's Resort Casinos are located near the U.S. border, leaving them sensitive to variances in both inbound and outbound cross-border traffic. In the 2012 calendar year, the number of U.S. residents entering Ontario via automobile through Windsor and the Niagara region border crossings increased by 7.9 per cent and 9.2 per cent respectively, marking the first year-over-year increases in a decade. Nevertheless, the number of Canadian residents returning from the U.S. continues for the second consecutive year to exceed the number of U.S. residents entering Ontario through Windsor and the Niagara region border crossings by a ratio of 2:1.

The slow economic recovery of U.S. border states continues to be a risk to the three OLG Resort Casinos located near the U.S. border. Growth in per capita disposable personal income slowed in the 2012 calendar year for four proximate U.S. border states: New York, Pennsylvania, Ohio and Michigan. In addition, unemployment was significantly higher in Michigan and New York State than the U.S. national average of 8.1 per cent in calendar 2012.

Facial recognition technology was implemented at 22 OLG-managed gaming locations as part of OLG's ongoing efforts to evolve its Self-Exclusion program. In fiscal 2012-13, Caesars Windsor was selected as the first OLG Resort Casino to complete a Pilot for Commercial Rollout of the Self-Exclusion, Facial Recognition component. Based on the success at Caesars Windsor, it is anticipated that all other Resort Casinos — Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort — in addition to Great Blue Heron Charity Casino, will implement a facial recognition component to complement their Self-Exclusion programs.

Currently OLG provides the City of Windsor and the City of Niagara Falls compensatory payments for hosting an OLG gaming facility in those respective municipalities in the amount of $3 million per annum for as long as they do not cease operations, adjusted for Consumer Price Index as defined in the agreement.

In March 2013, at the request of the Premier of Ontario, OLG reviewed its funding formula for host municipalities. Effective April 1, 2013, OLG will use a new and equitable formula to determine the fee municipalities receive for hosting an OLG gaming facility. This new formula will be applied consistently to all municipalities across the province, be part of a new Municipality Contribution Agreement ("MCA") and result in additional funding for the host municipalities. The Corporation is in the process of obtaining signed agreements with host municipalities under this new formula structure.

Under the new MCA formula, host municipalities, including the City of Windsor and the City of Niagara Falls, will receive:

- 5.25 per cent on the first $65 million of annual slot revenue; plus
- 3.0 per cent on the next $135 million of annual slot revenue; plus
- 2.5 per cent on the next $300 million of annual slot revenue; plus
- 0.5 per cent on annual slot revenue above $500 million; plus
- 4.0 per cent on table game revenue, where applicable.

D. OLG SLOTS AND CASINOS

Summary data from statement of comprehensive income

(in thousands of dollars)

For the fiscal year	**2012–13**	2011–12	**$ Variance**	% Variance
Revenue	**$ 2,008,081**	$ 2,125,888	**(117,807)**	(5.5)
Expenses	**1,197,492**	1,240,164	**42,672**	3.4
Income before the undernoted	**$ 810,589**	$ 885,724	**(75,135)**	(8.5)
Other expenses	**56,889**	42,375	**(14,514)**	(34.3)
Net income	**753,700**	843,349	**(89,649)**	(10.6)
Add: win contribution	**14,825**	14,965	**(140)**	(0.9)
Adjusted net income*	**$ 768,525**	$ 858,314	**(89,789)**	(10.5)

**Adjusted net income represents net income adjusted for the addition back of win contribution. The Corporation remits a win contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999. Adjusted net income is not a defined term under IFRS; however, it is useful to Management in assessing the performance of the OLG Slots and Casinos business division and its ability to generate cash flows. Accordingly, this measure should not be considered a substitute or alternative for net income as determined in accordance with IFRS.*

D1. OLG Slots and Casinos revenues

Revenue from OLG Slots and Casinos for fiscal 2012-13 was $2.01 billion, a decrease of $117.8 million or 5.5 per cent from the previous fiscal year. The year-over-year decrease in revenue was largely attributable to the planned implementation of OLG's modernization regarding the closure of OLG Slots at Fort Erie Race Track, OLG Slots at Hiawatha Horse Park and OLG Slots at Windsor Raceway ($85.5 million). Gaming revenue at OLG Slots at Woodbine Racetrack decreased by $16.6 million compared to the previous fiscal year due to the re-image project, which reduced the number of machines available to patrons through the first three quarters of the fiscal year. On a same-site basis (excluding closed sites), gaming revenue decreased by $32.3 million or 1.6 per cent. Site visitation, on a same-site basis, declined by 5.4 per cent compared to the previous fiscal year, which translated into lower gaming revenue. It is believed the decline in site visitation is partially attributable to media coverage of OLG's modernization. Partially offsetting the declines in revenue were increases experienced at OLG Casino Point Edward and OLG Slots at Dresden Raceway, as each site has benefited from the migration of gaming revenue from the closure of OLG Slots at Hiawatha Horse Park. OLG Slots and Casinos revenue was $73.8 million or 3.5 per cent lower than budget due to lower than expected site visitation as previously discussed.

Communities hosting OLG Slots and Casinos receive five per cent of revenue from slots up to 450 and two per cent of revenue from slots over 450. In fiscal 2012-13, these commissions totalled $72.0 million, a decrease of $5.3 million as compared to the prior fiscal year. This decrease was mainly attributed to the closure of OLG Slots at Fort Erie Race Track, OLG Slots at Hiawatha Horse Park and OLG Slots at Windsor Raceway resulting from the termination of the Slots at Racetracks program. Racetrack site holders and the horse racing industry receive commissions based on a predetermined percentage of revenue from slots or other amounts as agreed to, as outlined in site holder agreements. In fiscal 2012-13, these commissions were $317.4 million, a decrease of $29.9 million primarily due to the year-over-year decrease in gaming revenue and the three site closures. In addition, payments in connection with the site closures were made in respect of site holders ($9.2 million), horse people ($6.5 million) and municipalities ($4.4 million) with the termination of the Slots at Racetracks program.

Under OLG's modernization, the existing commission structures for host municipalities, racetrack site holders and the horse racing industry will change. Commission payments to site holders and the horse racing industry ceased as of March 31, 2013 due to the termination of the Slots at Racetracks program. In regard to host municipalities, the Corporation is in the process of signing new Municipality Contribution Agreements, effective April 1, 2013, with host municipalities where OLG operates a gaming facility. Under the new agreement, funding to municipalities will be based on total revenues generated from slot machines and table games rather than only on slot revenue based on the total number or mix of machines at a given location. Details of this new agreement are discussed in the Resort Casinos trends and risks section.

D2. OLG Slots and Casinos adjusted net income

Adjusted net income from OLG Slots and Casinos in fiscal 2012–13 was $768.5 million, a decrease of $89.8 million or 10.5 per cent from the previous fiscal year due mainly to lower revenue and the closure of OLG Slots at Fort Erie Race Track, OLG Slots at Hiawatha Horse Park and OLG Slots at Windsor Raceway. Expenses decreased by $42.7 million from the prior year as the increase in amortization resulting from a change in the useful lives of leaseholds due to the termination of the Slots at Racetracks program was more than offset by reductions in commissions and other expense categories in fiscal 2012–13. The decrease in commissions was commensurate with declines in gaming revenues, while reductions in other expense categories were mainly due to savings from the three site closures and cost containment. Other expenses increased by $14.5 million over the prior year primarily due to one-time settlement costs of $80.6 million incurred in fiscal 2012–13 relating to OLG's modernization and the termination of the Slots at Racetracks program. The one-time settlement costs were made to a number of racetracks that sustained capital costs on their facilities for future expansion. These racetracks incurred the cost to expand with no expectation that OLG would enter the modernization process. Adjusted net income was $86.8 million or 10.2 per cent lower than budget attributable to lower revenue, increased amortization resulting from the change in useful lives of leaseholds and one-time settlement costs relating to OLG's modernization, partially offset by lower operating costs.

D3. OLG Slots and Casinos financial key performance indicators

Following are the OLG Slots and Casinos financial KPIs for fiscal 2012–13 compared to fiscal 2011–12:

For the fiscal year	**2012–13**	2011–12
Adjusted EBITDA margin*	**55.0%**	52.2%
Marketing as a percentage of adjusted gaming revenue**	**4.5%**	4.7%
Payroll as a percentage of adjusted total revenue***	**15.0%**	15.9%
Total patrons (in millions)	**21.2**	24.3
Win per patron	**$ 94**	$ 87

**The adjusted EBITDA margin represents earnings before finance costs, win contribution, amortization, GRSFA payments, municipality host commissions and modernization charges as a percentage of adjusted total revenue. Adjusted EBITDA margin is a common measure used in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBITDA by adding back win contribution to ensure comparability of profitability margins across divisions and with other gaming organizations. Adjusted EBITDA margin is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

***Marketing expenses include promotions, advertising, corporate marketing and marketing related-payroll costs. These expenses are divided by adjusted gaming revenue. Adjusted gaming revenue includes revenue from slot and table gaming operations but excludes all non-gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

Both marketing and payroll indicators represent key cost drivers of the Corporation that Management uses to evaluate the results of the business division.

The adjusted EBITDA margin for OLG Slots and Casinos was slightly higher in fiscal 2012–13 than in the previous fiscal year primarily driven by lower revenues resulting from three site closures and reduced site visitation across the division as discussed below. The adjusted EBITDA margin was higher than budget as a result of lower revenues from fewer visitations and a decline in non-carded play attributable to the various modernization activities. Marketing as a percentage of adjusted gaming revenue decreased slightly compared to fiscal 2011–12 as a result of lower marketing costs due to the three site closures; however, it remained consistent with budget. Payroll as a percentage of adjusted total revenue for OLG Slots and Casinos decreased in comparison to the previous fiscal year primarily due to the three site closures. Payroll savings resulting from the three site closures combined with the migration of gaming revenue from OLG Slots at Hiawatha Horse Park to neighbouring OLG sites have both positively influenced this key performance indicator. Payroll and adjusted total revenue decreased proportionately from budget; therefore, payroll as a percentage of adjusted total revenue remained consistent.

In fiscal 2012–13, the total number of patrons decreased to 21.2 million, a 12.8 per cent decrease compared to the previous fiscal year. Approximately eight per cent (two million patrons) of this variance is attributable to the three site closures. On a same-site basis (excluding closed sites), patron volume decreased by 5.4 per cent. This decline is believed to have been influenced by the various modernization announcements/media, specifically regarding the Slots at Racetracks program ending March 31, 2013. The win per patron increased to $94 from $87 in fiscal 2011–12 and from $91 in the budget mainly due to an increase in patron spend.

D4. OLG Slots and Casinos trends and risks

In accordance with the recommendations contained in OLG's report, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*, OLG will become more customer-focused; secure qualified service providers for the day-to-day operations of lottery and gaming; and renew its role in the oversight of lottery and gaming.

On March 14, 2012, the Corporation announced the closure of three Slots at Racetracks facilities – OLG Slots at Windsor Raceway, OLG Slots at Hiawatha Horse Park and OLG Slots at Fort Erie Race Track – effective April 30, 2012. These closures followed an announcement by the Province of Ontario that funding for the Slots at Racetracks program would end in March 2013.

As part of its modernization, OLG will consider relocating facilities closer to customers where there is an opportunity to better serve those customers. Communities will have to first confirm their municipality's interest in hosting a gaming facility, which is typically done through public input and the municipality passing a resolution formally indicating that it is interested in hosting a gaming facility. In addition, any new gaming sites must be approved by OLG and the Ontario government. As of March 31, 2013, a total of 40 municipalities in 29 Gaming Zones had formally expressed interest in maintaining or building a gaming facility in their community. It is believed that modernization will help OLG broaden its customer base and make its offering more appealing and more convenient while maintaining a gold standard approach to Responsible Gambling.

In fiscal 2012–13, OLG commenced the formal strategic procurement process to obtain gaming service providers. OLG's procurement process includes Request for Information ("RFI"), Request for Pre-Qualification ("RFPQ") and Request for Proposal ("RFP"). OLG released the RFI for land-based gaming in Ontario on May 17, 2012 with a closing date of July 4, 2012. As a result of the evaluation of the RFI submissions, the Corporation issued three separate RFPQs on November 30, 2012, one each for the Ottawa Area, East gaming bundle and North gaming bundle. The Ottawa Area and East gaming bundle RFPQs closed on March 7, 2013 and the North gaming bundle closed on March 14, 2013. The Corporation is currently evaluating the results of the RFPQ submissions and as a result of this process it is expected that pre-qualified service providers will be able to participate in the RFP, expected to occur in fiscal 2013–14. The Corporation recently released the Southwest gaming bundle RFPQs on May 29, 2013 and expects to continue the process and issue RFPQs for the remaining gaming zones, some in gaming bundles, in fiscal 2013–14.

As the Corporation continues its modernization, the focus for OLG Slots and Casinos has continued to be on product appeal and engaging more customers in a responsible manner. The operating segment has increased the number of electronic tables on the gaming floor as well as continuing its efforts with its slot hold and pricing strategy.

As part of OLG's ongoing commitment to Responsible Gambling, OLG Slots and Casinos continue to provide Responsible Gaming Resource Centres at each facility. At OLG, Responsible Gambling ("RG") is a central focus and a driving force behind the business. OLG has an innovative RG program, comprising prevention-based initiatives designed to educate players and encourage healthy play habits. For players who are concerned about their gambling, or exhibit signs of potential gambling problems, employees are trained to refer them to independent support services. In collaboration with researchers, clinicians, and interprovincial partners, OLG's RG program has made significant strides in recent years. Some of the key program elements include:

- Continuing enhancement of OLG's Self-Exclusion program, including installing facial recognition technology across gaming sites and offering individuals the option to register for the program at treatment and debt counselling offices across the province
- Exploring new technology that will allow players to set time/money limits on slot machines
- Requiring all operators to adhere to rigorous OLG and external standards/controls.

2. FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $377.3 million as at March 31, 2013, an increase of $17.4 million from $359.9 million as at March 31, 2012. The majority of the Corporation's cash and cash equivalents were denominated in Canadian dollars at March 31, 2013.

The increase in cash and cash equivalents was primarily due to lower cash out flow in investing and financing activities partially offset by lower cash provided by operating activities as set out in the following chart:

For the fiscal year
(in millions of dollars)

Net cash flows provided by (used in):	**2012–13**	2011–12
Operating activities	**$ 1,831.6**	$ 1,882.8
Financing activities	**(1,688.2)**	(1,691.3)
Investing activities	**(126.0)**	(146.2)
Net increase in cash and cash equivalents	**$ 17.4**	$ 45.3

Cash provided by operating activities:
Cash flows provided by operating activities for fiscal 2012-13 totalled $1.83 billion, $51.2 million lower than in the previous fiscal year. The decrease in operating cash flows was primarily a result of restructuring charges paid during fiscal 2012-13 and an increase in trade and other receivables primarily due to the timing of collection from lottery retailers.

Cash used in financing activities:
During fiscal 2012-13, cash flows used in financing activities decreased by $3.1 million to $1.69 billion compared with the previous fiscal year. Included in financing activities are direct payments to the Province of Ontario, which totalled $1.65 billion in fiscal 2012-13, $20.2 million lower than in the previous fiscal year. Also included in financing activities is the receipt or repayment of funds to the Ontario Financing Authority related to the Caesars Windsor expansion and Energy Centre projects and the renovations at OLG Slots at Ajax Downs and OLG Slots at Woodbine Racetrack.

During fiscal 2012-13, long-term debt repayments totalled $59.8 million and comprised the following:

- Caesars Windsor loan – $47.2 million
- Ajax Downs loan – $3.7 million
- Woodbine loan – $7.1 million
- Obligations under finance leases – $1.8 million

The Caesars Windsor expansion and Energy Centre projects had an initial loan balance of $226.5 million repayable over five years at an interest rate of 3.2 per cent per annum. The balance as at March 31, 2013 was $32.3 million.

The OLG Slots at Ajax Downs expansion project had an initial loan balance of $18.5 million repayable over five years at an interest rate of 2.4 per cent per annum. The balance as at March 31, 2013 was $7.1 million.

The loan agreement for purposes of financing the renovation and expansion of the Slots at Woodbine Racetrack provided for a non-revolving construction period loan facility consisting of phase A and phase B with an interest rate during construction based on the Province of Ontario's 90-day Treasury Bill rate plus 0.38 per cent. On May 9, 2011, the principal sum of phase A, $31.3 million, was converted to a five-year term loan with an interest rate of 2.931 per cent per annum. On January 8, 2013, the principal sum of phase B, $33.8 million, was converted to a five-year term loan with an interest rate of 2.32 per cent per annum. Advances received during fiscal 2012-13 for phase B totalled $19.2 million (including capitalized interest during construction of $0.2 million). The balance of the Woodbine loan at March 31, 2013 was $53.1 million comprising the phase A term loan and the phase B construction period loan facility.

Cash used in investing activities:
Cash flows used in investing activities, which include capital expenditures, totalled $126.0 million for fiscal 2012–13, $20.2 million lower than in the previous fiscal year. Capital expenditures for fiscal 2012–13 were $106.4 million, which largely consisted of capital expenditures at the Resort Casinos, the expansion at OLG Slots at Woodbine Racetrack and the revitalization of Charitable Gaming.

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

The Corporation believes its financial resources, together with future income, are sufficient to meet funding requirements for current financial commitments, future operating and capital expenditures not yet committed, and to provide the necessary financial capacity to meet current and future growth expectations.

The Corporation's objectives in managing capital are to ensure sufficient resources are available for it to continue 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 its policies related to financial and risk management issues. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The operating agreements require the Resort Casinos to establish reserve funds. The Corporation was not subject to any externally imposed capital requirements.

The Corporation's financial risk management and financial instruments are disclosed in Note 22 to the Consolidated Financial Statements.

3. DISCLOSURES FOR NON-IFRS MEASURES

RECONCILIATION OF NON-IFRS MEASURES

The adjusted EBITDA represents earnings before finance costs, win contribution, amortization, municipality host commissions, charity payments, gaming revenue share payments and modernization charges. Adjusted EBITDA is used to determine the EBITDA margin, which is a common measure in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate positive cash flows. OLG adjusts EBITDA by adding back win contribution, municipality host commissions, charity payments, GRSFA payments and modernization charges to ensure comparability of profitability margins across divisions and with other gaming organizations. Adjusted EBITDA is not a defined term under IFRS. Accordingly, this non-IFRS measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS.

Adjusted gaming revenue is used as the denominator in the calculation of marketing as a percentage of gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this non-IFRS measure should not be considered as a substitute or alternative for revenue.

Adjusted total revenue is used as the denominator in the calculation of the adjusted EBITDA margin and payroll as a percentage of adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this non-IFRS measure should not be considered as a substitute or alternative for revenue.

The following table provides a reconciliation of net income (loss) and revenue, as defined under IFRS, (see Note 26 to the Consolidated Financial Statements) to adjusted EBITDA, adjusted gaming revenue and adjusted total revenue for the fiscal years ended March 31, 2013 and March 31, 2012:

Fiscal 2012–13
(in thousands of dollars)

	Lottery	Charitable Gaming	Resort Casinos	OLG Slots and Casinos	Total
Net income (loss) as referenced in Note 26	$ 883,053	$ (22,055)	$ (55,763)	$ 753,700	$ 1,558,935
Amortization	12,046	1,780	111,816	73,807	199,449
Finance costs	67	126	5,221	1,032	6,446
Win contribution	–	–	242,231	14,825	257,056
Municipality host commissions	–	–	6,000	72,005	78,005
Charity payments	–	9,265	–	–	9,265
Gaming revenue share payments	55,514	1,499	25,922	36,966	119,901
Modernization charges	17,982	3,027	3,465	165,904	190,378
Adjusted EBITDA	**$ 968,662**	**$ (6,358)**	**$ 338,892**	**$ 1,118,239**	**$ 2,419,435**
Revenue	3,287,469	39,876	1,297,145	2,008,081	6,632,571
Prizes	(1,796,238)	(9,472)	–	–	(1,805,710)
Non-gaming revenue	–	–	(84,506)	(15,538)	(100,044)
Adjusted Gaming Revenue	**$ 1,491,231**	**$ 30,404**	**$ 1,212,639**	**$ 1,992,543**	**$ 4,726,817**
Non-gaming revenue	–	–	84,506	15,538	100,044
Finance and other income	1,231	16	18,440	23,830	43,517
Foreign exchange (loss) gain	–	(5)	6,906	995	7,896
Adjusted Total Revenue	**$ 1,492,462**	**$ 30,415**	**$ 1,322,491**	**$ 2,032,906**	**$ 4,878,274**
Adjusted EBITDA %	**64.9%**	**(20.9%)**	**25.6%**	**55.0%**	**49.6%**

Fiscal 2011–12
(in thousands of dollars)

	Lottery	Charitable Gaming	Resort Casinos	OLG Slots and Casinos	Total
Net income (loss) as referenced in Note 26	$ 877,905	$ (19,000)	$ (80,201)	$ 843,349	$ 1,622,053
Amortization	11,230	1,695	110,825	83,359	207,109
Finance costs	102	–	6,464	1,215	7,781
Win contribution	–	–	242,942	14,965	257,907
Municipality host commissions	–	–	6,000	77,373	83,373
Charity payments	–	8,375	–	–	8,375
Gaming revenue share payments	53,959	1,301	25,565	38,527	119,352
Modernization charges	703	92	372	61,107	62,274
Adjusted EBITDA	**$ 943,899**	**$ (7,537)**	**$ 311,967**	**$ 1,119,895**	**$ 2,368,224**
Revenue	3,206,508	31,800	1,303,912	2,125,888	6,668,108
Prizes	(1,744,961)	(7,567)	–	–	(1,752,528)
Non-gaming revenue	–	–	(89,583)	(15,613)	(105,196)
Adjusted Gaming Revenue	**$ 1,461,547**	**$ 24,233**	**$ 1,214,329**	**$ 2,110,275**	**$ 4,810,384**
Non-gaming revenue	–	–	89,583	15,613	105,196
Finance and other income	1,358	22	16,421	18,836	36,637
Foreign exchange (loss) gain	(1)	–	7,197	1,111	8,307
Adjusted Total Revenue	**$ 1,462,904**	**$ 24,255**	**$ 1,327,530**	**$ 2,145,835**	**$ 4,960,524**
Adjusted EBITDA %	**64.5%**	**(31.1%)**	**23.5%**	**52.2%**	**47.7%**

For purposes of the EBITDA calculation, certain figures have been reclassified.

FEES PAID TO EXTERNAL AUDITOR

For the fiscal year ended March 31, 2013, the Corporation retained its independent auditor, KPMG LLP, to provide services in the categories and amounts shown in the table below:

(in thousands of dollars)

For the fiscal year	**2012–13**	2011–12
Audit Services	**$ 1,442.5**	$ 1,697.6
Tax Services	**100.1**	468.7
Other Services	–	25.0
Total of all Services	**$ 1,542.6**	$ 2,191.3

4. ENTERPRISE RISK MANAGEMENT

OLG must manage a wide variety of risks that could significantly impact the achievement of the three key objectives of OLG's modernization: become more customer-focused, secure qualified service providers for the day-to-day operations of lottery and gaming, and renew OLG's role in the oversight of lottery and gaming.

OLG'S APPROACH TO MANAGING RISK

Risk management is the responsibility of every employee and a formal Enterprise Risk Management ("ERM") function is in place at the Corporation. The ERM umbrella covers risk management, business continuity and crisis management. The ERM function is responsible for the ongoing development and execution of a corporate risk management framework that is aligned with ISO 31000 and requirements set out by the Province.

Risk management has been embedded in the Corporate Project Governance processes for project management. The risk management process for modernization includes risk identification, assessment and treatment planning at both the individual project and program levels. Results of the process are reviewed on a monthly basis with a senior management Program Risk Committee, the Executive Leadership Team and the Audit and Risk Management Committee of the Board. The risk profile is reported to the Board on a monthly basis.

Key risks

The following key risks are identified as inherently high for the Corporation.

Strategic	• Stakeholder relations risk – OLG engages with multiple stakeholders across a variety of business lines.
Accountability/ Governance	• Legal/Contractual compliance risk – OLG operates in a highly regulated environment. • Controllership/Accounting risk – OLG is subject to International Financial Reporting Standards (IFRS) and issues audited financial statements.
Operational	• Business continuity risk – OLG is transforming an entire industry while needing to maintain core operations.
Workforce	• Talent management risk – The ability to retain core talent required for change initiatives and required for the continued success of core operations is critical especially to the new modernized OLG.
Information Technology & Infrastructure	• Availability risk – The continued availability of core systems is critical for ensuring continued service delivery. • Infrastructure risk – OLG must ensure that its infrastructure is sufficient to support both the current and future needs of the business.
Other	• Private Sector Engagement risk – OLG's modernization includes securing qualified service providers for the day-to-day operations of lottery and gaming.

Risk mitigation strategies

OLG has undertaken an ambitious plan to transform its business and to ensure that risks across all of these categories continue to be managed. Risk mitigation has been and continues to be a key consideration as the Corporation continues to ensure core processes remain stable and efficient while significant change initiatives are properly staffed and resourced.

Risk mitigation strategies can be viewed across multiple lenses:

- Entity-wide programs that provide governance over significant processes
  - Transformation Program Office to govern the overall transformation process, including:
    - Communication (both internal and external)
    - Project governance
    - Risk management
    - Change management
    - Strategic procurement oversight
    - Build new OLG architecture
    - Human Resource planning (retention, severance, recruitment and succession planning)
    - Finance (analysis, modelling and planning)
    - Business continuity management
    - Strong links with specific business units and support functions as required
  - Corporate Project Governance
  - Enterprise Risk Management
  - Change Management
  - Consultative processes with the shareholder, stakeholders and legislative bodies
  - Independent Internal Audit practice
  - Business Continuity Management

- Specific projects undertaken to ensure risks are managed
- Controls built into new or changed processes to ensure risks continue to be managed

5. OVERVIEW OF KEY OLG INITIATIVES

OLG is transforming the Corporation to embrace new customers, channels and technology and deliver on its three strategic imperatives:

1. Become more customer-focused
2. Secure qualified service providers for the day-to-day operations of lottery and gaming
3. Renew OLG's role in the oversight of lottery and gaming

The following section provides an overview of some of the key transformation initiatives that are specifically directed towards the achievement of these goals:

1. Internet Gaming Program
2. Charitable Gaming Revitalization Initiative
3. Strategic Procurement for Gaming Sites
4. Strategic Procurement for the Lottery business
5. Customer Management Program
6. Gaming Management System Program
7. Transforming OLG's organization

Together, these initiatives will transform OLG from an organization that operates most of its own Lottery and Gaming business to one that more efficiently conducts and manages a multi-channel gaming industry in Ontario, including dynamic Lottery, Gaming, Internet and Charitable Gaming businesses.

Internet Gaming ("iGaming") Program

In July 2010, OLG received a mandate to deliver an Internet Gaming program. Ontarians will be able to safely play games of skill and chance online, in a provincially regulated environment that deters minors from playing online, incorporates a gold standard in Responsible Gambling controls and uses best-in-class security to ensure the safety and security of customer accounts and personal information.

On April 12, 2013, the Corporation and Boss Media AB (a part of SPIELO G2, the iGaming division of SPIELO International), the primary service provider, announced that they had entered into a Master Supply and Services Agreement for Internet Gaming Solution, dated April 5, 2013, relating to the supply of software and systems and the provision of services related to the iGaming platform. The agreement commences as of April 5, 2013 and continues for a period ending five years following launch of the iGaming platform, which is anticipated for fiscal 2013-14, with certain renewal options. The primary service provider is entitled to receive fixed and variable fees, as specified in the agreement.

Charitable Gaming ("cGaming") Revitalization Initiative

The two priority objectives for cGaming are to increase revenues to charities and attract additional players. By engaging service providers, the Charitable Gaming Revitalization Initiative completed the installation of new software and upgraded games at the six electronic Bingo ("eBingo") pilot sites as well as similar upgrades to five bingo halls by the end of fiscal 2012-13. To help ensure the continued vitality of the sector, OLG also began to roll out electronic Break Open Ticket dispensers in late fiscal 2012-13. Through fiscal 2013-14 and beyond, OLG will extend this modernization to all bingo halls in Ontario that wish to participate.

Strategic Procurement for the Lottery business

OLG is pursuing a similar process for the Lottery business as for Gaming sites. In fiscal 2012-13, OLG initiated a competitive procurement process to select a service provider for the operation of the lottery terminal network, based on defined criteria, customer demand and responsible gambling standards. The selected service provider will also be expected to assist in improving lottery purchase options at large multi-lane retail outlets, including supermarkets and big box stores, as well as Internet and mobile devices. At the same time, OLG will look to enable regulated service provider game development to foster innovation and increase responsiveness.

Customer Management ("CM") Program

Historically, OLG has implemented multiple channels and mechanisms for capturing customer information and for supporting customers with any issues. Information gathered from customers was stored in many diverse and disconnected IT systems. This can lead to out-of-date and inaccurate customer information. To address this, OLG is implementing an innovative initiative called Customer Management that establishes OLG as the sole owner of customer. CM will assist OLG in maintaining complete and accurate customer information regardless of how a customer interacts with OLG, whether directly or through a service provider. CM will also provide the customer with the ability to reach out directly to OLG for support on any issues that concern the customer. CM will improve OLG's capability to deliver Responsible Gambling programs, adhere to Government policy objectives and ensure a consistent and accurate customer experience across OLG's products, channels and services.

Gaming Management System ("GMS") Program

Consistent with OLG's modernization, the Corporation is continuing its program to replace the Gaming Management System, which tracks activities on each of the 12,500 slot machines at OLG's 19 Slots at Racetracks and Casino locations throughout Ontario. However, due to the initiation of the modernization, the design of the new GMS is being revised. The new system will need to replace an aged system that is no longer meeting the expectations of our customers and was built for an OLG-operated environment. The new GMS will need to work across up to 29 casinos operated by different service providers to give OLG an enhanced ability to understand and respond appropriately to customer play patterns at all sites in the province.

Transforming OLG

Through fiscal 2013-14 and beyond, OLG will transform its internal organization to align with changes in the Corporation's business model resulting from the modernization of the Lottery and Gaming business, the launch of Internet Gaming and the Charitable Gaming Revitalization Initiative. OLG will be a smaller, more efficient, more flexible and focused organization ensuring that regulated service providers are delivering safe and secure experiences to Ontarians consistent with OLG's policies and direction. OLG has recently begun an internal transformation to ensure that it has the resources, process and tools required to deliver on this mandate.

MARKET TRENDS

Lottery

The Canadian lottery market decreased by 3.4 per cent to over $7.7 billion in fiscal 2011-12, following a record-breaking year in fiscal 2010-11 fuelled by the introduction of LOTTO MAX.

OLG lottery sales, which account for over 41 per cent of total lottery sales in Canada, are larger than the combined lottery sales of Atlantic Lottery Corporation, British Columbia Lottery Corporation and Western Canada Lottery Corporation.

Canadian casino gaming

The Canadian casino-style gaming market was essentially flat at just over $10 billion in fiscal 2011-12. Net win was essentially flat for three of the top four Canadian jurisdictions: Ontario, Alberta and Québec. Net win in British Columbia increased by 2.5 per cent to $1.5 billion in fiscal 2011-12 attributable to increased revenue at its River Rock Casino in Richmond.

U.S. casino gaming

Across the top 12 U.S. jurisdictions that host commercial casinos with revenue of $1 billion or more, eight states saw gaming revenue increase for the most recent 12 months - Pennsylvania (which introduced over 900 table games across the state), New York (which increased subsidized free play), Michigan, Iowa, Missouri, Illinois, Louisiana and Nevada.

In Las Vegas, the largest U.S. casino market, Las Vegas Strip gaming revenue of $6.2 billion increased by 2.3 per cent in the 2012 calendar year compared to the same period last year yet still remains 9.1 per cent below pre-recession levels.

Also in 2012, Pennsylvania, with gaming revenue of $3.2 billion, surpassed New Jersey's Atlantic City and became the top gaming state in the U.S. Northeast and the number two state in the U.S.

New Jersey's Atlantic City, the third-largest U.S. casino market, has seen gaming revenue decline over the past six consecutive years from a pre-recession high of $5.2 billion in the 2006 calendar year to $3.0 billion in the 2012 calendar year. The opening of casinos in Pennsylvania triggered the decline in Atlantic City gaming revenue in the 2007 calendar year which was then worsened by the national economic downturn and an unsteady recovery.

Another market trend has been the migration of land-based players to the convenience, variety and value of iGaming. Industry analysts estimate the North American iGaming market to be approximately $5 billion, including an estimated $800 million derived from Canadian residents. Currently, the best estimate of the Ontario Internet gaming market - which is dominated by grey market operators - is that total annual revenues are between $425 million and $450 million. The online gaming market will substantially grow over the next five years, driven by greater Internet penetration, growing consumer trust in transacting online, increased acceptance of lottery and gaming by the Ontario population and improved acceptance by Canadian banks of financial transactions relating to gaming. It is estimated that a significant number of consumers will buy lottery tickets and related gaming products online, once OLG launches online lottery sales.

6. SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES AND JUDGMENTS

The preparation of the Consolidated Financial Statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Actual results could 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. Significant estimates are used in determining, but are not limited to: the useful lives and residual value of depreciable assets, provisions, amounts due to the Government of Canada, valuation of financial instruments, employee benefits and contingencies.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements are used in determining, but not limited to: lease classification and accounting for an arrangement containing a lease.

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

7. SUPPLEMENTARY DATA

OLG Slots and Casinos gaming revenue by location:

(in millions of dollars) *For the fiscal year*

Facility	2012–13	2011–12	$ Variance	% Variance
OLG Casino Brantford	**$ 110.8**	$ 112.0	**(1.2)**	(1.1)
OLG Casino Point Edward	**49.0**	35.9	**13.1**	36.5
OLG Casino Sault Ste. Marie	**26.7**	28.3	**(1.6)**	(5.7)
OLG Casino Thousand Islands	**71.5**	74.8	**(3.3)**	(4.4)
OLG Casino Thunder Bay	**48.8**	50.2	**(1.4)**	(2.8)
OLG Slots at Ajax Downs	**180.3**	176.8	**3.5**	2.0
OLG Slots at Clinton Raceway	**12.4**	12.6	**(0.2)**	(1.6)
OLG Slots at Dresden Raceway	**14.2**	13.1	**1.1**	8.4
OLG Slots at Flamboro Downs	**116.7**	121.6	**(4.9)**	(4.0)
OLG Slots at Fort Erie Race Track*	**2.3**	26.3	**(24.0)**	(91.3)
OLG Slots at Georgian Downs	**123.4**	125.6	**(2.2)**	(1.8)
OLG Slots at Grand River Raceway	**41.3**	43.5	**(2.2)**	(5.1)
OLG Slots at Hanover Raceway	**21.7**	21.9	**(0.2)**	(0.9)
OLG Slots at Hiawatha Horse Park*	**2.7**	29.1	**(26.4)**	(90.7)
OLG Slots at Kawartha Downs	**61.6**	64.7	**(3.1)**	(4.8)
OLG Slots at Mohawk Racetrack	**147.3**	150.2	**(2.9)**	(1.9)
OLG Slots at Rideau Carleton Raceway	**132.0**	139.6	**(7.6)**	(5.4)
OLG Slots at Sudbury Downs	**47.6**	49.4	**(1.8)**	(3.6)
OLG Slots at Western Fair District	**102.1**	102.2	**(0.1)**	–
OLG Slots at Windsor Raceway*	**4.0**	39.1	**(35.1)**	(89.8)
OLG Slots at Woodbine Racetrack	**576.7**	593.3	**(16.6)**	(2.8)
OLG Slots at Woodstock Raceway	**25.2**	25.3	**(0.1)**	(0.4)
OLG Slot Operations at Great Blue Heron Charity Casino**	**74.2**	74.8	**(0.6)**	(0.8)
Total OLG Slots and Casinos (including Great Blue Heron Slot Machine Facility)	**$ 1,992.5**	$ 2,110.3	**(117.8)**	(5.6)

**closed effective April 30, 2012.*

***The Great Blue Heron Charity Casino is owned by the Mississaugas of Scugog Island First Nation and is operated by Great Blue Heron Gaming Company, which is wholly owned by CAI Ontario Inc. and others. OLG owns and maintains authority over the slot machine facility, which is located within the casino.*

OLG Resort Casinos gaming revenue by location:

(in thousands of dollars)			For the fiscal year	
Facility	**2012–13**	2011–12	**$ Variance**	% Variance
Caesars Windsor	**$ 227,644**	$ 227,520	**124**	0.1
Casino Rama	**394,047**	405,257	**(11,210)**	(2.8)
Niagara Casinos	**590,948**	581,552	**9,396**	1.6
Total Resort Casinos	**$ 1,212,639**	$ 1,214,329	**(1,690)**	(0.1)

KEY ECONOMIC IMPACTS

OLG Resort Casinos

Economic Impact of Operations as of and for the year ended March 31, 2013

Facility	**Opening Date**	**Number of Employees**	**Annual Payroll** *(in thousands of dollars)*	**Number of Patrons**	**Number of Slots**	**Gaming Tables**
Caesars Windsor	May 17, 1994	2,833	$ 145,847	3,719,445	2,296	83
Casino Rama	Jul 31, 1996	2,710	119,233	3,107,366	2,488	117
Niagara Casinos	Dec 9, 1996	4,121	203,399	7,985,616	4,562	172
Total Resort Casinos		**9,664**	**$ 468,479**	**14,812,427**	**9,346**	**372**

OLG Casinos

Economic Impact of Operations as of and for the year ended March 31, 2013

Facility	**Opening Date**	**Number of Employees**	**Annual Payroll**	**Revenue to Municipality***	**Number of Patrons****	**Number of Slots**	**Gaming Tables**
			(in thousands of dollars)				
OLG Casino Brantford	Nov 17, 1999	901	$ 40,703	$ 3,309	1,325,564	540	57
OLG Slot Operations at Great Blue Heron Charity Casino	May 3, 2000	***	***	****	1,385,039	531	*****
OLG Casino Point Edward	Apr 18, 2000	381	18,844	2,317	660,341	448	27
OLG Casino Sault Ste. Marie	May 19, 1999	286	14,204	1,305	610,977	433	13
OLG Casino Thousand Islands	Jun 20, 2002	415	18,570	3,225	775,301	480	22
OLG Casino Thunder Bay	Aug 28, 2000	339	16,193	2,413	895,522	449	11
Totals		**2,322**	**$ 108,514**	**$ 12,569**	**5,652,744**	**2,881**	**130**

The Great Blue Heron Charity Casino is owned by the Mississaugas of Scugog Island First Nation and is operated by Great Blue Heron Gaming Company, which is wholly owned by CAI Ontario Inc., and others. OLG owns and maintains authority over the slot machine facility, which is located within the casino.

The Ontario Government receives 20 per cent of gaming revenue and 100 per cent of net profits from the OLG slot operations at Great Blue Heron Charity Casino.

**5 per cent of revenue from slot machines up to 450 machines and 2 per cent of revenue from slots over 450.*
***Great Blue Heron patron figures are based on entire facility.*
****245 employees of Great Blue Heron Gaming Company work in the slot operations. Annual payroll is $13.1 million.*
*****As the host community of the slot machines at Great Blue Heron Charity Casino, the Mississaugas of Scugog Island First Nation receives 5 per cent of the revenues of the OLG slot machine operations, totalling $3.9 million in fiscal 2012–13.*
******While Great Blue Heron Charity Casino offers table games, OLG management and reporting is limited to the slot operations.*

OLG Slots

Economic Impact of Operations as of and for the year ended March 31, 2013

Facility	Opening Date	Number of Employees	Number of Slots	Number of Patrons	Annual Payroll	Revenue to Tracks*	Revenue to Horse People*	Revenue to Municipality*
					(in thousands of dollars)			
OLG Slots at Ajax Downs	Feb 28, 2006	338	800	1,736,576	$ 15,106	$ 18,030	$ 7,978	$ 6,827
OLG Slots at Clinton Raceway	Aug 24, 2000	85	123	172,568	4,319	1,239	1,239	643
OLG Slots at Dresden Raceway	Apr 18, 2001	84	116	185,551	4,353	1,424	1,424	738
OLG Slots at Flamboro Downs	Oct 11, 2000	212	803	1,147,896	10,640	11,676	11,676	4,416
OLG Slots at Fort Erie Race Track**	Sep 9, 1999	–	–	60,166	963	5,672	2,678	1,386
OLG Slots at Georgian Downs	Nov 27, 2001	318	1,009	1,244,823	14,173	12,340	12,340	4,226
OLG Slots at Grand River Raceway	Dec 4, 2003	163	238	578,402	7,127	4,129	4,129	2,136
OLG Slots at Hanover Raceway	Feb 19, 2001	98	131	283,531	4,757	2,166	2,166	1,122
OLG Slots at Hiawatha Horse Park**	May 8, 1999	–	–	46,936	609	2,937	2,937	1,509
OLG Slots at Kawartha Downs	Nov 22, 1999	174	450	730,118	8,642	6,159	6,159	3,171
OLG Slots at Mohawk Racetrack	Aug 10, 1999	238	856	1,115,424	11,643	15,242	15,242	5,383
OLG Slots at Rideau Carleton Raceway	Feb 16, 2000	256	1,280	1,698,359	13,361	13,200	13,200	4,155
OLG Slots at Sudbury Downs	Nov 26, 1999	148	430	523,881	7,946	4,761	4,761	2,459
OLG Slots at Western Fair District	Sep 28, 1999	324	757	1,191,469	14,308	10,207	10,207	3,992
OLG Slots at Windsor Raceway**	Dec 16, 1998	–	–	58,669	935	1,749	1,749	1,540
OLG Slots at Woodbine Racetrack	Mar 27, 2000	752	2,995	4,450,008	35,498	59,605	59,605	14,979
OLG Slots at Woodstock Raceway	Jun 20, 2001	87	185	319,143	4,731	2,522	2,522	1,301
Totals		**3,277**	**10,173**	**15,543,520**	**$159,111**	**$173,058**	**$ 160,012**	**$ 59,983**

**Racetrack site holders and the horse racing industry are each entitled to receive a predetermined percentage of revenue from slots, or other amounts as agreed to, as outlined in the site holder agreement with the corresponding racetrack operator; municipalities receive 5 per cent of revenue from slots up to 450 machines and 2 per cent of revenue from slot machines over 450.*
***closed effective April 30, 2012.*

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 VP, Audit Services, responsible for Internal Audit, reports directly 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.

Rod Phillips
President and Chief Executive Officer

Preet Dhindsa
Executive Vice President, Chief Administrative Officer and Chief Financial Officer

July 4, 2013

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Ontario Lottery and Gaming Corporation, which comprise the consolidated statements of financial position as at March 31, 2013 and March 31, 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ontario Lottery and Gaming Corporation as at March 31, 2013 and March 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

July 4, 2013

Consolidated
Financial Statements

Consolidated Statements of Financial Position

As at March 31, 2013 and 2012
(in thousands of dollars)

	Notes	March 31, 2013	March 31, 2012 (Note 27)
Assets			
Current assets			
Cash and cash equivalents		$ 377,290	$ 359,893
Trade and other receivables	6	107,944	77,768
Prepaid expenses		28,302	34,111
Inventories	7	25,649	26,677
Current portion of loans receivable	8	–	3,584
Total current assets		539,185	502,033
Non-current assets			
Restricted cash	9	225,480	198,072
Loans receivable	8	–	16,595
Property, plant and equipment	10	1,440,343	1,584,524
Goodwill		1,776	1,776
Total non-current assets		1,667,599	1,800,967
Total assets		**$ 2,206,784**	**$ 2,303,000**
Liabilities and Equity			
Current liabilities			
Trade and other payables	11	$ 380,414	$ 311,377
Provisions	12	12,119	55,469
Due to operators	16	45,666	38,110
Due to Rama First Nation	17	2,192	1,593
Due to the Government of Canada	19	17,954	15,117
Deferred revenues		9,483	12,423
Current portion of long-term debt	21	51,571	58,449
Total current liabilities		519,399	492,538
Non-current liabilities			
Long-term debt	21	88,606	117,293
Employee benefits	23	14,442	21,567
Total non-current liabilities		103,048	138,860
Total liabilities		**622,447**	**631,398**
Equity			
Retained earnings		1,371,709	1,483,174
Contributed surplus		62,345	62,345
Reserves	9	150,283	126,083
Total equity		1,584,337	1,671,602
Total liabilities and equity		**$ 2,206,784**	**$ 2,303,000**

Approved on behalf of the Board

Peter Wallace

Peter Wallace
Chair

Steve Orsini
Director

Related party transactions (Note 15)
Commitments (Note 24)
Contingencies (Note 25)
Subsequent events (Note 28)

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

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2013 and 2012
(in thousands of dollars)

	Notes	March 31, 2013	March 31, 2012 (Note 27)
Revenues			
Lottery and charitable gaming	26	$ 3,327,345	$ 3,238,308
Resort casinos	26	1,297,145	1,303,912
OLG slots and casinos	26	2,008,081	2,125,888
		6,632,571	**6,668,108**
Expenses			
Lottery and charitable gaming	26	2,467,396	2,379,885
Resort casinos	26	1,373,033	1,400,895
OLG slots and casinos	26	1,197,492	1,240,164
		5,037,921	**5,020,944**
Income before the undernoted		**1,594,650**	**1,647,164**
Other income		39,984	32,826
Finance income	14	3,533	3,811
Finance costs	14	(6,446)	(7,781)
Foreign exchange gain	22.e	7,896	8,307
Other charges	20	(80,682)	(62,274)
Net income and comprehensive income		**$ 1,558,935**	**$ 1,622,053**

Segmented information (Note 26)

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

Consolidated Statements of Changes in Equity

For the years ended March 31, 2013 and 2012
(in thousands of dollars)

	Retained earnings	Contributed surplus	Capital renewals reserves	Operating reserves	Severance reserves	Total
Balance at March 31, 2011	**$ 1,521,872**	**$ 62,345**	**$ 26,967**	**$ 58,244**	**$ 43,794**	**$ 1,713,222**
Net income and comprehensive income	1,622,053	–	–	–	–	1,622,053
Contributions or distributions						
Transfers from reserves	2,922	–	(4,983)	(415)	2,476	–
Other contributions	2,704	–	–	–	–	2,704
Payments to the Province of Ontario	(1,666,377)	–	–	–	–	(1,666,377)
Balance at March 31, 2012	**$ 1,483,174**	**$ 62,345**	**$ 21,984**	**$ 57,829**	**$ 46,270**	**$ 1,671,602**
Net income and comprehensive income	1,558,935	–	–	–	–	1,558,935
Contributions or distributions						
Transfers from reserves	(24,200)	–	28,924	(3,242)	(1,482)	–
Payments to the Province of Ontario	(1,646,200)	–	–	–	–	(1,646,200)
Balance at March 31, 2013	**$ 1,371,709**	**$ 62,345**	**$ 50,908**	**$ 54,587**	**$ 44,788**	**$ 1,584,337**

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2013 and 2012
(in thousands of dollars)

	March 31, 2013	March 31, 2012 (Note 27)
Cash flows from operating activities		
Net income and comprehensive income	$ 1,558,935	$ 1,622,053
Adjustments to reconcile profit for the period to net cash from operating activities:		
Amortization	247,449	207,109
Loss on disposal of property, plant and equipment	2,003	16,464
Settlement of loans receivable	16,991	–
Net finance costs	2,913	3,970
Operating cash flows before change in non-cash working capital	1,828,291	1,849,596
Change in non-cash working capital items:		
(Increase) in trade and other receivables	(30,176)	(8,734)
Decrease (increase) in prepaid expenses	5,809	(4,582)
Decrease (Increase) in inventories	1,028	(8,323)
Increase in trade and other payables	69,037	16,792
(Decrease) increase in provisions	(43,350)	46,029
Increase in due to operators	7,556	5,891
Increase in due to Rama First Nation	599	171
Increase (decrease) in due to the Government of Canada	2,837	(937)
(Decrease) in deferred revenues	(2,940)	(13,408)
(Decrease) increase in employee benefits liability	(7,125)	315
Net cash from operating activities	**$ 1,831,566**	**$ 1,882,810**
Cash flows used in investing activities		
Interest received	3,533	3,811
Issuance of loans receivable	(1,554)	(323)
Proceeds received on loans receivable	4,742	5,862
Capital expenditures	(106,392)	(150,287)
Proceeds on disposal of property, plant and equipment	1,121	4,434
(Increase) in restricted cash	(27,408)	(9,684)
Net cash used in investing activities	**$ (125,958)**	**$ (146,187)**
Cash flows used in financing activities		
Interest paid	(6,446)	(7,781)
Increase in long-term debt	24,261	36,343
Repayments of long-term debt	(59,826)	(56,191)
Payments to the Province of Ontario	(1,646,200)	(1,666,377)
Other contributions	–	2,704
Net cash used in financing activities	**$ (1,688,211)**	**$ (1,691,302)**
Increase in cash and cash equivalents	17,397	45,321
Cash and cash equivalents, beginning of year	359,893	314,572
Cash and cash equivalents, end of year	**$ 377,290**	**$ 359,893**

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

Notes to the Consolidated Financial Statements

Years ended March 31, 2013 and 2012
(tabular amounts in thousands of Canadian dollars)

1. REPORTING ENTITY

The 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 a Crown agency of the Ontario government and is responsible for conducting and managing lottery games, charitable gaming, five Casinos and the Great Blue Heron Slot Machine Facility, 14 (March 31, 2012 - 17) slot operations at racetracks and four Resort Casinos (Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview)) in the Province of Ontario.

The Corporation has entered into operating agreements with Caesars Entertainment Windsor Limited which superseded Windsor Casino Limited on June 6, 2012, CHC Casinos Canada Limited, Falls Management Group, L.P. and Great Blue Heron Gaming Company for the operation of Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview) and the Great Blue Heron Slot Machine Facility, respectively.

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 500, Toronto, Ontario, M2P 2B8

These consolidated financial statements were authorized for issue by the Board of Directors of the Corporation on July 4, 2013.

2. MODERNIZING LOTTERY AND GAMING IN ONTARIO

On March 12, 2012, then Finance Minister Dwight Duncan accepted a report from OLG entitled *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*. This report was the culmination of a comprehensive strategic business review that examined the state of the Corporation's current operations in the context of a changing market. The final report included three recommendations for how the Corporation could achieve greater sustainability and increase Net Profit to the Province:

1. Become more customer-focused;
2. Expand regulated private sector delivery of lottery and gaming; and
3. Renew OLG's role in oversight of lottery and gaming.

The Government of Ontario has given the Corporation approval to move forward with all three of these recommendations. Over the next five years, the Corporation will begin implementing a series of initiatives that will support the modernization of its operations. These initiatives include:

- The launch of a new Internet Gaming ("iGaming") business line;
- The revitalization of Charitable Gaming through the introduction of new electronic gaming at bingo halls;
- The introduction of a new, streamlined Customer Management System and business-wide Gaming Management System; and
- The leveraging of private sector expertise in the day-to-day operation of both the lottery network and gaming sites.

As part of the Modernizing Lottery and Gaming in Ontario ("Modernization Plan"), on March 14, 2012, the Corporation announced the closure of three Slots at Racetracks facilities (OLG Slots at Windsor Raceway, OLG Slots at Hiawatha Horse Park and OLG Slots at Fort Erie Race Track) effective April 30, 2012 (see Note 20).

In addition, as a result of the Government of Ontario's announcement to end the Slots at Racetracks program effective March 31, 2013, the Corporation has since entered short-term binding agreements with all 14 of the racetrack facilities on a month-to-month basis. This will enable the Corporation to continue to conduct and manage its slot machine operations beyond the March 31, 2013 expiration date of the Slots at Racetracks program.

As of the date of these consolidated financial statements, OLG is in various stages in the formal strategic procurement process to obtain lottery and land-based gaming service providers. OLG's procurement process includes: Request for Information ("RFI"); Request for Pre-qualification ("RFPQ") and Request for Proposal ("RFP"). OLG is currently evaluating RFPQ's for the lottery service provider and various land-based gaming service providers. As a result of this process, it is expected that pre-qualified service providers will be able to participate in the RFP, expected to occur in fiscal 2013-14. In addition, the Corporation expects to continue the process by issuing RFIs for the remainder of land-based gaming bundles in the upcoming fiscal year.

As part of OLG's Modernization Plan, subsequent to March 31, 2013, the Corporation has begun to sign new Municipality Contribution Agreements with host municipalities where OLG operates a gaming facility. Under the new agreement, funding to municipalities will be based on total revenues generated from slot machines and table games rather than total number or mix of machines at a given location. Details of the agreements are disclosed in Note 4.f(iv).

As disclosed in Note 28, a primary service provider has been selected for the Corporation's iGaming program, with responsibility for providing a player account management system, various casino gaming products and related customer support services. The Corporation intends that the iGaming platform will launch in fiscal 2013-14.

In fiscal 2012-13, the Corporation together with the Ontario Charitable Gaming Association and the Commercial Gaming Association of Ontario commenced its phased rollout of a new suite of electronic games, in particular electronic Break Open Ticket ("BOT") dispensers. The Corporation will continue with the rollout of BOT dispensers, along with additional electronic games in fiscal 2013-14.

The Corporation is committed to the timely completion of the Modernization Plan and will continue to implement a series of initiatives to support the modernization of its operations.

3. BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary 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 assets through profit and loss that are measured at fair value (Note 4).

c. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The Canadian dollar is the Corporation's functional currency, the currency of the primary economic environment in which the Corporation operates. All financial information is presented in Canadian dollars.

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:

- Lease classification (Note 4.o)
- Accounting for an arrangement containing a lease (Note 4.t)

Information about significant areas of estimation and uncertainties that have a significant risk resulting in a material adjustment within the next fiscal year are included in the following notes:

- Asset useful lives and residual values (Note 4.l)
- Provisions (Note 12)
- Amounts due to the Government of Canada (Note 19)
- Valuation of financial instruments (Note 22)
- Employee benefits (Note 23)
- Contingencies (Note 25)

4. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently by the Corporation and its wholly owned subsidiary to the consolidated financial statements as at and for the years ended March 31, 2013 and March 31, 2012.

a. Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary which it controls. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These consolidated financial statements include the financial positions and results of operations of Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (collectively, “Resort Casinos”).

The assets, liabilities and operations of the Great Blue Heron Slot Machine Facility are also included in these consolidated financial statements. The operating results are included with the results of the OLG Slots and Casinos. These consolidated financial statements do not include other operations carried out at the Great Blue Heron Charity Casino, which OLG does not own and over which OLG maintains no authority.

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

The accounting policies of the consolidated group are aligned with the accounting policies of the Corporation.

b. Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the Corporation's functional currency, Canadian dollars, at the exchange rates at that date. Non-monetary assets and liabilities in foreign currencies measured in terms of historical cost are translated at historical exchange rates at the date of the transaction. Transactions in foreign currencies are translated into the Corporation's functional currency using the exchange rates at the date of the transactions. The consolidated statement of comprehensive income items are translated at the rate of exchange in effect at the transaction date. Foreign currency transaction gains and losses are recognized in the consolidated statement 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 is recognized for the following major business activities:

i) Lottery and Charitable Gaming

Lottery and charitable gaming products are sold to the public by contracted lottery retailers and Charitable Gaming Centre service providers. Revenue from tickets sold to consumers for lottery games, for which results are determined based on a draw, is recognized when the related draw occurs. Revenue from INSTANT games is recognized when retailers make them available for sale to the public, as indicated by the retailer's activation of tickets. Revenue from Sports wagering games and paper break open tickets ("BOT") is recognized when the ticket is sold to the consumer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue. For all other charitable gaming products, revenue is recognized, net of prizes paid, in the same period the game is played.

ii) Slot and table games

Gaming revenue from slot and table game operations is recorded in the consolidated statement of comprehensive income, net of prizes paid, in the same period the game is played. Gaming revenue is net of the change in accrued jackpot liabilities and liabilities under customer loyalty incentive programs.

iii) Non-gaming revenue

Non-gaming revenue includes revenue 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 patrons on a complimentary basis. Non-gaming revenue is recognized as goods are delivered and services performed.

d. Customer loyalty incentive programs

The Corporation has customer loyalty incentive programs whereby patrons have the choice to receive free or discounted goods and services, and in many cases the right to receive cash. These customer loyalty incentive programs at the Resort Casinos, Great Blue Heron Slot Machine Facility and OLG Slots and Casinos allow customers to earn points based on the volume of play during gaming transactions. These points are recorded as a separate deliverable in the revenue transaction.

If the customer has the right to receive free or discounted goods and services and/or the option of receiving cash, a financial liability is recognized when the points are granted and a corresponding amount equal to the cash value is recorded as a reduction to revenue. The patron's point balance will be forfeited if the patron 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, the revenue as determined by the fair value of the undelivered goods and services related to the customer loyalty award is deferred until the award is provided or expires.

e. Lottery and charitable gaming prizes

Prize expense for lottery and certain charitable gaming products is recognized based on the predetermined prize structure for each game in the period revenue is recognized as described below:

- Prize expense for tickets sold to consumers for lottery games, for which results are determined based on a draw, is recognized when the related draw occurs based on actual prize liability.
- Prize expense for INSTANT games is recognized when retailers make them available for sale to the public, as indicated by the retailer's activation of tickets based on prize structure.
- Prize expense for Sports wagering games is recognized when the last wagered event occurs based on actual prize liability.
- Prize expense for charitable gaming's paper BOT is recognized when the ticket is sold to the consumer based on actual prize liability.
- Prize expense for annuity-based top prizes is based on the cost of the annuity purchased by the Corporation from a third party.

Prize expense is adjusted on a monthly basis to reflect amounts actually won and/or unclaimed.

Unclaimed prizes on national games are returned to players through guaranteed jackpots and bonus draws. Unclaimed prizes on regional games are returned to the Province of Ontario through distributions to the Province. Unclaimed prizes are recorded as a reduction to the prize liability included in trade and other payables as well as a reduction to the prize expense. National games are administered by the Interprovincial Lottery Corporation and sold throughout Canada, while regional games are administered by the Corporation and sold only in Ontario.

f. Commissions and bonuses

(i) Lottery

Lottery retailers receive a commission of eight per cent on all INSTANT tickets and a commission of five per cent on all Online tickets sold. Where a commission has been paid to retailers for ticket sales relating to future draws, the commission amount is recorded as a prepaid expense until the related revenue is recognized. Lottery retailers also receive a three per cent commission on INSTANT ticket redemptions and a commission of two per cent on Online ticket redemptions. A $1,000 bonus is paid to any retailer who sells a major prize-winning Online ticket, excluding Sports and daily games. Commission amounts that are paid to a retailer for selling a major prize are recorded as an expense when the ticket is redeemed.

(ii) Charitable Gaming

Charitable Gaming Centre service providers receive a commission based on either a percentage of net win (after payment of prizes); or adjusted net gaming win (after payment of prizes and applicable marketing expenses). Charities and non-profit agencies receive either a percentage of total revenue or net win (after payment of prizes); or a percentage of adjusted net gaming win (after payment of prizes and applicable marketing expenses) and a percentage of non-gaming revenue.

(iii) Site holders

Racetrack site holders were entitled to receive twenty per cent of the revenue generated from slots, or other amounts as agreed to, as outlined in the site holder agreement with the corresponding racetrack operators; half of which or ten per cent was then owed to the horse racing industry. Three of the site holder agreements were terminated by the Corporation on April 30, 2012, one during fiscal 2012-13 and the remaining fourteen effective March 31, 2013. The Corporation has since entered short-term binding agreements with all fourteen remaining facilities on a month-to-month basis to enable the Corporation to continue to conduct and manage its slot machine operations beyond the March 31, 2013 expiration date of the Slots at Racetrack program, which is a non-commission based model.

(iv) Municipalities

Municipalities that host an OLG Casino or a Slots at Racetracks facility receive five per cent of revenue from slots up to 450 slot machines and two per cent of revenue from slot machines over 450 up to and including March 31, 2013. As the host community of the slot machines at Great Blue Heron Charity Casino, the Mississaugas of Scugog Island First Nation receives five per cent of the revenue from the slot machine facility.

Commencing April 1, 2013, Municipalities that host an OLG Casino or a Slots at Racetracks facility, including the City of Niagara Falls and the City of Windsor, will receive the following as defined in the agreement:

- 5.25 per cent on the first $65 million of annual slot revenue; plus
- 3.00 per cent on the next $135 million of annual slot revenue; plus
- 2.50 per cent on the next $300 million of annual slot revenue; plus
- 0.50 per cent on the remainder of annual slot revenue; plus
- 4.00 per cent on table game revenue, where applicable.

The Mississaugas of Scugog Island First Nation will continue to receive an amount equal to five per cent of the revenue of the Great Blue Heron Slot Machine Facility on a month-to-month basis, for up to a maximum period of 24 months from June 28, 2013, the date the original agreement was set to expire.

Municipalities that host the Corporation's Charitable Gaming Centres receive a commission based on either a percentage of total revenue or net win (after payment of prizes); or a percentage of adjusted net gaming win (after payment of prizes and applicable marketing expenses).

Commissions and bonuses are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

g. Cash and cash equivalents

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

h. Trade and other receivables

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

Trade and other receivables represent lottery proceeds due from lottery retailers for lottery ticket sales net of commissions and prizes paid by the retailers. Also included are charitable gaming proceeds due from Charitable Gaming Centre service providers for charitable gaming sales net of commissions and prizes paid and amounts due from patrons of Resort Casinos.

Collectibility of trade receivables is reviewed on an ongoing basis. Accounts which are known to be uncollectible are written off. An allowance for impaired receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, not including future credit losses, discounted at the original effective interest rate. The amount of the provision is recognized in the consolidated statement of comprehensive income.

i. 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.

Inventories consist of finished goods including slot machine and table game parts, security and surveillance parts, lottery and bingo tickets and paper, food and beverage inventory and retail inventory.

j. Financial instruments

(i) Non-derivative financial assets

The Corporation has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables. The Corporation did not have available-for-sale or held-to-maturity financial assets.

The Corporation initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

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

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

The Corporation classified all cash and cash equivalents and restricted cash as financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of trade and other receivables and loans receivable.

(ii) Non-derivative financial liabilities

The Corporation has the following non-derivative financial liabilities: trade and other payables, due to operators, due to Rama First Nation, due to the Government of Canada and long-term debt.

The Corporation initially recognizes financial liabilities issued on the date that they originated. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

All other financial liabilities (designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. Any transaction costs that are directly attributable to these financial liabilities are expensed as incurred.

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

The Corporation has no non-derivative liabilities classified at fair value through profit or loss.

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

k. 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 also includes prize funds on deposit and unused proceeds received from term loans.

l. Property, plant and equipment

(i) Recognition and measurement

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

Property, plant and equipment is 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 and 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 net within other income in profit or loss.

(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. The cost of the day-to-day servicing of property, plant and equipment is recognized in profit or loss as incurred.

(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 profit or loss 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 lease term.

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	3 to 10 years
OLG Slots and Casinos gaming assets	2 to 10 years

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

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the exchange date) of assets given and liabilities incurred or assumed. Acquisition-related costs are recognized in the consolidated statement of comprehensive income as incurred.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the "acquisition date"). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. Absent of any triggering factors during the year, the Corporation conducts its goodwill impairment test in the fourth quarter of the year. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Goodwill is measured at cost less accumulated impairment losses and has an indefinite useful life.

n. Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(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 is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. Subject to an operating segment ceiling test, 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 to.

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 profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of 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. Leased assets

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Corporation's statement of financial position. Operating leases payments are recognized as an expense on a straight–line basis over the lease term, except when another systematic basis is more representative of the time 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.

p. Deferred revenues

Funds collected from retailers for lottery games for which results are determined based on a draw, sold in advance of the game draw, are recorded as deferred revenue and recognized as revenue once the related draw occurs.

q. Trade and other payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year which are unpaid. Such liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at their amortized cost using the effective interest method. The amounts are short–term in nature.

r. 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 cost.

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

(i) Legal claims

The Corporation recognizes obligations for the settlement of current legal claims against the Corporation. The provision is measured based on the best estimate of the expenditure required to settle the matter. Each claim is individually reviewed for likelihood of settlement and expected settlement amount.

(ii) Restructuring provisions

A provision for restructuring is recognized when the Corporation has a legal or constructive obligation at the reporting date, which results from a detailed and formal restructuring plan approved by the Corporation, and the restructuring either has commenced or has been announced to those affected by it. Restructuring costs include only the direct incremental expenditures arising from the restructuring, which are those that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

(iii) Other provisions

The Corporation recognizes decommissioning obligations for the retirement of certain tangible property, plant and equipment that result from the acquisition, construction, development and/or normal use of the assets. The provision is measured based on the net present value of Management's best estimate of the expenditures that will be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the estimated useful life. The increase to the provision resulting from unwinding the discount is recognized as finance costs.

The provision is measured each period and subsequent changes in the provision are capitalized as part of the cost of the item and amortized prospectively over the remaining life of the item to which the costs relate. A gain or loss may be incurred upon settlement of the liability.

The Corporation recognizes a provision for insurance claims which the Corporation's insurance provider has indicated are more than likely to be settled. The provision is measured based on the amounts for each claim that settlement is probable or the amount of the deductible related to the claim.

The Corporation recognizes a provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The provision is initially measured based on the net present value of Management's best estimate of the net obligations under the contract. Subsequent changes in the measurement amount are charged to the class of expense to which the contract relates.

s. 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 will have 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 profit or loss in the periods during which services are rendered by 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 that 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 Pension Fund ("OPSEU Pension Fund"). The Corporation does not have a net obligation in respect of defined benefit pension plans as the plans are sole-sponsored defined benefit plans established by the Province of Ontario. The Province controls all entities included in the pension plans. The Corporation has 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 records these post-employment benefits as defined contribution plans and has recorded no additional liability for the plan deficit.

(iii) Other long-term employee benefits

The Corporation's net obligation in respect of 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 profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are recognized as an expense when the Corporation is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Corporation has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after 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 is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

t. Lease payments

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(i) Determining whether an arrangement contains a lease

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 arrangement conveys to the Corporation 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 for a finance lease that it is impracticable to separate the payments reliably, 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.

u. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. The Corporation ceases to capitalize borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete and suspends capitalization of borrowing costs during extended periods in which the Corporation suspends active development of a qualifying asset.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

v. Finance income and finance costs

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

w. Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's Executive Leadership Team ("ELT"), consisting of the President and CEO and his direct reports, to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the chief operating decision-maker, the Corporation's ELT, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

x. 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.

y. Accounting standards issued but not yet effective

A number of new accounting standards, and amendments to standards and interpretations, are not yet effective as at March 31, 2013, and have not been applied in preparing these consolidated financial statements.

(i) IAS 1, Presentation of Financial Statements ("IAS 1")

In June 2011, the International Accounting Standards Board ("IASB") amended IAS 1. This amendment requires an entity to separately present the items of other comprehensive income as items that may or may not be reclassified to profit and loss. This amended standard is effective for annual periods beginning on or after July 1, 2012. The Corporation intends to adopt the amendments in its consolidated financial statements for the fiscal period beginning on April 1, 2013. As the amendments only require changes in the presentation of comprehensive income, the Corporation does not expect the amendments to IAS 1 to have a material impact on its consolidated financial statements.

(ii) IFRS 10, Consolidated Financial Statements ("IFRS 10")

In May 2011, the IASB issued IFRS 10, which replaces the consolidation guidance contained in IAS 27 Consolidated and Separate Financial Statements. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities ("SPEs") in the scope of SIC-12, Consolidation – SPEs. This new standard is effective for annual reporting periods beginning on or after January 1, 2013. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

(iii) IFRS 12, Disclosure of Interest in Other Entities ("IFRS 12")

In May 2011, the IASB issued IFRS 12, which contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with an entity's financial position, financial performance and cash flows. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

(iv) IAS 32 and IFRS 7, Offsetting Financial Assets and Liabilities

In December 2011, the IASB published amendments to IAS 32, Financial Instruments – Presentation ("IAS 32") and issued new disclosure requirements in IFRS 7, Financial Instruments – Disclosures ("IFRS 7"). The amendments to IAS 32 provide clarification on when an entity has a legally enforceable right to offset and clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statements of financial position or subject to master netting or similar arrangements. The amendments to IAS 32 are effective for annual reporting periods beginning on or after January 1, 2014. The amendments to IFRS 7 are effective for is annual reporting periods beginning on or after January 1, 2013. The Corporation is assessing the impact of this amended standard on its consolidated financial statements.

(v) IFRS 13, Fair Value Measurement ("IFRS 13")

In May 2011, the IASB issued IFRS 13, which replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for annual reporting periods beginning on or after January 1, 2013. The Corporation intends to adopt IFRS 13 prospectively in its consolidated financial statements for the fiscal period beginning April 1, 2013. The Corporation does not expect IFRS 13 to have a material impact on its consolidated financial statements.

(vi) IAS 19R, Employee Benefits ("IAS 19")

In June 2011, the IASB amended IAS 19. This amendment eliminated the use of the "corridor" approach and mandates all remeasurement impacts be recognized in other comprehensive income. This amendment also clarifies when an entity should recognize a liability and an expense for termination benefits. This amended standard is effective for annual reporting periods beginning on or after January 1, 2013. The Corporation intends to adopt the amendments in its consolidated financial statements for the fiscal period beginning on April 1, 2013. The Corporation does not expect the amendments to IAS 19 to have a material impact on its consolidated financial statements.

(vii) IFRS 9, Financial Instruments ("IFRS 9")

In November 2009, the IASB issued IFRS 9 and in October 2010, the IASB published amendments to IFRS 9. IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. In December 2011, the IASB issued an amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

5. CAPITAL RISK MANAGEMENT

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

The Corporation's objectives in managing capital are to ensure sufficient resources are available for it to continue 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 its policies related to financial and risk management issues. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The operating agreements require the Resort Casinos to establish reserve funds. The Corporation is not subject to any externally imposed capital requirements. Refer to Note 22 for further details on the Corporation's financial risk management and financial instruments.

6. TRADE AND OTHER RECEIVABLES

	March 31, 2013	March 31, 2012
Trade receivables	$ 92,595	$ 71,563
Less: allowance for impairment	(4,597)	(7,463)
Trade receivables, net	87,998	64,100
Other	19,946	13,668
Trade and other receivables	**$ 107,944**	**$ 77,768**

The Corporation's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 22.

7. INVENTORIES

	March 31, 2013	March 31, 2012
Slot machine and table game parts	$ 4,334	$ 4,961
Lottery tickets and paper	14,750	14,080
Security and surveillance parts	979	994
Food and beverage	2,954	3,133
Retail	343	384
Other	2,289	3,125
	$ 25,649	**$ 26,677**

Inventories are valued at the lower of cost and net realizable value. Inventory costs, included in expenses, for the year ended March 31, 2013 were $95,987,000 (March 31, 2012 – $96,504,000). During the year ended March 31, 2013, the Corporation recorded inventory write-downs in expenses of $464,000 (March 31, 2012 – $286,000 of inventory write-downs were reversed).

8. LOANS RECEIVABLE

	March 31, 2013	March 31, 2012
Loans receivable	$ –	$ 20,179
Less: current portion of loans receivable	–	(3,584)
Long-term portion of loans receivable	**$ –**	**$ 16,595**

The Corporation had previously loaned funds to certain racetrack site holders for the purposes of renovating or constructing buildings to accommodate the Corporation's slot machine facilities. During fiscal 2012-13, additional funds were advanced to site holders for development and expansion of their property in the amount of $1,554,000 (fiscal 2011-12 – $323,000). In fiscal 2012-13, $16,991,000 of the loans were settled on a non-cash basis with an additional $4,742,000 due to proceeds received (fiscal 2011-12 – $5,862,000).

The Corporation's maximum remaining commitment for future advances as at March 31, 2013 is $nil (March 31, 2012 – $1,500,000).

9. RESTRICTED CASH

Included in restricted cash are the following amounts, which are held in separate bank accounts.

	March 31, 2013	March 31, 2012
Reserves (a)		
Capital renewals	$ 50,908	$ 21,984
Operating	54,587	57,829
Severance	44,788	46,270
	150,283	126,083
Less: unrestricted capital renewals and operating (b)	(17)	(426)
Funded reserves balance	150,266	125,657
Prize funds on deposit (c)	39,891	39,034
Unspent term loan proceeds (d)	35,323	33,381
Restricted cash	**$ 225,480**	**$ 198,072**

a. The Corporation has established reserves at the Resort Casinos in accordance with their respective operating agreements, or other terms as otherwise agreed to, for the following purposes:

- **(i) Capital renewals reserves** – For property, plant and equipment additions other than normal repairs, and to satisfy specified obligations in the event that cash flows will be insufficient to meet such obligations;
- **(ii) Operating reserves** – To satisfy specified operating obligations in the event that cash flows will be insufficient to meet such obligations; and
- **(iii) Severance reserves** – To satisfy certain obligations of the Corporation arising from the termination or layoff of employees of an operator in connection with the termination of an operator.

b. Given the continuing negative cash flows at Caesars Windsor, the Corporation and the Operator of Caesars Windsor have agreed that both the operating and capital renewals reserves at Caesars Windsor, totalling $17,000 at March 31, 2013 (March 31, 2012 – $426,000), although contractually set aside for the above uses, are available to fund current operations.

c. Prize funds on deposit are funds set aside representing the estimate of gross prizes outstanding of $70,652,000 (March 31, 2012 – $67,783,000) less an estimate for prizes not expected to be claimed by consumers of $30,761,000 (March 31, 2012 – $28,749,000).

d. Term loan proceeds represent restricted cash used for construction purposes at Caesars Windsor and for the renovation and expansion at Ajax Downs and Woodbine Racetrack. Subsequent to March 31, 2013, the Corporation commenced discussions with Ontario Financing Authority for return of such funds.

10. PROPERTY, PLANT AND EQUIPMENT

Cost

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	OLG Slots and Casinos gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2011	$ 137,824	$ 1,882,479	$ 598,083	$ 627,385	$ 98,082	$ 624,882	$ 48,287	$ 77,925	$ 4,094,947
Additions and assets put into use	–	20,984	55,577	16,289	804	79,105	–	(22,472)	150,287
Disposals and retirements	–	(8,716)	(61,824)	(40,166)	(14,755)	(94,820)	–	(5,724)	(226,005)
Balance at March 31, 2012	**$ 137,824**	**$ 1,894,747**	**$ 591,836**	**$ 603,508**	**$ 84,131**	**$ 609,167**	**$ 48,287**	**$ 49,729**	**$4,019,229**
Balance at April 1, 2012	$ 137,824	$ 1,894,747	$ 591,836	$ 603,508	$ 84,131	$ 609,167	$ 48,287	$ 49,729	$ 4,019,229
Additions and assets put into use	–	5,501	32,281	23,504	458	42,568	5,372	(3,292)	106,392
Disposals and retirements	–	(1,128)	(25,490)	(2,045)	(2)	(54,792)	–	(456)	(83,913)
Balance at March 31, 2013	**$ 137,824**	**$ 1,899,120**	**$ 598,627**	**$ 624,967**	**$ 84,587**	**$ 596,943**	**$ 53,659**	**$ 45,981**	**$4,041,708**

Accumulated amortization and accumulated impairment losses

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	OLG Slots and Casinos gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2011	$ 41,091	$ 923,271	$ 492,241	$ 454,039	$ 74,894	$ 438,560	$ 8,607	$ –	$ 2,432,703
Amortization for the period	–	39,601	49,362	27,115	6,383	78,839	5,809	–	207,109
Disposals and retirements	–	8,082	(66,932)	(35,962)	(14,772)	(95,523)	–	–	(205,107)
Balance at March 31, 2012	**$ 41,091**	**$ 970,954**	**$ 474,671**	**$ 445,192**	**$ 66,505**	**$ 421,876**	**$ 14,416**	**$ –**	**$ 2,434,705**
Balance at April 1, 2012	$ 41,091	$ 970,954	$ 474,671	$ 445,192	$ 66,505	$ 421,876	$ 14,416	$ –	$ 2,434,705
Amortization for the period	–	54,459	42,870	72,913	6,473	67,635	3,099	–	247,449
Disposals and retirements	–	(556)	(24,761)	(1,473)	(1)	(53,998)	–	–	(80,789)
Balance at March 31, 2013	**$ 41,091**	**$ 1,024,857**	**$ 492,780**	**$ 516,632**	**$ 72,977**	**$ 435,513**	**$ 17,515**	**$ –**	**$2,601,365**

Carrying amounts

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	OLG Slots and Casinos gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2012	$ 96,733	$ 923,793	$ 117,165	$ 158,316	$ 17,626	$ 187,291	$ 33,871	$ 49,729	$ 1,584,524
Balance at March 31, 2013	**$ 96,733**	**$ 874,263**	**$ 105,847**	**$ 108,335**	**$ 11,610**	**$ 161,430**	**$ 36,144**	**$45,981**	**$1,440,343**

The Corporation leases items of property, plant and equipment under finance lease agreements. The leases are structured in a manner that significant risks and rewards incidental to ownership of the leased assets have been transferred to OLG. At March 31, 2013, the net carrying amount of leased property, plant and equipment was $36,144,000 (March 31, 2012 – $33,871,000).

Capital expenditures by operating segment

The Corporation made the following capital outlays to the respective operating segments:

For the fiscal year	Lottery and Charitable Gaming	Resort Casinos	OLG Slots and Casinos	Total
2012–13	$ 15,241	$ 58,313	$ 32,838	$ 106,392
2011–12	$ 3,152	$ 63,476	$ 83,659	$ 150,287

Change in estimate

During the year ending March 31, 2013, the Corporation announced the termination of the Slots at Racetracks program resulting in the termination of the agreements with the site holders on March 31, 2013. The Corporation has since entered into short-term binding agreements based on proposed revised lease terms with all of the facilities on a month-to-month basis commencing April 1, 2013. As a result of the change in the estimated lease term duration, the period over which leasehold improvements are being amortized has changed. The effect of these changes on actual and expected amortization expense in current and future fiscal years respectively is as follows:

For the fiscal year	2012–13	2013–14	2015–16	2016–17	2017–18	Thereafter
(Decrease) increase in amortization expense	$ 48,119	$ (9,110)	$ (7,797)	$ (5,433)	$ (4,550)	$ (21,229)

11. TRADE AND OTHER PAYABLES

	March 31, 2013	March 31, 2012
Trade payables and accruals	$ 96,936	$ 92,520
Prizes payable	39,891	39,035
Employee benefits liability	46,579	48,031
Gaming liability	67,140	64,828
Commissions payable	30,461	32,073
Site settlement accrual	63,691	–
Other payables and accruals	35,716	34,890
Trade and other payables	**$ 380,414**	**$ 311,377**

Prizes payable comprise unclaimed and estimated lottery and charitable gaming prizes.

The accrual for employee benefits includes salaries payable, incentive accruals, long-term service awards, vacation pay accrual and other employee-related liabilities.

Gaming liability comprises 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 comprise funds deposited by patrons before gaming play occurs for chips in the patron's possession. Customer loyalty incentive points, 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 comprise payments to Charitable Gaming Centre service providers, racetrack site holders and the horse racing industry, as well those owing to municipalities that host an OLG Casino or Slots at Racetracks facility.

Site settlement accrual consists of the costs associated with negotiating the new letters of intent with site holders.

Other payables and accruals include accrued win contribution, casino customer deposits, security deposits and other.

The Corporation's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 22.

12. PROVISIONS

All provisions are included in current liabilities. The carrying amount is as follows:

	Legal claims	Restructuring provision	Other provisions	Total
Balance at April 1, 2012	$ 2,699	$ 46,260	$ 6,510	$ 55,469
Increases and additional provisions	902	–	1,677	2,579
Amounts paid	(1,246)	(39,395)	(1,278)	(41,919)
Amounts reversed	(957)	–	(3,053)	(4,010)
Balance at March 31, 2013	**$ 1,398**	**$ 6,865**	**$ 3,856**	**$ 12,119**

Legal claims

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. Estimates, where appropriate, have been included in the consolidated statement of financial position. During fiscal 2012-13, additional $902,000 of potential legal claims were set up, with an offsetting reduction of $1,246,000 due to claimants paid out. The $957,000 of legal claims reversed in fiscal 2012-13 was due to the likelihood of the obligations becoming remote. The ultimate outcome or actual cost of settlement may vary significantly from the original estimates. Material obligations 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 outcome is remote (see Note 25).

Restructuring provision

During fiscal 2012-13, the Corporation recognized $nil of additional provisions balances associated with restructuring charges as disclosed in Note 20 relating to the expected costs to be incurred resulting from the Corporation's Modernization Plan. $39,395,000 of the accrued restructuring liabilities were paid in the year ending March 31, 2013. It is management's expectation the remaining amounts will be paid during fiscal 2013-14.

The recognition of these restructuring charges requires Management to make certain judgments and estimates regarding the nature, timing and amounts associated with these restructuring plans. Adjustments to the recognized amounts may be required to reflect actual experience or changes in future estimates.

Other provisions

Other provisions include provisions for decommissioning obligations, insurance claims and onerous contracts.

The Corporation recognized a discounted liability associated with decommissioning obligations arising from terms in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms. This 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.

The Corporation recognizes a provision relating to insurance claims which the Corporation's insurance provider has indicated are more than likely to be settled. The provision is measured based on the estimated amounts to be settled or actual deductible amounts for each claim that settlement is likely. During fiscal 2012-13, an additional $1,677,000 of insurance claims were accrued, $1,263,000 of claims were settled and $655,000 of accrued claims were reversed as no longer likely they would be incurred.

The Corporation had contracts with various Charitable Gaming Centre service providers which required certain commissions be paid on gross revenue resulting in recurring losses. The lower of the cost to fulfill the contracts and the penalty from failure to fulfill them was previously recognized as a provision. During fiscal 2012-13, the Corporation entered new standardized Service Provider agreements with the Charitable Gaming Centre service providers, resulting in the onerous provision of $2,398,000 being extinguished.

13. PERSONNEL EXPENSES

Total personnel expenses, including Resort Casinos and Great Blue Heron Slot Machine Facility, for the year ended March 31, 2013 amounted to $892,470,000 (March 31, 2012 – $950,562,000).

14. FINANCE INCOME AND FINANCE COSTS

	March 31, 2013	March 31, 2012
Interest income on financial assets at fair value through profit and loss and loans and receivables	$ 3,533	$ 3,811
Finance income	**$ 3,533**	**$ 3,811**
Interest on bank overdraft and loans	(2,523)	(3,833)
Interest on obligations under finance lease	(3,855)	(3,846)
Other interest expenses	(68)	(102)
Total interest expense for financial liabilities not classified at fair value through profit and loss	(6,446)	(7,781)
Finance costs	**$ (6,446)**	**$ (7,781)**
Net finance costs recognized in net income and comprehensive income	**$ (2,913)**	**$ (3,970)**

15. RELATED PARTIES

The Corporation is related to various other government agencies, ministries and Crown corporations. Related party transactions include loan agreements with the Ontario Financing Authority, as described in Note 21 to the consolidated financial statements as well as Due to operators (Note 16) and Due to Rama First Nation (Note 17).

All transactions with these related parties are in 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.

Transactions with key management personnel

Key management personnel compensation

The Corporation's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Corporation and consist of the Corporation's Board of Directors and Executive Leadership Team.

Key management personnel compensation comprised the following:

	March 31, 2013	March 31, 2012
Short-term employee benefits	$ 3,988	$ 3,552
Post-employment benefits	230	213
Termination benefits	–	246
	$ 4,218	$ 4,011

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

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

Termination benefits include compensation related to voluntary and involuntary termination of employment.

16. DUE TO OPERATORS

Under the terms of the development and operating agreements for each of the Resort Casinos and the Great Blue Heron Slot Machine Facility, 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 each of the related development and operating agreements. The operators of the Casinos are as follows: Casino Niagara and Fallsview – Falls Management Group, L.P., the general partner of which is Falls Management Company (owned by Niagara Casino Group, L.P., Highland Gaming, Inc., Shiplake Gaming Corporation, Olympic V, Inc. and 3048505 Nova Scotia Company) and the sole limited partner of which is Falls Entertainment Corporation; Casino Rama – CHC Casinos Canada Limited, an indirectly wholly owned subsidiary of Penn National Gaming, Inc. (Penn); the Great Blue Heron Slot Machine Facility – Great Blue Heron Gaming Company, owned by CAI Ontario Inc. and others; and Caesars Windsor – Caesars Entertainment Windsor Limited ("CEWL"), a wholly owned subsidiary of Caesars Entertainment Corporation which superseded Windsor Casino Limited (WCL) as the operator on June 6, 2012. As at March 31, 2013, the amount due to operators was $45,666,000 (March 31, 2012 – $38,110,000).

At each of the Resort Casinos and the Great Blue Heron Slot Machine Facility, the Operator is the employer of the employees working at that facility. All payroll and payroll-related costs are charged to the Corporation on a monthly basis and expensed in the Corporation's consolidated statement of comprehensive income and included in amounts disclosed in Note 13.

a. Casino Rama

Casino Rama was previously operated pursuant to a Development and Operating Agreement dated as of March 18, 1996, as amended (the "DOA") between, among others, the Corporation, CHC Casinos Canada Limited (the "Casino Rama Operator"), an indirect wholly owned subsidiary of Penn National Gaming, Inc., and Rama First Nation. The DOA expired on July 31, 2011.

The Corporation and the Casino Rama Operator (along with other Penn-related entities) entered into an interim operating agreement dated as of August 1, 2011 (the "Interim Operating Agreement"), on substantially the same terms and conditions as the DOA. The initial term of the Interim Operating Agreement was eight months and expired on March 31, 2012. Pursuant to the Interim Operating Agreement, the Corporation had one option to extend the term for up to an additional six months. On January 23, 2012, the Corporation exercised this option to extend the term for six months until September 30, 2012.

Pursuant to a letter agreement dated May 31, 2012 and a notice to extend dated August 9, 2012, OLG exercised a further option to extend the term of the Interim Operating Agreement on a month-to-month basis immediately following October 1, 2012, for up to a maximum period of 24 months. OLG may terminate the month-to-month arrangement at any time by providing two months' advance written notice.

b. Great Blue Heron

On January 22, 2010, the Corporation entered into a new operating agreement with Great Blue Heron Gaming Company, owned by CAI Ontario Inc. and others. The agreement was to commence on the opening of the new casino facility, ending on the earlier of 20 years from the opening and June 28, 2031 and has operating terms substantially similar to those contained in the current development and operating agreement. On July 24, 2012, a notification that effectively terminated the agreement was issued.

c. Niagara Falls

Under the terms of the Niagara Falls Permanent Casino Operating Agreement, in a Competitive Environment, as defined, the Operator is entitled to receive additional Operator services fees and an Attractor fee. The Attractor fee is calculated, as defined, to allow for the amortization of the total capital contribution of the Operator to external attractors of $30,000,000, including a convention centre and a people mover. As at March 31, 2013, the Operator's fees included an Attractor fee accrual of $4,528,000 (March 31, 2012 – $5,070,000). The Corporation's remaining commitment as at March 31, 2013 is $17,530,000.

d. Caesars Windsor

Under the terms of a trademark licence agreement for the rebranding of Caesars Windsor, the Corporation pays a licence fee calculated as a percentage of the revenue and operating results, as defined, of Caesars Windsor. The trademark licence agreement, with a wholly-owned indirect subsidiary of Caesars Entertainment Windsor Limited, will terminate on July 31, 2020 or on such earlier date as Caesars Entertainment Windsor Limited or its subsidiary ceases to be the Operator of Caesars Windsor. As at March 31, 2013, the amount due in respect of the trademark licence agreement was $2,957,000 (March 31, 2012 – $1,953,000).

17. DUE TO RAMA FIRST NATION

a. Casino Rama is located on reserve lands of Rama First Nation under the authority of a 25-year sublease (expiring in March 2021) between the Corporation and Casino Rama Inc., a wholly owned subsidiary of Rama First Nation. The lands are leased by Casino Rama Inc. from Her Majesty the Queen in Right of Canada under a 25-year lease, which expires in March 2021. Annual rent payable under this lease, adjusted for inflation, is paid out of the gross revenue of the Casino Rama complex to Rama First Nation in accordance with instructions from Aboriginal Affairs and Northern Development Canada as representative for Her Majesty the Queen. During the year, $4,821,000 was expensed (March 31, 2012 – $4,728,000).

The terms of various agreements provide for the designation and leasing of Additional Parking Lands, as defined, by Rama First Nation to Casino Rama with an annual rent payable of approximately $1,700,000, adjusted for inflation. While the designation and leases are not yet complete, the lands are permitted and currently in use at Casino Rama. During the year, $2,164,000 was expensed (March 31, 2012 – $2,126,000).

b. Under the terms of the development and operating agreement for Casino Rama, Rama First Nation received an annual fee (the "Rama Allocation"), adjusted for inflation, related to the provision of ongoing operating services.

On January 26, 2010, the Corporation and Rama First Nation announced that they had entered into an agreement dated July 17, 2009 relating to Casino Rama for the 20-year period commencing August 1, 2011 and relating to possible future development (the "Post-2011 Contract"). The key terms of the Post-2011 Contract, relevant to the Corporation, are as follows:

- **(i)** The term of the Post-2011 Contract commenced on August 1, 2011 and continues until July 31, 2031, subject to earlier termination or the exercise by the Corporation of two successive options to extend the Post-2011 Contract for successive extension periods of ten years and five years, respectively. The Post-2011 Contract shall terminate on March 14, 2021 if Rama First Nation and the Rama Corporation do not replace the existing surrenders and permits with a new surrender or establish a land management regime on or before December 31, 2015;
- **(ii)** Rama First Nation shall be entitled to receive an annual fee (the "Rama Fee") for each successive twelve-month period commencing August 1, 2011 in an amount equal to the greater of 1.9 per cent of the Gross Revenues of the Complex, as defined, and $5,500,000; and
- **(iii)** The Corporation agrees to contribute $2,000,000 towards the capital cost of a gaming and executive development training centre upon presentation to and acceptance by the Corporation of a detailed Business Plan and Development Concept.

Rama First Nation's entitlement to any share of the net revenues under the Casino Rama Revenue Agreement ceased as of August 1, 2011 pursuant to the terms of the Post-2011 Contract.

During the year, $7,961,000 was expensed (March 31, 2012 – $7,311,000, of which $1,967,000 relates to the Rama Allocation and $5,344,000 relates to the Rama Fee). As at March 31, 2013, $674,000 (March 31, 2012 – $676,000) was due to Rama First Nation.

c. On April 30, 2002, an agreement was signed with Rama First Nation pursuant to which the Corporation and the Operator agreed to reimburse Rama First Nation an annual amount equal to 75 per cent of the annual operating budget of the fire department in exchange for fire protection services to the casino complex. This agreement expired on July 31, 2011.

In connection with the terms of the Post-2011 Contract, Rama First Nation and the Corporation entered into agreements relating to the provision of fire protection and policing services to the casino complex for a term commencing on August 1, 2011 and terminating on July 31, 2031, unless otherwise extended.

Payments made to Rama First Nation in connection with these emergency services, as well as snow removal services and water and sewer services amounted to $7,014,000 for the year ended March 31, 2013 (March 31, 2012 – $8,221,000). These payments were included in general and administration expenses as disclosed in Note 26. At March 31, 2013, $1,377,000 (March 31, 2012 – $917,000) was due to Rama First Nation.

d. Under the terms of a five-year lease ended July 2011, the Corporation rented office space from a company related to Rama First Nation. Pursuant to the terms of the Post-2011 Contract, a company related to Rama First Nation and the Corporation agreed to enter into a lease for the rental of office space for a term commencing on August 1, 2011 and terminating on July 31, 2014. An amount of $738,000 was expensed in fiscal 2012-13 (fiscal 2011-12 – $724,000).

Also, under the terms of an eight-year lease ended July 2011, an annual rental fee, adjusted for inflation, for warehouse space was paid to a company related to Rama First Nation. Pursuant to the terms of the Post-2011 Contract, a company related to Rama First Nation and the Corporation entered into a lease for warehouse space for a term commencing on August 1, 2011 and terminating on March 13, 2021. During fiscal 2012-13, $372,000 was expensed (fiscal 2011-12 – $367,000).

Under the terms of a Letter of Agreement entered into by the Corporation in January 2007 regarding the management and administration of leasehold improvement projects at Casino Rama, Rama First Nation contracts directly with the contractors selected by the Corporation. During the year, $2,320,000 (March 31, 2012 – $94,000) was paid to Rama First Nation under this Letter of Agreement to pay contractors involved in the acquisition of leasehold improvements. At March 31, 2013, $141,000 (March 31, 2012 – $nil) is due to Rama First Nation.

e. The Corporation and Rama First Nation executed a letter of intent as of September 7, 2011, as amended and restated by an amended and restated letter of intent executed as of May 31, 2012 (collectively, the "Letter of Intent") which set out, among other things, the principal terms and conditions with respect to the planning and proposed construction, development and location of the Employee Parking Lot. During the fiscal 2012-13, $2,662,000 (fiscal 2011-12 – $90,000) was paid out of the capital reserve account to Rama First Nation under the Letter of Intent.

The Corporation and Casino Rama Inc. entered into an employee parking lot licence dated May 31, 2012 (the "Employee Parking Lot Licence") pursuant to which Casino Rama Inc. granted to the Corporation a licence to use and occupy certain lands for the purposes of operating a parking lot. The Corporation and Casino Rama Inc. agreed that the execution of and, the performance of obligations under, the Employee Parking Lot Licence satisfied and complied with the obligations and requirements with respect to the Employee Parking Lot contained in the Post-2011 Contract. The term of the Employee Parking Lot Licence commenced on December 18, 2012 and terminates concurrently with the termination of the Post-2011 Contract (unless the permit underlying the licensed lands is terminated earlier in accordance with its terms). During the year ended March 31, 2013, $417,000 (March 31, 2012 – $nil) was paid to Casino Rama Inc. under the Employee Parking Lot Licence.

18. WIN CONTRIBUTION

The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility in accordance with the *Ontario Lottery and Gaming Corporation Act, 1999*, which amounted to $257,056,000 for fiscal 2012-13 (fiscal 2011-12 – $257,907,000) and was recorded as an operating expense.

19. DUE TO THE GOVERNMENT OF CANADA

As at March 31, 2013, the amount due to the Government of Canada was $17,954,000 (March 31, 2012 – $15,117,000). 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.

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 similar to 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 as disclosed in Note 26.

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

20. OTHER CHARGES

	March 31, 2013	March 31, 2012
Site settlement (a)	$ 80,682	$ –
Restructuring (b)	–	62,274
	$ 80,682	**$ 62,274**

a. Site settlement

The Corporation incurred site settlement costs of $80,682,000 for the year ended March 31, 2013, as of result of negotiating letters of intent with site holders. Part of costs incurred were $16,991,000 of loans receivable that were settled on a non-cash basis and an additional $63,691,000 in compensatory costs to be paid to the site holders in fiscal 2013-14. The payable for site settlement costs is disclosed in Note 11.

b. Restructuring

The Corporation's restructuring charges for the year ended March 31, 2012 were $62,274,000, primarily comprising severance and facility exit costs and property, plant and equipment disposals relating to the closure of three Slots at Racetracks facilities. The provision for restructuring charges is disclosed in Note 12.

21. LONG-TERM DEBT

	March 31, 2013	March 31, 2012
Caesars Windsor loan (a)	$ 32,345	$ 79,580
Ajax Downs loan (b)	7,052	10,769
Woodbine loan (c)	53,069	40,957
Obligation under finance lease (d)	47,711	44,436
	140,177	**175,742**
Less: current portion	(51,571)	(58,449)
	$ 88,606	**$ 117,293**

a. Caesars Windsor loan

In November 2008, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of Caesars Windsor and for financing the construction of the Windsor Clean Energy Centre (the "Energy Centre"). The Energy Centre was constructed to provide electricity, heating and cooling to the expanded Caesars Windsor facilities. The initial loan balance of $226,483,000 plus interest is repayable over five years in equal monthly payments of $4,092,206. The loan bears interest at a rate of 3.2 per cent per annum and is unsecured.

b. Ajax Downs loan

In June 2009, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of the slots facility at Ajax Downs. The initial loan balance of $18,524,000 plus interest is repayable over five years in equal monthly payments of $327,941. The loan bears interest at a rate of 2.4 per cent per annum and is unsecured.

c. Woodbine loan

In October 2010, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion (in two phases, Phase A and Phase B), of the slots facility at Woodbine Racetrack (the "Project").

Phase A construction was completed and the related construction loan facility was converted to a term loan in May 2011. The initial loan balance for Phase A of $31,269,000, plus interest is repayable over five years in equal monthly payments of $560,904. The loan bears interest at a rate of 2.931 per cent per annum and is unsecured.

Phase B construction was completed during fiscal 2012–13 and the related construction loan facility was converted to a term loan in January 2013. The initial loan balance for Phase B was $33,802,000 consisting of advances during the year of $19,215,000 (including capitalized interest during construction of $207,000) and $14,587,000 during the prior year. The term loan is repayable over five years in equal monthly payments of $597,222. The loan bears interest at a rate of 2.32 per cent per annum and is unsecured.

d. Obligations under finance leases

Effective March 2010, the Corporation entered into an amending agreement for an additional 15-year lease term with Maple Leaf Entertainment Inc., Canadian Niagara Hotels Inc., 1032514 Ontario Limited and Greenberg International Inc., to lease the facility which houses Casino Niagara and to license the adjacent parking facilities. The agreement extends the term of the original lease and license agreements by an additional term of 15 years from March 10, 2010 to March 9, 2025. This agreement is considered to be a finance lease for accounting purposes and has an implicit interest rate of 8.2 per cent. The total remaining debt outstanding is $42,665,000 at March 31, 2013 (March 31, 2012 – $44,436,000).

During fiscal 2012–13, the Corporation entered into a five year lease arrangement for the use of Break Open Ticket dispensers. This agreement is considered to be a finance lease for accounting purposes and has an implicit interest rate of 9.0 per cent. The total remaining debt outstanding is $5,046,000 at March 31, 2013 (March 31, 2012 – $nil).

e. Payments over the next five years and thereafter

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

March 31	Long-term debt	Obligation under finance lease		Total
	Repayments	Principal	Interest	
2014	$ 48,526	$ 3,045	$ 3,981	$ 55,552
2015	16,595	3,334	3,703	23,632
2016	13,376	3,210	3,413	19,999
2017	8,060	3,576	3,128	14,764
2018	5,909	4,093	2,795	12,797
Thereafter	–	30,453	10,109	40,562
	$ 92,466	**$ 47,711**	**$ 27,129**	**$ 167,306**

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 Ontario Financing Authority. The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures.

22. 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 the above risks and the Corporation's objectives, policies and processes for measuring and managing these risks.

b. Risk management framework

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. During fiscal 2012–13, the committee reported regularly to the Board of Directors on its activities.

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 training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

During fiscal 2012–13, the ARMC oversaw how Management monitored compliance with the Corporation's risk management policies and procedures and reviewed the adequacy of the risk management framework in relation to the risks faced by the Corporation. The ARMC was assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARMC.

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 with 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, loans receivable and liquid investments.

Trade and other receivables and loans receivable

Trade and other receivables include credit provided to retailers of lottery products, Charitable Gaming Centre service providers and patrons of Resort Casinos. Loans receivable consist of loans to racetrack operators. The Corporation performs ongoing credit evaluations of retailers, Charitable Gaming Centre service providers, patrons and racetrack operators and maintains reserves for potential credit losses on both accounts receivable and loans receivable balances. The carrying amount of these financial assets represents the maximum credit exposure.

The amounts disclosed in the consolidated statement of financial position are net of allowances for impairment, which consist of a specific provision that relates to individually significant exposures, estimated by Management based on prior experience and its 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, 2013, the Corporation had an allowance for impairment of $4,597,000 (March 31, 2012 – $7,463,000), which represented approximately 4.1 per cent (March 31, 2012 – 7.1 per cent) of the Corporation's consolidated accounts receivable and loans receivable. The Corporation believes that its allowance for impairment is sufficient to reflect the related credit risk.

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 in place for short-term investments which provides direction for Management to minimize risk. All investments held by the Corporation are low-risk and have a term to maturity of less than 90 days, and as a result, the 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 far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without jeopardizing the Corporation's Net Profit to the Province of Ontario commitment.

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, or other terms as otherwise agreed. 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 gross profit and cash flows from operations and continuously monitoring the forecast against future liquidity needs. Given the Corporation's unique line of business, which historically has generated positive cash flows, liquidity risk is of minimal concern.

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

March 31, 2013	**Carrying amount**	**Contractual cash flows**	**< 1 year**	**1–2 years**	**2–5 years**	**> 5 years**
Trade and other payables	$ 380,414	$ 380,414	$ 380,414	$ –	$ –	$ –
Due to operators	45,666	45,666	45,666	–	–	–
Due to Rama First Nation	2,192	2,192	2,192	–	–	–
Due to the Government of Canada	17,954	17,954	17,954	–	–	–
Long-term debt, including obligation under finance lease	140,177	140,177	51,571	19,928	38,225	30,453
	$ 586,403	**$ 586,403**	**$ 497,797**	**$ 19,928**	**$ 38,225**	**$ 30,453**

March 31, 2012	**Carrying amount**	**Contractual cash flows**	**< 1 year**	**1–2 years**	**2–5 years**	**> 5 years**
Trade and other payables	$ 311,377	$ 311,377	$ 311,377	$ –	$ –	$ –
Due to operators	38,110	38,110	38,110	–	–	–
Due to Rama First Nation	1,593	1,593	1,593	–	–	–
Due to the Government of Canada	15,117	15,117	15,117	–	–	–
Long-term debt, including obligation under finance lease	175,742	175,742	58,449	47,041	33,750	36,502
	$ 541,939	**$ 541,939**	**$ 424,646**	**$ 47,041**	**$ 33,750**	**$ 36,502**

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 comprises 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.

Long-term debt currently consists of three loan agreements entered into with the Ontario Financing Authority and obligations under finance leases. The obligations under finance leases (refer to Note 21.d), and the term loan agreements have fixed interest rates for their entire terms and are currently subject to limited interest rate risk.

At March 31, 2013, the Corporation had cash and cash equivalents of $377,290,000 (March 31, 2012 – $359,893,000). 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 U.S. dollars – USD) and by holding bank accounts and investments in USD.

The majority of the Corporation's suppliers and patrons are based in Canada and, therefore, transact in Canadian dollars (CAD). Some suppliers and patrons 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 patrons, as well as paying its U.S.-based suppliers. The balances held in USD are closely monitored to ensure future USD requirements are met. As a result, there is some exposure to foreign currency fluctuations and the Corporation's foreign exchange gain for the year ended March 31, 2013 was $7,896,000 (March 31, 2012 – $8,307,000).

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, is as follows:

USD	**March 31, 2013**	**March 31, 2012**
Cash and cash equivalents	$ 19,957	$ 19,706
Trade and other payables	(3,246)	(3,140)
Net exposure	**$ 16,711**	**$ 16,566**

All USD balances are shown in CAD equivalents.

Sensitivity analysis

A 10 per cent increase in the value of the USD at March 31, 2013 would have increased net income by $1,671,000.
A 10 per cent decrease in the value of the USD at March 31, 2013 would have had the equal but opposite effect.
This analysis assumes that all other variables, including interest rates, remain constant.

(iii) Other market price risk

The Corporation offers sports-based lottery products in the marketplace. The Corporation manages risks associated with these products by setting odds for each event within a short time frame before the actual event, by establishing sales liability thresholds by sport, by providing credit management controls, by posting conditions and prize structure statements on OLG.ca and by limiting the aggregate amount of prizes that may be won on any given day for all sports-based products. The Corporation also has the authority to suppress sales of any game at any time when liability risk is a concern.

f. Fair values measurement

Financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- **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 (e.g. as prices) or indirectly (e.g. derived from prices); and
- **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 (unobservable inputs).

The Corporation has determined the fair value of its financial instruments as follows:

The Corporation's financial instruments carried at fair value on the consolidated statement of financial position, which consist of cash and cash equivalents and restricted cash are valued using quoted market prices, which are included in Level 1.

The carrying amounts in the consolidated statement of financial position of trade and other payables, due to operators, due to Rama First Nation and due to the Government of Canada approximate fair values because of the short-term nature of these financial instruments or because they are receivable/payable on demand.

Trade and other receivables are carried at amortized cost using the effective interest method.

The fair value of the Corporation's long-term debt, excluding the 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. The obligations under finance leases are carried at amortized cost using the effective interest method.

There were no financial statement categories in Level 3 (valuation techniques using non-observable data) for the year ended March 31, 2013 or March 31, 2012.

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.

23. EMPLOYEE BENEFITS

a. Defined contribution plans

The operators of the Resort Casinos and the Great Blue Heron Slot Machine Facility have created defined contribution pension plans for their employees. The pension expense for the period ended March 31, 2013 amounted to $19,621,000 (March 31, 2012 – $20,494,000).

b. Other post-employment benefit plans

The Corporation provides pension benefits for all its permanent employees and to non-permanent employees who elect to participate through the PSPF and the OPSEU Pension Fund, which are sole sponsored defined benefit pension plans established by the Province of Ontario. The Province controls all entities included in the PSPF and OPSEU Pension Plans. 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 statement of comprehensive income. The Corporation's contribution and pension expense during the year was $20,073,000 (March 31, 2012 – $21,033,000).

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 on the consolidated statement of financial position.

The WSIB accrual at March 31, 2013 was $15,698,000 (March 31, 2012 – $23,700,000), of which $14,442,000 (March 31, 2012 – $21,567,000) is included in employee benefits liability and $1,256,000 (March 31, 2012 – $2,133,000) is included in trade and other payables. The accrued benefit costs are based on actuarial assumptions.

The operators of the Resort Casinos and the Great Blue Heron Slot Machine Facility are Schedule 1 employers under the Act and are not subject to the financial reporting requirements of self-insured employers.

d. Short-term employee benefits

Short-term employee benefits include salaries payable, incentive accruals, vacation accruals, severance accruals and other employee-related payables which have been recorded in trade and other payables (Note 11).

24. COMMITMENTS

a. Obligations under operating leases

The Corporation has entered into several operating leases for property and equipment. The future minimum lease payments are approximately, as follows:

		March 31, 2013
No later than 1 year	$	25,482
Later than 1 year and not later than 5 years		47,326
Later than 5 years		38,524
	$	**111,332**

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 Federal Government, as described in Note 19.b, on the future lease payments are approximately, as follows:

2014	$	40,426
2015		33,850
2016		25,737
2017		20,069
2018		16,474
		136,556
Thereafter		262,255
	$	**398,811**

c. Suppliers

The Corporation has computer hardware maintenance agreements with future payments as at March 31, 2013 of approximately:

2014	$	26,553
2015		15,987
2016		12,875
2017		12,679
2018		12,491
	$	**80,585**

d. Caesars Windsor

In connection with the terms of an agreement between Caesars Windsor and the City of Windsor (the "City"), the Corporation agreed to provide the City with compensatory payments commencing May 1, 1998 of $2,600,000 per annum for the first ten years, $3,000,000 per annum for the next ten years and $3,000,000 per annum thereafter, for as long as Caesars Windsor does not cease operations, adjusted for Consumer Price Index as defined in the agreement. On May 17, 2013, the Corporation announced a new Municipality Contribution Agreement, which will amend the terms of the hosting fee arrangement between the Corporation and the City of Windsor. Details of the agreements are disclosed in Note 4.f (iv).

In fiscal 2012-13, the Corporation transferred cash of $60,500,000 (fiscal 2011-12 – $62,000,000) to Caesars Windsor for its working capital requirements. The Corporation has committed to transfer up to $75,000,000 to Caesars Windsor in 2013-14 for working capital.

e. Niagara Fallsview Casino Resort

In connection with the terms of an agreement between Fallsview and the City of Niagara Falls (the "City"), the Corporation agreed to provide the City with compensatory payments commencing December 7, 2000 in the amount of $2,600,000 per annum for the first ten years, $3,000,000 per annum for the next ten years and $3,000,000 per annum thereafter, for as long as Fallsview does not cease operations, adjusted for Consumer Price Index as defined in the agreement. On May 17, 2013, the Corporation announced a new Municipality Contribution Agreement, which will amend the terms of the hosting fee arrangement between the Corporation and the City of Niagara Falls. Details of the agreements are disclosed in Note 4.f(iv).

f. Casino Rama

As part of the Corporation's fiscal 2012-13 Capital Budget, OLG approved six capital refresh projects (the "Refresh Project") consisting of an overall gaming floor refresh, a new consolidated west-entrance and expanded high limits room, a poker room and slot expansion, a new entertainment restaurant/pub, a new centre bar and an expanded waste management/recycling area. As at March 31, 2013, the Corporation is committed to construction contracts totalling $7,463,000 associated with the Refresh Project.

g. OLG Slots and Casinos

In connection with the terms of an amending agreement and an assignment, consent and acknowledgement agreement between the Corporation and a site holder at one of the Slots at Racetracks facilities that the Corporation closed on April 30, 2012, the Corporation agreed to provide the site holder with payments commencing December 31, 2009 in the amount of $5,600,000 per annum for three years in lieu of a predetermined percentage of revenue from slots.

In connection with the terms of an amending agreement between the Corporation and a Slots at Racetracks site holder, the Corporation agreed to amend the horse racing industry payment during the five-year period commencing January 1, 2011 to a predetermined amount of $8,000,000 per annum in lieu of a predetermined percentage of revenue from slots at the site. This amending agreement relates to one of the Slots at Racetracks facilities in respect of which the Corporation terminated the site holder agreement effective March 31, 2013.

On April 30, 2012, the Corporation closed three Slots at Racetracks facilities (OLG Slots at Windsor Raceway, OLG Slots at Hiawatha Horse Park and OLG Slots at Fort Erie Race Track). The Corporation has made certain payments in respect of these facilities in respect of the period from May 1, 2012 to March 31, 2013 totaling $39,395,000 (Note 12). For these facilities, the Corporation is committed to the remaining obligation of $6,865,000.

All of the remaining Slots at Racetracks facilities have entered into binding short-term letter agreements commencing April 1, 2013 on a month-to-month basis. Corporation is committed to make payments to occupy these premises which have been included in the obligations under operating lease disclosed above (see Note 24.a).

h. Mississaugas of Scugog Island First Nation ("MSIFN")

In fiscal 2009-10, the Corporation and the MSIFN entered into a conditional agreement to construct a new casino facility to replace the existing tent structure, on MSIFN reserve lands, at an estimated total cost of $165,000,000. On February 18, 2009, the Corporation's Board of Directors approved the expenditure of $83,800,000 as the Corporation's share of the project costs. The approval was conditional on MSIFN's obtaining a commitment for financing for its portion of the project costs of $81,200,000. The agreement to construct and operate the new facility was terminated on July 24, 2012.

Under the terms of the development and operating agreement, the MSIFN receives an amount equal to five per cent of the revenue of the Great Blue Heron Slot Machine Facility in consideration for provision of the lands used for the Slot Machine Facility. During the year, $3,910,000 (March 31, 2012 - $3,870,000) was paid to the MSIFN. The agreement which was set to expire on June 28, 2013, has been extended on a month-to-month basis, for up to a maximum period of 24 months.

i. Ontario First Nations (2008) Limited Partnership ("OFNLP")

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation, the Ontario First Nations (2008) Limited Partnership and OFNLP entered into the Gaming Revenue Sharing and Financial Agreement (the "GRSFA"). Pursuant to the terms of the GRSFA and an Order-in-Council, the Corporation was directed to pay OFNLP, commencing in fiscal 2011-12 and in each fiscal year during the remainder thereafter of the 20-year term, an amount equal to 1.7 per cent of the Gross Revenues of the Corporation, as defined ("Gaming Revenue Sharing Payment"). These payments take the place of the ongoing net revenues that OFNLP would otherwise have been entitled to under the Casino Rama Revenue Agreement dated June 9, 2000, entitlement to which ceased as of April 1, 2011 pursuant to the terms of the GRSFA. During the year, $119,901,000 was expensed (fiscal 2011-12 - $119,352,000) as Gaming Revenue Sharing Payment as disclosed in Note 26.

25. CONTINGENCIES

a. On June 10, 2008, the Corporation was served with a statement of claim related to a class action for general damages and punitive damages totalling $3,500,000,000. The statement of claim alleges that the Corporation was negligent in its duty of care to prohibit self-excluded patrons from gaming at the Corporation's gaming sites. In a decision released on March 15, 2010, the plaintiff's motion was dismissed and denied certification. Procedures related to this action are ongoing. On April 14, 2010, the plaintiff filed on appeal of the decision. The appeal was dismissed by Divisional Court on December 2, 2011. The plaintiff filed its Leave to Appeal to the Court of Appeal on March 12, 2012 and was heard on April 15, 2013. The Court's decision was reserved. The Corporation will continue to defend itself through the appeals process. The outcome is undeterminable at this time and no amounts have been accrued in the consolidated statement of financial position.

b. On May 20, 2009, the Corporation was served with a statement of claim related to a class action for general damages and punitive damages for an amount yet to be determined. The statement of claim alleges that the Corporation was in breach of contract by not discontinuing the sales of certain INSTANT lottery game tickets once the top prizes were won. The action is at a very early stage, as no action has taken place since May 2009 and no class has been certified by the Courts. The Corporation intends to vigorously defend itself. The outcome is undeterminable at this time and no amounts have been accrued in the consolidated statement of financial position.

c. On June 9, 2000, the Corporation, the Ontario First Nations Limited Partnership ("OFNLP"), the Mnjikaning First Nation Limited Partnership ("MFNLP") and the Province of Ontario entered into the Casino Rama Revenue Agreement, which entitled the OFNLP to the net revenues, as defined, from the operation of Casino Rama. Under the Casino Rama Revenue Agreement, the Corporation is required to distribute the net revenues from the operation on a monthly basis.

The Casino Rama Revenue Agreement required that, commencing July 31, 2001, the Corporation retain 35 per cent of the net distributions from Casino Rama (the "35% Share") in a segregated bank account if the Corporation had not received a joint direction from OFNLP and the Chippewas of Rama First Nation, also known as the Chippewas of Mnjikaning First Nation ("Rama First Nation") with respect to a new revenue distribution formula. This matter was the subject of an action brought by Rama First Nation against the Province of Ontario (the "35% Action"). Until the 35% Action was decided by the Courts or, alternatively, Rama First Nation and OFNLP reached an agreement on a new revenue distribution formula, the Corporation was required to retain these funds in the segregated bank account.

On July 8, 2010, the Supreme Court of Canada dismissed the 35% Action brought by Rama First Nation. Since the dismissal of the 35% Action, disputes have arisen between Rama First Nation and OFNLP concerning whether Rama First Nation is entitled to a formula share of the 35% Share (the "Formula Share") on the same basis as all other First Nations in the Ontario Region (the "Formula Share Claim Dispute"). In addition, the Chiefs of Ontario and OFNLP provided the Corporation with a copy of a resolution passed on July 21, 2010 and directed that the entire 35% Share be distributed to OFNLP. Subsequently, the Corporation applied for a court order permitting the Corporation to interplead the Formula Share into court (the "Interpleader Application") pending the resolution of the Formula Share Claim Dispute.

On September 17, 2010, the undisputed portion of the 35% Share as agreed to by OFNLP and Rama First Nation, being $178,800,000, was released on consent of all interested parties to OFNLP, with OLG retaining the disputed portion. Between October 2010 and January 2011, on consent of the interested parties, OLG similarly released additional accumulated undisputed amounts to OFNLP, while retaining additional accumulated disputed amounts. On January 31, 2011, the total accumulated disputed Formula Share amount, being $5,432,000, was distributed from this account to OFNLP in connection with an agreement reached by the interested parties and the dismissal of the Interpleader Application, pending final disposition of the Formula Share Claim Dispute. OFNLP provided OLG with a direction to be held in escrow until the Formula Share Claim Dispute is finally resolved. This direction authorizes the payment by OLG of any award to Rama First Nation made in the Formula Share Claim Dispute arbitration directly (if Rama First Nation is ultimately successful in the Formula Share Claim Dispute) from future amounts that would be otherwise payable by OLG to OFNLP under the revenue sharing agreements (i.e. Casino Rama Revenue Agreement/Gaming Revenue Sharing and Financial Agreement).

On February 6, 2013 an arbitral award was issued in the Formula Share Claim Dispute arbitration which allowed Rama First Nation's claims and determined that Rama First Nation is entitled to receive $5,634,000 for principal and interest to December 17, 2012 plus interest on this amount thereafter until payment (the "Arbitral Award"). OFNLP filed an Amended Notice of Application in the Ontario Superior Court of Justice seeking to have the Arbitral Award set aside. In February, 2013 counsel to Rama First Nation requested that, pursuant to the direction provided by OFNLP to the Corporation, the Corporation withhold payment to OFNLP of an amount equal to the Arbitral Award from amounts that would otherwise be payable by OLG to OFNLP under the revenue sharing agreements. The Corporation advised that it was not in a position to do so in light of the terms of the direction provided by OFNLP to the Corporation and the pending OFNLP application to have the Arbitral Award set aside.

Pursuant to the terms of the GRSFA, OFNLP's entitlement to any share of the net revenues under the Casino Rama Revenue Agreement ceased as of April 1, 2011.

d. During fiscal 2012–13, OLG and the Province of Ontario were served with a Notice of Arbitration from a third party asserting claims to certain cash generated by Casino Rama as at March 31, 2011 and the residual value of certain Casino Rama property and equipment. In addition, in fiscal 2012–13, OLG and the Province of Ontario were served with a Statement of Claim from a third party seeking payout to it of the Casino Rama capital reserve and the operating reserve. On June 17, 2013, the Superior Court action relating to the Statement of Claim was stayed, pending a determination by an arbitrator as to whether the matters raised are subject to arbitration. Both proceedings are currently ongoing, with OLG and the Province defending against both claims. The outcomes of both proceedings are undeterminable at this time and no amounts have been accrued in the consolidated statement of financial position.

e. The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on its consolidated statement of financial position. Estimates, where appropriate, have been included in the consolidated statement of financial position, (see Note 12); however, additional settlements, if any, concerning these contingencies will be accounted for as a charge to the consolidated statement of comprehensive income in the period in which the settlement occurs.

26. OPERATING SEGMENTS

The Corporation has three reportable segments, as described below, which are the Corporation's strategic business units. The strategic business units 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 chief operating decision-maker, which is the Corporation's ELT, reviews internal management reports on a monthly basis for each of the strategic business units. The following summary describes the operations in each reportable segment:

- Lottery and charitable gaming derives its revenue from the sale of lottery and charitable gaming products, which includes Online, INSTANT and Sports products.
- Resort Casinos are full-service casinos that offer patrons a variety of amenities, in addition to slot and table games, including accommodations, entertainment and food and beverage services.
- The OLG Slots and Casinos are smaller gaming facilities. The Casinos offer slot and table games, as well as food and beverage services. The Slots at Racetracks are located at racetrack sites and include only slot games. Food and beverage services are also offered at the racetrack sites; however, at most of the locations, OLG is not the entity providing these services.

March 31, 2013	Lottery and Charitable Gaming	Resort Casinos	OLG Slots and Casinos	Total
Revenues				
Gaming	$ 3,327,345	$ 1,212,639	$ 1,992,543	$ 6,532,527
Non-gaming	–	84,506	15,538	100,044
	3,327,345	**1,297,145**	**2,008,081**	**6,632,571**
Expenses				
Non-gaming	–	222,443	36,860	259,303
Gaming and lottery operations	110,564	249,357	258,466	618,387
Prizes	1,805,710	–	–	1,805,710
Commissions	248,317	–	389,475	637,792
Marketing and promotion	57,288	149,612	90,290	297,190
Operators' fees	–	68,824	4,022	72,846
Amortization	13,826	111,816	121,807	247,449
General and administration	62,112	104,220	89,254	255,586
Facilities	8,920	116,567	78,250	203,737
Gaming Revenue Sharing Payment (Note 24.i)	57,013	25,922	36,966	119,901
Win contribution (Note 18)	–	242,231	14,825	257,056
Payments to the Government of Canada (Note 19)	103,646	82,041	77,277	262,964
	2,467,396	**1,373,033**	**1,197,492**	**5,037,921**
Segment profit (loss) before the undernoted	**859,949**	**(75,888)**	**810,589**	**1,594,650**
Other income	1,075	15,584	23,325	39,984
Finance income (Note 14)	172	2,856	505	3,533
Finance costs (Note 14)	(193)	(5,221)	(1,032)	(6,446)
Foreign exchange gain (loss) (Note 22.e)	(5)	6,906	995	7,896
Other charges (Note 20)	–	–	(80,682)	(80,682)
Segment profit (loss)	**$ 860,998**	**$ (55,763)**	**$ 753,700**	**$ 1,558,935**
Add: Win contribution (Note 18)	–	242,231	14,825	257,056
Net Profit to the Province (a)	**$ 860,998**	**$ 186,468**	**$ 768,525**	**$ 1,815,991**

(a) *Net Profit to the Province ("NPP") is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments. NPP is computed by adding back win contribution to segment profit (loss). The chief operating decision-maker, the ELT, considers NPP to be a key measure in evaluating decisions relating to the Corporation.*

March 31, 2012	Lottery and Charitable Gaming	Resort Casinos	OLG Slots and Casinos	Total
Revenues				
Gaming	$ 3,238,308	$ 1,214,329	$ 2,110,275	$ 6,562,912
Non-gaming	–	89,583	15,613	105,196
	3,238,308	**1,303,912**	**2,125,888**	**6,668,108**
Expenses				
Non-gaming	–	228,526	38,838	267,364
Gaming and lottery operations	110,793	258,148	296,159	665,100
Prizes	1,752,528	–	–	1,752,528
Commissions	236,381	–	424,699	661,080
Marketing and promotion	55,243	150,825	99,158	305,226
Operators' fees	–	62,705	4,013	66,718
Amortization	12,925	110,825	83,359	207,109
General and administration	48,612	100,670	78,598	227,880
Facilities	8,929	136,250	81,509	226,688
Gaming Revenue Sharing Payment (Note 24.i)	55,260	25,565	38,527	119,352
Win contribution (Note 18)	–	242,942	14,965	257,907
Payments to the Government of Canada (Note 19)	99,214	84,439	80,339	263,992
	2,379,885	**1,400,895**	**1,240,164**	**5,020,944**
Segment profit (loss) before the undernoted	**858,423**	**(96,983)**	**885,724**	**1,647,164**
Other income	1,358	14,042	17,426	32,826
Finance income (Note 14)	22	2,379	1,410	3,811
Finance costs (Note 14)	(102)	(6,464)	(1,215)	(7,781)
Foreign exchange gain (loss) (Note 22.e)	(1)	7,197	1,111	8,307
Other charges (Note 20)	(795)	(372)	(61,107)	(62,274)
Segment profit (loss)	**$ 858,905**	**$ (80,201)**	**$ 843,349**	**$ 1,622,053**
Add: Win contribution (Note 18)	–	242,942	14,965	257,907
Net Profit to the Province (a)	**$ 858,905**	**$ 162,741**	**$ 858,314**	**$ 1,879,960**

(a) *Net Profit to the Province ("NPP") is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments. NPP is computed by adding back win contribution to segment profit (loss). The chief operating decision-maker, the ELT, considers NPP to be a key measure in evaluating decisions relating to the Corporation.*

27. COMPARATIVE FIGURES

During the current fiscal year, the Corporation made a change in revenue recognition policy. Certain charitable gaming products previously recognized on a gross revenue basis have been changed to net resulting in prize expenses being reclassified to revenue providing in more reliable and relevant information. The change in revenue recognition policy related to charitable gaming had no impact to the Corporation's net income and comprehensive income.

Certain comparative figures have been reclassified, where necessary, to reflect the current year's presentation.

28. SUBSEQUENT EVENTS

On April 12, 2013, the Corporation and Boss Media AB (a part of SPIELO G2, the iGaming division of SPIELO International) (the primary service provider) announced that they had entered into a Master Supply and Services Agreement for Internet Gaming Solution dated as of April 5, 2013 relating to the supply of software and systems and the provision of services related to the iGaming platform. The agreement commences as of April 5, 2013 and continues for a period ending five years following launch of the iGaming platform, which is anticipated for fiscal 2013–14, with certain renewal options. The primary service provider is entitled to receive fixed and variable fees, as specified in the agreement.

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