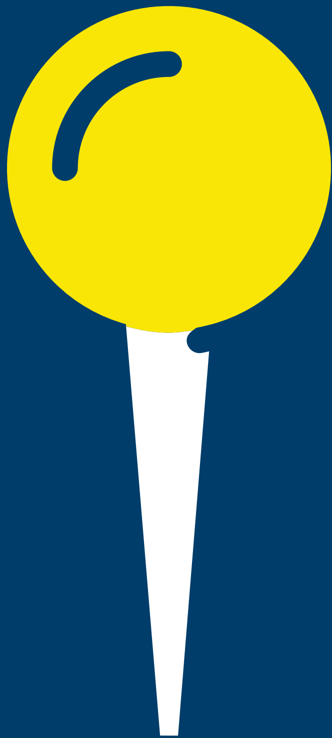
ONTARIO LOTTERY AND GAMING CORPORATION 2015–16 ANNUAL REPORT



All for Here

Ontario's Lottery & Gaming

2015–16
Annual Report


SOCIÉTÉ DES LOTERIES ET DES JEUX DE L'ONTARIO
Tout pour ici
100 % DES PROFITS INVESTIS EN ONTARIO
DEPUIS 40 ANS, TOUS LES PROFITS D'OLG SONT REDONNÉS À DES CAUSES QUI CONTRIBUENT À UN ONTARIO MEILLEUR. POUR NOUS, C'EST TOUT POUR ICI.
OLG
Société des loteries et des jeux de l'Ontario

ONTARIO'S LOTTERY & GAMING

All for Here

INVESTING

100% OF PROCEEDS IN ONTARIO

Message from the Chair

Ontario Lottery and Gaming Corporation (OLG or "the Corporation") performed very well this year, delivering on all of our major objectives. We moved forward with OLG's lottery and gaming renewal, Internet gaming and the integration of horse racing, while providing record-breaking financial results for our shareholder, the Province of Ontario.

Our board is committed to maintaining the trust Ontarians have in OLG through strong corporate governance. Our role as a board is to ensure that the Corporation executes on its mandate to deliver gaming responsibly and to provide sustainable Net Profit to the Province.

We remain committed to pursuing a gold standard for our Responsible Gambling (RG) program, which was recognized as the best in the world by the World Lottery Association in November 2014. As service providers take over the day-to-day operations of gaming and lottery in Ontario, they will need to adopt all of OLG's current and future RG policies, programs and collaborative efforts—including maintaining RG Check, a rigorous external RG accreditation program. In 2015–16, OLG's Internet gaming website, PlayOLG, joined our gaming sites in receiving this global recognition.

In February, OLG launched *PlaySmart*, a new suite of RG resources. *PlaySmart* includes tools, advice and information to help players make informed choices about how they play.

OLG contributed to the excitement around the TORONTO 2015 Pan Am / Parapan Am Games. The Corporation was proud to stand as a Presenting Partner of the TORONTO 2015 Pan Am Torch Relay, which made its way through 130 Ontario communities over 41 days. This sponsorship reflected OLG's traditions of giving back to communities by sponsoring local events and supporting amateur athletes through the Quest for Gold program.

This year was a successful one for the Corporation's largest business lines, lottery and land-based gaming. Our financial results in 2015–16 would not have been possible without the dedication and commitment of our employees and the keen focus of an effective management team. In the face of ongoing change, our diverse and talented workforce provides exceptional service to our customers each and every day.

The board would also like to acknowledge the commitment employees make to charitable fundraising initiatives. In 2015–16, our employees made OLG one of the top fundraisers in the Ontario Public Service by raising over $345,000 for the United Way and more than $371,000 for the Federated Health Charities.

This year we welcomed two new Directors to our board, Steve Williams and John Craig. As we look to the future, our 12-member board will continue to evolve, further its use of governance best practices and continually improve and enhance its performance and effectiveness. The board looks forward to guiding the senior management as it delivers on its business plans, continues to move modernization forward and positions OLG for future success.

Philip Olsson
Chair, Board of Directors

Message from the President and Chief Executive Officer

The 2015–16 fiscal year at the Ontario Lottery and Gaming Corporation (OLG or "the Corporation") was marked by a change in leadership, improved business results and significant progress on modernization.

A point of focus in the earliest months was on the structure of the organization, how it was set up to deliver on the challenges of its mandate and the team that would lead OLG to success in its core business, modernization and horse racing integration. On July 1, 2015, after months of diligent review in consultation with the Corporation's Board of Directors, a new senior executive team was struck. New leaders and new roles were introduced to the Executive Committee. The changes made were intended to enable greater accountability and contribute to growing a strong and sustainable business for the long term.

Perhaps the most significant of these changes was the establishment of a Chief Operating Officer, with a strong mandate to bring greater coordination and efficiency to operations across all of our lines of business. Two other roles were also newly created – one to manage the emerging horse racing line of business and the other responsible for market management, research and development and for business analytics. The former stood as a reflection of the Corporation's commitment to developing a competitive, vibrant and sustainable horse racing industry in the province, while the latter is intended to position OLG into the future as a more agile organization with a bias for decision making.

The newly formed Executive Committee strived throughout the year to bring greater emphasis and a renewed focus to our business operations. This contributed, in part, to remarkable year-end financial results. Fueled by large national lottery jackpots, record INSTANT ticket sales, increased visitation to our Slots, Casinos and Charitable Gaming Centres and, above all, the excellent work of our staff, the organization realized the greatest single-year revenue total in its history. As a result, OLG delivered more than $2.2 billion in Net Profit to the Province to support government priorities. Host communities, First Nations and locally-based charities and not-for-profits also received greater than expected returns.

The Corporation's performance becomes all the more remarkable when one understands the delicate balance between managing current-day business, while meeting the challenges of transforming for the future. In this last year, modernization reached a number of milestone marks, none more significant than the transfer of day-to-day operations and assets within the East Gaming Bundle to a new service provider. A 20-year agreement with Ontario Gaming East Limited Partnership was launched, effective January 11, 2016. A particular point of attention for the Corporation was to ensure that transferring employees had a smooth and seamless transition. OLG is applying lessons learned from this first transaction to all others, including a new gaming bundle for Niagara which has been added to our strategic procurement process. That process continued to move forward over the course of the year with five bundles completing the Request for Pre-Qualification stage of procurement, three Requests for Proposal (RFPs) were initiated for the Southwest, North and GTA Gaming Bundles, and the Lottery RFP is well underway.

As I look back over my first full fiscal year, I am particularly struck by the dedication and commitment of the employees across the organization. I have told them repeatedly I envision an organization that tightly and imaginatively manages all that is within its control; that makes prudent contingencies for those things outside of its control; and that responds with agility to the unexpected. I have challenged them to seize on the opportunity to take everything OLG is doing so well today and do it better than ever. They have certainly responded to that challenge, shaping the notable success of this past fiscal year. I thank them for that and for their continued support and efforts. Bolstered by the results of this past year and now better understanding the considerable talent that lies within this organization, I am confident OLG is moving towards a bright and exciting future.

Stephen Rigby
President and Chief Executive Officer

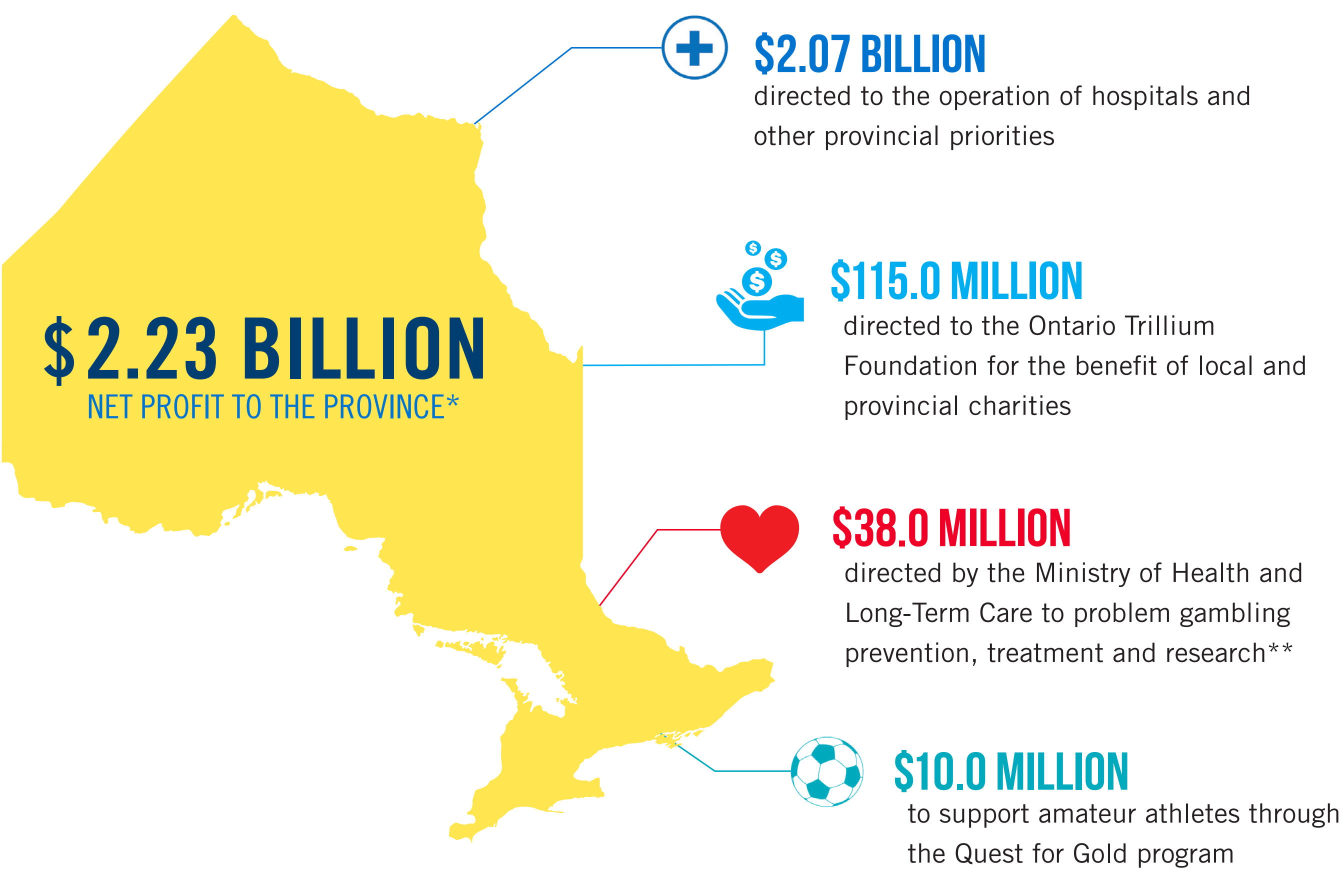
Economic Impact

Since 1975, Ontario Lottery and Gaming Corporation (OLG or "the Corporation") has provided $44 billion to the Province and the people of Ontario. OLG's annual payments to the province have helped support the operation of hospitals and other provincial priorities; problem gambling prevention, treatment and research; amateur sport through the Quest for Gold program; and local and provincial charities through the Ontario Trillium Foundation. In fiscal 2015–16, OLG generated record-breaking revenue and Net Profit to the Province of $7.45 billion and more than $2.2 billion respectively.

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

OLG operations also contribute to the economy in a number of other ways.

In fiscal 2015–16 alone, OLG generated $3.9 billion in total economic activity in Ontario.



**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 forecasted OLG slot machine gross revenue (excluding slot machine revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility) to problem gambling funding.*

$1.65 BILLION SUPPORT FOR LOCAL ECONOMIES

$902.0 MILLION

to pay OLG's 16,000 direct and indirect employees* across the province

$268.7 MILLION

in commissions paid to lottery retailers across Ontario

$122.1 MILLION

in payments to Ontario First Nations through the Gaming Revenue Sharing and Financial Agreement

$141.2 MILLION

in payments to municipalities and Ontario First Nations that host gaming facilities and Charitable Gaming Centres

$211.8 MILLION

in goods and services purchased from Ontario businesses to support gaming facilities operated by OLG

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

$48.4 MILLION CORPORATE RESPONSIBILITY

$30.3 MILLION

in Charitable Gaming proceeds distributed to participating local charities

$2.5 MILLION

dedicated to the sponsorship of community festivals and events

$15.6 MILLION

that 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 allocated **$53.6 million** to responsible gambling and problem gambling prevention, treatment and research

**Direct employees are those employed directly by OLG. Indirect employees are those employed by the Resort Casinos and the Great Blue Heron Slot Machine Facility.*

Lottery and Gaming in Ontario

In fiscal 2015–16, OLG delivered strong results for the Province and people of Ontario. OLG continued to be one of the province's single largest sources of non-tax revenue, generating a Net Profit to the Province of $2.23 billion while distributing more than $141.2 million in payments to host municipalities and First Nations.

OLG is proud of its legacy in Ontario. Since the first WINTARIO lottery draw in 1975, 100 per cent of OLG proceeds have been invested in Ontario. This money supports initiatives across the province, including the operation of hospitals, amateur sport programs, local and provincial charities and problem gambling prevention, treatment and research.

In order to keep pace with changing customer needs and to ensure that OLG's contribution to the province continues, the Corporation is modernizing – adapting to new technology while sharpening its focus on delivering an excellent experience for customers.

OLG is responding to the changing global gaming environment by continuing with the modernization of lottery and land-based gaming; expanding PlayOLG, OLG's Internet gaming website; and revitalizing Ontario's charitable bingo and gaming industry.

OLG reached several notable milestones during fiscal 2015–16, making important progress on key corporate priorities. In January 2016, OLG successfully transitioned the day-to-day operations of two gaming facilities in Eastern Ontario (East Gaming Bundle) to a private sector service provider, the first such transition in the Corporation's modernization procurement process. OLG also released Requests for Proposal for the North, Southwest and Greater Toronto Area (GTA) Gaming Bundles.

The integration of horse racing into the provincial gaming strategy gathered momentum in 2015–16. OLG completed the work necessary to take on the administration of the Transfer Payment Agreements that the government has with the province's racetracks. OLG assumed this responsibility on April 1, 2016.

The Corporation continued to demonstrate the importance of Responsible Gambling (RG) by launching *PlaySmart*, a new RG program that improves customer engagement and education about how to gamble responsibly. In addition, OLG piloted *My PlaySmart,* a technological tool that allows slot machine players to set time and spending limits and monitor and assess their playing habits.

COMMITMENT TO COMMUNITY

TORONTO 2015 Pan Am / Parapan Am Games

In the summer of 2015, Ontario hosted the TORONTO 2015 Pan Am / Parapan Am Games, the world's third largest international multi-sports event. OLG was proud to be a Premier Partner of the Games and a Presenting Partner of the Torch Relay that connected 130 communities over the 41 days leading up to the opening ceremonies. Working with local partners, OLG launched the Pass It ONtario program to honour exceptional Ontarians by giving them the opportunity to carry the torch during the relay. Many athletes who receive financial assistance through the Government of Ontario's Quest for Gold program, which is supported by OLG proceeds, were given the opportunity to be torchbearers in their local communities.

During the Games, OLG celebrated the 40th anniversary of WINTARIO, Ontario's first provincial lottery game. To mark this event, OLG launched the All for Here brand campaign, reinforcing the fact that 100 per cent of OLG proceeds are invested in Ontario. OLG also introduced the All for Community Challenge as part of the Torch Relay evening celebrations, which highlighted the valuable work of local charities and provided funding to help them support people in their communities.

In total, OLG sponsored more than 250 community festivals and events across Ontario in fiscal 2015–16.

Charitable Gaming Revitalization Initiative

OLG is committed to supporting local charities. The Corporation's Charitable Gaming Revitalization Initiative is supporting organizations that are delivering important local services across the province. This initiative, which began a decade ago, is delivered through the partnership of OLG, the Ontario Charitable Gaming Association, the Commercial Gaming Association of Ontario and local gaming and bingo centre operators. Games like electronic bingo, Play on Demand games and TapTix allow the 31 Charitable Gaming Centres to offer more customer choice and to appeal to a broader demographic while providing a different gaming entertainment experience from traditional bingo.

The revitalization initiative is preserving and enhancing funding for charities across Ontario while creating economic benefits, including employment opportunities at local Charitable Gaming Centres. In fiscal 2015–16, $30.3 million in charitable gaming proceeds were distributed to approximately 1,800 participating local charities through this initiative.

50/50 Raffle System

Last year, OLG introduced a new electronic 50/50 raffle system with the Maple Leaf Sports and Entertainment Foundation and the Ottawa Senators Foundation to help these charitable groups raise more money while offering larger prizes to players. Available at all home games for the Toronto Maple Leafs, Toronto Marlies, Toronto Raptors, Toronto Rock and Ottawa Senators, the electronic 50/50 system features state-of-the-art handheld devices and real-time displays of the total prize money available in the jackpot. The system allows sellers to reach more customers over a longer period of time and provides for greater integrity and security.

Feedback from customers has been overwhelmingly positive and, since the program began in September 2014, both foundations have reported significant increases in the money raised for partner charities. In the first full regular sports season, the foundations had a 41 per cent increase in overall sales compared to the sale of paper-based 50/50 tickets.

OLG Employees Give Back

Last year, OLG employees continued to demonstrate their generosity and commitment to local causes by raising more than $345,000 for the United Way and more than $371,000 for Federated Health Charities. This strong sense of community spirit helped OLG employees surpass the Corporation's annual fundraising goal for Federated Health.

Bet on Green: Environmental Sustainability

OLG's commitment to social responsibility includes being aware of our environmental impact and taking steps to improve sustainability.

OLG's flagship environmental program, Bet on Green, has three goals: reduce the environmental impact of OLG operations; become a global leader in energy-efficient gaming; and increase environmental awareness among customers and employees.

OLG has seen significant success with the program. In fiscal 2015–16, OLG Casino Brantford received the globally recognized Silver Certification in Leadership in Energy and Environmental Design from the Canada Green Building Council. The certification process involved independent, third-party verification that the building was designed, built and is operated using strategies such as sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality.

In 2015, for the fifth consecutive year, OLG was a Provincial Sponsor of the annual Great Canadian Shoreline Cleanup. A major fundraiser for World Wildlife Fund Canada, more than 250 OLG employees supported cleanup initiatives in host communities across the province, collecting more than 1,286 kg of waste from 18 local waterways.

Diversity and Inclusion

OLG celebrates the diversity of its employees both at work and as members of their communities. OLG's Diversity and Inclusion Committee works to foster and promote diversity and inclusion as essential elements of its culture – one in which employees have the space to be themselves and the freedom to use their imaginations and skills to benefit the Province and people of Ontario. Appointed by the Executive Committee, this nine-member group creates awareness around important issues and works to have OLG recognized as a leading diversity employer.

COMMITMENT TO CUSTOMERS

One Year Anniversary of PlayOLG

January 2016 marked the first full year of operation of PlayOLG, the only Internet gaming website regulated by the Government of Ontario. Players have access to a range of interactive casino-style games, including slots and table games, as well as the option to purchase lottery tickets like LOTTO 6/49, LOTTO MAX and ENCORE. PlayOLG continues to add new slot games to its portfolio while extending a variety of offers and promotions to its customers. Since the launch, both the number of registered customers and revenues have grown.

Lottery Game Enhancements

OLG gave lottery customers more time to play in 2015 by extending the ticket purchase deadline for a lottery draw held on the same night. In July, the deadline to buy an online lottery ticket changed from 9:00 p.m. to 10:30 p.m., giving customers an extra hour and a half to purchase tickets. The extension applied to all OLG evening lottery draw games, including LOTTO MAX and LOTTO 6/49, as well as regional games like ONTARIO 49 and DAILY KENO.

OLG continues to make improvements to lottery products for customers. In November 2015, Ontario's longest running lottery game, LOTTARIO, was updated with a faster growing jackpot, new prizes and better overall odds of winning.

Big Winners

Fiscal 2015–16 was a year of big jackpots and big wins. In October 2015, the LOTTO 6/49 jackpot reached a record $64 million. The prize was claimed by a single Ontario resident. In all, there were five prizes greater than $50 million each, totalling $304 million, won over the course of the year. In February 2016, a record $120 million was paid out in a single day to two Ontario LOTTO MAX winners. Each took home $60 million in a red carpet cheque presentation at the OLG Prize Centre.

Responsible Gambling

OLG attained global recognition for the importance it places on protecting players. The Corporation has a strong focus on providing Responsible Gambling (RG) resources to players across all lines of business.

OLG has a long history of partnering with independent agencies to educate players and assist in the prevention of problem gambling. November 2015 marked the 10th anniversary of the Responsible Gaming Resource Centre (RGRC) program in OLG's gaming facilities. Since that time, the program – a collaborative effort with the Responsible Gambling Council (RGC) – has fielded more than 1.3 million requests for information, assistance and referrals to counselling services. Today, all 24 gaming sites have an onsite RGRC as do all 31 Charitable Gaming Centres across Ontario.

PlayOLG earned RG Check accreditation from the RGC. Accreditation is based on international best practices and evaluates seven core standards: corporate policies; self-exclusion; advertising and promotion; informed decision making; assistance for customers who may have problems with gambling; site and game features; and employee training. RG Check is considered the most rigorous Responsible Gambling accreditation program in the world.

In February 2016, OLG introduced *PlaySmart*, a suite of innovative resources to provide customers with tools, advice and information to help them make informed decisions about gambling. *PlaySmart*'s goal is to provide the right information to the right players at the right time while helping gamblers, new and seasoned, to understand key gambling concepts, learn how the games work and make informed choices about their play.

COMMITMENT TO MODERNIZE

Since 1975, OLG has provided lottery and land-based gaming options to customers, generating revenue for the Province and people Ontario. However, shifting demographics and advances in technology have required OLG to make significant changes to ensure lottery and gaming remains viable and sustainable.

Meeting these challenges requires OLG to transform the way it does business by:

- becoming more customer-focused
- expanding the regulated private sector delivery of lottery and gaming
- renewing OLG's role in the conduct and management of lottery and gaming

By modernizing, OLG will become a more efficient organization, focused on its core responsibilities to conduct and manage, while the day-to-day delivery of lottery and gaming will shift to private sector service providers. Expanding private sector participation in the industry will ensure greater efficiencies because:

- Service providers will be able to focus on delivering day-to-day operations, while OLG maintains control and accountability to conduct and manage the lottery and gaming industry.
- Capital costs of expanding, improving and maintaining gaming facilities will be taken on by the private sector, not the government.

OLG is currently undertaking a fair and competitive procurement process to select service providers to take over day-to-day operations of lottery and land-based gaming sites across the province.

Procurement of Service Providers

OLG made significant progress on its procurement process in fiscal 2015–16 by:

- releasing RFPs for the GTA, North and Southwest Gaming Bundles, anticipating that the successful land-based gaming service providers will be announced in 2017
- completing the RFPQ stage for the Central and West GTA Gaming Bundles, anticipating to issue RFP documents to pre-qualified service providers in fiscal 2016–17
- announcing the intent to add the two Niagara Casinos to the procurement process, bringing greater consistency to Ontario's gaming market

On September 9, 2015, OLG announced it had selected Ontario Gaming East Limited Partnership (OGELP) as the land-based gaming service provider for the East Gaming Bundle. OGELP took over day-to-day operations of Casino Thousand Islands and Slots at Kawartha Downs on January 11, 2016. The service provider has also announced plans to build a new gaming facility in the City of Belleville.

OLG is in the Request for Pre-Qualification (RFPQ) stage for the Ottawa area Gaming Bundle. It is anticipated that the RFP process will begin in fiscal 2016–17. OLG also completed the RFPQ stage for a new Niagara Falls Entertainment Centre.

The RFP for the lottery business remains in market and OLG expects to announce the successful service provider in fiscal 2017-18.

Horse Racing Integration

Ontario's horse racing industry provides jobs for thousands of people across the province and is an important part of Ontario's heritage.

OLG continues to work with the Ontario government and the industry to integrate horse racing into the provincial gaming strategy. Integration is part of modernization and is included in OLG's mandate from the government. By building the foundation for industry-led success, OLG and the government are creating a more sustainable future for horse racing in Ontario.

OLG is providing support to assist in the growth of the industry by:

- helping the industry build the capacity and structure needed for self-governance
- increasing the public profile of horse racing, including the development of horse-themed products
- sharing its expertise and helping the industry adopt its own Responsible Gambling program
- establishing a business focus on horse racing by assigning a senior executive

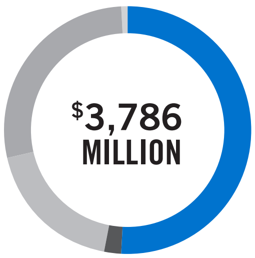
As announced in the Ontario Budget in February 2016, the government extended support to the horse racing industry, formerly known as the Horse Racing Partnership Funding Program, by two years. The extension will provide up to $100 million annually to the industry until March 2021.

OLG is continuing to work with the industry to provide options to the government regarding a long-term funding arrangement.

On April 1, 2016, OLG assumed administrative responsibility for the Transfer Payment Agreements the government has with racetracks across the province. In 2016–17, OLG will distribute approximately $91 million to support close to 950 race dates.

Sources of Revenue

OLG's operations and revenues are organized under five reportable segments. In fiscal 2015–16, these reportable segments collectively generated $7.45 billion in revenue.



LOTTERY

OLG operates 20 terminal-based lottery and sports games and offers 79 INSTANT lottery products through approximately 9,600 independent retailers across the province. Select Lotto games (i.e., LOTTO MAX, LOTTO 6/49 and ENCORE) are also sold through OLG's Internet gaming website, PlayOLG.

CHARITABLE GAMING

OLG conducts and manages the operations of 31 Charitable Gaming Centres across Ontario. In addition to the classic paper-based play, these sites offer bingo games on tabletop and hand-held devices as well as TapTix (i.e., electronic devices that can be used to play a Break Open Ticket game). OLG is also offering a 50/50 electronic raffle system, replacing manual 50/50 raffles, at major league sports events in Ottawa and Toronto.

RESORT CASINOS

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

SLOTS AND CASINOS

OLG owns and operates 13 slot machine facilities at racetracks and four casinos in Ontario. OLG also conducts and manages gaming at one slot machine facility and one casino, with the day-to-day operations transferred to a land-based gaming service provider*. OLG owns and maintains authority over the slot machine operation at the Great Blue Heron Charity Casino, a casino owned by the Mississaugas of Scugog Island First Nation.

INTERNET GAMING

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

*These gaming facilities are the first to have been transitioned to a service provider through OLG's modernization.
**Revenue from Lotto sales is reported in the Lottery segment.

Financial Highlights

(in thousands of dollars)

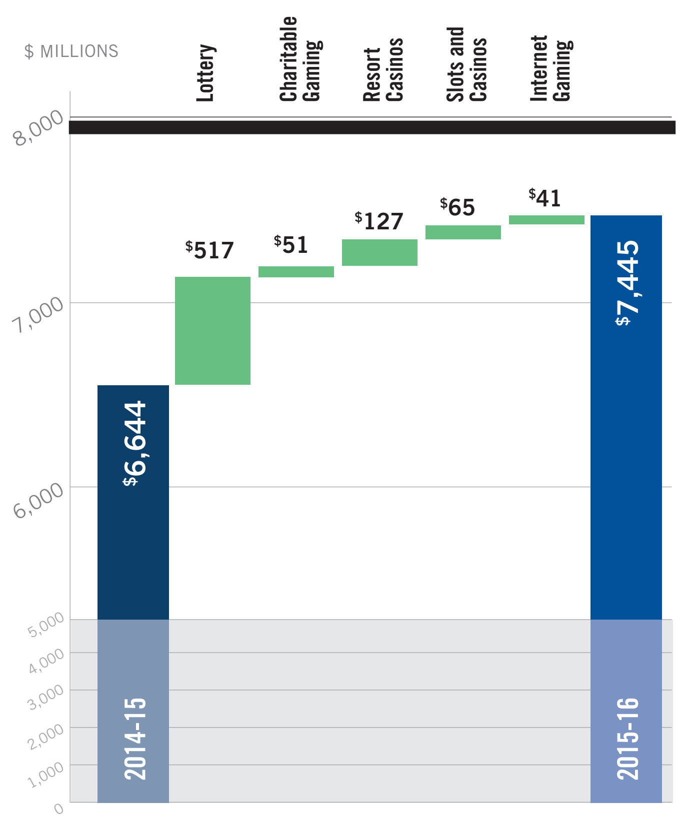
For the fiscal year ended March 31	**2016**	2015
Lottery revenue	**$ 3,785,596**	$ 3,268,556
Charitable Gaming revenue	**165,953**	114,875
Resort Casinos revenue	**1,382,596**	1,255,730
Slots and Casinos revenue	**2,061,966**	1,996,649
Internet Gaming revenue	**49,170**	8,398
Total OLG revenue	**7,445,281**	6,644,208
Lottery and Charitable Gaming prizes	**$ 2,118,488**	$ 1,834,731
Commissions and fees	**565,808**	481,957
Marketing and promotion expense	**332,742**	322,314
Gaming revenue sharing payment*	**122,057**	121,563
Payments to the Province of Ontario**	**$ 2,390,558**	$ 2,042,847
Payments to the Government of Canada	**$ 305,608**	$ 285,215

**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, from the previous fiscal year.*

***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)

	2015–16
	$ Change
Lottery revenue	517,040
Charitable Gaming revenue	51,078
Resort Casinos revenue	126,866
Slots and Casinos revenue	65,317
Internet Gaming revenue	40,772
Total OLG revenue change	**801,073**



Board of Directors

Philip Olsson (Chair)
Appointed November 20, 2013

Gail Beggs November 20, 2013 to November 19, 2015	Reappointed November 20, 2015
Sunir Chandaria March 5, 2014 to March 4, 2016	Reappointed March 5, 2016
John H. Craig Appointed December 2, 2015	
Mary Beth Currie November 20, 2013 to November 19, 2015	Reappointed November 20, 2015
Urban Joseph December 11, 2013 to December 10, 2015	Reappointed December 11, 2015
Frances Lankin November 20, 2013 to November 19, 2015	Reappointed November 20, 2015
Joanne Lefebvre November 20, 2013 to November 19, 2015	Reappointed November 20, 2015
Lori O'Neill February 12, 2014 to February 11, 2016	Reappointed February 12, 2016
Orlando M. Rosa December 11, 2013 to December 10, 2015	Reappointed December 11, 2015
Wilson Teixeira March 5, 2014 to March 4, 2016	Reappointed March 5, 2016*
Steve Williams Appointed May 25, 2015	

The Chair is appointed for a period not exceeding three years. Directors are appointed for a period not exceeding two years, unless otherwise noted.

**for a period not exceeding one year*

Executive Committee

As of March 31, 2016, senior executives responsible for day-to-day operations were:

Stephen Rigby
President and Chief Executive Officer

Alexandra Aguzzi
Vice President, Office of the CEO

Cal Bricker
Senior Vice President, Horse Racing

Javier De la Cuba
Senior Vice President, Modernization

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

Will Hill
Special Advisor to the President and Chief Executive Officer

Greg McKenzie
Executive Vice President and Chief Operating Officer

Vaike Murusalu
Vice President, Audit Services

Dave Pridmore
Vice President, Enterprise Business Development

Larry Rourke
Senior Vice President, Human Resources

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

Overview

Ontario Lottery and Gaming Corporation (OLG or "the Corporation") and the operators of the Resort Casinos and the Great Blue Heron Slot Machine Facility employ 16,000 people across Ontario. OLG conducts and manages gaming facilities, the sale of province wide lottery games, PlayOLG Internet gaming and the delivery of bingo and other electronic gaming products at Charitable Gaming Centres, and is leading the integration of horse racing into the provincial gaming strategy.

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 its operations be paid to the Government of Ontario Consolidated Revenue Fund. In fiscal 2015–16, this revenue supported services such as the operation of hospitals, amateur sport and problem gambling prevention, treatment and research. Revenue from OLG operations is also made available to the Ontario Trillium Foundation by the government for distribution to charitable and not-for-profit organizations. OLG's Charitable Gaming program also makes direct funding contributions to charitable gaming associations. To date, these direct funding payments have exceeded $115 million.

- **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 serving 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.

Governance

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999* ("the *Act*"). Classified as an Operational Enterprise Agency, OLG has a single shareholder, the Government of Ontario, and for fiscal 2015–16 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 oversees the overall management of the affairs of the Corporation in accordance with its objectives as set out in the *Act*, the Corporation's by-laws, the approved business plan and the Memorandum of Understanding between the Corporation and the Minister of Finance. The board's mandate is to direct Management's focus to optimizing the Corporation's overall performance and increasing shareholder value by executing its various responsibilities, which include:

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

The total remuneration paid to board members in fiscal 2015–16 was $325,000.

BOARD COMMITTEES

As of March 31, 2016, the OLG Board of Directors operated through three working committees.

Governance and Human Resources Committee

The Governance and Human Resources Committee ("the Committee") assists the board in developing and monitoring governance policies and practices. It helps identify policy areas for review and presents recommendations to the board for consideration so that the board can ensure the Corporation's adherence to the highest standards in corporate governance. In addition, the Committee helps ensure that the Corporation has sufficient organizational strength at the senior management level to achieve its short- and long-term goals. It also recommends, for board approval, the compensation and benefit plans for senior management. Chair of this committee, as of March 31, 2016, is Urban Joseph.

Audit and Risk Management Committee

The primary function of the Audit and Risk Management Committee ("the Committee") is to assist the board in fulfilling its oversight responsibilities by reviewing and monitoring the Corporation's financial statements, systems of internal controls, including those over financial reporting, capital expenditure program and enterprise risk management program, as well as the compliance systems that have been established. In addition, the Committee assists the board by inquiring into and overseeing the financial matters of the Corporation. It reviews the budget framework, policies and procedures; oversees and contributes to the development of the annual budget and projections; and reviews financial performance. Chair of this committee, as of March 31, 2016, is Lori O'Neill.

Social Responsibility Committee

The Social Responsibility Committee assists the board and the Corporation in fulfilling its social responsibility in the conduct of its business. It inquires into and oversees such areas as responsible gambling, game integrity and Smart Serve food and beverage service. It reviews, in particular, the design and implementation of Internet gaming and other new game offerings, with a focus on preventing underage and problem gambling. Chair of this committee, as of March 31, 2016, is Frances Lankin.

Management's Discussion and Analysis

For the fiscal year ended March 31, 2016

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, 2016. The Consolidated Financial Statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

This MD&A provides information for the fiscal year ended March 31, 2016 and is dated June 23, 2016.

This MD&A contains forward-looking statements about expected or potential future business and financial performance. For OLG, forward-looking statements include, but are not limited to: statements about possible transformation initiatives; future revenue and profit guidance; and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve 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; foreign currency exchange rates; 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 2015–16 Operating Results – Executive Summary

OLG continues to be one of the province's single largest sources of non-tax revenue. In fiscal 2015–16, OLG generated record-breaking revenue and Net Profit to the Province of $7.45 billion and $2.23 billion respectively.

The following table contains data derived from the Consolidated Financial Statements for the years indicated below:

(in thousands of dollars)

For the fiscal year	**2015–16**	2014–15	**$ Variance**	% Variance	2013–14
Revenue					
Lottery	**$ 3,785,596**	$ 3,268,556	**517,040**	15.8	$ 3,387,571
Charitable gaming	**165,953**	114,875	**51,078**	44.5	73,817
Resort casinos	**1,382,596**	1,255,730	**126,866**	10.1	1,244,946
Slots and casinos	**2,061,966**	1,996,649	**65,317**	3.3	1,964,044
Internet gaming	**49,170**	8,398	**40,772**	485.5	—
	7,445,281	6,644,208	**801,073**	12.1	6,670,378
Expenses					
Lottery	**2,738,905**	2,413,334	**(325,571)**	(13.5)	2,502,832
Charitable gaming	**192,323**	144,334	**(47,989)**	(33.2)	105,042
Resort casinos	**1,433,693**	1,353,908	**(79,785)**	(5.9)	1,369,182
Slots and casinos	**956,409**	949,646	**(6,763)**	(0.7)	954,332
Internet gaming	**53,035**	45,186	**(7,849)**	(17.4)	—
	5,374,365	4,906,408	**(467,957)**	(9.5)	4,931,388
Income before the undernoted	**$ 2,070,916**	$ 1,737,800	**333,116**	19.2	$ 1,738,990
Other (expenses) income	**(112,428)**	14,286	**(126,714)**	(887.0)	21,960
Net income	**$ 1,958,488**	$ 1,752,086	**206,402**	11.8	$ 1,760,950
Payments to the Province of Ontario*	**$ 2,390,558**	$ 2,042,847	**347,711**	17.0	$ 2,076,740
Payments to the Government of Canada	**$ 305,608**	$ 285,215	**(20,393)**	(7.2)	$ 281,891
Net Profit to the Province**	**$ 2,230,935**	$ 1,999,020	**231,915**	11.6	$ 2,006,411

As at March 31	**2016**	2015	**$ Variance**	% Variance	2014
Total assets	**$ 1,968,899**	$ 1,969,319	**(420)**	—	$ 1,977,304
Total liabilities	**$ 658,341**	$ 499,138	**(159,203)**	(31.9)	$ 463,296
Total long-term liabilities	**$ 240,870**	$ 86,248	**(154,622)**	(179.3)	$ 82,866
Total equity	**$ 1,310,558**	$ 1,470,181	**(159,623)**	(10.9)	$ 1,514,008

**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 calculated by adding back win contribution to net income. In fiscal 2015–16, win contribution was $272,447,000 (fiscal 2014–15 $246,934,000). Net Profit to the Province should not be considered a substitute or alternative for net income or cash flows as determined in accordance with IFRS. Please refer to Section 4 – Disclosures for non-IFRS measures.*

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	**2015–16**	2014–15	**% Variance**	**2013–14**
Revenue				
Lottery	**50.8%**	49.2%	**1.6**	**50.8%**
Charitable gaming	**2.2%**	1.7%	**0.5**	**1.1%**
Resort casinos	**18.6%**	18.9%	**(0.3)**	**18.7%**
Slots and casinos	**27.7%**	30.1%	**(2.4)**	**29.4%**
Internet gaming	**0.7%**	0.1%	**0.6**	**—**
	100.0%	100.0%	**—**	**100.0%**
Expenses				
Lottery	**36.8%**	36.3%	**(0.5)**	**37.5%**
Charitable gaming	**2.6%**	2.2%	**(0.4)**	**1.6%**
Resort casinos	**19.3%**	20.4%	**1.1**	**20.5%**
Slots and casinos	**12.8%**	14.3%	**1.5**	**14.3%**
Internet gaming	**0.7%**	0.7%	**—**	**—**
	72.2%	73.9%	**1.7**	**73.9%**
Income before the undernoted	**27.8%**	26.1%	**1.7**	**26.1%**
Other (expenses) income	**(1.5%)**	0.2%	**(1.7)**	**0.3%**
Net income	**26.3%**	26.3%	**—**	**26.4%**

Fiscal 2015–16 compared to Fiscal 2014–15

Consolidated revenue for fiscal 2015–16 was a record-breaking $7.45 billion, an increase of $801.1 million or 12.1 per cent from $6.64 billion in the previous fiscal year. All reportable segments experienced increases, most notably the Lottery segment, which increased $517.0 million or 15.8 per cent from fiscal 2014–15. Fiscal 2015–16 was a record year for Lottery revenue mainly due to higher value jackpots for LOTTO MAX and LOTTO 6/49 as well as higher INSTANT sales. Charitable Gaming experienced an increase of $51.1 million or 44.5 per cent, primarily due to three additional sites being in operation and the impact of the nine sites launched in fiscal 2014–15, strong TapTix sales (TapTix are electronic devices that can be used to play a Break Open Ticket game), and the launch of Multi Denomination and Progressive Jackpot features. Resort Casinos revenue increased by $126.9 million or 10.1 per cent as a result of increased site visits due to the lower value of the Canadian dollar, an exceptionally warm winter and low gas prices. Slots and Casinos revenue increased by $65.3 million or 3.3 per cent, mainly attributable to increased site visits and win per patron. Lastly Internet Gaming experienced a $40.8 million increase in revenue as a result of its first full year of operation.

The Corporation's net income for fiscal 2015–16 was $1.96 billion, $206.4 million or 11.8 per cent more than the previous fiscal year. The increase was attributable to the higher revenue in each reportable segment. This was partially offset by higher expenses, the most notable of which was an increase related to prizes, commissions, government payments and a one-time operator non-extension cost with respect to the Permanent Casino Operating Agreement for the Niagara Casinos.

OLG's payments to the Province of Ontario of $2.39 billion are used by the government to invest in the operation of hospitals and other priority programs, to support Ontario's elite amateur athletes and to fund charitable and non-profit organizations through the Ontario Trillium Foundation.

Consolidated revenue in fiscal 2015–16 was $790.1 million or 11.9 per cent higher than budget primarily due to Lottery's exceptional year and high attendance and win per patron at Resort Casinos and Slots and Casinos.

The Corporation's Net Profit to the Province of $2.23 billion (including win contribution) exceeded budget by $310.9 million or 16.2 per cent, due to the flow through impact of higher revenue across all reportable segments, which was partially offset by the one-time operator non-extension cost with respect to the Permanent Casino Operating Agreement for the Niagara Casinos, as referenced previously.

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

Fiscal 2014–15 compared to Fiscal 2013–14

Consolidated revenue in fiscal 2014–15 decreased $26.2 million or 0.4 per cent from $6.67 billion in fiscal 2013–14 primarily a result of lower national Lotto (i.e., LOTTO MAX and LOTTO 6/49) sales in the Lottery segment. Partially offsetting the decrease in Lottery revenue in fiscal 2014–15 were increases in revenue for Charitable Gaming primarily from greater number of sites in operation, for Resort Casinos from increased slot volume and for Slots and Casinos from a higher number of site visits and increased slot volume.

The Corporation's net income in fiscal 2014–15 was $8.9 million or 0.5 per cent less than in fiscal 2013–14 due to the flow through impact of lower revenue in the Lottery segment. This was partially offset by higher revenue in the Charitable Gaming, Resort Casinos and Slots and Casinos segments, as well as lower expenses – mainly depreciation and personnel costs – at the Resort Casinos.

Looking Ahead

OLG's strategic focus will continue to be on modernization and executing an effective transformation of the organization, horse racing integration and improving the effectiveness of the existing business lines. After modernization, OLG will be a more efficient organization, focused on its core responsibilities of conducting and managing lottery and gaming, while the day-to-day delivery of lottery and gaming will shift to private sector service providers. The fiscal 2016–17 Business Plan is a significant transformational plan consisting of modernization initiatives that will help achieve OLG's goal of generating greater and more sustainable financial benefits for the province and is based on information available at the time the plan was prepared.

In fiscal 2016–17, budgeted consolidated revenues are $6.83 billion*, a decrease of $611.1 million or 8.2 per cent from fiscal 2015–16 primarily due to the number of high value jackpots for LOTTO MAX and LOTTO 6/49 returning to normalized levels. A reduction in revenue is also planned for Slots and Casinos, primarily a result of the uncertainty in revenue growth from new marketing initiatives in fiscal 2015–16 at the time that the plan was developed.

Net Profit to the Province for fiscal 2016–17 is expected to be $1.97 billion, a decrease of $265.5 million or 11.9 per cent from fiscal 2015–16 due to the impact of lower revenue, partially offset by a decrease in expenses, including lottery prizes and commissions associated with the reduction in revenue, and the one-time non-extension fee incurred in fiscal 2015–16 related to the Niagara Casinos, as referenced previously.

**Amount as reported in OLG's fiscal 2016–17 Business Plan which includes projections using gross gaming revenue generated at the land-based gaming service provider sites.*

1. Overview of Key Initiatives

This section provides an overview of the initiatives to achieve the three key objectives of OLG's modernization:

- becoming more customer-focused – being where our customers want us to be, offering products and services in their areas or in the ways they want to buy them
- selecting qualified service providers for the specific day-to-day operation of lottery and gaming
- renewing OLG's role in the conduct and management of lottery and gaming in the province

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

There are seven major initiatives currently underway:

1. Strategic Procurement
2. Internet Gaming
3. Charitable Gaming Revitalization
4. Horse Racing Integration
5. Responsible Gambling
6. Gaming Management System (GMS)
7. Customer Management

1. STRATEGIC PROCUREMENT

In 2010, on the direction of the Government of Ontario, OLG was asked to complete a comprehensive strategic review of its lottery distribution network and land-based gaming sites. As a result of the review, OLG delivered a report to government – *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*.

To inform the development of the strategy to employ for various elements of the Procurement documents and Transactional agreements, OLG released separate Gaming and Lottery Requests for Information (RFI).

OLG has subsequently developed a two part procurement strategy for both lottery and land-based gaming made up of a Request for Pre-Qualification (RFPQ) stage and a Request for Proposal (RFP) stage. During the RFPQ stage interested proponents are invited via MERX, a Canadian electronic tendering service, to submit proposals to become pre-qualified. Pursuant to their success, the pre-qualified proponents receive an RFP to compete for the opportunity.

Throughout this process, OLG is following all government protocols for public procurement.

OLG is committed to a fair and competitive procurement process for all relevant stakeholders. Accordingly, OLG has engaged an impartial Fairness Monitor and an independent Fairness Advisor to provide counsel and oversight on the integrity and fairness of the procurement process.

Strategic Procurement for Gaming Sites

This process has been designed to be fair, open and transparent to all proponents. The procurement is divided into geographically based Gaming Bundles within which there are designated gaming zones. Twenty-seven Ontario gaming zones identified by OLG are currently in the procurement process and have been grouped into eight Gaming Bundles, each representing a separate bidding opportunity. Gaming Bundles are intended to create opportunities for qualified land-based gaming service providers to be more efficient by operating multiple facilities in a designated region.

Gaming Bundles and Areas Served (Existing Gaming Facilities or New Builds)

Gaming Bundle	Gaming Facilities / New Builds
Ottawa Area	• Slots at Rideau Carleton Raceway
East	• Slots at Kawartha Downs • Casino Thousand Islands • City of Belleville area
North	• Slots at Sudbury Downs • Casino Sault Ste. Marie • Casino Thunder Bay • City of Kenora area • City of North Bay area
Southwest	• Slots at Woodstock Raceway • Slots at Western Fair District • Slots at Clinton Raceway • Slots at Dresden Raceway • Slots at Hanover Raceway • Casino Point Edward

Gaming Bundle	Gaming Facilities / New Builds
GTA	• Slots at Woodbine Racetrack • Slots at Ajax Downs • Slots at Great Blue Heron Casino (provisional basis only)
West GTA	• Slots at Mohawk Racetrack • Slots at Grand River Raceway • Slots at Flamboro Downs • Casino Brantford
Central	• Slots at Georgian Downs • Casino Rama • Town of Collingwood area or Town of Wasaga Beach area
Niagara	• Casino Niagara • Fallsview Casino

OLG selected its first land-based gaming service provider, Ontario Gaming East Limited Partnership (OGELP), for the East Gaming Bundle. OLG is incorporating the lessons learned from this process to enhance the effectiveness and efficiency of the RFP processes for the remaining seven Gaming Bundles. In fiscal 2015–16, OLG initiated the RFP process for three other Gaming Bundles in the following regions: North, Southwest and Greater Toronto Area (GTA). OLG has completed the RFPQ stage for the Central and West GTA Gaming Bundles and expects to issue RFP documents to pre-qualified proponents in fiscal 2016–17. OLG is in the RFPQ stage for the Ottawa Area Gaming Bundle and expects to begin the RFP process in fiscal 2016–17.

In April 2016, OLG announced it intends to add the two Niagara Casinos – Casino Niagara and Fallsview – to the modernization procurement process. OLG expects to issue an RFPQ for the Niagara Gaming Bundle in summer 2016.

Strategic Procurement for the Lottery Business

OLG is pursuing a similar procurement process for the Lottery business. In fiscal 2012–13, OLG initiated a competitive procurement process to select a lottery service provider for the operation of select components of the Lottery business, including the lottery terminal network. Submissions to the RFPQ were received in fiscal 2013–14. The procurement is in the RFP stage and OLG expects to select a lottery service provider in fiscal 2017–18.

The selected lottery service provider will be expected to assist in improving Lottery ticket purchase options at large multi-lane retail outlets, including supermarkets and big box stores, as well as through the Internet and mobile devices. At the same time, the selected lottery service provider will provide innovative game development to foster sustainability and increase responsiveness to market opportunities.

2. INTERNET GAMING

PlayOLG was launched province wide on January 8, 2015. The number of customers and weekly revenue have grown steadily since the launch. PlayOLG continues to add new slot games to its product portfolio which presently includes slot and table games, as well as select Lotto games (i.e., LOTTO MAX, LOTTO 6/49 and ENCORE).

3. CHARITABLE GAMING REVITALIZATION

OLG conducts and manages 31 Charitable Gaming Centres across Ontario. To fulfill the mandate of revitalizing an industry that supports thousands of local charities and the benefits they bring to their communities across Ontario, OLG has the following key goals:

- stabilize and grow the primary source of funding for close to 1,800 charities to sustain the social benefits they provide to communities across Ontario
- drive economic benefits into communities
- deliver a customer entertainment experience that is different from other forms of gaming by modernizing the products and services offered
- communicate the positive impacts the program has on charities in local host communities.

OLG continues to focus on achieving the objectives for all stakeholders while working with the industry to review the current business model to address a number of sector challenges in order to support long-term sustainability and responsible growth.

4. HORSE RACING INTEGRATION

Ontario's horse racing industry provides jobs for thousands of people across the province and is an important part of Ontario's heritage.

OLG continues to work with the Ontario government and the industry to integrate horse racing into the provincial gaming strategy. Integration is part of modernization and is included in OLG's mandate from the government. By building the foundation for industry-led success, OLG and the government are creating a more sustainable future for horse racing in Ontario.

OLG is providing provincial support to assist in the growth of the industry by:

- helping the industry build the capacity and structure needed for self-governance
- increasing the public profile of horse racing, including the development of horse-themed products
- sharing its expertise and helping the industry adopt its own Responsible Gambling program
- establishing a business focus on horse racing by assigning a senior executive

As announced in the Ontario Budget in February 2016, the government extended support to the horse racing industry, formerly known as the Horse Racing Partnership Funding Program, by two years. The extension will provide up to $100 million annually to the industry until March 2021.

OLG is continuing to work with the industry to provide options to the Ontario government on a long-term funding arrangement.

On April 1, 2016, OLG assumed administrative responsibility for the Transfer Payment Agreements the government has with racetracks across the province. In 2016-17, OLG will distribute approximately $91 million to support close to 950 race dates.

5. RESPONSIBLE GAMBLING

OLG has a statutory, regulatory and policy mandate to make Responsible Gambling (RG) a core business priority. OLG's RG program aims to reduce the incidence of problem gambling through prevention efforts and to mitigate harm to those who may have developed a problem by providing a gateway to support services and community resources. To this end, OLG works formally with government and independent agencies to provide information and tools to help customers make informed gambling decisions. The enterprise-wide program encompasses customer education, customer assistance, self-exclusion, employee engagement and training, policy development, standards compliance and stakeholder relations.

The Ontario government contributes to the broader problem gambling strategy by allocating two per cent of forecasted slot machine gross revenue (excluding Resort Casinos and Slots at Great Blue Heron Charity Casino) to the Ministry of Health and Long-Term Care (MOHLTC) so that it may administer Ontario's RG program and support problem gambling prevention, treatment and research. Ontario's RG program is one of the best funded in North America; in fiscal 2015–16, the Province of Ontario allocated $38 million of OLG revenues to the MOHLTC for these purposes. In addition to these funds, OLG invested more than $15 million in fiscal 2015–16 on its own internal RG program.

OLG's RG program benefits from formal collaborations with independent experts who are international leaders in problem gambling research, counselling and education. These groups include the Responsible Gambling Council, Gambling Research Exchange Ontario, the Centre for Addiction and Mental Health (CAMH) and the Ontario Problem Gambling Helpline.

Since 2006, all OLG employees receive responsible gambling training to deliver on the commitments outlined in the OLG Responsible Gambling Code of Conduct. OLG collaborates with CAMH to provide relevant and practical training to gaming employees on how to recognize and respond to red flag behaviours.

OLG works constantly to evolve its RG program through evidence-based research and emerging best practices and to build knowledge on how to best support customers by gathering and using data strategically. OLG benchmarks its program and tracks its progress year over year. Objectives and program reporting are based on measures for player/public awareness, factual gambling knowledge, player behaviour outcomes, employee confidence and performance and public opinion outcomes.

In fiscal 2014–15, OLG was recognized by the World Lottery Association (WLA) for Best Overall Responsible Gambling Program from among 44 eligible global lottery and gaming operators. This prestigious award was paired with the WLA's re-accreditation of OLG's RG program at Level 4, an achievement originally earned in 2011 and the highest and only level at which WLA members become eligible for the award. OLG will resubmit for WLA accreditation in 2017.

As of April 2014, all OLG gaming sites, as well as Caesars Windsor and Casino Rama, were accredited by RG Check, a third party standard that represents the most refined and detailed assessment of slot and casino facilities in the world. Accreditation must be renewed every three years. Seven OLG gaming sites and Caesars Windsor have completed the reaccreditation process. Four additional OLG gaming sites and the two gaming sites operated by a land-based gaming service provider are currently engaged in reaccreditation. In November 2015, Great Blue Heron Charity Casino obtained accreditation for the first time.

In February 2016, PlayOLG received RG Check accreditation for Internet Gaming, a standard adapted from the land-based program and reflective of the same level of rigor. PlayOLG is one of the first websites in the world to receive this recognition.

Drawing from best practices across Canada and the world, OLG has embedded RG and safe play mechanisms into all aspects of the PlayOLG website. The platform also provides direct links to register for Voluntary Self-Exclusion and to customer support services. Sophisticated third-party age and identity verification technology has been integrated into the registration process to limit unauthorized access to the website.

In June 2015, OLG piloted a new RG pre-commitment tool at Slots at Georgian Downs. *My PlaySmart* is featured as part of the new Gaming Management System (GMS) designed by Bally Technologies, allowing slot customers to make pre-commitments on limits on their time and money spent gambling, enabling them to monitor and assess their play and promoting safe gambling habits. *My PlaySmart* will be implemented in each Gaming Bundle as day-to-day operations are transferred to land-based gaming service providers. The timing of each implementation will be outlined in the contract between OLG and the respective service provider for each Gaming Bundle.

6. GAMING MANAGEMENT SYSTEM (GMS)

OLG currently runs an integrated GMS that has been customized and is maintained in-house. In order to meet the requirements of modernization, OLG, in collaboration with land-based gaming service providers, is replacing the GMS that tracks activities on each of the more than 12,500 slot machines in the 19 Slots and Casinos locations throughout Ontario. The new GMS will allow OLG to exert direct control over persistent data collection, and transaction monitoring over all slot machines. It will also allow OLG to give land-based gaming service providers access to data they require to deliver marketing programs to customers.

The new GMS will include:

- Central GMS – OLG-owned central systems and components to manage land-based gaming, ensuring OLG can meet oversight and conduct and manage contractual obligations
- Site GMS – service provider-owned, site-based systems that will integrate with OLG systems and meet all OLG mandated requirements

In 2015, a Site GMS pilot was successfully deployed at Slots at Georgian Downs. The Site GMS operated as expected and the pilot phase of the GMS program closed in December 2015 leaving Slots at Georgian Downs fully operational. The GMS program will now focus on deploying a Central GMS system. Each site GMS, owned and operated by the land-based gaming service provider, will integrate with the OLG Central GMS.

The new Central GMS is a key enabler in OLG's modernization and its mandate to conduct and manage gaming in the province. The Central GMS will provide applications, systems configurations and business processes that support OLG's responsibility to conduct and manage gaming, including instantaneous control of all electronic gaming devices and delivery of a province wide responsible gambling program at gaming sites operated by land-based gaming service providers. The system will also strengthen OLG's ability to maintain game integrity, manage player protection, conduct complaint investigations, reduce fraud and facilitate dispute resolution.

7. CUSTOMER MANAGEMENT

While the day-to-day delivery of lottery and gaming shifts to service providers, OLG will continue to own key player information. The Customer Management initiative will provide OLG with a single view of customers across all lines of business.

Customer Management is improving OLG's capability to deliver RG programs, adhere to government policy objectives and ensure a consistent and accurate customer experience across all OLG's products, channels and services. It achieves this capability by applying a better understanding of customer behaviour and using these findings to improve existing programs.

2. Results of Operations – Reportable Segments

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

Slots and Casinos are gaming facilities operated by OLG or a land-based gaming service provider.

A. LOTTERY

Summary data from Statement of Comprehensive Income

(in thousands of dollars)

For the fiscal year	**2015–16**	2014–15	**$ Variance**	% Variance
Revenue	**$ 3,785,596**	$ 3,268,556	**517,040**	15.8
Expenses	**2,738,905**	2,413,334	**(325,571)**	(13.5)
Income before the undernoted	**$ 1,046,691**	$ 855,222	**191,469**	22.4
Other income	**3,389**	2,267	**1,122**	49.5
Net income	**$ 1,050,080**	$ 857,489	**192,591**	22.5

A1. Lottery revenue

The Lottery segment set a number of records in fiscal 2015–16:

- On October 17, 2015, LOTTO 6/49 rolled to a record jackpot of $64 million, generating the second highest weekly revenue in lottery history.
- For the week ending December 26, 2015, sales reached $103 million, the highest weekly sales in lottery history, primarily due to a LOTTO MAX jackpot of $60 million plus 35 MAXMILLIONS.

Lottery revenue for fiscal 2015–16 was $3.79 billion, an increase of $517.0 million or 15.8 per cent from the previous fiscal year. This was primarily due to higher value jackpots and higher sales per jackpot in the national Lotto games, particularly LOTTO MAX, and higher regional (Ontario only) Lotto and INSTANT sales. The increase was marginally offset by lower sales for Sports games. Lottery revenue was $556.2 million or 17.2 per cent higher than budget due to higher than expected Lotto and INSTANT games 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	**2015–16**	2014–15	**2015–16**	2014–15	**2015–16**	2014–15	**2015–16**	2014–15
Lotto	**14**	15	**$ 2,372.6**	$ 1,939.2	**62.7%**	59.3%	**$ 1,164.2**	$ 950.9
INSTANT	**79**	81	**1,119.4**	1,030.4	**29.6%**	31.5%	**731.0**	675.8
Sports	**6**	6	**293.6**	299.0	**7.7%**	9.2%	**185.3**	180.5
Totals	**99**	102	**$ 3,785.6**	$ 3,268.6	**100.0%**	100.0%	**$ 2,080.5**	$ 1,807.2

OLG is a member of the Interprovincial Lottery Corporation (ILC), an entity established in 1976 to conduct and manage lotteries on behalf of Her Majesty the Queen in Right of all provinces. Other members are British Columbia Lottery Corporation, Western Canada Lottery Corporation, Loto-Québec and Atlantic Lottery Corporation. The two main games ILC oversees are LOTTO MAX and LOTTO 6/49. ILC also oversees certain INSTANT games (e.g., $200 MILLION$ EXTRAORDINAIRE) that are sold by each participating member in their respective jurisdictions across Canada.

Lotto games are national and regional lotteries that are played with tickets generated on a lottery terminal, excluding Sports games. 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 sporting event (e.g., 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.

Lotto sales increased by 22.4 per cent compared to the previous fiscal year as national Lotto sales (i.e., LOTTO MAX and LOTTO 6/49) increased by $403.1 million or 32.5 per cent (a record year) while regional Lotto sales increased by $30.3 million or 4.3 per cent. National Lotto sales were higher than in the previous fiscal year and budget primarily as a result of higher LOTTO MAX sales driven by more high value jackpots in fiscal 2015–16. Customers tend to wager more when the value of the jackpot rolls or increases to its next level. In fact, LOTTO MAX experienced the highest jackpot draws (higher value jackpots offered) since the game was originally launched (30 jackpots greater than $50 million this fiscal year versus only nine in the last fiscal year). This resulted in an increase in the average sales per jackpot draw to $18.0 million compared to $11.5 million in fiscal 2014–15. LOTTO 6/49 sales were higher than in the previous fiscal year mainly due to higher sales per jackpot draw, a direct result of higher value jackpots in fiscal 2015–16.

Sales of national games across Canada were strong for fiscal 2015–16. OLG performed particularly well as its national game sales per capita (based on data provided by the ILC using sales and population for each jurisdiction) for fiscal 2015–16 were 12.6 per cent above the national average. OLG continued to lead the five Canadian jurisdictions in the share of national games sales at 43.4 per cent.

Regional Lotto sales also improved year over year, primarily due to an increase in ENCORE sales, which was mostly attributable to the strong performance of national Lotto sales as discussed previously. In addition, enhancements to LOTTARIO were introduced in November 2015, generating increased sales over the previous year. LOTTARIO now offers jackpots that grow more quickly, three new prize categories, larger prize payouts and better overall odds of winning.

INSTANT sales were in excess of $1 billion again this fiscal year and ahead of the previous fiscal year and budget. Sales increased $89.0 million or 8.6 per cent driven in large part by higher activity in the $5 games category, primarily for the new $5 INSTANT BINGO scratch ticket, the $5 Variety products and the new $30 ILC INSTANT ticket, $250 MILLION GOLDEN TREASURES.

Sports product sales marginally decreased by $5.4 million or 1.8 per cent compared to fiscal 2014–15, primarily a result of the discontinuation of Proline over/under wagering on soccer in fiscal 2015–16, but were $13.6 million or 4.8 per cent ahead of budget due to strong sales in Point Spread.

A2. Lottery net income

Net income from Lottery for fiscal 2015–16 was $1.05 billion, $192.6 million or 22.5 per cent more than in the previous fiscal year and $229.1 million or 27.9 per cent higher than budget. This increase was due primarily to the flow through of higher revenue mainly from higher jackpot levels in LOTTO MAX and LOTTO 6/49 and strong INSTANT sales, partially offset by an increase in expenses associated with the revenue increase, including prizes and commissions.

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.

The following are the Lottery KPIs for fiscal 2015–16 compared to fiscal 2014–15:

For the fiscal year	**2015–16**	2014–15	Budget 2015–16
Adjusted EBITDA margin*	**66.0%**	63.8%	62.4%
Marketing as a percentage of adjusted gaming revenue**	**3.3%**	3.6%	3.5%
Payroll as a percentage of adjusted total revenue***	**1.8%**	1.9%	2.0%
Average sales per LOTTO MAX jackpot draw**** ($ millions)	**$ 18.0**	$ 11.5	$ 12.2
Average sales per LOTTO 6/49 jackpot draw**** ($ millions)	**$ 6.7**	$ 6.2	$ 5.9
Total retailers	**9,640**	9,705	9,800
INSTANT ticket sales (millions of tickets)	**274**	261	256
Average price per INSTANT ticket sold	**$ 4.09**	$ 3.94	$ 3.92

**The adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin represents earnings before finance and amortization costs, gaming revenue sharing payments, modernization charges and other 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.*

***Marketing as a percentage of adjusted gaming revenue is derived by dividing marketing expenses by adjusted gaming revenue. Marketing expenses include promotions, advertising, corporate marketing and marketing related payroll costs. Adjusted gaming revenue includes revenue from lottery games net of prizes.*

****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue.*

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

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

Adjusted EBITDA, adjusted gaming revenue and adjusted total revenue are not defined terms under IFRS. Accordingly, these measures should not be considered substitutes or alternatives for net income or cash flows and/or revenue as determined in accordance with IFRS. Please refer to Section 4 – Disclosures for non-IFRS measures.

The adjusted EBITDA margin for Lottery in fiscal 2015–16 increased compared to the previous fiscal year and budget mainly due to a change in sales mix (i.e., higher national Lotto game sales which typically have lower direct costs compared to other games).

Marketing as a percentage of adjusted gaming revenue decreased compared to fiscal 2014–15 and budget as the revenue increase more than offset the marginal increase in marketing costs.

Payroll as a percentage of adjusted total revenue decreased compared to 2014–15 and budget as the increase in revenue was more significant than the marginal increase in payroll costs.

Average sales per jackpot draw for LOTTO MAX increased due to a marked escalation in the number of higher value jackpot draws during fiscal 2015–16. This resulted in an increase in the average sales per jackpot draw to $18.0 million compared to $11.5 million in fiscal 2014–15. 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). In July 2015, the maximum jackpot level was increased to $60 million from $50 million (increment of $55 million, then $60 million). In fiscal 2015–16, LOTTO MAX had 30 jackpots of $50 million or more plus MAXMILLIONS, compared to nine such jackpots in the previous fiscal year. Additionally, there were no base level jackpots ($10 million) during the current fiscal period.

The average number of MAXMILLIONS prizes for each $50 million LOTTO MAX jackpot plus MAXMILLIONS was 18 in fiscal 2015–16 compared to four in the previous fiscal year. Once the main jackpot reaches $50 million, each $1 million in excess is drawn as a separate $1 million MAXMILLIONS prize. If the main jackpot is not won, the number of MAXMILLIONS prizes available grows.

The average sales per jackpot draw for LOTTO 6/49 increased from $6.2 million in fiscal 2014–15 to $6.7 million in fiscal 2015–16.

The total number of lottery retailers decreased slightly from the previous fiscal year as normal closure rates outpaced new installations.

Overall, INSTANT ticket volume in fiscal 2015–16 was higher than in the previous fiscal year and budget as a result of a marketing strategy focused on $5 ticket games and the introduction of a new $30 ILC INSTANT ticket, $250 MILLION GOLDEN TREASURES. This resulted in a higher average price per INSTANT ticket sold in fiscal 2015–16 compared to fiscal 2014–15.

A4. Lottery trends and risks

OLG continues to act on the recommendations contained in its report, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*. The report found that OLG's current business model is not optimal over the long term and its modernization is necessary to improve the customer experience. To do this, OLG will become more customer-focused, secure qualified service providers for specific day-to-day operations of lottery and gaming and renew its role in the conduct and management of lottery and gaming.

With the launch of PlayOLG in January 2015, customers now have the option to purchase LOTTO 6/49, LOTTO MAX and ENCORE tickets on the Internet; however, the vast majority of adult Ontarians still purchases paper lottery tickets from a retailer. OLG's current lottery terminal technology limits where paper-based tickets can be sold and is not suited to current shopping patterns. Most adult Ontarians frequently visit supermarkets, big box stores and large retail locations where OLG products are not conveniently located or are currently not offered for sale. OLG's modernization addresses this challenge by recommending the expansion of lottery retail options to include these multi-lane retailers that can sell lottery products at multiple checkouts, while continuing to support the existing retailer network.

In fiscal 2012–13, OLG commenced the formal strategic procurement process to obtain a lottery service provider. OLG's procurement process includes RFI, RFPQ and RFP. Both the RFI and RFPQ processes for Lottery have been completed. The Corporation evaluated the RFPQ submissions and pre-qualifying lottery service providers received the RFP documents in September 2014. OLG expects to complete the RFP stage and select a service provider in fiscal 2017–18.

While the number of high jackpot level draws for national Lotto games was the primary reason for the record-breaking Lottery revenue of fiscal 2015–16, this is not anticipated to be sustainable in future years. Lottery revenue is expected to grow at a compound annual growth rate (CAGR) of 3.8 per cent from fiscal 2014–15 to fiscal 2019–20. This is primarily due to the launch of a new national Lotto game and the execution of a product and channel development strategy designed to maximize returns from Lottery's four unique product categories and expand distribution by introducing new sales channels. Minimal increases to indirect costs are anticipated. It is expected that there will be an increase in the number of distribution channels culminating in net operating profit growth of 3.5 per cent CAGR.

B. CHARITABLE GAMING

Summary data from Statement of Comprehensive Income

(in thousands of dollars)

For the fiscal year		**2015–16**		2014–15	**$ Variance**	% Variance
Revenue	**$**	**165,953**	$	114,875	**51,078**	44.5
Expenses		**192,323**		144,334	**(47,989)**	(33.2)
Loss before the undernoted	**$**	**(26,370)**	$	(29,459)	**3,089**	10.5
Other expenses		**8,417**		22,434	**14,017**	62.5
Net loss		**(34,787)**		(51,893)	**17,106**	33.0
Add: charity payments		**30,270**		20,788	**9,482**	45.6
Adjusted net loss*	**$**	**(4,517)**	$	(31,105)	**26,588**	85.5

**Adjusted net loss represents net loss before charity payments. Through its share of the 31 Charitable Gaming Centres' gaming proceeds, OLG makes direct-to-charity contributions to the respective locations' charity associations to help support close to 1,800 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 31 Charitable Gaming Centres across Ontario. These sites offer bingo products on electronic devices in addition to the classic paper-based play. Play on Demand (POD) games are personal electronic Bingo games with different price and prize levels that can be played between sessions, at intermission, or even during live bingo games. OLG added TapTix to four sites in fiscal 2015–16 (nine sites received TapTix in fiscal 2014–15). TapTix are electronic devices used to play a Break Open Ticket game. As the ticket is dispensed, a graphical representation of the results is displayed on a video screen.

In fiscal 2015–16, the 50/50 program expanded to offer 50/50 electronic raffles at Toronto Rock and Toronto Marlies events. Gross ticket sales increased by $0.3 million or 6.1 per cent in fiscal 2015–16 compared to fiscal 2014–15. The increase was mainly due to the incremental sales from the Ottawa Senators and Toronto Raptors playoff games as well as sales from Toronto Rock and Toronto Marlies games.

Charitable Gaming revenue for fiscal 2015–16 was $166.0 million, an increase of $51.1 million or 44.5 per cent over the previous fiscal year. This increase was primarily due to the opening of three new sites, the deployment of TapTix at four sites and impact of the nine sites launched in fiscal 2014–15. Gaming revenue from TapTix increased by $22.2 million or 90.1 per cent. Gaming revenue from paper Break Open Tickets increased by

$15.8 million or 37.7 per cent. Gaming revenue from Session Bingo* increased by $9.1 million or 23.8 per cent. Charitable Gaming revenue was $15.5 million or 10.3 per cent higher than budget primarily due to the strong performance of TapTix as a result of the launch of Multi Denomination and Progressive Jackpot features. This increase was partially offset by the delayed launch of five new sites to future years.

**Session Bingo is a set of bingo games played with a group of players in real time. Bingo numbers are called out by a caller and players play together for the same prizes. Players must stop the game by calling bingo or getting the attention of the caller. If more than one player calls bingo, prizes are shared. With revitalization, players can now play the session bingo games on both paper and electronic devices.*

B2. Charitable Gaming adjusted net loss

Charitable Gaming adjusted net loss in fiscal 2015–16 was $4.5 million, an improvement of $26.6 million or 85.5 per cent as compared to fiscal 2014–15. The decrease in adjusted net loss was primarily attributed to higher revenue, as discussed previously, and lower non-cash impairment charges. During the year, Management identified indicators of impairment in the Charitable Gaming cash generating units (CGUs) (i.e., the individual Charitable Gaming Centres) as a result of the economic performance of the CGUs. The recoverable amount of the Charitable Gaming CGUs continues to be less than their respective carrying values and as a result non-cash impairment charges of $6.5 million ($19.4 million in fiscal 2014–15) were included in other expenses. The Charitable Gaming adjusted net loss was $17.8 million or 79.7 per cent lower than budget and was primarily attributable to higher gaming revenue as discussed previously and the lower non-cash impairment charge from the delayed launch of five new sites.

Payments to charitable associations that rely on funding from Charitable Gaming are included in expenses. Charities receive a commission based on a percentage of non-gaming revenue and a percentage of adjusted net win (net win after the payment of applicable marketing expenses). The payments to charitable associations totalled $30.3 million in fiscal 2015–16 representing an increase of $9.5 million or 45.6 per cent when compared to fiscal 2014–15.

B3. Charitable Gaming financial key performance indicators

The following are the Charitable Gaming financial KPIs for fiscal 2015–16 compared to fiscal 2014–15:

For the fiscal year	**2015–16**	2014–15	Budget 2015–16
Adjusted EBITDA margin**	**8.0%**	(5.3%)	2.2%
Marketing as a percentage of adjusted gaming revenue***	**6.3%**	6.1%	8.0%
Payroll as a percentage of adjusted total revenue****	**2.7%**	3.6%	3.4%

***The adjusted EBITDA margin represents earnings before finance and amortization costs, gaming revenue sharing payments, charity payments, modernization charges and other 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.*

****Marketing as a percentage of adjusted gaming revenue is derived by dividing marketing expenses by adjusted gaming revenue. Marketing expenses include promotions, advertising, corporate marketing and marketing related payroll costs. Adjusted gaming revenue includes revenue from all Charitable Gaming products net of prizes except paper Break Open Tickets, which are recognized as gross sales, but excludes all non-gaming revenue.*

*****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue.*

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

Adjusted EBITDA, adjusted gaming revenue and adjusted total revenue are not defined terms under IFRS. Accordingly, these measures should not be considered substitutes or alternatives for net income or cash flows and/or revenue as determined in accordance with IFRS. Please refer to Section 4 – Disclosures for non-IFRS measures.

The adjusted EBITDA margin for Charitable Gaming in fiscal 2015–16 improved compared to the previous fiscal year due to the opening of three new sites and the impact of the nine new sites launched in fiscal 2014–15. The adjusted EBITDA margin was higher than budget primarily due to lower expenses, specifically the lower-than-expected non-cash impairment charge resulting from the delayed launch of the five new sites.

The increase in marketing as a percentage of adjusted gaming revenue in fiscal 2015–16 compared to fiscal 2014–15 was attributed primarily to the higher expenditures in site and corporate marketing. Marketing as a percentage of adjusted gaming revenue in fiscal 2015–16 was lower than budget mainly due to the deferred spending of site and corporate marketing related to the delayed launch of five new sites.

Payroll as a percentage of adjusted total revenue declined from the previous fiscal year and budget as revenue increased more significantly than payroll costs.

B4. Charitable Gaming trends and risks

In 2010, OLG began a multi-year Charitable Gaming Revitalization Initiative, which is intended to preserve and enhance funding for local community charities across Ontario while creating economic benefits, including employment opportunities. This is to be achieved by introducing new electronic products, enhancing customer service and upgrading facilities.

Since the pilot program of this initiative began in fiscal 2005–06, more than $115 million has been raised for charities in Ontario. Charities have been making many positive contributions to their communities such as:

- collecting more than one million food items for the Sudbury Food Bank
- raising funds for Kingston and District Civitan Club, which provides assistance to the homeless and financial aid to young patients in need of important medical testing in Toronto
- supporting the Child Development Centre within the Rose of Sharon Services for Young Mothers in Newmarket
- purchasing new medical equipment for the Windsor hospital
- supporting recreational baseball teams in Hawkesbury
- raising funds for Niagara Falls Art Gallery and the Children's Museum for facility maintenance and ongoing programs

Working with municipalities, the Ontario Charitable Gaming Association and the Commercial Gaming Association of Ontario, OLG has launched 26 new Charitable Gaming Centres since August 2012, bringing the number of centres across Ontario to 31.

Future products being considered include:

- new types of games, based on bingo math, that engage customers by letting them select their own numbers
- new entertainment features on the games
- additional POD games that can be played during Session Bingo or independently
- other games with enhanced features and new social gaming products

These products will continue to support the revitalization of the industry and grow revenue for participating charities across Ontario.

With the opening of new Charitable Gaming Centres and new product launches, as discussed previously, Charitable Gaming revenue is projected to grow at a CAGR of 7.5 per cent from fiscal 2014–15 to fiscal 2019–20. Net operating profit (NOP) is projected to increase annually until fiscal 2017–18 and start to decrease in fiscal 2018–19 as assets will be refreshed. Although the adjusted EBITDA margin for fiscal 2015–16 is 8.0 per cent, when contractual funding for charities and gaming revenue sharing payments are included as operating expenses, the adjusted EBITDA margin is a loss of 20.7 per cent for fiscal 2015–16 and a loss of 34.8 per cent for fiscal 2014–15. The business continues to explore alternatives in achieving break-even NOP while providing stabilized funding to Ontario charities.

The 50/50 electronic raffle program with the Maple Leaf Sports and Entertainment Foundation and the Ottawa Senators Foundation will expand to include the Jays Care Foundation in fiscal 2016–17.

C. RESORT CASINOS

Summary data from Statement of Comprehensive Income

(in thousands of dollars)

For the fiscal year	**2015–16**	2014–15	**$ Variance**	% Variance
Revenue	**$ 1,382,596**	$ 1,255,730	**126,866**	10.1
Expenses	**1,433,693**	1,353,908	**(79,785)**	(5.9)
Loss before the undernoted	**$ (51,097)**	$ (98,178)	**47,081**	48.0
Other (expenses) income	**(155,376)**	21,103	**(176,479)**	(836.3)
Net loss	**(206,473)**	(77,075)	**(129,398)**	(167.9)
Add: win contribution	**257,145**	232,502	**24,643**	10.6
Adjusted net income*	**$ 50,672**	$ 155,427	**(104,755)**	(67.4)

**Adjusted net income represents net loss 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 Resort 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.*

C1. Resort Casinos revenue

OLG is responsible for four Resort Casinos – Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort ("Fallsview"). These sites are owned and managed by OLG with day-to-day operations carried out by private sector operators pursuant to the terms of their respective operating agreements. The private sector operator is the employer for all employees of 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, a subsidiary of Caesars Entertainment Corporation.

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 Fallsview – are located in the City of Niagara Falls, Ontario, and their day-to-day operations 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. During the year, the Corporation exercised an option to not extend the Permanent Casino Operating Agreement, which is set to expire June 10, 2019, resulting in non-extension costs of $159.3 million, including HST of $15.8 million, included in other charges.

Total Resort Casinos revenue for fiscal 2015–16 was $1.38 billion, an increase of $126.9 million or 10.1 per cent over the previous fiscal year. Higher gaming revenue was realized at all properties primarily due to the weakened Canadian dollar, which kept more Canadians playing domestically and attracted more American patrons, as well as the mild weather conditions and lower gas prices compared to the previous year. In addition to these common factors, Casino Rama's revenue increase can be also be attributed to higher revenue from table games such as Pai Gow and Sic Bo, a construction-free gaming floor (significant renovations were completed in fiscal 2014–15), a greater focus on marketing initiatives and improved customer satisfaction scores. The Niagara properties and Caesars Windsor experienced a notable increase in the number of visits by higher-end players as well as a stronger hold on table games.

Resort Casinos revenue was $147.1 million or 11.9 per cent higher than budget primarily due to increased customer visits, resulting from a weaker than expected Canadian dollar (CAD). The budget had projected an average U.S. dollar (USD) exchange rate of $1.10 compared to the actual average rate of $1.31.

C2. Resort Casinos adjusted net income

In fiscal 2015–16, the Resort Casinos adjusted net income was $50.7 million, a decrease of $104.8 million or 67.4 per cent from fiscal 2014–15 and $75.8 million or 60.0 per cent lower than budget. This decrease as compared to the previous year and to budget is primarily due to the non-extension costs incurred in fiscal 2015–16 related to the Niagara Casinos, discussed previously, partially offset by the flow through impact of higher revenue for the year.

Compensation for the operators of Resort Casinos is based on a percentage of Gross Revenue and a percentage of Net Operating Margin, both defined terms in the respective operating agreement between OLG and each operator. Total fees paid to the operators in fiscal 2015–16 were higher compared to the previous year and to budget due to increased Gross Revenue and Net Operating Margin.

C3. Resort Casinos financial key performance indicators

The following are the Resort Casinos financial KPIs for fiscal 2015–16 compared to fiscal 2014–15:

For the fiscal year	**2015–16**	2014–15	Budget 2015–16
Adjusted EBITDA margin*	**26.8%**	24.7%	21.9%
Marketing as a percentage of adjusted gaming revenue**	**11.7%**	12.3%	12.4%
Payroll as a percentage of adjusted total revenue***	**33.1%**	35.0%	36.5%
Total patrons (in millions)	**16.6**	15.8	15.6
Win per patron	**$ 78**	$ 74	$ 73
Rated U.S. play****			
Caesars Windsor	**34.2%**	33.0%	n/a

**The adjusted EBITDA margin represents earnings before finance and amortization costs, win contribution, gaming revenue sharing payments, host municipality 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.*

***Marketing as a percentage of adjusted gaming revenue is derived by dividing marketing expenses by adjusted gaming revenue. Marketing expenses include promotions, advertising, corporate marketing and marketing related payroll costs. Adjusted gaming revenue includes revenue from slot and table gaming operations but excludes all non-gaming revenue.*

****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue.*

*****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. Rated U.S. play is not budgeted.*

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

Adjusted EBITDA, adjusted gaming revenue and adjusted total revenue are not defined terms under IFRS. Accordingly, these measures should not be considered substitutes or alternatives for net income or cash flows and/or revenue as determined in accordance with IFRS. Please refer to Section 4 – Disclosures for non-IFRS measures.

Adjusted EBITDA margin for Resort Casinos in fiscal 2015–16 was higher than in the previous year and the budget primarily due to the flow through impact of higher revenue at all properties, as discussed previously, partially offset by increased non-gaming and gaming operations expenses resulting from a higher number of customer visits, as well as a loss associated with a discontinued capital project.

Marketing as a percentage of adjusted gaming revenue is lower than the previous year and budget due to the more significant increase in gaming revenue at all properties than the increase in marketing expenses. Marketing expenses were higher than the previous year due to a higher number of customer visits at all Resort Casinos and related increases in bus program expenses at the Niagara Casinos.

Payroll as a percentage of adjusted total revenue is lower than the previous year and budget resulting from the increase in revenues at all sites. This was partially offset by a disproportionate increase in payroll costs due to the higher number of customer visits at all sites and costs associated with a new labour agreement at Casino Rama.

The total number of customer visits to the Resort Casinos in fiscal 2015–16 was 16.6 million, an increase of 4.8 per cent from 15.8 million customers in fiscal 2014–15 and 6.4 per cent higher than the 15.6 million customers in the budget. The win per patron* increased to $78 in fiscal 2015–16 from $74 in the previous fiscal year, which was also higher than $73 projected in the budget.

**Win per patron is derived by dividing gaming revenue (net win) by the number of patrons.*

C4. Resort Casinos trends and risks

OLG continues to act on the recommendations contained in its report, *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. To ensure greater consistency in the Ontario gaming market, on April 1, 2016, OLG announced the Niagara Casinos would be included in the modernization procurement process. The expected release of the RFPQ for the Niagara Gaming Bundle is in the summer of 2016.

Resort Casinos gaming revenue CAGR is projected to grow marginally at 0.6% from fiscal 2014–15 to fiscal 2019–20. Net operating profit is expected to grow at a CAGR of 2.5% for the same period through operational cost efficiencies.

Similar to a number of 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 especially outbound cross-border traffic. During fiscal 2015–16, the average USD exchange rate was $1.31 CAD (ranging from a low of $1.21 CAD in May 2015 to a high of $1.42 CAD in January 2016). In comparison, fiscal 2014–15 had an average USD exchange rate of $1.14 CAD (with a low of $1.07 and a high of $1.26). A lower Canadian dollar drives additional U.S. visits to OLG gaming facilities and keeps Canadian players playing domestically.

The size of the Canadian casino-style gaming market increased by 2.7 per cent in fiscal 2014–15, remaining at just over $10 billion in gaming revenue. The four top performing Canadian provinces – Ontario, Alberta, Quebec and British Columbia – account for more than 80 per cent of the total Canadian casino-style gaming market. Competition from the U.S. remains a significant consideration. A scheduled overnight maintenance closure of the Windsor-Detroit Tunnel is planned in calendar 2016 and may encourage U.S. players to play in U.S. casinos instead of Caesars Windsor. As well, there may be impacts from the rebranding of the Horseshoe Casinos in Ohio and Greektown Casino in Detroit and the $40 million Buffalo casino expansion.

The operating unit of Caesars Entertainment Corporation, the parent company of Caesars Entertainment Windsor Limited, filed for Chapter 11 bankruptcy protection in a Chicago, Illinois court on January 15, 2015. The Caesars Windsor facility is owned by OLG while Caesars Entertainment Windsor Limited carries on the day-to-day operating activities of Caesars Windsor under an Operating Agreement with OLG dated December 14, 2006. OLG continues to monitor the situation with Caesars Entertainment Corporation; however, Caesars Windsor will not be impacted by the bankruptcy proceedings.

In an effort to increase customers' interest, enhance their experience and generate excitement, Resort Casinos continue their investments in a number of amenity improvement projects. In fiscal 2014–15, Casino Rama completed a multi-million dollar renovation which included a new food and beverage outlet, a centre bar on the gaming floor, a reconfigured gaming floor and the consolidation of two entrances. In fiscal 2015–16, Casino Rama continued upgrading its hotel and other amenities, and in fiscal 2016–17 a renovation is planned for the buffet offerings. At the Niagara Casinos, a buffet renovation at Fallsview, improvements to the gaming floor appearance at Casino Niagara and various other interior updates were completed in fiscal 2015–16. Fallsview also installed a 13-storey LED/HD screen, which will display casino information and show times in an effort to attract more patrons. In November 2015, OLG released an RFPQ for the proposed development of a new entertainment centre in the City of Niagara Falls. The RFPQ closed on March 23, 2016 and a proponent is expected to be in place in fiscal 2016–17. At Caesars Windsor, vacant space on the 27th floor will be converted to a multi-use venue, which can be booked for dinners, cocktail receptions, weddings, etc. An expansion in dining experiences is scheduled for fiscal 2016–17.

In addition to these amenity improvements, OLG continues to invest in new slot machine products to enhance growth and competitive appeal in the Resort Casinos' respective markets.

The Resort Casinos continue to leverage their strengths in product offerings, trip generating marketing programs (promotions associated with food and beverage, hotels and entertainment), continuous customer service improvements and operational efficiencies in order to sustain their competitive advantage.

D. SLOTS AND CASINOS

Summary data from Statement of Comprehensive Income

(in thousands of dollars)

For the fiscal year	**2015–16**	2014–15	**$ Variance**	% Variance
Revenue	**$ 2,061,966**	$ 1,996,649	**65,317**	3.3
Expenses	**956,409**	949,646	**(6,763)**	(0.7)
Income before the undernoted	**$ 1,105,557**	$ 1,047,003	**58,554**	5.6
Other income	**47,965**	13,292	**34,673**	260.9
Net income	**1,153,522**	1,060,295	**93,227**	8.8
Add: win contribution	**15,302**	14,432	**870**	6.0
Adjusted net income*	**$ 1,168,824**	$ 1,074,727	**94,097**	8.8

**Adjusted net income represents net income adjusted for the addition 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 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. Slots and Casinos revenue

On January 11, 2016, the land-based gaming service provider for the East Gaming Bundle, OGELP, took over the day-to-day operations of Casino Thousand Islands and Slots at Kawartha Downs.

Revenue from Slots and Casinos for fiscal 2015–16, including revenue from sites operated by a land-based gaming service provider, was $2.06 billion, an increase of $65.3 million or 3.3 per cent from the previous fiscal year. Eighteen of 20 sites experienced a year-over-year increase in revenue attributable to a greater number of site visits and increased win per patron. Initiatives contributing to these increases were the launch of a new player development program in the fourth quarter of fiscal 2014–15, growth in the number of Winner's Circle Rewards memberships, improvements to the customer experience and refinement of Slots at Woodbine Racetrack's geographically specific and multicultural advertising campaigns. Slots at Woodbine Racetrack is the largest contributor to the year-over-year increase with a $38.6 million increase in gaming revenue. Overall, Slots and Casinos revenue was $110.8 million or 5.7 per cent higher than budget due to increased site visits and increased slot volume.

D2. Slots and Casinos adjusted net income

Adjusted net income from Slots and Casinos in fiscal 2015–16 was $1.17 billion, an increase of $94.1 million or 8.8 per cent from the previous fiscal year. This increase was primarily due to the flow through impact of higher revenue, the recognition of the gain from the sale of East Gaming Bundle assets of $19.5 million, included in other income, and lower depreciation and marketing expenses. Marketing expenses decreased in fiscal 2015–16 as a result of a change in the mix of promotions and the reduction of marketing costs associated with the transfer of the sites in the East Gaming Bundle. Adjusted net income for fiscal 2015–16 was $161.9 million or 16.1 per cent higher than budget, the result of increased revenue, lower than expected operating costs and the gain from the sale of the East Gaming Bundle assets.

D3. Slots and Casinos financial key performance indicators

The following are the Slots and Casinos financial KPIs for fiscal 2015–16 compared to fiscal 2014–15:

For the fiscal year	**2015–16**	2014–15	Budget 2015–16
Adjusted EBITDA margin*	**64.1%**	63.1%	60.2%
Marketing as a percentage of adjusted gaming revenue**	**5.4%**	5.7%	5.9%
Payroll as a percentage of adjusted total revenue***	**13.9%**	14.4%	14.7%
Total patrons (in millions)	**20.9**	20.7	20.6
Win per patron	**$ 98**	$ 96	$ 94

**The adjusted EBITDA margin represents earnings before finance and amortization costs, win contribution, gaming revenue sharing payments, host municipality 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.*

***Marketing as a percentage of adjusted gaming revenue is derived by dividing marketing expenses by adjusted gaming revenue. Marketing expenses include promotions, advertising, corporate marketing and marketing related payroll costs. Adjusted gaming revenue includes revenue from slot and table gaming operations but excludes all non-gaming revenue.*

****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue.*

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

Adjusted EBITDA, adjusted gaming revenue and adjusted total revenue are not defined terms under IFRS. Accordingly, these measures should not be considered substitutes or alternatives for net income or cash flows and/or revenue as determined in accordance with IFRS. Please refer to Section 4 – Disclosures for non-IFRS measures.

The adjusted EBITDA margin for Slots and Casinos was higher in fiscal 2015–16 than in the previous fiscal year, primarily the result of increased revenue as discussed previously. The adjusted EBITDA margin was higher than budget mainly due to favourable revenue and lower facilities and marketing expenses.

Marketing as a percentage of adjusted gaming revenue decreased compared to fiscal 2014–15. The primary drivers for the decrease in fiscal 2015–16 were higher gaming revenues and lower marketing costs as a result of a change in the mix of promotions versus prior year and the reduction of marketing costs associated with the transfer of the sites in the East Gaming Bundle to the land-based gaming service provider. Marketing as a percentage of adjusted gaming revenue was lower than budget due to higher than anticipated revenue and lower marketing costs as previously discussed.

Payroll as a percentage of adjusted total revenue for Slots and Casinos decreased slightly in fiscal 2015–16 in comparison to the previous fiscal year and budget primarily due to higher revenues and the reduction in payroll costs associated with the transfer of employees from the East Gaming Bundle sites to the land-based gaming service provider.

The number of site visits increased by 0.2 million or 0.7 per cent overall as compared to the previous fiscal year. The majority of this increase occurred at Slots at Woodbine Racetrack due to advertising campaigns that built awareness and increased reach within the GTA, a defined high limit area, additional electronic table games and the introduction of new slot product themes. In comparison to budget, the number of total site visits increased by 0.3 million or 1.5 per cent.

Gaming revenue increased at a greater rate than the number of site visits resulting in an increase to win per patron* in fiscal 2015–16. Win per patron exceeded budget expectations.

**Win per patron is derived by dividing gaming revenue (net win) by the number of patrons.*

D4. Slots and Casinos trends and risks

OLG continues to act on the recommendations contained in its report, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*. Under direction from government, OLG is in the midst of an evolving multi-year transformation of its business. OLG's strategic focus is on modernization and executing an effective transformation of the organization. After modernization, OLG will be a more efficient organization, focused on its core responsibilities to conduct and manage, while the day-to-day delivery of lottery and gaming will shift to service providers. OLG's modernization is consistent with the government's strategic approach to its assets – maximizing value while maintaining public ownership.

In order to operate efficiently, avoid public expenditure on capital and meet customer interest in land-based gaming, OLG is executing a competitive procurement process to identify land-based gaming service providers to improve the efficiency and effectiveness of gaming operations.

Modernization took a critical step forward in September 2015 when OLG selected OGELP, through its procurement process, as the preferred land-based gaming service provider for the East Gaming Bundle. Transition of the day-to-day operations of Casino Thousand Islands and Slots at Kawartha Downs occurred in January 2016. Through this process, OLG has entered into an agreement that is expected to generate incremental Net Profit to the Province over the life of the agreement while enabling new employment and new capital investment in the associated gaming facilities by the new land-based gaming service provider. As part of its capital investment plan, OGELP has secured all necessary provincial and municipal approvals to locate a new gaming site in the City of Belleville, and construction of the new facility began in April 2016.

OLG is incorporating the lessons learned from the East Gaming Bundle procurement process to enhance the effectiveness and efficiency of the RFPs for the remaining Gaming Bundles. In fiscal 2015–16, OLG initiated the RFP process for three Gaming Bundles in the following regions: North, Southwest and GTA. OLG has completed the RFPQ stage for the Central and West GTA Gaming Bundles and expects to issue RFP documents to pre-qualified proponents in fiscal 2016–17. OLG is in the RFPQ stage for the Ottawa Area Gaming Bundle and expects to begin the RFP process in fiscal 2016–17.

Additionally, Toronto City Council passed a resolution in support of expanded gaming at Slots at Woodbine Racetrack subject to specified conditions. This outcome is expected to generate significant land-based gaming service provider interest in the GTA Gaming Bundle while enabling extensive capital development that will further optimize the Toronto gaming market.

As part of the modernization strategy, OLG has launched seven strategic initiatives. One of these, the Gaming Management System (GMS), was introduced to substantially upgrade OLG's technology with the goal of providing a strong foundation for the future organization. OLG, through its modernization process and in conjunction with investments from land-based gaming service providers, will replace the GMS that tracks activities on each of the more than 12,500 slot machines in 19 Slots and Casinos locations throughout Ontario. This program is described in Section 1 – Overview of Key Initiatives.

The Slots and Casinos segment will continue to focus on maintaining and increasing revenue within a framework of responsible gambling and in the public interest. Gaming revenue and net operating profit, including operations from sites run by land-based gaming service providers, are projected to grow at a CAGR of 2.9 per cent and 1.9 per cent, respectively, from fiscal 2014–15 to fiscal 2019–20*, through the transition of day-to-day operations of gaming sites to land-based gaming service providers and the introduction of new and/or relocated/expanded gaming sites. This segment will continue to use analytics, research and business case support in order to respond to gaming demand in existing markets — which may include an increase in the supply of electronic tables and slot machines, where appropriate — and to ensure effective execution of marketing programs. The segment will continue to refine its slot pricing strategy as part of a yield management approach to ensure effective and competitive games. The Slots and Casinos segment also closely evaluates KPIs and adjusts marketing programs as needed to maximize revenue and optimize return on investment.

OLG's ongoing commitment to Responsible Gambling is discussed in Section 1 – Overview of Key Initiatives.

**Amount as reported in OLG's fiscal 2016-17 Business Plan which includes projections using gross gaming revenue generated at the land-based gaming service provider sites.*

E. INTERNET GAMING

Summary data from Statement of Comprehensive Income

(in thousands of dollars)

For the fiscal year		**2015–16**		2014–15	**$ Variance**	% Variance
Revenue	$	**49,170**	$	8,398	**40,772**	485.5
Expenses		**53,035**		45,186	**(7,849)**	(17.4)
Loss before the undernoted	$	**(3,865)**	$	(36,788)	**32,923**	(89.5)
Other income		**11**		58	**(47)**	(81.0)
Net loss	$	**(3,854)**	$	(36,730)	**32,876**	(89.5)

E1. Internet Gaming revenue

PlayOLG was launched in January 2015 to provide safe, secure, responsible Internet Gaming for Ontario gamblers that leverages the trust and confidence of the OLG brand. Internet Gaming revenue in fiscal 2015–16, the first full year of operations, was $49.2 million, $40.8 million higher than in the previous year. Compared to budget, Internet Gaming revenue was $39.5 million or 44.5 per cent less than anticipated. In fiscal 2015–16, PlayOLG focused on creating awareness of the brand, encouraging players to visit the site with effective promotions and broadening the portfolio of casino games. Steady growth in both the number of daily active players and revenue continued to build throughout the year with a 25 per cent increase in fourth quarter revenue results versus the first quarter of the fiscal year. Going forward, continued revenue growth is expected as player loyalty and retention strengthens, awareness of the website increases, the portfolio of games expands and the overall player experience improves.

E2. Internet Gaming net loss

Net loss from Internet Gaming for fiscal 2015–16 was $3.9 million, $32.9 million or 89.5 per cent less than the loss in the previous year. Compared to budget, net loss was $18.6 million less than the anticipated net profit. This variance to budget was due mainly to lower gaming revenue, partially offset by lower than anticipated operating costs, primarily marketing, AGCO fees and government payments.

E3. Internet Gaming 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.

The following are the Internet Gaming Financial KPIs for fiscal 2015–16 compared to fiscal 2014–15:

For the fiscal year	**2015–16**	2014–15	Budget 2015–16
Adjusted EBITDA margin*	**(4.1%)**	(256.6%)	20.9%
Marketing as a percentage of adjusted gaming revenue**	**14.4%**	93.7%	13.2%
Payroll as a percentage of adjusted total revenue***	**8.7%**	65.6%	6.1%

**The adjusted EBITDA margin represents earnings before finance and amortization costs, gaming revenue sharing payments, modernization charges and other 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.*

***Marketing as a percentage of adjusted gaming revenue is derived by dividing marketing expenses by adjusted gaming revenue. Marketing expenses include promotions, advertising, corporate marketing and marketing related payroll costs. Adjusted gaming revenue includes revenue from casino-style games available over the Internet at PlayOLG.*

****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue.*

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

Adjusted EBITDA, adjusted gaming revenue and adjusted total revenue are not defined terms under IFRS. Accordingly, these measures should not "be considered substitutes or alternatives for net income or cash flows and/or revenue as determined in accordance with IFRS. Please refer to Section 4 – Disclosures for non-IFRS measures.

The adjusted EBITDA margin for Internet Gaming in fiscal 2015–16 was higher than in the previous year primarily due to higher revenue, as fiscal 2015–16 marked the first full year of operations for PlayOLG. The adjusted EBITDA margin was below budget primarily due to lower gaming revenue;, which was partially offset by reduced operating expenses, mainly marketing, AGCO fees and government payments.

Marketing as a percentage of adjusted gaming revenue was below the prior year primarily due to higher revenue. Marketing as a percentage of adjusted gaming revenue was above budget due to program adjustments made in response to lower than forecasted revenue.

Payroll as a percentage of adjusted total revenue was below the prior year primarily due to higher revenue. Payroll as a percentage of adjusted total revenue was above budget due to gaming revenue being lower than budget. This was partially offset by lower costs for agency contracts as a result of delaying the mobile initiative until fiscal 2016–17 and not filling vacant staff positions.

Addressing underperforming KPIs versus budget

The primary drivers of revenue growth are the addition of new slot games each week, increased awareness of the PlayOLG website, engaging promotions and strong player retention. Consumer research conducted in October 2015 indicated 85 per cent of players were satisfied with their experience.

The Internet Gaming business unit remains a vital and core platform within the OLG business model. The focus is to expand the portfolio of games offered, increase awareness of the PlayOLG brand, encourage Ontario gamblers to visit the site, launch a mobile casino app and improve player experience on the website.

Going forward, the business unit continues to investigate new opportunities, including new game suppliers and peer-to-peer poker, to provide players with a competitive gaming experience.

E4. Internet Gaming trends and risks

OLG continues to act on the recommendations contained in its report, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*. The report found that OLG's current business model is not optimal over the long term and its modernization is necessary to improve the customer experience. In addition, OLG was asked to develop a complete Internet gaming platform. PlayOLG was launched in January 2015.

As it relates to Internet Gaming, spending by Ontario players in the grey market operations (i.e., those not regulated by the Government of Ontario) provides no returns or value to the province. Research has indicated that three per cent of Ontario adults gamble on a wide variety of websites offering casino games, bingo, sports betting, poker and related products.

PlayOLG's competition is made up exclusively of grey market operators who offer a broader portfolio of products and promotional offers, are well known through extensive advertising and leverage their global operations to respond quickly to market dynamics.

In addition to the competitive environment, other Internet gaming industry risks include changes to government legislation at either the federal or provincial level, changes in consumer opinions relating to Internet gaming and changes to banking and financial regulations regarding the processing of Internet Gaming transactions.

Despite these constraints, Internet Gaming revenue is projected to grow through the addition of new products, which will enhance the PlayOLG website and, in turn, help grow the player base.

PlayOLG is committed to ensuring that RG is the foundation of OLG's Internet gaming platform. The website uses innovative tools and safeguards to help better understand players' risk and to track their game play. Time and money limits have been integrated into PlayOLG, including maximum weekly deposits, session (i.e., the amount of time spent playing) limits, casino loss (i.e., the amount willing to lose) limits and lottery purchase amount limits. Players have the option of taking a break for one to three months or to be self-excluded for a minimum of six months to an indefinite period of time. After self-exclusion, if players decide to be reinstated, they must complete an online tutorial and manually opt in to receive marketing promotions again. In addition, the Bet Buddy program works in conjunction with player activity on PlayOLG to create a profile of the player (that the player can view) and notify OLG if the player is at risk.

3. Financial Condition

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $325.0 million as at March 31, 2016, an increase of $8.7 million from $316.3 million as at March 31, 2015. The majority of the Corporation's cash and cash equivalents were denominated in Canadian dollars as at March 31, 2016.

The increase in cash and cash equivalents was primarily due to greater cash generated by operating activities, partially offset by cash outflows in investing activities and financing activities as set out in the following chart:

(in millions of dollars)

For the fiscal year	**2015–16**	2014–15
Net cash flows provided by (used in):		
Operating activities	**$ 2,222.6**	$ 1,936.1
Investing activities	**(86.6)**	(121.8)
Financing activities	**(2,127.3)**	(1,809.6)
Net increase in cash and cash equivalents	**$ 8.7**	$ 4.7

Cash provided by operating activities:

Cash flows provided by operating activities for fiscal 2015–16 totalled $2.22 billion – $286.5 million higher than in the previous fiscal year, primarily the result of an increase in net income, as discussed previously, as well as increased non-cash expenses. This was partially offset by higher net usage in non-cash working capital.

Cash used in investing activities:

Cash flows used in investing activities, which include capital expenditures and proceeds from the sale of property, plant and equipment, totalled $86.6 million for fiscal 2015–16 – $35.2 million lower than in the previous fiscal year primarily due to the proceeds from the sale of the East Gaming Bundle assets. Capital expenditures for fiscal 2015–16 were $134.0 million, which included capital expenditures for slot machines and leasehold improvements at the Resort Casinos, upgrades to slot machines, acquisition of new lottery terminals, and investment in the new Gaming Management System.

Cash used in financing activities:

During fiscal 2015–16, cash flows used in financing activities increased by $317.7 million to $2.13 billion compared with the previous fiscal year. Included in financing activities are direct payments to the Province of Ontario, which totalled $2.12 billion in fiscal 2015–16, representing an increase of $322.2 million from the previous fiscal year. Also included in financing activities are repayment of funds to the Ontario Financing Authority (OFA) related to the renovations at Slots at Woodbine Racetrack, as well as lease payments for the Casino Niagara building and TapTix.

During fiscal 2015–16, long-term debt repayments totalled $18.6 million and included the following:

- Woodbine loan – $10.4 million
- Obligations under finance leases – $8.2 million

The loan agreement for purposes of financing the renovation and expansion of Slots at Woodbine Racetrack consisted of two five-year term loans with an interest rate of 2.931 per cent and 2.32 per cent, respectively. The first term loan expires May 2017 and the second expires January 2018. The balance of the Woodbine loan at March 31, 2016 was $11.8 million.

During fiscal 2014–15, the Corporation entered into a loan agreement with the OFA to borrow an amount up to $35.2 million to finance the implementation of its Gaming Management System replacement program. During fiscal 2015–16, the Corporation drew $14.8 million, plus accrued interest, bringing the total cumulative amount to $20.6 million. The loan is repayable over a five-year term commencing at the earlier of the project completion date or September 2016. The loan bears interest at the rate of OFA's cost of funds as of each facility advance date plus 0.325 per cent per annum. No payments have been made on the loan to date.

During fiscal 2014–15, the Corporation entered into a loan agreement with the OFA for $1.8 million. The full loan balance plus accrued interest is repayable on September 9, 2016. The facility bears interest at the rate of 1.643 per cent per annum. To date, no payments have been made on the loan.

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 is required to finance certain capital expenditures with debt through the OFA. The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures.

The Corporation believes its financial resources, together with future income, are sufficient to meet funding requirements for current financial commitments and future operating and capital expenditures 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 policies related to financial and risk management. 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. Operating agreements require the Resort Casinos to establish reserve funds. The Corporation is not subject to any externally imposed capital requirements.

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

4. Disclosures for Non-IFRS Measures

RECONCILIATION OF NON-IFRS MEASURES

The adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) represent earnings before finance and amortization costs, win contribution, gaming revenue sharing payments, pursuant to the Gaming Revenue Sharing Financial Agreement, host municipality commissions, charity payments, modernization charges and other charges. The 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, host municipality commissions, charity payments, gaming revenue sharing payments, modernization charges and other 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 net income 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 adjusted gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this non-IFRS measure should not be considered 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 a substitute or alternative for revenue.

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 calculated by adding back win contribution to net income. Net Profit to the Province is not a defined term under IFRS. Accordingly, this non-IFRS measure should not be considered a substitute or alternative for net income or cash flows as determined in accordance with IFRS.

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, 2016 and March 31, 2015:

Fiscal 2015–16
(in thousands of dollars)

	Lottery	Charitable Gaming	Resort Casinos	Slots and Casinos	Internet Gaming	Total
Net income (loss) as referenced in Note 26	$ 1,050,080	$ (34,787)	$ (206,473)	$ 1,153,522	$ (3,854)	$ 1,958,488
Amortization	6,346	–	99,261	51,237	637	157,481
Finance costs	91	1,487	3,205	505	–	5,288
Win contribution	–	–	257,145	15,302	–	272,447
Host municipality commissions	–	–	33,567	78,800	–	112,367
Charity payments	–	30,270	–	–	–	30,270
Gaming revenue share payments	55,565	6,225	24,735	35,384	148	122,057
Other charges	–	6,496	159,259	–	–	165,755
Modernization charges	15,031	449	1,752	17,149	1,069	35,450
Adjusted EBITDA	**$ 1,127,113**	**$ 10,140**	**$ 372,451**	**$ 1,351,899**	**$ (2,000)**	**$ 2,859,603**
Revenue	3,785,596	165,953	1,382,596	2,061,966	49,170	7,445,281
Prizes	(2,080,496)	(37,992)	–	–	–	(2,118,488)
Non-gaming revenue	–	–	(96,632)	(16,159)	–	(112,791)
Adjusted Gaming Revenue	**$ 1,705,100**	**$ 127,961**	**$ 1,285,964**	**$ 2,045,807**	**$ 49,170**	**$ 5,214,002**
Non-gaming revenue	–	–	96,632	16,159	–	112,791
Finance and other income (loss)	3,481	6	(189)	48,487	14	51,799
Foreign exchange (loss) gain	(1)	(440)	7,277	(17)	(3)	6,816
Adjusted Total Revenue	**$ 1,708,580**	**$ 127,527**	**$ 1,389,684**	**$ 2,110,436**	**$ 49,181**	**$ 5,385,408**
Adjusted EBITDA %	**66.0%**	**8.0%**	**26.8%**	**64.1%**	**(4.1%)**	**53.1%**

Fiscal 2014–15
(in thousands of dollars)

	Lottery	Charitable Gaming	Resort Casinos	Slots and Casinos	Internet Gaming	Total
Net income (loss) as referenced in Note 26	$ 857,489	$ (51,893)	$ (77,075)	$ 1,060,295	$ (36,730)	$ 1,752,086
Amortization	8,389	–	100,481	53,847	468	163,185
Finance costs	146	1,132	3,797	276	–	5,351
Win contribution	–	–	232,502	14,432	–	246,934
Host municipality commissions	–	–	30,593	77,151	–	107,744
Charity payments	–	20,788	–	–	–	20,788
Gaming revenue share payments	57,589	4,392	24,769	34,813	–	121,563
Other charges	–	19,425	–	15,770	–	35,195
Modernization charges	10,361	1,631	728	21,910	14,564	49,194
Adjusted EBITDA	**$ 933,974**	**$ (4,525)**	**$ 315,795**	**$ 1,278,494**	**$ (21,698)**	**$ 2,502,040**
Revenue	3,268,556	114,875	1,255,730	1,996,649	8,398	6,644,208
Prizes	(1,807,211)	(27,520)	–	–	–	(1,834,731)
Non-gaming revenue	–	–	(92,286)	(15,290)	–	(107,576)
Adjusted Gaming Revenue	**$ 1,461,345**	**$ 87,355**	**$ 1,163,444**	**$ 1,981,359**	**$ 8,398**	**$ 4,701,901**
Non-gaming revenue	–	–	92,286	15,290	–	107,576
Finance and other income	2,415	9	17,711	29,331	58	49,524
Foreign exchange (loss) gain	(2)	(1,886)	7,189	7	–	5,308
Adjusted Total Revenue	**$ 1,463,758**	**$ 85,478**	**$ 1,280,630**	**$ 2,025,987**	**$ 8,456**	**$ 4,864,309**
Adjusted EBITDA %	**63.8%**	**(5.3%)**	**24.7%**	**63.1%**	**(256.6%)**	**51.4%**

Fees paid to External Auditor

For the fiscal year ended March 31, 2016, the Corporation retained its independent auditor, KPMG LLP, to provide services in the categories and for the amounts shown in the table below:

(in thousands of dollars)

For the fiscal year	**2015–16**	2014–15
Audit Services	**$ 1,280.3**	$ 1,315.3
Audit Related Services	**259.6**	182.4
Tax Services	**201.5**	70.7
Other Services	**108.4**	54.4
Total of all Services	**$ 1,849.8**	$ 1,622.8

5. Enterprise Risk Management

OLG is exposed to diverse risks that could adversely impact financial and non-financial business objectives related to its strategic priorities. OLG has a formal Enterprise Risk Management (ERM) program in place to support Management in identifying, assessing and managing risks – including strategic risks, governance risks (including compliance risk), operational risks, IT risks and workforce risks. ERM delivers a robust and consistent approach aligned with ISO 31000 and in conformity with the Ontario Public Service risk management guidance and requirements.

ERM is supported by the principles that risk management:

- creates and protects value
- is an integral part of all organizational processes
- is part of decision making
- explicitly addresses uncertainty
- is systematic, structured and timely
- is based on the best available information
- is tailored
- takes human and cultural factors into account
- is transparent and inclusive
- is dynamic, iterative and responsive to change
- facilitates continual improvement of the organization

The Board of Directors, through its Audit and Risk Management Committee (ARMC), provides oversight for the risk management program. The ARMC receives quarterly reports on top risks, newly emerging risks and mitigation and/or response plans to address these risks. The President and CEO has ultimate accountability for risk management supported by Management and ERM. This group of individuals reviews risk information on a quarterly basis and will take additional actions if required to mitigate risks to acceptable levels. OLG's modernization has dedicated ERM resources to help Management ensure that all program components are risk assessed and mitigated on an ongoing basis.

Risks that are outside of OLG's ability to control, such as environmental risks (e.g., pandemics, extreme weather events), are mitigated by response plans which are regularly reviewed and updated by Management. OLG also maintains insurance policies to mitigate the impact of losses from the operation or failure of our assets.

TOP RISKS

Risk management begins with understanding strategic priorities. Risks are identified and assessed on an ongoing basis with quarterly reporting to Management and the ARMC. A yearly anonymous risk survey is conducted across the organization, inviting over 100 participants to provide their views on risks for the organization. Detailed risk identification and assessment are embedded in the project governance framework to ensure that projects and programs have risk management as a core component for decision making. The following top risks have been identified.

1. Workforce management

This encompasses the risk that OLG could lose key skills and/or have difficulties replacing key skills, the risk of employee disengagement, and the risk of not having new strategic and/or transformation capabilities in place when needed. OLG's workforce has several existing challenges that create risk for the organization. These include:

- modernization, which will result in many jobs moving to the private sector
- wage restraints
- managing a partially unionized workforce

OLG is managing this risk through:

- continual resource planning for the modernization effort to ensure that resource needs are addressed; this includes the staff augmentation workbench and a contract which enables OLG to engage with pre-approved vendors to supply strategic and transformational advisory expertise in a timely manner
- open and transparent communications, both bottom-up and top-down, through dedicated channels such as the Future Ready Network (volunteer staff network to share ideas and concerns between staff and executives), OLG Connections (an online community for current and former OLG employees), Modernization Minute updates (broadcast email updates to OLG employees on key modernization topics) and the AskOLG Q&A database (made up of questions and answers on topics that are common to a broad employee audience)
- dedicated change management resources to support the organization including FRN ambassadors and leads from across OLG who help to enhance the dialogue between OLG leadership and employees
- deliberate and targeted recruitment strategies for vacant positions to obtain talent
- targeted succession planning for executives
- skills training for employees to help them retain and/or increase their marketability

2. Continued pressure on revenue growth and multi-year budget projections

In land-based gaming, OLG's revenue is challenged by competitive pressure and, in some cases, sub-optimal locations, too far from population density. The lottery business is facing a decreasing customer base and limited distribution channels. Modernization represents OLG's strategic plan to address these risks by introducing private sector investment in gaming facilities, technology and products while protecting and increasing OLG's contribution to the province:

- modernization is a multi-year transformative program which will require adjustments to both outcomes and processes as the transformation unfolds. The program is being administered through project management, risk management and spending management disciplines to ensure that adjustments are fully considered, assessed and then incorporated into the program
- regular consultation with the government to enable OLG to adjust to changing policy direction
- close cooperation between OLG and its regulator, the Alcohol and Gaming Commission of Ontario (AGCO), and with the Ministry of Finance to ensure timelines are feasible for approvals
- close collaboration with external stakeholders, including the horse racing industry, charitable gaming industry and municipalities that have a gaming site within their jurisdictions

- mechanisms for private sector engagement to ensure that the interests of both the proponents and OLG are understood and remain aligned
- OLG has adopted and applied recommendations from external consultants with strategic and transformational advisory expertise to ensure the effective transition of OLG operations to service providers

This plan may be further impacted by the following risk factors:
- loss of staff who have knowledge of either modernization or critical components of the business
- delays in modernization due to changes in the regulatory environment and, in particular, the modernization of OLG and AGCO governance models
- delays to modernization due to complexity and stakeholder engagement
- market fatigue due to changes in economic conditions or extended procurement timelines
- changes in government policy and/or priorities
- further cost reduction pressures, which impact employee engagement and the ability to execute modernization deliverables

3. Regulatory compliance

OLG operates in a highly regulated environment. OLG's main regulator is the AGCO, which regulates gaming in the Province of Ontario. In addition, OLG is subject to federal anti-money laundering, anti-terrorist financing, anti-bribery and anti-corruption laws and regulations. Under these laws and regulations, OLG reports significant transactions conducted at its gaming sites to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). OLG also complies with many other laws and regulations that govern its operations. Therefore, the risk of regulatory compliance is one of OLG's top risks. An additional factor that increases this risk is that the:
- AGCO is modernizing its regulation model while OLG is undergoing a transformation that will result in conducting and managing its operations through third-party service providers.

OLG is managing this risk through:
- a Compliance Department staffed with professionals with expertise across the various legislative and regulatory requirements
- the development and implementation of new compliance-monitoring programs for the *Gaming Control Act, 1992* requirements and all other regulatory programs
- continued cooperation between OLG and its main regulator at the highest levels
- the implementation across OLG of a methodology to manage future service providers to ensure governance models are in place prior to new service providers being brought on board

4. Information Technology and infrastructure

OLG must ensure that, while supporting modernization, its systems continue to sustain core business and that access to systems and/or information is not compromised with expanded private sector delivery of Lottery, Gaming, Internet Gaming and Charitable Gaming. Factors contributing to this risk include:
- reliance on aging technology
- the introduction of new technologies across multiple business lines
- an expanded supply chain of service providers, including cloud-based solutions
- a worldwide increase in the type and severity of cyberattacks
- complexities and constraints of integrating old and new technology
- limited resources with required skill sets

OLG is managing this risk through:

- selective risk-based updating of critical technology
- monitoring projects to replace older systems
- IT transition planning to ensure smooth integration of old and new technology
- modernizing business models (Lottery, Gaming, Internet Gaming) that leverage private sector capital in the development of new technology solutions
- enhanced data leakage prevention and detection controls on computer system (in progress)
- a protection analysis of IT systems to ensure that attempted attacks on retailers and customers are prevented
- creating contingency plans for high risks (e.g., a cyber security response plan)
- developing redundancy plans for areas of high priority (e.g., developing and using mechanisms to expedite access to external resources with specialized skill sets)

Other risks

OLG has identified other high risks that are actively managed, either through direct management or through the use of response plans and/or insurance if no further mitigation is possible and the risk remains at a level that requires action. These risks include, in no specific order: fraud risk, project risk, business continuity risk and pandemic risk.

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 following: the useful lives and residual value of depreciable assets, recoverability of property, plant and equipment, provisions, amounts due to operators, 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 are not limited to, the following: leases and accounting for an arrangement containing a lease.

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

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 Vice President, Audit Services, responsible for Internal Audit, reports directly to the President and Chief Executive Officer with unrestricted access to the Audit and Risk Management Committee.

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

Stephen Rigby
President and Chief Executive Officer

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

June 23, 2016

Independent Auditors' Report

To the Board of Directors of Ontario Lottery and Gaming Corporation and 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, 2016 and March 31, 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended March 31, 2016 and March 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 disclosuresin the consolidated financial statements. The procedures selected depend on our judgment, includingthe 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, 2016 and March 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended March 31, 2016 and March 31, 2015 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 23, 2016 Toronto, Canada

Consolidated Financial Statements

Consolidated Statements of Financial Position

As at March 31, 2016 and 2015
(in thousands of dollars)

	Notes	March 31, 2016	March 31, 2015
Assets			
Current assets			
Cash and cash equivalents		$ 325,034	$ 316,340
Restricted cash	6	56,942	55,074
Trade and other receivables	7	159,140	103,637
Prepaid expenses		54,975	46,946
Inventories	8	28,048	25,474
Total current assets		624,139	547,471
Non-current assets			
Restricted cash	6	118,957	125,689
Property, plant and equipment	9	1,224,027	1,294,383
Goodwill		1,776	1,776
Total non-current assets		1,344,760	1,421,848
Total assets		**$ 1,968,899**	**$ 1,969,319**
Liabilities and Equity			
Current liabilities			
Trade and other payables	10	$ 316,186	$ 322,791
Provisions	11	5,823	5,263
Due to operators	15	40,694	34,729
Due to Rama First Nation	16	2,118	2,005
Due to the Government of Canada	18	17,509	15,754
Deferred revenues		16,331	14,091
Current portion of long-term debt	21	18,810	18,257
Total current liabilities		417,471	412,890
Non-current liabilities			
Due to operators	15	143,476	–
Due to the Government of Canada	18	15,783	–
Long-term debt	21	66,096	67,366
Employee benefits	23	15,515	18,882
Total non-current liabilities		240,870	86,248
Total liabilities		**658,341**	**499,138**
Equity			
Retained earnings		1,129,256	1,282,147
Contributed surplus		62,345	62,345
Reserves	6	118,957	125,689
Total equity		1,310,558	1,470,181
Total liabilities and equity		**$ 1,968,899**	**$ 1,969,319**

Related party transactions (Note 14)
Commitments (Notes 15, 16 and 24)
Contingencies (Note 25)

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

Approved on behalf of the Board

Philip Olsson
Chair

Lori O'Neill
Director

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2016 and 2015
(in thousands of dollars)

	Notes	March 31, 2016	March 31, 2015
Revenues			
Lottery		$ 3,785,596	$ 3,268,556
Charitable gaming		165,953	114,875
Resort casinos		1,382,596	1,255,730
Slots and casinos		2,061,966	1,996,649
Internet gaming		49,170	8,398
		7,445,281	**6,644,208**
Expenses			
Lottery		2,738,905	2,413,334
Charitable gaming		192,323	144,334
Resort casinos		1,433,693	1,353,908
Slots and casinos		956,409	949,646
Internet gaming		53,035	45,186
		5,374,365	**4,906,408**
Income before the undernoted		**2,070,916**	**1,737,800**
Other income	19	49,596	46,689
Finance income	13	2,203	2,835
Finance costs	13	(5,288)	(5,351)
Foreign exchange gain	22.e	6,816	5,308
Other charges	20	(165,755)	(35,195)
Net income and comprehensive income		**$ 1,958,488**	**$ 1,752,086**

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, 2016 and 2015
(in thousands of dollars)

	Retained earnings	Contributed surplus	Capital renewals reserves	Operating reserves	Severance reserves	Total
Balance at March 31, 2014	**$ 1,313,243**	**$ 62,345**	**$ 39,431**	**$ 53,697**	**$ 45,292**	**$ 1,514,008**
Net income and comprehensive income	1,752,086	–	–	–	–	1,752,086
Contributions or distributions						
Transfers from reserves	12,731	–	(13,452)	219	502	–
Payments to the Province of Ontario	(1,795,913)	–	–	–	–	(1,795,913)
Balance at March 31, 2015	**$ 1,282,147**	**$ 62,345**	**$ 25,979**	**$ 53,916**	**$ 45,794**	**$ 1,470,181**
Net income and comprehensive income	1,958,488	–	–	–	–	1,958,488
Contributions or distributions						
Transfers from reserves	6,732	–	(7,476)	392	352	–
Payments to the Province of Ontario	(2,118,111)	–	–	–	–	(2,118,111)
Balance at March 31, 2016	**$ 1,129,256**	**$ 62,345**	**$ 18,503**	**$ 54,308**	**$ 46,146**	**$ 1,310,558**

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2016 and 2015
(in thousands of dollars)

	Notes	March 31, 2016	March 31, 2015
Cash flows from operating activities			
Net income and comprehensive income		$ 1,958,488	$ 1,752,086
Adjustments to reconcile profit for the period to net cash from operating activities:			
Amortization	9	157,481	163,185
Loss on disposal of property, plant and equipment, net	19	1,360	751
Net finance costs	13	3,085	2,516
Impairment loss on property, plant and equipment	9	6,496	19,425
Operator non-extension costs	20	159,259	–
Other long-term employee benefits	23.c	(3,367)	4,812
Operating cash flows before change in non-cash working capital		2,282,802	1,942,775
Changes in non-cash working capital and current restricted cash:			
(Increase) in current restricted cash		(1,868)	(13,415)
(Increase) in trade and other receivables		(55,503)	(7,395)
(Increase) in prepaid expenses		(8,029)	(8,119)
(Increase) in inventories		(2,574)	(832)
(Decrease) increase in trade and other payables		(2,886)	24,005
Increase (decrease) in provisions		560	(2,372)
Increase (decrease) in due to operators		5,965	(3,846)
Increase in due to Rama First Nation		113	33
Increase in due to the Government of Canada		1,755	19
Increase in deferred revenues		2,240	5,206
Net cash from operating activities		**2,222,575**	**1,936,059**
Cash flows used in investing activities			
Interest received		2,203	2,835
Capital expenditures		(133,975)	(134,696)
Proceeds on disposal of property, plant and equipment		38,444	1,458
Decrease in non-current restricted cash		6,732	8,558
Net cash used in investing activities		**(86,596)**	**(121,845)**
Cash flows used in financing activities			
Interest paid		(5,288)	(5,351)
Increase in long-term debt		14,750	7,533
Repayments of long-term debt		(18,636)	(15,823)
Payments to the Province of Ontario		(2,118,111)	(1,795,913)
Net cash used in financing activities		**(2,127,285)**	**(1,809,554)**
Increase in cash and cash equivalents		8,694	4,660
Cash and cash equivalents, beginning of year		316,340	311,680
Cash and cash equivalents, end of year		**$ 325,034**	**$ 316,340**
Supplemental disclosure relating to non-cash financing and investing activities:			
Acquisition of property, plant and equipment through finance leases		$ 2,645	$ 8,112
Acquisition of property, plant and equipment not yet paid for		$ 8,344	$ 11,539

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

Notes to the Consolidated Financial Statements

Years ended March 31, 2016 and 2015

1. REPORTING ENTITY

Ontario Lottery and Gaming Corporation (OLG or "the Corporation") was established without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation is classified as an Operational Enterprise Agency of the Ontario government and is responsible for conducting and managing lottery games, Charitable Gaming ("cGaming"), Internet Gaming ("iGaming"), five Casinos and the Great Blue Heron Slot Machine Facility, 14 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 (CEWL), 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 Fallsview, and the Great Blue Heron Slot Machine Facility, respectively. In addition, the Corporation entered into a Casino Operating Services Agreement (COSA) with Ontario Gaming East Limited Partnership (OGELP) on January 11, 2016 to operate the East Gaming Bundle, which consists of Casino Thousand Islands and Slots at Kawartha Downs.

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 400, Toronto, Ontario, M2P 2B8

These Consolidated Financial Statements were authorized for issue by the Board of Directors of the Corporation on June 23, 2016.

2. MODERNIZING LOTTERY AND GAMING IN ONTARIO

On March 12, 2012, the Minister of Finance accepted a report from OLG entitled *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*. This report was the culmination of an evidence-based strategic business review that examined the state of the Corporation's current operations in the context of a changing market. The report included three recommendations for how the Corporation could achieve greater sustainability and increase Net Profit to the Province (Note 26.a):

1) become more customer-focused
2) expand regulated private sector delivery of lottery and gaming
3) renew OLG's role in oversight of lottery and gaming

The Government of Ontario gave the Corporation approval to move forward with all three of these recommendations, and the Corporation embarked on a series of initiatives to support the modernization of its operations.

On September 9, 2015, OLG announced the selection of OGELP as the land-based gaming service provider for the East Gaming Bundle. Under the terms of the Transition and Asset Purchase Agreement, OGELP committed to acquire certain assets and liabilities related to the sites in the bundle upon signing the 20-year COSA on January 11, 2016. The purchase price for these assets was $46,901,000, including working capital of $9,558,000, resulting in a gain on sale of assets of $19,548,000. On the date of the sale, OLG derecognized all assets, including property, plant and equipment (Note 9) and liabilities related to the East Gaming Bundle sites. In addition to transferring certain assets and liabilities, OGELP took over day-to-day operations of the two existing sites in the bundle from OLG. Subsequent to transfer, OGELP also secured all necessary provincial and municipal approvals to locate a new gaming site in the City of

Belleville, and construction began on the new facility in April 2016. In exchange for transferring the rights to own and operate the gaming sites within the East Gaming Bundle (pursuant to the COSA), OLG will receive a share of gaming revenue generated at the gaming sites.

OLG's procurement process continues for Lottery and the other seven land-based Gaming Bundles. This process includes three stages: Request for Information (RFI), Request for Pre-Qualification (RFPQ) and Request for Proposal (RFP).

In fiscal 2015–16, OLG initiated the RFP process for the three other Gaming Bundles in the following regions: North, Southwest and Greater Toronto Area (GTA). OLG is in the RFP stage for Lottery and expects to select a service provider in fiscal 2017–18. OLG has completed the RFPQ stage for the Central and West GTA Gaming Bundles and expects to issue RFP documents to pre–qualified proponents in fiscal 2016–17. OLG is in the RFPQ stage for the Ottawa Area Gaming Bundle and expects to begin the RFP process in fiscal 2016–17.

In April 2016, OLG announced it intends to add the two Niagara Casinos – Casino Niagara and Fallsview – to the modernization procurement process. OLG expects to issue an RFPQ for the Niagara Gaming Bundle in summer 2016.

The Corporation is also integrating horse racing into the provincial gaming strategy by working with the Ontario government and horse racing stakeholders to help create a more sustainable industry. This includes:

- as of April 1, 2016, administering the Transfer Payment Agreements the government has in place with racetracks until 2021
- helping the industry build the capacity and structure needed for self-governance
- increasing the public profile of horse racing, including the development of horse-themed products
- sharing expertise and helping the industry adopt its own Responsible Gambling program
- establishing a business focus on horse racing by assigning a senior executive

3. BASIS OF PREPARATION

a. Statement of compliance

These Consolidated Financial Statements include the accounts of the Corporation and the wholly owned subsidiary, Ontario Gaming Assets Corporation, 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.k).

c. Functional and presentation currency

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

d. Use of estimates and judgments

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

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

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

- Leases and accounting for an arrangement containing a lease (Note 4.o)

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

- Property, plant and equipment – useful lives and residual values (Note 4.l)
- Recoverability of property, plant and equipment (Note 9)
- Provisions (Note 11)
- Amounts due to operators (Note 15)
- Amounts due to the Government of Canada (Note 18)
- 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, 2016 and March 31, 2015.

a. Basis of consolidation

The Consolidated Financial Statements include the accounts of the Corporation and the wholly owned subsidiary which it controls. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

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

b. Foreign currency

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

c. Revenue recognition

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

(i) Lottery

Lottery products are sold to the public by contracted lottery retailers, with LOTTOMAX, LOTTO 6/49 and ENCORE products also available for purchase over the Internet at PlayOLG. Revenue from tickets sold to customers 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 retailers' activation of tickets. Revenue from Sports wagering games is recognized when the ticket is sold to the customer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

(ii) cGaming

cGaming products are sold to the public by cGaming Centre service providers and not-for-profit foundations. Revenue from paper break open tickets (BOT) is recognized when the ticket is sold to the customer. For all other cGaming products, revenue is recognized in the same period the game is played, net of prizes paid.

(iii) Resort Casinos and Slots and Casinos

Slot and table games revenue

Gaming revenue includes revenue from slot and table game operations at Slots and Casinos facilities operated by OLG and Resort Casinos. This is recognized in the same period the game is played, net of prizes paid. Gaming revenue is recorded net of the change in accrued jackpot liabilities and liabilities under customer loyalty incentive programs.

Gaming revenue from land-based gaming service provider

Gaming revenue includes OLG's share, pursuant to the COSA, of the gaming revenue generated at the Casino or Slot facility operated by the land-based gaming service provider and is recognized in the same period the game is played.

Non-gaming revenue

Non-gaming revenue includes revenue earned from accommodations, food and beverage, entertainment centres and other services excluding the retail value of accommodations, food and beverage and other goods and services provided to customers on a complimentary basis at Slots and Casinos operated by OLG. Non-gaming revenue is recorded at the retail value and is recognized as goods are delivered and services performed.

(iv) iGaming

iGaming revenue includes revenue earned from casino-style games available over the Internet at PlayOLG. This is recognized in the same period the game is played, net of prizes paid.

d. Customer loyalty incentive programs

The Corporation has customer loyalty incentive programs whereby customers have the choice to receive free or discounted goods and services and, in many cases, the right to receive cash. These customer loyalty incentive programs at the Resort Casinos, Great Blue Heron Slot Machine Facility and Slots and Casinos operated by OLG 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 customer's point balance will be forfeited if the customer does not earn additional points over the subsequent six- to 12-month period. If the points expire or are forfeited, the financial liability is derecognized.

For programs that provide customers the right to receive free or discounted goods and services, 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 cGaming 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 customers for lottery games, for which results are determined based on a draw, is recognized when the related draw occurs and is 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 retailers' activation of tickets, and is based on the prize structure.

- Prize expense for Sports wagering games is recognized when the last wagered event occurs and is based on actual prize liability.
- Prize expense for cGaming paper BOT is recognized when the ticket is sold to the customer and is 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 Lotto games are returned to players through guaranteed jackpots and bonus draws. Unclaimed prizes on regional Lotto 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 Lotto games are administered by the Interprovincial Lottery Corporation and sold throughout Canada, while regional Lotto games are administered by the Corporation and sold only in Ontario.

f. Commissions and bonuses

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

(i) Lottery

Lottery retailers receive a commission of eight per cent on all INSTANT tickets and a commission of five per cent on all Lotto 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 receive a three per cent commission on INSTANT ticket redemptions and a two per cent commission on Lotto ticket redemptions. A bonus of up to $1,500 is paid to any retailer who sells a major prize-winning Lotto or INSTANT 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) cGaming

cGaming Centre service providers receive a commission based on percentages of net win (gaming revenue net of prizes paid) or adjusted net win (net win after the payment of applicable marketing expenses).

Charities and not-for-profit agencies receive a commission based on percentages of net win, adjusted net win or non-gaming revenue.

(iii) Municipalities

Municipalities that host a Casino or Slots at Racetracks facility, operated by OLG or a land-based gaming service provider, including the City of Niagara Falls and the City of Windsor, receive the following commissions as defined in the Municipal Contribution Agreement:

i. 5.25 per cent on the first $65 million of annual Electronic Games Revenue; plus
ii. 3.00 per cent on the next $135 million of annual Electronic Games Revenue; plus
iii. 2.50 per cent on the next $300 million of annual Electronic Games Revenue; plus
iv. 0.50 per cent on the remainder of annual Electronic Games Revenue; plus
v. 4.00 per cent of annual Live Table Game Revenue, where applicable.

Municipalities that host cGaming Centres receive a commission based on either a percentage of non-gaming revenue and net win or a percentage of adjusted net win, as defined in the cGaming Centre Municipality Agreements.

(iv) Mississaugas of Scugog Island First Nation

As the host community of the Great Blue Heron Slot Machine Facility, the Mississaugas of Scugog Island First Nation receives five per cent of Gross Revenues, as defined, from the slot machines. The Mississaugas of Scugog Island First Nation will continue to receive an amount equal to five per cent of the Gross Revenues, as defined, of the slots at 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, 2015, which was the expiration date of the previous extension period.

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. 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, horse racing program funds, unused proceeds received from term loans and funds held on behalf of Internet Gaming patrons.

i. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less an allowance for 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 cGaming proceeds due from cGaming Centre service providers for cGaming sales net of commissions and prizes paid and amounts due from customers of Resort Casinos.

Collectability of trade receivables is reviewed on an ongoing basis. Accounts that are known to be uncollectable 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 Statements of Comprehensive Income.

j. Inventories

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

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

k. Financial instruments

(i) Non-derivative financial assets recognition

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

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

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

(ii) Non-derivative financial assets measurement

Financial assets at fair value through profit or loss	Comprised of all cash and cash equivalents and restricted cash	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 as incurred in the Consolidated Statements of Comprehensive Income. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the Consolidated Statements of Comprehensive Income.
Loans and receivables	Comprised of trade and other receivables	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables 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.

(iii) Non-derivative financial liabilities recognition

The Corporation has the following non-derivative financial liabilities: financial liabilities measured at amortized cost. The Corporation has no non-derivative liabilities classified at fair value through profit or loss.

The Corporation initially recognizes financial liabilities on the date that they originated.

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.

(iv) Non-derivative financial liabilities measurement

Financial liabilities at amortized cost	Comprised of trade and other payables, provisions, due to operators, due to Rama First Nation, due to the Government of Canada and long-term debt	Non-derivative 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.

(v) Non-derivative financial assets and liabilities offsetting

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statements of Financial Position when, and only when, the Corporation has a 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.

I. 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 are measured at cost less accumulated amortization and accumulated impairment losses.

Cost includes an expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials 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 the Consolidated Statements of Comprehensive Income.

(ii) Subsequent costs

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

(iii) Amortization

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

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

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

Asset	Rate
Buildings	10 to 50 years
Furniture, fixtures and equipment	2 to 10 years
Leasehold improvements	Lesser of useful life or term of lease
Lottery gaming assets	5 to 7 years
Slots and Casinos and Resort 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 as incurred in the Consolidated Statements of Comprehensive Income.

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 (CGUs) 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 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 to the unit to reduce the carrying amount of any goodwill allocated to it and then allocated pro rata to the other assets of the unit 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 the Consolidated Statements of Comprehensive Income 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 in the Consolidated Statements of Comprehensive Income.

(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 CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that 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.

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

An impairment loss in respect of goodwill is not reversed. 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. Leases

(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 that it is impracticable to separate the payments reliably under a finance lease, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Corporation's incremental borrowing rate.

(ii) Leased assets

Leases where the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. On a lease-by-lease basis, the Corporation estimates whether substantially all of the risks and rewards of ownership are assumed, taking into account the length of the lease, the present value of the minimum lease payments compared to the fair value of the leased asset and other terms contained within the lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

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

(iii) Lease payments

Payments made under operating leases are recognized in the Consolidated Statements 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 term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and the leased assets are not recognized in the Corporation's Consolidated Statements of Financial Position. Operating lease payments are recognized as an expense on a straight-line basis over the term of the lease, except when another systematic basis is more representative of the 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 and for which tickets are 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 unpaid goods and services provided to the Corporation prior to the end of the financial year. 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 a 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 the likelihood of settlement and the expected settlement amount.

(ii) Other provisions

The Corporation recognizes decommissioning obligations for the retirement of certain tangible property, plant and equipment, which 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 a finance cost.

The provision is measured each period and subsequent changes in the provision are capitalized as part of the cost of the long-lived asset 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 that 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 where settlement is probable or the amount of the deductible related to the claim.

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 the Consolidated Statements of Comprehensive Income in the periods during which services are rendered by the employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan, which are due more than 12 months after the end of the period in which the employees render the service, are discounted to their present value.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan that requires entities to record their net obligation in respect of the plan and is not a defined contribution plan. The Corporation provides defined benefit pension plans through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees Union 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 of Ontario 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 with respect to long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in the Consolidated Statements of Comprehensive Income in the period in which they arise.

(iv) Termination benefits

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

(v) Short-term employee benefits

Short-term employee benefits 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 settled wholly within 12 months of the end of the reporting period if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

t. 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. The Corporation suspends capitalization of borrowing costs during extended periods in which it has suspended 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 Statements of Comprehensive Income in the period in which they are incurred.

u. Finance income and finance costs

Finance income consists of 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 the Consolidated Statements of Comprehensive Income using the effective interest method.

Finance costs consist of interest expense on borrowings, unwinding of the discount on provisions and 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 the Consolidated Statements of Comprehensive Income using the effective interest method.

v. Segment reporting

A reportable segment is a significant 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. The operating results of all reportable segments are reviewed regularly by the Corporation's President and CEO to make decisions about resources to be allocated to the segment and to assess the performance of the segment for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker, the Corporation's President and CEO, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are comprised primarily of 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.

w. 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.

x. Initial application of standards, interpretation and amendments

The Corporation did not adopt any new or amended accounting pronouncements that had a material impact on the Consolidated Financial Statements.

y. Accounting standards issued but not yet effective

A number of new accounting standards and amendments to standards are not yet effective as at March 31, 2016 and have not been applied in preparing these Consolidated Financial Statements.

(i) IFRS 15, Revenue from Contracts with Customers (IFRS 15)

In May 2014, the IASB issued IFRS 15, replacing IAS 11, Construction Contracts, IAS 18, Revenue and IFRIC 13, Customer Loyalty Programmes. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is mandatorily effective for annual periods beginning on or after January 1, 2018. The Corporation does not expect the standard to have a material impact on the Consolidated Financial Statements.

(ii) IFRS 9, Financial Instruments (IFRS 9)

In July 2014, the IASB issued the complete IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. The new standard provides guidance on the classification and measurement of financial assets and introduces a new expected credit loss model for calculating impairment. It also incorporates general hedge accounting requirements. IFRS 9 is mandatorily effective for annual periods beginning on or after January 1, 2018. The Corporation does not expect the new standard to have a material impact on its Consolidated Financial Statements.

(iii) IFRS 16, Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16, replacing IAS 17, Leases and IFRIC 4, Determining whether an arrangement contains a lease. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. IFRS 16 is mandatorily effective for annual periods beginning on or after January 1, 2019. The Corporation is assessing the impact of this new standard on its Consolidated Financial Statements.

(iv) Disclosure Initiative (Amendments to IAS 7, Statement of Cash Flows (IAS 7))

In January 2016, the IASB issued amendments to IAS 7 which require disclosures that enable users of financial statements to evaluate changes in liabilities from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2017. The Corporation does not expect the amendments to have a material impact 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 is required to finance certain capital expenditures with debt obtained from the Ontario Financing Authority (OFA). The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures.

The Corporation's objectives in managing capital are to ensure sufficient resources are available 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 policies related to financial and risk management. 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. 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. RESTRICTED CASH

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

	March 31, 2016	March 31, 2015
Current		
Prize funds on deposit (a)	$ 45,264	$ 46,547
Horse racing funds (b)	3,734	–
Other (c)	7,944	8,527
	$ 56,942	**$ 55,074**
Non-current		
Reserves (d)		
Capital renewals	$ 18,503	$ 25,979
Operating	54,308	53,916
Severance	46,146	45,794
	$ 118,957	**$ 125,689**
Restricted cash	**$ 175,899**	**$ 180,763**

a. Prize funds on deposit of $45,264,000 (March 31, 2015 – $46,547,000) are funds set aside representing the estimate of gross prizes outstanding of $82,333,000 (March 31, 2015 – $78,874,000) less an estimate for prizes not expected to be claimed by customers of $37,069,000 (March 31, 2015 – $32,327,000).

b. Standardbred Horsepeople's Purse Funds of $3,734,000 (March 31, 2015 – $nil) were received from the Ontario Racing Commission to fund activities that will provide benefits to horsepeople.

c. Other restricted cash represents loan proceeds for the Gaming Management System and Internet Gaming site projects, funds held on behalf of Internet Gaming patrons and interest earned and received.

d. The Corporation has established reserves at the Resort Casinos in accordance with their respective operating agreements, or on 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 are insufficient to meet such obligations
(ii) Operating reserves – to satisfy specified operating obligations in the event that cash flows are insufficient to meet such obligations
(iii) Severance reserves – to satisfy certain obligations of the Corporation arising from the termination or lay-off of employees of an operator in connection with the termination of an operator

(tabular amounts in thousands of Canadian dollars)

7. TRADE AND OTHER RECEIVABLES

	March 31, 2016	March 31, 2015
Trade receivables	$ 152,282	$ 98,320
Less: allowance for impairment	(5,159)	(4,210)
Trade receivables, net	147,123	94,110
Other receivables	12,017	9,527
Trade and other receivables	**$ 159,140**	**$ 103,637**

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

8. INVENTORIES

	March 31, 2016	March 31, 2015
Slot machine and table game parts	$ 3,086	$ 3,930
Lottery and charitable gaming tickets and paper	17,620	14,537
Security and surveillance parts	1,435	541
Food and beverage	2,693	3,137
Retail	815	506
Other	2,399	2,823
Inventories	**$ 28,048**	**$ 25,474**

Inventory costs, included in expenses, for the year ended March 31, 2016 were $110,963,000 (March 31, 2015 – $102,410,000). During fiscal 2015–16, the Corporation recorded inventory write-downs in expenses of $285,000 (March 31, 2015 – $128,000 of inventory write-down reversals).

9. PROPERTY, PLANT AND EQUIPMENT

Cost

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Slots and Casinos and Resort Casinos gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2014	$ 137,824	$ 1,901,210	$ 585,998	$ 633,344	$ 84,680	$ 599,716	$ 60,496	$ 39,392	$ 4,042,660
Additions and assets put into use	–	5,460	40,499	15,443	1,019	63,269	8,112	17,169	150,971
Disposals and retirements	–	(1,353)	(23,453)	(2,091)	–	(49,894)	–	–	(76,791)
Balance at March 31, 2015	**$ 137,824**	**$ 1,905,317**	**$ 603,044**	**$ 646,696**	**$ 85,699**	**$ 613,091**	**$ 68,608**	**$ 56,561**	**$ 4,116,840**

Balance at April 1, 2015	$ 137,824	$ 1,905,317	$ 603,044	$ 646,696	$ 85,699	$ 613,091	$ 68,608	$ 56,561	$ 4,116,840
Additions and assets put into use	–	11,143	52,142	12,761	8,237	60,365	2,645	(13,868)	133,425
Disposals and retirements	(763)	(34,012)	(29,760)	(10,875)	(10,107)	(73,823)	–	(20,624)	(179,964)
Balance at March 31, 2016	**$ 137,061**	**$ 1,882,448**	**$ 625,426**	**$ 648,582**	**$ 83,829**	**$ 599,633**	**$ 71,253**	**$ 22,069**	**$ 4,070,301**

Accumulated amortization and accumulated impairment losses

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Slots and Casinos and Resort Casinos gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2014	$ 41,091	$ 1,075,096	$ 499,264	$ 527,091	$ 79,020	$ 460,575	$ 32,292	$ –	$ 2,714,429
Amortization for the period	–	42,067	32,906	17,572	4,595	63,209	2,836	–	163,185
Impairment loss	–	–	11,313	–	–	–	8,112	–	19,425
Disposal and retirements	–	(651)	(22,566)	(1,778)	–	(49,587)	–	–	(74,582)
Balance at March 31, 2015	**$ 41,091**	**$ 1,116,512**	**$ 520,917**	**$ 542,885**	**$ 83,615**	**$ 474,197**	**$ 43,240**	**$ –**	**$ 2,822,457**

Balance at April 1, 2015	$ 41,091	$ 1,116,512	$ 520,917	$ 542,885	$ 83,615	$ 474,197	$ 43,240	$ –	$ 2,822,457
Amortization for the period	–	39,351	34,608	21,134	1,623	57,928	2,837	–	157,481
Impairment loss	–	–	3,852	–	–	–	2,644	–	6,496
Disposal and retirements	–	(20,725)	(28,502)	(10,552)	(10,074)	(70,307)	–	–	(140,160)
Balance at March 31, 2016	**$ 41,091**	**$ 1,135,138**	**$ 530,875**	**$ 553,467**	**$ 75,164**	**$ 461,818**	**$ 48,721**	**$ –**	**$ 2,846,274**

(tabular amounts in thousands of Canadian dollars)

Carrying amounts

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Slots and Casinos and Resort Casinos gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at March 31, 2015	$ 96,733	$ 788,805	$ 82,127	$ 103,811	$ 2,084	$ 138,894	$ 25,368	$ 56,561	$ 1,294,383
Balance at March 31, 2016	**$ 95,970**	**$ 747,310**	**$ 94,551**	**$ 95,115**	**$ 8,665**	**$ 137,815**	**$ 22,532**	**$ 22,069**	**$ 1,224,027**

The Corporation leases certain items of property, plant and equipment under finance lease agreements. The leases are structured in a manner such that significant risks and rewards incidental to ownership of the leased assets have been assumed by OLG. At March 31, 2016, the net carrying amount of leased property, plant and equipment was $22,532,000 (March 31, 2015 – $25,368,000).

Capital expenditures by reportable segment

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

For the fiscal year	Lottery	Charitable Gaming	Resort Casinos	Slots and Casinos	Internet Gaming	Total
2015–16	$ 6,181	$ 6,496	$ 53,591	$ 67,157	$ –	$ 133,425
2014–15	$ 11,475	$ 19,425	$ 60,899	$ 59,097	$ 75	$ 150,971

Impairment

As a result of the economic performance of the cGaming CGUs, made up of the individual cGaming Centres, Management performed an impairment analysis.

The recoverable amounts of the CGUs were based on fair value less costs of disposal, which is greater than the value in use. Management performed the fair value analysis utilizing discounted cash flows based on its best estimates and using the market information currently available. The value technique used Level 3 inputs which are unobservable inputs supported by little or no market activity for the assets (Note 22.f). Cash flow projections were based on annual approved budgets and Management's projections thereafter. The cash flows are Management's best estimate of future events taking into account past experience and future economic assumptions. A discount rate of seven per cent that was applied to the cash flow projections was derived from Management's consideration of current market assessments and the risks specific to the CGUs.

Management determined that the recoverable amount of the CGUs of $nil was less than their carrying value and, as a result, an impairment loss of $6,496,000 (fiscal 2014–15 – $19,425,000) was recognized in other charges in the Consolidated Statements of Comprehensive Income. The impairment loss relates to the cGaming reportable segment in Note 26.

Management did not identify any further impairment indicators at any of the Corporation's other CGUs and, therefore, has not recognized any additional impairment losses at March 31, 2016.

10. TRADE AND OTHER PAYABLES

	March 31, 2016	March 31, 2015
Trade payables and accruals	$ 82,387	$ 89,192
Prizes payable	45,264	46,548
Short-term employee benefits	56,225	46,590
Gaming liability	68,258	68,353
Commissions payable	25,105	22,977
Site settlement accrual	–	16,970
Horse racing liability	3,734	–
Other payables and accruals	35,213	32,161
Trade and other payables	**$ 316,186**	**$ 322,791**

Prizes payable comprise unclaimed and estimated Lottery and cGaming prizes.

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

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

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

Site settlement accrual consists of settlement costs payable to a site holder.

Horse racing liability represents the Standardbred Horsepeople's Purse Funds received from the Ontario Racing Commission to fund activities that will provide benefits to horsepeople.

Other payables and accruals include accrued win contribution, casino customer deposits, security deposits, unredeemed land-based gaming service provider customer loyalty points and other amounts.

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

(tabular amounts in thousands of Canadian dollars)

11. PROVISIONS

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

	Legal claims	Other provisions	Total
Balance at April 1, 2015	$ 1,536	$ 3,727	$ 5,263
Increases and additional provisions	1,609	1,359	2,968
Amounts paid	(669)	(736)	(1,405)
Amounts reversed	(510)	(493)	(1,003)
Balance at March 31, 2016	**$ 1,966**	**$ 3,857**	**$ 5,823**

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 Statements of Financial Position. During fiscal 2015–16, an additional $1,609,000 of potential legal claims was accrued, with an offsetting reduction of $669,000 due to payments to claimants. The $510,000 of legal claims reversed in fiscal 2015–16 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 the outcome is remote (Note 25).

Other provisions

Other provisions include provisions for decommissioning obligations and insurance claims.

The Corporation recognizes 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 results from the acquisition, construction, development and/or normal use of the assets. During fiscal 2015–16, an additional $154,000 of decommissioning obligations was recorded.

The Corporation recognized a provision relating to insurance claims that 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 where settlement is likely. During fiscal 2015–16, an additional $1,205,000 of insurance claims was accrued, $736,000 of claims was settled and $493,000 of accrued claims was reversed as it was no longer likely the claims would be incurred.

12. PERSONNEL COSTS

Total personnel costs for the year ended March 31, 2016 amounted to $901,987,000 (March 31, 2015 – $873,281,000).

13. FINANCE INCOME AND FINANCE COSTS

	March 31, 2016	March 31, 2015
Interest income on financial assets at fair value through profit and loss and loans and receivables	$ 2,203	$ 2,835
Finance income	**$ 2,203**	**$ 2,835**
Interest on bank overdraft and loans	$ (505)	$ (673)
Interest on obligations under finance leases	(4,693)	(4,533)
Other interest expense	(90)	(145)
Total interest expense for financial liabilities not classified at fair value through profit and loss	$ (5,288)	$ (5,351)
Finance costs	**$ (5,288)**	**$ (5,351)**
Net finance costs recognized in net income and comprehensive income	**$ (3,085)**	**$ (2,516)**

14. RELATED PARTIES

The Corporation is related to various other government agencies, ministries and Crown corporations. Related party transactions include loan agreements with the OFA (Note 21), post-employment benefit plans with the Ontario Pension Board (Note 23.b), other long-term employee benefits with the Workplace Safety and Insurance Board (Note 23.c) and restricted funding arrangements with the Province of Ontario related to horse racing (Note 6).

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 the Executive Committee.

Key management personnel compensation was comprised of the following:

	March 31, 2016	March 31, 2015
Short-term employee benefits	$ 4,201	$ 4,830
Post-employment benefits	227	250
	$ 4,428	**$ 5,080**

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

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

15. DUE TO OPERATORS

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 Resort Casinos, including Great Blue Heron Slot Machine Facility, and their respective operators are as follows:

- Casino Niagara and Fallsview are operated 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.

  During the year, the Corporation exercised an option to not extend the Permanent Casino Operating Agreement, which is set to expire June 10, 2019, resulting in non-extension costs and HST being incurred as disclosed in Note 20.

  As at March 31, 2016, the non-current amount due to the operator was $143,476,000 (March 31, 2015 – $nil) with payment due on or before June 10, 2019.

- Casino Rama is operated by CHC Casinos Canada Limited, an indirectly wholly owned subsidiary of Penn National Gaming, Inc.

  On August 1, 2011, OLG, CRC Holdings Inc., CHC Casinos Canada Limited and Casino Rama Services Inc. entered into an Interim Operating Agreement ("Interim Agreement") related to the continued operation of the complex. On June 26, 2014, the terms of the Interim Agreement were amended to further extend the term on a month-to-month basis starting October 1, 2014, for up to a maximum period of 24 months. In addition, OLG has two successive options to further extend the Interim Agreement for periods of 12 months each. On May 31, 2016, OLG exercised its option to extend the term of the Interim Agreement immediately following September 30, 2016, on a month-to-month basis, for up to a maximum period of 12 months. From and after October 1, 2014, OLG is entitled to terminate the month-to-month arrangement at any time by providing two months' advance written notice to the operator.

- Caesars Windsor is operated by Caesars Entertainment Windsor Limited (CEWL), a wholly owned subsidiary of Caesars Entertainment Corporation.

  The development and operating agreement expires on July 31, 2020, subject to earlier termination.

- Great Blue Heron Slot Machine Facility is operated by Great Blue Heron Gaming Company, owned by CAI Ontario Inc. and others.

  The development and operating agreement, which was set to expire on June 28, 2015, has been extended on a month-to-month basis for up to a maximum period of 24 months.

Also included in the amounts due to operators are:

a) 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, as defined, is calculated 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, 2016, the Attractor fee accrual included in due to operators was $2,411,000 (March 31, 2015 – $3,117,000). The Corporation's remaining commitment as at March 31, 2016 is $8,055,000.

b) 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 CEWL will terminate on July 31, 2020, or on such earlier date as CEWL or its subsidiary ceases to be the operator of Caesars Windsor. As at March 31, 2016, the amount included in due to operator in respect of the trademark licence agreement was $283,000 (March 31, 2015 – $285,000).

As at March 31, 2016, the current and non-current amount due to operators was $184,170,000 (March 31, 2015 – $34,729,000).

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 Statements of Comprehensive Income and included in amounts disclosed in Note 12.

16. 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 the representative of Her Majesty the Queen. During fiscal 2015–16, $4,990,000 was expensed (March 31, 2015 – $4,943,000) and included in facilities expense in Note 26.

b. The terms of various permits provide for parking and pedestrian access to the Casino Rama Complex at an annual rent payable of approximately $1,700,000, adjusted for inflation. The lands are permitted by Her Majesty the Queen to Rama and are currently in use at Casino Rama for parking and pedestrian access. During fiscal 2015–16, $2,246,000 was expensed under permits (March 31, 2015 – $2,219,000) and included in facilities expense in Note 26.

c. 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 contract was amended in June 2014 and December 2015. The key terms of the amended Post-2011 Contract, relevant to the Corporation, are as follows:

(i) The term of the Post-2011 Contract continues until July 31, 2031, subject to earlier termination as may be permitted by the terms of the agreement or the exercise by the Corporation in its sole discretion of two successive options to extend the Post-2011 Contract for periods of ten years and five years, respectively.

The Post-2011 Contract shall terminate on March 14, 2021 if Rama First Nation and Casino Rama Inc. do not replace the existing surrenders and permits with a new surrender or establish a land management regime on or before June 30, 2016. Rama First Nation is currently in the process of completing this new surrender.

(ii) Rama First Nation is entitled to receive an annual fee for each successive 12-month period commencing August 1, 2011 in an amount equal to the greater of 1.9 per cent of the Gross Revenues of the Casino Rama Complex, as defined, and $5,500,000.

(iii) The Corporation agreed to contribute $2,000,000 towards the capital cost of renovating the existing administration building.

(iv) The Corporation agreed to construct a four-acre on-site employee parking lot.

During fiscal 2015–16, $7,809,000 was expensed in connection with the Post-2011 Contract (fiscal 2014–15 – $7,182,000) and included in facilities expense in Note 26. As at March 31, 2016, $667,000 (March 31, 2015 – $619,000) was due to Rama First Nation.

d. In connection with the Post-2011 Contract, Rama First Nation and the Corporation entered into agreements relating to the provision of fire protection and policing services for the Casino Rama 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 fire protection and policing services, snow removal services and water and sewer services amounted to $8,120,000 (fiscal 2014–15 – $7,151,000). These payments were included in general and administration expenses in Note 26. At March 31, 2016, $1,234,000 (March 31, 2015 – $906,000) was due to Rama First Nation.

e. Pursuant to the terms of the amended 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, 2019. In fiscal 2015–16, $766,000 was expensed (fiscal 2014–15 – $757,000) and is included in general and administration expenses in Note 26.

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 (subject to extension of the Post-2011 Contract). In fiscal 2015–16, $387,000 was expensed (fiscal 2014–15 – $383,000) and is included in general and administration expenses in Note 26.

f. During fiscal 2015–16, $1,328,000 (fiscal 2014–15 – $377,000) was paid to Rama First Nation to pay contractors involved in the acquisition of leasehold improvements. At March 31, 2016, $217,000 (March 31, 2015 – $480,000) was due to Rama First Nation.

g. In connection with the Post-2011 Contract, the Corporation and Casino Rama Inc. entered into an Employee Parking Lot Licence dated May 31, 2012, which 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 fiscal 2015–16, $517,000 (fiscal 2014–15 – $511,000) was paid to Casino Rama Inc. under the Employee Parking Lot Licence.

17. 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 $272,447,000 for fiscal 2015–16 (fiscal 2014–15 – $246,934,000) and was recorded as an operating expense.

18. DUE TO THE GOVERNMENT OF CANADA

As at March 31, 2016, the amount due to the Government of Canada was $33,292,000 (March 31, 2015 – $15,754,000), of which $15,783,000 (March 31, 2015 – $nil) is included in the non-current amount due to the Government of Canada related to the Falls Management Group, L.P. non-extension (Note 15). The recognition of this obligation requires Management to make certain estimates regarding the nature, timing and amounts associated with the Due to the Government of Canada.

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

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

19. OTHER INCOME

	March 31, 2016	March 31, 2015
ATM fees	$ 41,003	$ 39,327
Losses on disposal of property, plant and equipment, net (a)	(1,360)	(751)
Miscellaneous income	9,953	8,113
Other income	**$ 49,596**	**$ 46,689**

a. Losses on disposal of property, plant and equipment, net

During fiscal 2015–16, the Corporation realized net losses on disposal of property, plant and equipment of $1,360,000 (fiscal 2014–15 – $751,000) which included a gain of $19,548,000 (fiscal 2014–15 – $nil) related to the sale of East Gaming Bundle assets (Note 2) offset by losses associated with the discontinuation of projects of $20,908,000 (fiscal 2014–15 – $751,000).

(tabular amounts in thousands of Canadian dollars)

20. OTHER CHARGES

	March 31, 2016	March 31, 2015
Operator non-extension (a)	$ 159,259	$ –
Site settlement (b)	–	15,770
Impairment charge (c)	6,496	19,425
Other charges	**$ 165,755**	**$ 35,195**

a. Operator non-extension

The Corporation incurred one-time operator non-extension costs of $159,259,000, including HST of $15,783,000, for the year ended March 31, 2016 (March 31, 2015 – $nil) in relation to exercising its option to not extend the Permanent Casino Operating Agreement with Falls Management Group, L.P. The costs represent the present value of the future payments to be made on or before June 10, 2019. The future undiscounted payments comprise $151,143,000 to the operator and $16,626,000 to the Government of Canada. The amount payable to the operator is included in Due to operators in Note 15, and the amount Due to the Government of Canada is included in Note 18.

b. Site settlement

The Corporation incurred site settlement costs of $nil for the year ended March 31, 2016 (March 31, 2015 – $15,770,000) in relation to reaching a settlement with a site holder. All costs incurred were paid to the site holder in fiscal 2015–16.

c. Impairment charge

The Corporation recognized an impairment loss for the year ended March 31, 2016 of $6,496,000 (March 31, 2015 – $19,425,000), as disclosed in Note 9.

21. LONG-TERM DEBT

	March 31, 2016	March 31, 2015
Woodbine loan (a)	$ 11,819	$ 22,173
Gaming Management System loan (b)	20,593	5,720
Internet Gaming loan (c)	1,880	1,850
Obligations under finance leases (d)	50,614	55,880
	84,906	**85,623**
Less: current portion	(18,810)	(18,257)
Long-term debt	**$ 66,096**	**$ 67,366**

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

a. Woodbine loan

In October 2010, the Corporation entered into a loan agreement with the OFA for purposes of financing the renovation and expansion (in two phases, Phase A and Phase B) of the slots facility at Woodbine Racetrack.

Phase A construction was completed and the related construction loan was converted to a term loan in June 2011. The initial loan balance for Phase A of $31,269,000, plus interest, was repayable over five years in equal monthly payments of $560,904 until fiscal 2014–15 when the equal monthly payment changed to $384,913 due to a lump sum payment made in fiscal 2013–14. The loan bears interest at a rate of 2.931 per cent per annum and is unsecured. The loan expires May 2016.

Phase B construction was completed and the related construction loan was converted to a term loan in February 2013. The initial loan balance for Phase B of $33,802,000, plus interest, was repayable over five years in equal monthly payments of $597,222 until fiscal 2014–15 when the equal monthly payment changed to $514,690 due to a lump sum payment made in fiscal 2013–14. The loan bears interest at a rate of 2.320 per cent per annum and is unsecured. The loan expires January 2018.

b. Gaming Management System loan

In July 2014, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $35,200,000 to finance the implementation of its Gaming Management System. This system will replace infrastructure that tracks and records gaming activity and accounting, as well as data and security events at all of the slot machines. During fiscal 2015–16, the Corporation drew $14,750,000 (fiscal 2014–15 $5,700,000), plus accrued interest, on facility one bringing the total cumulative loan balance to $20,593,000 (March 31, 2015 – $5,720,000) which is repayable, inclusive of interest accrued, at the earlier of the project completion date or September 2016, at which time the advance from facility two will be utilized to repay facility one. Facility one bears interest at the rate of OFA's cost of funds as of the facility advance date plus 0.325 per cent per annum, compounded quarterly. Facility two is a non-revolving five-year term and bears interest at the rate of OFA's five-year benchmark interest rate plus 0.325 per cent per annum, compounded semi-annually, and is repayable in semi-annual instalments of interest and principal commencing six months after the facility two advance date. The loan is unsecured.

c. Internet Gaming loan

In August 2014, the Corporation entered into a loan agreement with the OFA to borrow an amount up to $1,833,000 to finance the capital costs of the PlayOLG website. The full loan balance of $1,833,000 was advanced on September 9, 2014. The loan plus accrued interest is repayable on September 9, 2016. The loan bears interest at the rate of 1.643 per cent per annum, compounded quarterly. The loan is unsecured. At March 31, 2016, interest of $47,000 was accrued (March 31, 2015 – $17,000).

d. Obligations under finance leases

Effective March 2010, the Corporation entered into an amending agreement for an additional 15-year term with Maple Leaf Entertainment Inc., Canadian Niagara Hotels Inc., 1032514 Ontario Limited and Greenberg International Inc. to lease the facility that houses Casino Niagara and to license the adjacent parking facilities. The amending agreement extends the term of the original lease and licence agreements by 15 years from March 10, 2010 to March 9, 2025. 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 obligation under the finance lease is $36,129,000 at March 31, 2016 (March 31, 2015 – $38,625,000).

(tabular amounts in thousands of Canadian dollars)

The Corporation entered into a master services agreement to lease TapTix, formerly known as BOT 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 obligation under the finance lease is $14,485,000 at March 31, 2016 (March 31, 2015 – $17,255,000).

e. Payments over the next five years and thereafter

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

March 31	Long-term debt	Obligations under finance leases		Total
	Repayments	Principal	Interest	
2017	$ 10,558	$ 8,252	$ 4,056	$ 22,866
2018	9,049	7,829	3,329	20,207
2019	4,065	5,730	2,730	12,525
2020	4,168	4,956	2,261	11,385
2021	4,274	4,165	1,874	10,313
Thereafter	2,178	19,682	3,569	25,429
	$ 34,292	**$ 50,614**	**$ 17,819**	**$ 102,725**

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

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.

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 2015–16, 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.

The Corporation has a formal Enterprise Risk Management Program ("Program"), which is aligned with ISO 31000 and in conformity with the Ontario Public Service risk management guidance and requirements. This Program supports the Corporation in the identification, assessment and management of risks.

c. Credit risk

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of trade and other receivables and liquid investments.

Trade and other receivables

Trade and other receivables include credit provided to retailers of lottery products, cGaming Centre service providers and customers of Resort Casinos. The Corporation performs initial credit or similar evaluations of retailers, cGaming Centre service providers and customers and maintains reserves for potential credit losses on accounts receivable balances. The carrying amount of these financial assets represents the maximum credit exposure.

The amounts disclosed in the Consolidated Statements of Financial Position 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, 2016, the Corporation had an allowance for impairment of $5,159,000 (March 31, 2015 – $4,210,000), which represented approximately 3.1 per cent (March 31, 2015 – 3.9 per cent) of the Corporation's consolidated accounts receivable. The Corporation believes that its allowance for impairment is sufficient to reflect the related credit risk.

Liquid investments

The Corporation limits its exposure to credit risk by investing only in short-term debt securities with high credit ratings and minimal market risk. The Corporation has a formal policy for short-term investments that provides direction for Management to minimize risk. All investments held by the Corporation are low risk and have a term to maturity of less than 90 days. As a result, this risk is considered minimal.

d. Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without jeopardizing the Corporation's Net Profit to the Province 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 on 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 net income and cash flows from operations and continuously monitoring the forecast against future liquidity needs. Given the Corporation's line of business, which historically has generated positive cash flows, liquidity risk is considered minimal.

(tabular amounts in thousands of Canadian dollars)

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

March 31, 2016	Carrying amount	Contractual cash flows	< 1 year	1–2 years	3–5 years	> 5 years
Trade and other payables	$ 316,186	$ 316,186	$ 316,186	$ –	$ –	$ –
Provisions	5,823	5,823	5,823	–	–	–
Due to operators	184,170	191,837	40,694	–	151,143	–
Due to Rama First Nation	2,118	2,118	2,118	–	–	–
Due to the Government of Canada	33,292	34,135	17,509	–	16,626	–
Long-term debt, including obligations under finance leases	84,906	104,335	23,322	20,707	34,850	25,456
	$ 626,495	**$ 654,434**	**$ 405,652**	**$ 20,707**	**$ 202,619**	**$ 25,456**

March 31, 2015	Carrying amount	Contractual cash flows	< 1 year	1–2 years	3–5 years	> 5 years
Trade and other payables	$ 322,791	$ 322,791	$ 322,791	$ –	$ –	$ –
Provisions	5,263	5,263	5,263	–	–	–
Due to operators	34,729	34,729	34,729	–	–	–
Due to Rama First Nation	2,005	2,005	2,005	–	–	–
Due to the Government of Canada	15,754	15,754	15,754	–	–	–
Long-term debt, including obligations under finance leases	85,623	108,362	23,213	26,080	29,918	29,151
	$ 466,165	**$ 488,904**	**$ 403,755**	**$ 26,080**	**$ 29,918**	**$ 29,151**

e. Market risk

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

(i) Interest rate risk

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

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

Long-term debt currently consists of three loan agreements with the OFA and obligations under finance leases. The obligations under finance leases (Note 21.d) and two of the term loan agreements have fixed interest rates for their entire terms, while the other loan agreement is subject to variable interest rates. Each of the long-term debt instruments is currently subject to limited interest rate risk.

At March 31, 2016, the Corporation had cash and cash equivalents of $325,034,000 (March 31, 2015 – $316,340,000). The impact of fluctuations in interest rates is not significant and, accordingly, a sensitivity analysis of the impact of fluctuations in interest rates on net income has not been provided.

(ii) Foreign currency risk

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

The majority of the Corporation's suppliers and customers are based in Canada and, therefore, transact in Canadian dollars (CAD). Some suppliers and customers are based outside of Canada. The suppliers located outside of Canada typically transact in USD. The Corporation's border properties attract U.S. players who are required to exchange their USD for CAD prior to play. The Corporation exchanges USD using the daily market exchange rate and utilizes both a 'buy' and 'sell' rate. The Corporation holds USD cash and bank accounts for the purposes of transacting in USD with customers, as well as paying its U.S. suppliers. The balances held in USD are closely monitored to ensure future USD requirements are met. The Corporation's foreign exchange gain for the year ended March 31, 2016 was $6,816,000 (March 31, 2015 – $5,308,000).

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, 2016**	**March 31, 2015**
Cash and cash equivalents	$ 21,036	$ 21,189
Trade and other payables	(3,435)	(2,390)
Obligations under finance lease	(14,485)	(17,256)
Net exposure	**$ 3,116**	**$ 1,543**

All USD balances are shown in CAD equivalents.

Sensitivity analysis

A 10 per cent increase in the value of the USD at March 31, 2016 would have increased net income by $312,000. A 10 per cent decrease in the value of the USD at March 31, 2016 would have decreased net income by $312,000. 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. The Corporation has determined the fair value of its financial instruments as follows:

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

The Corporation's financial instruments carried at fair value in the Consolidated Statements of Financial Position, which consist of cash and cash equivalents and restricted cash, are valued using quoted market prices that are included in Level 1.

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

The carrying amounts in the Consolidated Statements of Financial Position of trade and other payables, current 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 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 obligations under finance leases, is not determinable given its related party nature, and there is no observable market for the Corporation's long-term debt. Obligations under finance leases and non-current due to operators and due to the Government of Canada are carried at amortized cost using the effective interest method which approximates fair value.

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

There were no financial statement categories in Level 3 (valuation techniques using non-observable data) for the years ended March 31, 2016 or March 31, 2015.

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 fiscal 2015–16 amounted to $20,286,000 (fiscal 2014–15 – $19,310,000).

b. Other post-employment benefit plans

The Corporation provides pension benefits for all its permanent employees and for non-permanent employees who elect to participate through the PSPF and the OPSEU Pension Fund, which are sole-sponsored defined benefit pension plans established by the Province of Ontario. The Province of Ontario controls all entities included in the PSPF and OPSEU Pension Fund. Contribution rates are set by the *Public Service Pension Act*, whereby the Corporation matches all regular contributions made by the member. The Corporation classified these plans as state plans whereby there is no contractual agreement or stated policy for charging the net defined benefit cost of the plans to the Corporation. As such, the Corporation accounts for these post-employment benefits as defined contribution plans and has recorded no additional liability for the plan deficit. The annual contributions made by the Corporation are recorded as an expense in the Consolidated Statements of Comprehensive Income. The Corporation's contribution and pension expense for fiscal 2015–16 was $20,269,000 (fiscal 2014–15 – $19,437,000).

c. Other long-term employee benefits

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

The WSIB accrual at March 31, 2016 was $16,683,000 (March 31, 2015 – $20,304,000), of which $15,515,000 (March 31, 2015 – $18,882,000) is included in non-current employee benefits liability and $1,168,000 (March 31, 2015 – $1,422,000) is included in trade and other payables in Note 10. 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 10).

24. COMMITMENTS

a. Obligations under operating leases

The Corporation has entered into several operating leases for facilities, property and equipment with a typical range of five to seven years. The future minimum lease payments are, approximately, as follows:

	March 31, 2016
No later than 1 year	$ 77,564
Later than 1 year and not later than 5 years	116,664
Later than 5 years	4,828
	$ 199,056

b. HST on lease commitments

The Corporation and the Resort Casinos have entered into several agreements to lease property, plant and equipment from the Corporation's subsidiary and other external parties. The non-recoverable HST and the additional imputed tax on the gaming-related assets payable to the Government of Canada, as described in Note 18.b, on the future lease payments are, approximately, as follows:

2017	$ 35,682
2018	30,021
2019	24,498
2020	19,351
2021	14,436
	123,988
Thereafter	223,224
	$ 347,212

(tabular amounts in thousands of Canadian dollars)

c. Suppliers

The Corporation has computer hardware maintenance agreements with future payments as at March 31, 2016 of approximately:

2017	$ 18,622
2018	2,496
2019	416
	$ 21,534

d. Caesars Windsor

In fiscal 2015–16, the Corporation transferred $30,000,000 in cash (fiscal 2014–15 – $60,000,000) to Caesars Windsor for its working capital requirements. The Corporation has committed to transfer up to $53,000,000 to Caesars Windsor in fiscal 2016–17 for working capital.

e. Ontario First Nations (2008) Limited Partnership

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation, the Ontario First Nations Limited Partnership and Ontario First Nations (2008) Limited Partnership entered into the Gaming Revenue Sharing and Financial Agreement (GRSFA). Pursuant to the terms of the GRSFA and an Order-in-Council, the Corporation was directed to pay the Ontario First Nations (2008) Limited Partnership, commencing in fiscal 2011–12 and in each fiscal year for the remainder thereafter of the 20-year term, an amount equal to 1.7 per cent of the Gross Revenues of the Corporation, as defined ("Gaming Revenue Sharing Payment"). Pursuant to the GRSFA, during fiscal 2015–16, $122,057,000 was expensed (fiscal 2014–15 – $121,563,000) as Gaming Revenue Sharing Payment in Note 26.

25. CONTINGENCIES

a. 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 Statements of Financial Position as at March 31, 2016.

b. 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 in its Consolidated Statements of Financial Position. Estimates, where appropriate, have been included in the Consolidated Statements of Financial Position (Note 11); however, additional settlements, if any, concerning these contingencies will be accounted for as a charge in the Consolidated Statements of Comprehensive Income in the period in which the settlement occurs.

26. SEGMENTED INFORMATION

The Corporation has five 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, who is the Corporation's President and CEO, reviews internal management reports on a monthly basis for each of the strategic business units and makes resource allocation decisions. The following summary describes the operations in each reportable segment:

- Lottery derives its revenue from the sale of lottery products, which include Lotto, INSTANT and Sports products. Lotto products are also available for purchase over the Internet at PlayOLG.
- Charitable Gaming derives its revenue from the sale of Charitable Gaming products.
- Resort Casinos are full-service casinos that offer customers a variety of amenities in addition to slot and table games, including accommodations, entertainment and food and beverage services.
- Slots and Casinos are smaller gaming facilities including sites operated by OLG or a land-based gaming service provider.

  OLG Casinos offer slot and table games, as well as food and beverage services. OLG Slots 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. At the land-based gaming service provider operated sites, OLG receives a share of the gaming revenue generated. The non-gaming revenue is earned and retained by the land-based gaming service provider.
- Internet Gaming derives its revenue from casino-style games available over the Internet at PlayOLG.

(tabular amounts in thousands of Canadian dollars)

March 31, 2016	Lottery	Charitable Gaming	Resort Casinos	Slots and Casinos	Internet Gaming	Total
Revenues						
Gaming (Note 4.c)	$ 3,785,596	$ 165,953	$ 1,285,964	$ 2,045,807	$ 49,170	$ 7,332,490
Non-gaming	–	–	96,632	16,159	–	112,791
	3,785,596	**165,953**	**1,382,596**	**2,061,966**	**49,170**	**7,445,281**
Expenses						
Non-gaming	–	–	238,399	37,548	–	275,947
Gaming and lottery operations	112,058	15,593	252,922	265,217	15,476	661,266
Prizes	2,080,496	37,992	–	–	–	2,118,488
Commissions and fees	268,749	97,585	107,853	82,849	8,772	565,808
Marketing and promotion	55,532	7,998	150,824	111,286	7,102	332,742
Amortization	6,346	–	99,261	51,237	637	157,481
General and administration	50,230	8,848	87,677	98,432	12,935	258,122
Facilities	7,321	458	123,924	171,832	864	304,399
Gaming Revenue Sharing Payment	55,565	6,225	24,735	35,384	148	122,057
Win contribution (Note 17)	–	–	257,145	15,302	–	272,447
Payments to the Government of Canada	102,608	17,624	90,953	87,322	7,101	305,608
	2,738,905	**192,323**	**1,433,693**	**956,409**	**53,035**	**5,374,365**
Segment income (loss) before the undernoted	**1,046,691**	**(26,370)**	**(51,097)**	**1,105,557**	**(3,865)**	**2,070,916**
Other income	3,396	–	(2,254)	48,452	2	49,596
Finance income	85	6	2,065	35	12	2,203
Finance costs	(91)	(1,487)	(3,205)	(505)	–	(5,288)
Foreign exchange gain (loss)	(1)	(440)	7,277	(17)	(3)	6,816
Other charges	–	(6,496)	(159,259)	–	–	(165,755)
Segment income (loss)	**$ 1,050,080**	**$ (34,787)**	**$ (206,473)**	**$ 1,153,522**	**$ (3,854)**	**$ 1,958,488**
Add: Win contribution (Note 17)	–	–	257,145	15,302	–	272,447
Net Profit to the Province (a)	**$ 1,050,080**	**$ (34,787)**	**$ 50,672**	**$ 1,168,824**	**$ (3,854)**	**$ 2,230,935**

(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 calculated by adding back win contribution to segment profit (loss). The chief operating decision maker, the President and CEO, considers NPP to be a key measure in evaluating decisions relating to the Corporation.

March 31, 2015	Lottery	Charitable Gaming	Resort Casinos	Slots and Casinos	Internet Gaming	Total
Revenues						
Gaming (Note 4.c)	$ 3,268,556	$ 114,875	$ 1,163,444	$ 1,981,359	$ 8,398	$ 6,536,632
Non-gaming	–	–	92,286	15,290	–	107,576
	3,268,556	**114,875**	**1,255,730**	**1,996,649**	**8,398**	**6,644,208**
Expenses						
Non-gaming	–	–	227,501	36,897	–	264,398
Gaming and lottery operations	102,100	14,754	242,575	269,464	15,528	644,421
Prizes	1,807,211	27,520	–	–	–	1,834,731
Commissions and fees	235,842	69,966	93,771	80,974	1,404	481,957
Marketing and promotion	52,507	5,356	143,359	113,221	7,871	322,314
Amortization	8,389	–	100,481	53,847	468	163,185
General and administration	47,304	7,795	82,568	85,357	13,617	236,641
Facilities	6,606	615	122,322	174,516	990	305,049
Gaming Revenue Sharing Payment	57,589	4,392	24,769	34,813	–	121,563
Win contribution (Note 17)	–	–	232,502	14,432	–	246,934
Payments to the Government of Canada	95,786	13,936	84,060	86,125	5,308	285,215
	2,413,334	**144,334**	**1,353,908**	**949,646**	**45,186**	**4,906,408**
Segment income (loss) before the undernoted	**855,222**	**(29,459)**	**(98,178)**	**1,047,003**	**(36,788)**	**1,737,800**
Other income	2,354	–	15,082	29,253	–	46,689
Finance income	61	9	2,629	78	58	2,835
Finance costs	(146)	(1,132)	(3,797)	(276)	–	(5,351)
Foreign exchange gain (loss)	(2)	(1,886)	7,189	7	–	5,308
Other charges	–	(19,425)	–	(15,770)	–	(35,195)
Segment income (loss)	**$ 857,489**	**$ (51,893)**	**$ (77,075)**	**$ 1,060,295**	**$ (36,730)**	**$ 1,752,086**
Add: Win contribution (Note 17)	–	–	232,502	14,432	–	246,934
Net Profit to the Province (a)	**$ 857,489**	**$ (51,893)**	**$ 155,427**	**$ 1,074,727**	**$ (36,730)**	**$ 1,999,020**

(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 calculated by adding back win contribution to segment profit (loss). The chief operating decision maker, the President and CEO, considers NPP to be a key measure in evaluating decisions relating to the Corporation.

27. COMPARATIVE FIGURES

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

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