ANNUAL REPORT 2017–18

contents


OLG


YES

MESSAGE FROM THE CHAIR

In 2017–18, the Ontario Lottery and Gaming Corporation (OLG) accomplished a number of objectives. We moved forward with the modernization of Land-based Gaming, took important steps in our digital evolution, introduced new lottery products and forged new agreements with the horse racing industry and charitable gaming sector – all while continuing to drive strong financial results.

OLG's Board of Directors is committed to our mandate of ensuring a strong return to the Province of Ontario, while maintaining OLG's leadership in Responsible Gambling (RG) programming. By providing strong corporate governance, we play an important role in maintaining the trust Ontarians have in OLG – which is fundamental to OLG's success and the long-term interests of our shareholder, the Government of Ontario.

Our board remains focused on our commitment to pursuing a gold standard for RG and has taken an active interest in the establishment of *PlaySmart* Centres and the development of tools and resources to educate players. OLG continues to work closely with government and independent agencies to find newer and better ways to support people who are concerned about their own or a loved one's gambling. That commitment and work extends to include our land-based gaming service providers. OLG's operating agreements have detailed RG terms, including required third-party accreditations with RG Check for gaming and the delivery of OLG's RG employee training programs.

Our board will continue to employ governance best practices and we look forward to guiding the senior management team in the coming year.

We are confident that the steps OLG's President and CEO and his executive team are taking to move the organization forward today will position OLG for even greater success in the future.

George L. Cooke
Chair, Board of Directors

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

In 2017–18, OLG delivered $2.49 billion in Net Profit to the Province, which is supporting key government priorities, like health care, amateur athletes and problem gambling prevention, treatment and research. Hundreds of millions more dollars went to host communities, First Nations, lottery retailers and local charities across the province. These remarkable results are a testament to the focus and ingenuity of our organization which continues to deliver on our current-day business, while meeting the challenges of transforming for the future.

Our success this year also demonstrates that the predicted benefits of our modernization are being realized and exceeded. It has been six years since OLG launched its modernization and we are nearing the completion of the transformation of Land-based Gaming. Today, service providers are investing in gaming sites and communities across the province, creating jobs and providing customers with new and exciting entertainment options.

This past year was our busiest in terms of modernizing Land-based Gaming. Gateway Casinos & Entertainment Limited took over the Southwest and North Gaming Bundles in May 2017; HR Ottawa LP (Hard Rock Casino Ottawa) took over the Ottawa Area Gaming Bundle in September 2017; and Ontario Gaming GTA LP took over operations of the GTA Gaming Bundle in January 2018.

While our land-based gaming operations have been transferring to service providers, we have been enhancing our technology and pursuing a digital transformation. We have taken a number of important steps to help us connect with customers in new ways. Specifically, OLG has gone to market to obtain a new player platform and, separately, a vendor to replace, update and expand our existing lottery terminal network. The new platform will provide an enterprise-wide digital foundation and be a central point of integration for OLG's products and channels.

Our investments in the player platform and terminal network will allow us to introduce new games and improve the online and retail experiences for customers. This includes an enhanced and expanded sports betting offering. OLG is seeking a service provider to help us offer a variety of new sports products at retail locations, as well as online and through mobile devices.

OLG is making fundamental changes to how lottery and gaming is delivered in Ontario, but our commitment to Responsible Gambling (RG) will remain a cultural touchstone and will always be at the heart of everything we do. To help us build on our RG efforts, OLG held its fourth *PlaySmart* Forum this year. The two-day event was bigger and better than ever, bringing together OLG employees and industry experts to share insights, stories and goals.

We have begun the work of designing an organizational structure that will meet the needs of our new and emerging business. We are creating an environment that optimizes the talent that currently exists at OLG – an environment that ensures people are getting the support they need to make their best contribution. We want our employees to have the space to be themselves and empower them to use their imaginations and skills to benefit the people and the Province of Ontario. We are committed to building a culture of inclusion where employee differences are valued and celebrated.

The success OLG has had this year would not be possible without our employees. I want to personally thank them for all they do for OLG at work and in their communities.

I would also like to take this opportunity to thank OLG's Board of Directors for its support, guidance and encouragement as the management team and I work to move the business forward.

This coming year will be a pivotal one for OLG – a year in which we largely complete our modernization and continue our digital evolution. I am proud of the organization we are building and the benefits it will provide Ontarians for generations to come.

Stephen Rigby
President and Chief Executive Officer

ECONOMIC IMPACT

Since 1975, the Ontario Lottery and Gaming Corporation (OLG or the Corporation) has provided nearly $50 billion to the Province and the people of Ontario. OLG is also helping to build a more sustainable horse racing industry in Ontario. OLG's annual payments to the province have helped support provincial priorities including the operation of hospitals; problem gambling prevention, treatment and research; amateur sport; and local and provincial charities. In fiscal 2017–18 alone, OLG contributed $2.49 billion in Net Profit to the Province to support these programs.

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 2017–18, OLG generated more than $4.1 billion in total economic activity in Ontario.

NET PROFIT TO THE PROVINCE*

$2.49 billion

$2.44 BILLION
to support provincial priorities including the operation of hospitals, amateur sport and local and provincial priorities

$45 MILLION
directed to the Ministry of Health and Long-Term Care for problem gambling prevention, treatment and research**

**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 annual forecasted OLG slot machine revenue (before service provider fee deductions and excluding slot machine revenue from the Resort Casinos)*

SUPPORT FOR LOCAL ECONOMIES

$1.58 billion

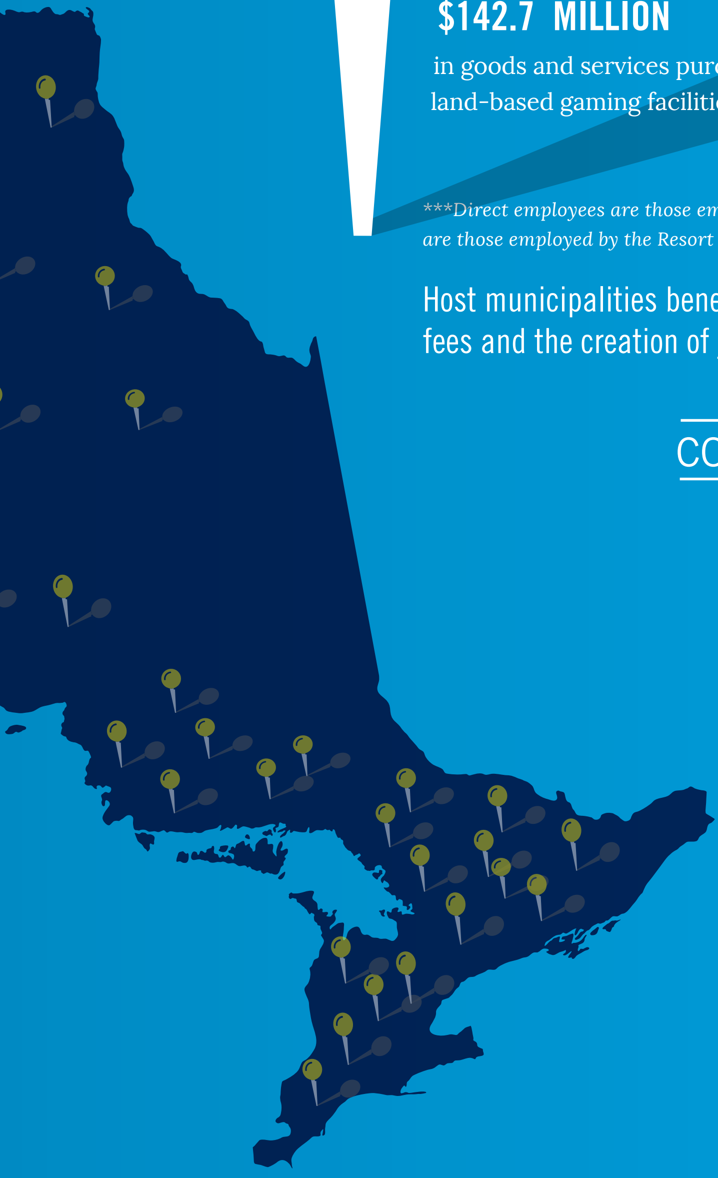
$855.8 MILLION
in personnel costs for OLG's 12,600 direct and indirect employees*** across the province

$278.0 MILLION
in commissions to lottery retailers across Ontario

$160.8 MILLION
in payments to municipalities and Ontario First Nations that host gaming facilities and Charitable Gaming Centres

$139.6 MILLION
in payments to Ontario First Nations through the Gaming Revenue Sharing and Financial Agreement

$142.7 MILLION
in goods and services purchased from Ontario businesses to support land-based gaming facilities owned and/or operated by OLG



****Direct employees are those employed directly by OLG. Indirect employees are those employed by the Resort Casinos.*

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

CORPORATE RESPONSIBILITY

$64.7 million

$19.1 MILLION
that OLG directed to its Responsible Gambling program, including Resource Centres, education and technology, program delivery, staff training and self-exclusion capital costs.

$41.4 MILLION
in Charitable Gaming proceeds distributed to participating local charities

$4.2 MILLION
in corporate and lottery festival and event sponsorships

THE PATH FORWARD

The Ontario Lottery and Gaming Corporation (OLG or the Corporation) made significant strides in fiscal 2017–18 in the ongoing pursuit of its Vision: *To develop world-class gaming entertainment for Ontario*. OLG did this by developing partnerships, introducing new offerings and improving and expanding existing gaming and lottery experiences. Most notable this year was the continuing diligent transfer of gaming sites to service providers, furthering OLG's strategy to shift responsibility for day-to-day operations and capital investment to the private sector. Optimizing its investments will help OLG grow its annual Net Profit to the Province into the future.

Our Vision: To develop world-class gaming entertainment for Ontario

GUIDING PRINCIPLES

Innovation
Make innovation a key driver of how we grow

Customer Focus
Assess our impact on customers and their experiences in everything we do

Policy Shaping
Play a strong role in shaping gaming policy in Ontario and Canada to create growth opportunities

Partnerships
Effectively partner with stakeholders, customers, employees and the private sector

Responsibility
Foster a healthy, sustainable player base through education, risk reduction and player assistance

Economic Stewardship
Drive profitable growth, be cost conscious, invest efficiently and generate employment opportunities in Ontario

ORGANIZATIONAL CHARACTERISTICS

Resourcefulness
Identify and develop innovative opportunities using a fact-based approach

Execution Excellence
Commit to and deliver against strategic priorities

Agility
Focus on a bias to action and always be willing to take on new challenges

Ownership
Develop an environment where employees commit to and are held accountable for results

Empowerment
Create a culture of opportunity, transparency and trust that enables employees to deliver exceptional results

OLG made important advances this year in its Land-based Gaming, lottery and digital businesses.

- **Responsible growth:** OLG expanded its partnerships with the private sector by transferring the assets and day-to-day operations of additional land-based gaming sites, furthering its efforts to create investment in Ontario and upholding the Corporation's commitment to responsible growth.
- **New products and services:** OLG increased its product and service offerings through new apps, online and retail games, and new solutions at retail stores. These advancements are designed to better serve OLG customers by enhancing convenience and improving the gaming experience.
- **Building awareness:** OLG continues to build awareness of the lottery and gaming industry in Ontario and its ongoing commitment to responsible gambling. In 2017–18:
    - 255 events in more than 70 communities across Ontario benefitted from nearly \$4.2 million in OLG sponsorship support.
    - 56 *PlaySmart* Centres at OLG's land-based gaming locations and Charitable Gaming Centres welcomed nearly 328,000 visitors with 205,000 of them engaging in responsible gambling educational events.

Stepping up our game

We made some great progress in implementing strategic initiatives with the goal of better serving our customers. As OLG pursues its vision, we remain guided by our four customer-focused strategies:

1. Strong and Responsible Growth
2. Digital Development
3. Know Our Customers
4. Culture of Performance

Providing customers with the best products and services is at the centre of OLG's vision. This is demonstrated by understanding customers' needs, innovating to meet those needs and exercising responsibility in all aspects of its operations. OLG's guiding principles are embedded in the day-to-day actions of its employees.

Creating Strong and Responsible Growth

Partnerships for a Prosperous Ontario

OLG continues to bring new jobs and economic development to communities across Ontario by entering into several agreements with carefully selected service providers for certain land-based gaming sites. OLG selects service providers through a fair and competitive procurement process that is overseen by an independent Fairness Monitor. The investments that service providers make will enhance the gaming experience for customers, help increase OLG's Net Profit to the Province and contribute to the overall value of economic activity generated by the Corporation in Ontario.

While service providers are responsible for specific day-to-day gaming operations at some locations, OLG maintains a governance role by conducting and managing gaming within those facilities. OLG also continues to make quarterly payments to each host community through Municipal Contribution Agreements.

The Corporation is working closely with service providers to ensure a smooth transition for employees, requiring that new service providers retain employees for a period of no less than 12 months in their current position and geographic location and provide benefits including a registered pension plan, to eligible employees. As part of its initiative for responsible growth, OLG requires that service providers uphold the high standards of OLG's Responsible Gambling program, *PlaySmart*.

Gaming Agreements

In fiscal 2015–16, the first transfer of gaming operations from OLG to a service provider occurred as OLG transitioned Casino Thousand Islands, the slot machine operation at Kawartha Downs and the opportunity to build a new site in the City of Belleville (East Gaming Bundle) to Ontario Gaming East, LP. The transition of the remaining gaming bundles that began or were completed in fiscal 2017–18 include:

- **Central Gaming Bundle:** OLG entered into three separate agreements with Gateway Casinos & Entertainment (Gateway) this fiscal year, the latest being the selection of Gateway as the service provider for the Central Gaming Bundle. The bundle includes Casino Rama Resort, the slot machine operations at Georgian Downs and an opportunity to build a new gaming and entertainment facility in Wasaga Beach or Collingwood. We anticipate the gaming sites in the Central Gaming Bundle to transition to Gateway in the summer of 2018.
- **North and Southwest Gaming Bundles:** In May 2017, OLG entered into two separate 20-year agreements with Gateway, under which Gateway assumed the assets and day-to-day operations of facilities within the North and Southwest Gaming Bundles. On May 9, Gateway assumed the assets and operations of the Southwest Gaming Bundle that includes Casino Point Edward and the slot machine operations at Clinton Raceway, Dresden Raceway, Hanover Raceway, Western Fair District and Woodstock Raceway. On May 30, Gateway assumed the assets and operations of the North Gaming Bundle that includes the casinos in Sault Ste. Marie and Thunder Bay and the slot machine operations at Sudbury Downs. Gateway also has the opportunity to build a new gaming and entertainment facility in both Kenora and North Bay.
- **Ottawa Area Gaming Bundle:** In May 2017, OLG selected HR Ottawa, LP, known as Hard Rock Casino Ottawa, as the service provider for the Ottawa Area Gaming Bundle. Under the terms of a 20-year Casino Operating and Services Agreement, Hard Rock Casino Ottawa assumed the assets and day-to-day operations of the slot machine operations at Rideau Carleton Raceway effective September 12, 2017.

- **Greater Toronto Area (GTA) Gaming Bundle:** In August 2017, OLG selected Ontario Gaming GTA LP (OGGLP) as the service provider for the GTA Gaming Bundle. The partnership is comprised of the Great Canadian Gaming Corporation, Brookfield GTA Gaming Management Inc. and Clairvest Group Inc. On January 23, 2018, OGGLP assumed the assets and day-to-day operations of the GTA Gaming Bundle that includes the Great Blue Heron Casino and the slot machine operations at Ajax Downs and Woodbine Racetrack.
- **West GTA Gaming Bundle:** In December 2017, OLG selected Ontario Gaming West GTA LP (OGWGLP) as the service provider for the West GTA Gaming Bundle, which is comprised of Casino Brantford and the slot machine operations at Flamboro Downs, Grand River Raceway and Mohawk Racetrack. OGWGLP partners are Great Canadian Gaming Corporation and Clairvest Group Inc. Under the terms of a 20-year Casino Operating and Services Agreement, OGWGLP assumed the assets and day-to-day operations of the gaming facilities effective May 1, 2018.
- **Niagara Gaming Bundle:** In April 2017, OLG issued a Request for Proposal to the pre-qualified proponents selected to bid on the Niagara Gaming Bundle that includes Casino Niagara and Fallsview Casino Resort. The successful proponent will also operate the future Niagara Falls Entertainment Centre. OLG expects to select the service provider in late summer of 2018.

Continuing its collaboration with the charitable gaming industry, OLG is working to enhance the Charitable Gaming Operating Agreement with service providers and introduce new electronic games for customers – all to help the industry sustain and grow its support for Ontario's charities. The Corporation expects to be in a position to announce and implement the new business model in fiscal 2018–19. As of March 31, 2018, the Charitable Gaming Revitalization Program has provided $193.1 million to approximately 1,800 local participating charities in Ontario.

Announced on March 23, 2018, OLG, the Ontario government and the horse racing industry reached a landmark, long-term funding agreement that provides the industry with up to $105 million each year for 19 years. Effective April 1, 2019, OLG will provide the funding for this agreement that benefits all racetracks, breeds and horsepeople in Ontario. Nearly two decades of stable funding will give the industry the confidence it needs to plan breeding cycles, address supply issues and make long-term business decisions.

OLG will contribute to the efficient and effective management of this funding program by making available up-to-date facts and information related to the industry in Ontario. OLG established the Performance Management Excellence Group in early 2016 and began tracking industry performance measures to support fact-based decision making. Its first quarterly report was published in fiscal 2017–18.

Stepping Up Our Gaming Platforms

In May 2017, OLG issued Requests for Proposal for:

- new lottery terminals and networks in retail stores
- a new player platform that would act as an enterprise-wide digital foundation for OLG's products

In June 2018, OLG signed an agreement to purchase approximately 11,000 new lottery terminals, the related retail network and support services. The new terminals, which will replace existing terminals in retail locations throughout Ontario, are planned to be installed in fiscal 2019–20 and will offer a better transactional experience for customers and enhanced functionality for retailers.

A player platform aims to improve the ways OLG connects with customers within a framework of social responsibility. It would allow for the addition of new games, improve the online customer experience and enable agile mobile responsiveness. It would also enhance OLG's existing digital capabilities in areas like player registration, responsible gambling controls and player accounts.

These changes will ensure OLG's technology and product solutions are responsive to changing customer needs.

Breaking Ground

Niagara Falls Entertainment Centre

Construction started on the new Niagara Falls Entertainment Centre (NFEC) in October 2017. The NFEC, which Niagara Falls Entertainment Partners will build, finance and maintain, is expected to help drive long-term economic development in Niagara Falls through job creation and tourism. The state-of-the-art centre represents a private sector- investment of more than $130 million that will feature seating for more than 5,000 patrons and will create over 800 construction and entertainment industry jobs in the city and surrounding area. The new NFEC will accommodate larger concerts, shows and attractions, drawing more visitors to the Niagara Falls region and the Niagara-area casinos. The service provider for the Niagara Gaming Bundle is expected to commence operation of the NFEC in June 2019.

New OLG Prize Centre

In November 2017, OLG officially unveiled the newly updated OLG Prize Centre in Toronto. The new Prize Centre features a *PlaySmart* Centre that provides customers with facts, tools and advice on gambling; a new wicket and entrance that improves accessible customer service; larger and more comfortable waiting areas for customers; and a lottery retail kiosk in the lobby. The enhanced space also improves the work experience for Prize Centre employees.

Recognized for Responsibility

OLG is dedicated to working with Indigenous communities to build meaningful relationships and partnerships. In June 2017, OLG's Social Responsibility team was presented with the Bear Award from Indige-Spheres to Empowerment, a non-profit organization dedicated to the well-being of Indigenous Peoples. The Bear symbolizes leadership, protection, and bridge-building between cultures. The award recognizes OLG's collaborative work to advance Responsible Gambling efforts within Indigenous communities in Ontario and the networks developed for future partnerships between OLG and Indigenous communities in Ontario.

Inclusive Communities

Sponsorship of PRIDE events allows OLG to acknowledge, celebrate and support the LGBTQ+ community and build a culture of inclusion. OLG is an employer that values diversity and our employees are afforded the opportunity to participate in these important and celebratory community events. In 2017, OLG was a proud sponsor of PRIDE events in Ottawa, London, Brantford, Thunder Bay and Toronto (*Pride Toronto* and *Toronto ProPride*).

Fostering Digital Development

OLG made great strides in its digital development this past year by investing in new apps and online tools to enhance the digital gaming experience of customers.

OLG Lottery App

- Launched in June 2017, the OLG Lottery App introduced a new, easy and convenient way for players to scan lottery, INSTANT and sports tickets at any time and instantly determine if they are winners. The app also allows customers to view current jackpot amounts and recent winning numbers, set reminders to buy tickets, check OLG lottery gift card balances, locate nearby lottery retailers and access information on OLG's Responsible Gambling program. This new app better connects OLG with its customers while enhancing their gaming experience.

PlayOLG Casino App

- An extension of the PlayOLG website, this new app brings PlayOLG casino games to customers' smartphones and allows them to deposit funds and access *PlaySmart* information by extending their Responsible Gambling settings from their desktops to their smartphones.

OLG also has RFPs in market for sports betting and digital web and apps. These initiatives will integrate with OLG's new player platform offering new digital opportunities to enhance customers' gaming experience while maintaining the organization's commitment to Responsible Gambling.

New Ways to Play

- **PRO•LINE App**
  This new app makes it easier for players to "Get into the game." Consistent with its efforts to better serve customers and make gaming easier and more enjoyable, the PRO•LINE app allows players to build their sports game tickets right on their mobile phones, eliminating the need for paper in the selection process.
- **HIT OR MISS**
  The first lottery game that allows players to watch draws as they happen on the OLG Lottery App or the OLG website, HIT OR MISS can be played on a computer or smartphone. While players still purchase their tickets at lottery retailers, the true gaming experience of HIT OR MISS is fully digital.
- **Online Lottery Subscriptions**
  In January 2018, OLG launched online lottery subscriptions on PlayOLG to further enhance the lottery experience for customers by focusing on convenience and ease of access.

Knowing Our Customers

Beyond its digital efforts, OLG is making gaming more accessible to all customers by continuing to expand in key areas and providing customers with new games and easy access to current products and services.

- **THE BIG SPIN**
  In September 2017, OLG launched THE BIG SPIN, an INSTANT ticket that combines traditional scratch play with a spinning wheel animation on the lottery terminal customer display screen and a chance to win an in-person spin on THE BIG SPIN Wheel at the OLG Prize Centre in Toronto. As the spin of the big wheel is streamed live, everyone can now join in on the winning moment.

- **Multilane Solutions**
  Starting in 2017, customers passing through more than 1,600 checkout lanes at 260 select Metro and Food Basics stores across Ontario were able to purchase a QUICKTICKET, which is a pre-printed LOTTO MAX and LOTTO 6/49 ticket. OLG is also piloting a second innovation that allows customers at 2,400 checkout lanes at 235 Loblaw stores to purchase unique tickets for these same games. This technology is expected to be fully rolled out by November 2018.

- **$5 INSTANT IN THE MONEY MULTIPLIER**
  This new horse-themed lottery ticket builds excitement and awareness about horse racing by combining OLG's established INSTANT brand with its support for Ontario's horse racing industry.

- **Sports Betting Expansion**
  In November 2017, OLG issued a Request for Proposal for enhanced and expanded sports betting in Ontario. New technology will bring innovation and variety to sports products available at retail locations, online and through mobile devices while maintaining a focus on Responsible Gambling (RG) by including *PlaySmart* content in both online and retail channels and RG tools and resources for online customers.

- **Knowing More**
  In fiscal 2017–18, OLG completed a Request for Proposal for an Enterprise Analytics Platform to centralize enterprise data and advance its analytical capabilities across the organization. This initiative supports not only the development of new gaming products, channels and services but also OLG's commitment to responsible growth and risk management.

Driving a Culture of Performance

In October 2017, OLG introduced "Living OLG Organizational Characteristics", a training and resource system to support employees as they continue to learn and adopt the traits by which they can thrive and succeed within OLG's changing operating environment. OLG aims to actively manage its working culture and set itself up for long-term success by encouraging employees to embody these attributes.

These characteristics have allowed employees to advance OLG's strategic initiatives and helped to drive growth and innovation – all with the aim of creating a better customer experience and enhancing the gaming and lottery industry in Ontario.

Stepping forward

This was an exceptionally strong year for OLG as it marked the launch of many new digital and retail products and services and the transition of multiple gaming bundles to service providers, bringing investment to communities across Ontario. This year also demonstrated OLG's unwavering commitment to responsible and sustainable growth.

Continued economic growth and investment over the next 12 months is expected with the completion of existing procurements and the continuing construction of the Niagara Falls Entertainment Centre, among other initiatives.

As OLG continues to step up its game, exciting things are sure to come.

OVERVIEW

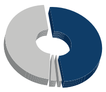
Ontario Lottery and Gaming Corporation (OLG or the Corporation) and the operators of the Resort Casinos employ approximately 12,600 people across Ontario. OLG conducts and manages gaming facilities, the sale of province-wide lottery games, PlayOLG Internet Gaming and the delivery of bingo and other electronic gaming products at Charitable Gaming Centres. OLG is also helping to build a more sustainable horse racing industry in Ontario.

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

The Ontario Lottery and Gaming Corporation Act, 1999 requires that net revenue from its operations be paid to the Government of Ontario Consolidated Revenue Fund. This revenue has helped support provincial priorities including the operation of hospitals; problem gambling prevention, treatment and research; amateur sport; and local and provincial charities. OLG's Charitable Gaming program also makes direct funding contributions to participating charitable gaming associations.

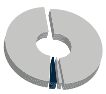
SOURCES OF REVENUE

OLG's operations and revenues are organized under four lines of business and a Corporate Services division. In fiscal 2017–18, these four lines of business collectively generated **$7.58 billion in revenue**.



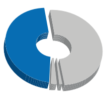
LOTTERY: $3,780 MILLION

OLG operates 22 terminal-based lottery and sports games and offers 79 INSTANT lottery products through approximately 9,800 independent retailers across the province.



CHARITABLE GAMING: $172 MILLION

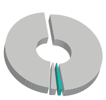
OLG conducts and manages the operations of 31 Charitable Gaming Centres across Ontario. In addition to the classic paper-based play, these sites offer a variety of bingo and break open ticket games in electronic formats.



LAND-BASED GAMING*: $3,553 MILLION

OLG is responsible for conducting and managing gaming at four Resort Casinos (Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort) and at 21 slots and casino facilities operated by either OLG or service providers.

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



INTERNET GAMING: $73 MILLION

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).

**previously OLG Resort Casinos and Slots and Casinos*

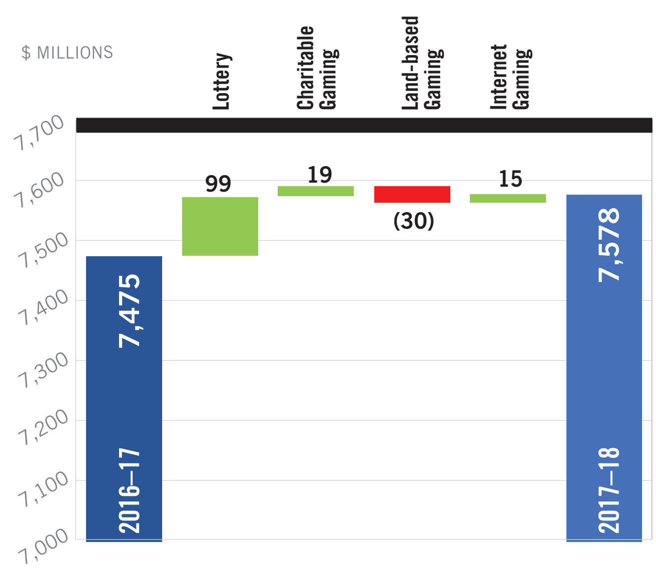
***Revenue from these Lotto games is recorded in the Lottery line of business.*

FINANCIAL HIGHLIGHTS

CHANGE IN REVENUE 2016–17 TO 2017–18

(in thousands of dollars)

	$ Change in Revenue
Lottery	98,985
Charitable Gaming	19,052
Land-based Gaming	(29,903)
Internet Gaming	14,709
Total OLG revenue change	**102,843**



BOARD OF DIRECTORS

GEORGE L. COOKE

Chair,
December 7, 2016 – December 6, 2019

George Cooke is a corporate director. He is also Chair of the Board of Directors, OMERS Administration Corporation and Director, Hydro One.

In 2012, Mr. Cooke retired after a tenure of more than 20 years as the CEO and a Director of The Dominion of Canada General Insurance Company, one of Canada's oldest and largest general insurance companies.

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

Mr. Cooke has a profound interest in public policy. Earlier in his career, he was a Special Advisor on Policy to the Honourable Robert F. Nixon, then Ontario Deputy Premier and Treasurer. He and two colleagues recently completed a report for Ontario's Minister of Finance on financial services regulation.

Mr. Cooke has a Masters of Business Administration (MBA) and an Honours Bachelor of Arts degree from Queen's University. He is the recipient of an Honourary Doctor of Laws Degree (LLD) from Assumption University in Windsor, Ontario and an Honourary Chartered Insurance Professional designation (HCIP) from the Insurance Institute of Canada.

Mr. Cooke is a former Director and President of the Empire Club of Canada. He is also involved with a number of not-for-profit organizations, the most prominent being Spinal Cord Injury Ontario (SCI). This work helped him earn the Ken Langford Honourary Lifetime Membership from SCI. In 2014, he was inducted into the Canadian Curling Hall of Fame.

GAIL BEGGS

Director, May 17, 2013 – November 19, 2019

Gail Beggs is a former public servant with more than thirty years of experience in the Ontario Public Service, including more than nine years as Deputy Minister of the Ministry of the Environment, the Ministry of Natural Resources and, concurrently, the Ontario Secretariat for Aboriginal Affairs. During her public service career, Ms. Beggs also served as President and CEO and Chair of the Ontario Clean Water Agency, an Ontario Crown corporation, and as Chair of the Great Lakes Fishery Commission, an international agency.

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

SUNIR CHANDARIA

Director, March 5, 2015 – March 4, 2019

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

Mr. Chandaria graduated from Upper Canada College as Head Boy and pursued his undergraduate studies in Economics and Management at Oxford University, earning his Bachelor of Arts (Honours) from St. Peter's College in 2002. He is a recipient of the Duke of Edinburgh's Gold Award and has since served on the Award's Board of Directors in Ontario. He also served as the inaugural Chairman of the Duke of Edinburgh's Award Young Fellowship on its launch in 2008. Mr. Chandaria is also a recipient of the Queen Elizabeth II Diamond Jubilee Medal.

JOHN H. CRAIG

Director, December 2, 2015 – December 1, 2018

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

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

MARY BETH CURRIE

Director, November 20, 2013 – November 19, 2018

Mary Beth Currie has practised law for more than 25 years. She was a partner at McCarthy Tétrault and most recently at Bennett Jones LLP, where she specialized in employment law. At Bennett Jones LLP, Ms. Currie was co-leader of the firm's employment services practice where she regularly provided advice about general employment, corporate mergers and acquisitions, restructurings, employee outsourcings, occupational health and safety, workers' compensation, human rights, employment standards, privacy, pay equity and wrongful dismissal.

Ms. Currie articled with the Ministry of the Attorney General. She left the practice of law to study at George Brown College in the Fashion Design and Techniques Program and now designs stylish, accessible clothing for women under the label Ralston Williams.

URBAN JOSEPH

Director, December 11, 2013 – December 10, 2018

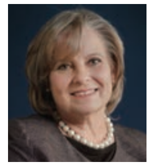
Urban Joseph began a distinguished career with the Toronto Dominion (TD) Bank in 1952 in Quebec, which culminated in his appointment as Vice Chairman in 1992. Although Mr. Joseph retired from TD Bank in 1996, he is active as a Corporate Director. He was made an Officer of the Order of Canada in 2001 for his contributions to the aboriginal community and to Canadian youth.

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

FRANCES LANKIN

Director, November 20, 2013 – January 11, 2019

Frances Lankin is a corporate director. She is a former President and CEO of the United Way Toronto (2001–10). In 2009, Ms. Lankin was appointed to the Queen's Privy Council for Canada and served for five years as a member of the Security Intelligence Review Committee. In 2014, Ms. Lankin was appointed to the Premier's Advisory Council on Government Assets whose mandate was to review and identify opportunities to modernize government business enterprises. In 2011 and 2012, she co-led a review of Ontario's social assistance system as part of the province's poverty reduction strategy. Ms. Lankin serves on the Board of Directors of Hydro One and formerly served on the Board of Directors of Metrolinx and of the Institute of Corporate Directors. Ms. Lankin was appointed a Member of the Order of Canada in 2012 and in April of 2016, was appointed to the Senate of Canada where she sits as an Independent Senator from Ontario.



JOANNE LEFEBVRE

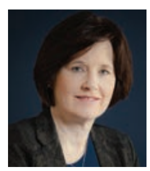
Director, November 20, 2013 – November 19, 2018

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

Ms. Lefebvre is currently a member of the Board of Governors of the University of Ottawa and member of the boards of The Royal Ottawa Mental Health Hospital Foundation and Club du Midi. She also served as Chair of the Community Services Cabinet of United Way Ottawa.

An active community volunteer, Ms. Lefebvre has inspired people through her commitment to private schools and sports organizations, as well as various funding drives, and has worked with committees to expand French-language services in Ottawa.

Ms. Lefebvre holds BAs from the Université du Québec à Montréal and the University of Ottawa and completed her MBA at the University of Ottawa's Telfer School of Management. In February 2016, she was honoured with the title of Personality of the Year Business Category by Radio-Canada and LeDroit.



LORI O'NEILL

Director, February 12, 2014 – February 11, 2020

Lori O'Neill is an independent financial and governance consultant to several growth companies. Ms. O'Neill serves on the board of Constellation Software Inc., Hydro Ottawa Holding, Pythian Group, University of Ottawa Heart Institute and Ashbury College. Ms. O'Neill is an FPCA, FCA with over 24 years of experience in a global accounting firm where she served as partner in national and industry leadership roles advising high growth companies with complex transactions, including private and public equity offerings, mergers, acquisitions and dispositions, until her retirement in 2012.

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

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

SHELLY RAE

Director, February 8, 2018 – February 7, 2020

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

Her expertise covers virtually all facets of Human Resource management including HR Operations, Talent Acquisition and Management, Total Rewards (including Compensation, Variable Rewards, Incentive Programs, Pensions and Benefits), HR Information Systems, Organization Design, Job Design, Organizational Effectiveness, Performance Management and Succession Planning.

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

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

ORLANDO M. ROSA

Director, December 11, 2013 – December 10, 2018

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

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

Mr. Rosa graduated cum laude from the Faculty of Law at the University of Ottawa in 1981. During his third year he was chosen to serve as an editor of the Ottawa Law Review, the law school's legal publication. He was admitted to the Law Society of Upper Canada in 1983.

Mr. Rosa holds a number of professional affiliations and has spoken at various conferences including the Association of American Railroads claims conference and the Canadian Transport Lawyers Association conference. He has also served on a number of volunteer boards.

Recently, Mr. Rosa was awarded the Queen Elizabeth II Diamond Jubilee Medal for volunteerism in the community.

DARRYL ROWE

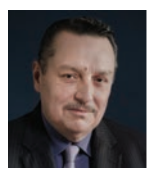
Director, February 8, 2018 – February 7, 2020

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

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

Mr. Rowe has made many contributions to the consumer-packaged-goods industry having served as Chair of Food and Consumer Products of Canada (FCPC), Chair of the Associated Members Council of the Canadian Federation of Independent Grocers (CFIG) and most recently, Chair of the Healthy Grains Institute. In 2016, Mr. Rowe was granted Life Member Designation by the Canadian Federation of Independent Grocers.

Mr. Rowe currently serves on the advisory board of McKenna Logistics Centres and Designed Precision Castings Incorporated. He is also a member of the board at the Mississaugua Golf and Country Club and is currently working towards his Chartered Corporate Director designation.



STEVE WILLIAMS

Director, May 27, 2015 – May 26, 2019

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

Mr. Williams is a member of the Board of Directors of the Ontario First Nations Limited Partnership. In this role, he was instrumental in the successful negotiation of a revenue sharing agreement signed in 2008 that provides 1.7 per cent of all OLG gross gaming revenue to 132 First Nations in Ontario. Mr. Williams also has a background in labour force management, business and economic development.

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

The Chair is appointed for a period not exceeding three years.
Directors are appointed for a period not exceeding two years.
There is no limitation to the length of an appointee's tenure.

EXECUTIVE COMMITTEE

STEPHEN RIGBY

President and Chief Executive Officer

OLG is in the midst of what's been hailed as the largest transformation of a crown agency in Ontario's history. Mr. Rigby is best known for his time spent as National Security Advisor to the Prime Minister of Canada (2010–14), but his work prior to that involved running large service delivery organizations and leading them through periods of significant change.

This was certainly the case at the Canada Border Services Agency. As President (2008–10), he affected change at all levels of an organization that had 15,000 employees and 1,200 domestic and 40 internationally based delivery points for all people and goods crossing the Canadian border. Changes included the implementation of new strategic plans and streamlined business processes internally and a new public-facing appearance symbolized through a coat of arms and heraldic badge personally approved and presented by Her Majesty Queen Elizabeth II in July 2010.

An earlier rise through the Canada Revenue Agency culminated in his appointment as its Chief Financial Officer and Assistant Commissioner (2001–05). During this time, he reorganized the agency's finance and administration regime nationally and brought a renewed focus to performance management through a scorecard approach to key metrics.

Mr. Rigby has also held other positions at the Deputy Minister and CEO level within the federal government, including the Prime Minister's Office and the Department of Foreign Affairs and International Trade.

Mr. Rigby is leading OLG through its renewal plan, keeping a strong focus on responsible gambling while building the best possible customer experience in lottery, slots and casinos, charitable gaming and Internet gaming. He is also leading efforts to integrate horse racing into the provincial gaming strategy to further the Ontario government's commitment to a sustainable and vibrant industry.

ALEXANDRA AGUZZI

Senior Vice President, Corporate Affairs

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

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

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

In 2000, Ms. Aguzzi was asked to represent the Province of Ontario on the inaugural Board of the Vintners Quality Alliance Ontario (VQAO). Prior to that, Ms. Aguzzi served as the policy lead to privatize 13 industries, including VQAO, under the Safety and Consumer Statutes Administration Act, 1996.

Ms. Aguzzi has an Honours Bachelor of Arts and a Master of Social Work from the University of Toronto.

LISA BELL-MURRAY

Senior Vice President and Chief Financial Officer

Ms. Bell-Murray is responsible for the company's overall financial and risk management and for multiple corporate functions including financial planning, controllership, procurement, enterprise risk management, facilities and administration. She leads a team that provides strategic insight and guidance to the planning and successful execution of OLG's various programs including the corporation's modernization.

Ms. Bell-Murray, an accomplished finance professional with more than 27 years of public sector experience, joined the corporation in 1990 and has had progressively responsible roles during her career at OLG. Ms. Bell-Murray brings experience in providing stewardship and advice to executives and other business partners, influencing corporate decisions and processes that support an accountability framework and regulatory legislation compliance.

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

CAL BRICKER

Senior Vice President, Horse Racing

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

Mr. Bricker leads a team charged with helping the industry become self-governing and increasing its appeal. In his role, Mr. Bricker provides advice to the Government of Ontario to support future legislative changes and consults on marketing strategy for the industry.

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

Mr. Bricker earned a PhD from the University of Alberta as well as a Bachelor of Arts and Masters from Wilfrid Laurier University. In addition to completing the Joint Command and Staff Programme at the Canadian Forces College, he is a graduate of the Executive Development Program at the Kellogg School of Management. He is currently a Director on the Board of Management at the Toronto Zoo and a Director at the Canadian Journalism Foundation.

KISHOR CHAG

Acting Vice President, Audit Services

Mr. Chag leads a team of internal audit professionals who provide independent and objective assurance to the President and CEO and the board on OLG's internal control and practical recommendations to OLG management for improving controls.

Mr. Chag is an accomplished audit professional with more than 20 years of experience across diverse industries and geographies in providing strategic insight to business partners in governance, risk and control.

Before joining OLG in 2012, Mr. Chag worked with Judge Louis Freeh (former FBI Director) and PwC where he advised large multinational corporations in internal audit and internal control, business integrity and ethical compliance.

Mr. Chag is a Chartered Professional Accountant, Chartered Accountant (CPA, CA) and holds other auditing designations such as Certified Internal Auditor (CIA) and Certified Information Systems Auditor (CISA).

BRIAN GILL

Senior Vice President and Chief Technology Officer

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

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

Mr. Gill holds a Bachelor of Computer Science degree from the University of Waterloo and has completed leadership programs through the Harvard School of Business Executive Development Program and Queen's University Executive Development Program.

WILL HILL

Special Advisor to the President and CEO

Mr. Hill is responsible for providing strategic advice, planning and communications support to the President and CEO. Mr. Hill also assists the President and CEO in building and maintaining a wide range of important relationships from government and the Board of Directors, to management and employees as well as with OLG's many stakeholders.

Mr. Hill first joined OLG in December 2009. He has since worked directly with two CEOs, a former Board Chair and the organization's Chief Transformation Officer at the advent of modernization.

Before joining OLG, Mr. Hill spent time in broadcasting and baseball. He worked in progressively senior roles – as a writer, reporter/camera-person and evening sports anchor – with TV newsrooms in London and Windsor before joining Major League Baseball's Toronto Blue Jays. Over seven seasons, he worked in public relations and later led customer service efforts for both the Blue Jays and the then newly rebranded Rogers Centre.

Mr. Hill served on the Board of Directors for the Herbie Fund at the Hospital for Sick Children between 2011 and 2015.

Mr. Hill holds a Bachelor of Arts (Honours) in English Language and Literature from the University of Western Ontario.

GREG MCKENZIE

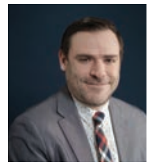
Executive Vice President and Chief Operating Officer

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

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

He is a United Way leader and has co-chaired the annual OLG United Way campaign for the past four years.

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



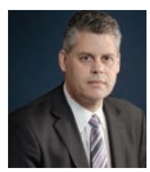
DAVID PRIDMORE

Senior Vice President, Enterprise Strategy and Analytics

Mr. Pridmore is leading the organization's increased focus on agility, innovation and development. He is responsible for corporate strategic planning and alignment, the creation of an enterprise-wide digital strategy and the development of new products and initiatives. In his role, Mr. Pridmore will ensure that OLG delivers on the goals and objectives outlined in the organization's modernization strategy.

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

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



LARRY ROURKE

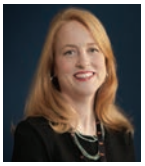
Senior Vice President, Human Resources

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

With almost 30 years of experience, Mr. Rourke is an accomplished human resources executive with significant expertise in helping organizations attract, retain and develop talent to support business goals.

He previously held senior financial and human resources leadership roles at Canadian Imperial Bank of Commerce (CIBC) and HSBC Financial. In addition to supporting the transformation of the bank's human resources function to align with global priorities, Mr. Rourke led numerous initiatives while at HSBC which resulted in improved recruitment practices, employee engagement, change management and policy development.

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



LORI SULLIVAN

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

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

An experienced business and legal executive, Ms. Sullivan has significant expertise negotiating, managing, evaluating and structuring complex transactions on behalf of public, private and government entities. Previously, she was a Partner in the Toronto office of Davies Ward Phillips & Vineberg LLP where she practised for 14 years. Throughout her time in private practice, she acted for boards of directors and management teams on a wide variety of matters including mergers and acquisitions, financings, joint ventures, managing conflicts of interests and governance issues.

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

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 2017–18 reported through its Board of Directors to the Minister of Finance. Members of the Board of Directors and its Chair are appointed by the Lieutenant Governor in Council. Neither the Chair nor the members of the board are full-time, nor are they members of Management.

BOARD MANDATE

The Board of Directors oversees the overall management of the affairs of the Corporation in accordance with its objectives as set out in the Act, the Corporation's bylaws, the approved business plan and the Memorandum of Understanding between the Corporation and the Minister of Finance. The board's mandate is to direct Management's 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 2017–18 was $358,000.

BOARD COMMITTEES

As of March 31, 2018, the OLG Board of Directors operated through four working committees.

Audit And Risk Management Committee

The primary function of the Audit and Risk Management Committee is to assist the board in fulfilling its oversight responsibilities by reviewing and monitoring the Corporation's financial statements, systems of internal controls including those over financial reporting, capital expenditure program and Enterprise Risk Management program, as well as the compliance systems that have been established. In addition, the Committee assists the board by inquiring into and overseeing the financial matters of the Corporation. It reviews the budget framework, policies and procedures, oversees and contributes to the development of the annual budget and projections and reviews financial performance. Chair of this committee, as of March 31, 2018, is Lori O'Neill.

Governance And Corporate Social Responsibility Committee

The Governance and Corporate Social Responsibility Committee assists the board in developing and monitoring governance policies and practices. It helps identify policy areas for review and presents recommendations to the board for consideration so that the board can ensure the Corporation's adherence to the highest standards in corporate governance. In addition, the Committee assists the board and the Corporation in fulfilling its social responsibility in the conduct of its business. It inquires into and oversees such areas as responsible gambling, game integrity and Smart Serve food and beverage service. The Chair of this committee, as of March 31, 2018 is Gail Beggs.

Talent, Culture And Compensation Committee

The Talent, Culture and Compensation Committee helps ensure that the Corporation has sufficient organizational strength at the senior management level to achieve its short- and long-term goals. It also recommends, for board approval, the compensation and benefit plans for senior management. Chair of this committee, as of March 31, 2018, is Urban Joseph.

Transformation And Technology Committee

The Transformation and Technology Committee assists the board in overseeing matters pertaining to the development and review of the Corporation's strategic plans and the development, review and implementation of associated information technology and major business transformation plans and programs aimed at achieving the Corporation's mission, vision, strategic direction, objectives and goals. Interim Chair of this committee, as of March 31, 2018 is George Cooke.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended March 31, 2018

1. INTRODUCTION AND DISCLOSURES

The following Management's Discussion and Analysis (MD&A) comments on the consolidated financial position and financial performance of the Ontario Lottery and Gaming Corporation (OLG or the Corporation) and should be read together with the audited Consolidated Financial Statements of OLG for the fiscal year ended March 31, 2018.

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

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

The Board of Directors, on the recommendation of its Audit and Risk Management Committee approved the contents of this MD&A on June 28, 2018.

Forward-Looking Statements

This MD&A contains forward-looking statements about expected or potential future business and financial performance. For OLG, forward-looking statements include, but are not limited to: statements about possible transformation initiatives; future revenue and profit guidance; and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve uncertainties that could cause actual results to differ materially from those projected. These uncertainties include but are not limited to: the uncertain economic environment; fluctuations in customer demand; foreign currency exchange rates; the outcome of litigations; activity of land-based gaming service providers; and changes in government or regulation.

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

Non-IFRS measures

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

> **Contribution margin** is total gaming and non-gaming revenue net of direct expenses.
>
> **Revenue before service provider fees** is OLG's share of Land-based Gaming revenue before the deduction of fees due to service providers primarily comprising a fixed fee, variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures. In contrast, Land-based Gaming revenue in accordance with IFRS is OLG's share of revenue after the deduction of fees due to service providers.
>
> **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 on an accrual basis by adding back win contribution to net income.
>
> **Net win per patron** is derived by dividing gaming revenue (net win) by the number of patrons.
>
> **Corporate Services expenses as a percentage of consolidated revenue** is derived by dividing Corporate Services division expenses by consolidated revenue. The Corporate Services division provides support services to all lines of business.

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

Modernization

OLG's modernization of Land-based Gaming is providing added value to the Province of Ontario. Service providers are taking on the day-to-day operations of gaming sites, assuming more of the financial risk and investing their own capital in communities across the province. OLG is continuing to focus on its conduct and manage role in the gaming market and will remain the main financial beneficiary of current and future gaming proceeds.

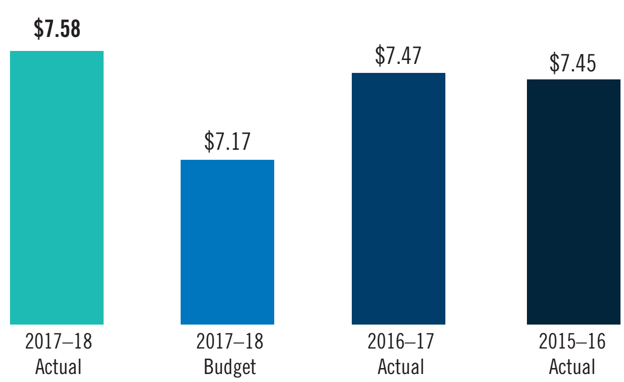
By June 2019, service providers will operate nearly all 25 gaming sites across Ontario and will be responsible for building three new casinos. Over the next four years, OLG's service providers are expected to invest more than $4.0 billion in capital development, creating thousands of new well-paying jobs in the gaming industry and through broader economic development. OLG provided Ontario with nearly $2.5 billion in Net Profit to the Province in fiscal 2017–18. This is expected to grow as modernization is rolled out.

The changes OLG is making today will set it up for continued success in the future and provide customers with new and exciting gaming entertainment options.

2. FISCAL 2017–18 FINANCIAL HIGHLIGHTS – EXECUTIVE SUMMARY

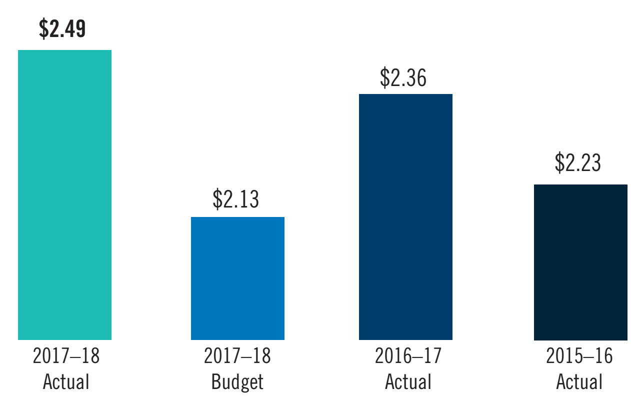
FISCAL 2017–18 TOTAL REVENUE
(in $ billions)

↑1.4% vs fiscal 2016–17 actual ↑5.6% vs fiscal 2017–18 budget



FISCAL 2017–18 NET PROFIT TO THE PROVINCE
(in $ billions)

↑5.3% vs fiscal 2016–17 actual ↑16.5% vs fiscal 2017–18 budget



Fiscal 2017–18 consolidated revenue and NPP each set new records, exceeding fiscal 2016–17 actual results and budget projections. For the 12 months ended March 31, 2018, consolidated revenue was $7.58 billion, $404.0 million or 5.6 per cent above budget and $102.8 million or 1.4 per cent above prior year; NPP was $2.49 billion, $352.8 million or 16.5 per cent above budget and $125.9 million or 5.3 per cent above prior year. The favourable result in revenue was driven by:

- growth in the Slots and Casinos division; mainly concentrated in the GTA
- another record year of INSTANT sales which included the introduction of THE BIG SPIN
- a continued increase in the level of high-value table play at the Resort Casinos
- significant growth in Internet Gaming revenue attributable to a growing number of active players and an expanded game portfolio

In addition to the factors above, the favourable result in NPP was driven by:

- the successful transition of the North, Southwest, Ottawa and GTA Gaming Bundles to service providers resulting in a one-time gain on sale of assets

These favourable results were offset by:

- increased Lottery operating expenses mainly due to costs associated with delivering new products to market
- accelerated amortization expense for existing leasehold improvements to the Casino Rama property as a result of a change in the accounting treatment for the new lease agreement

PRIOR YEAR HIGHLIGHTS – FISCAL 2016–17

Total revenue for fiscal 2016–17 was $7.47 billion, an increase of $29.6 million or 0.4 per cent from $7.45 billion in fiscal 2015–16. This increase was led by strong performance of land-based gaming operations as a result of the continued success of marketing strategies at gaming sites and an increased level of high-value table play at Resort Casinos.

The Corporation's NPP for fiscal 2016–17 was $2.36 billion, $130.0 million or 5.8 per cent more than fiscal 2015–16. The increase was attributable to higher revenue in land-based gaming operations offset a one-time non-extension cost incurred in fiscal 2015–16 related to the operator for the Niagara Casinos.

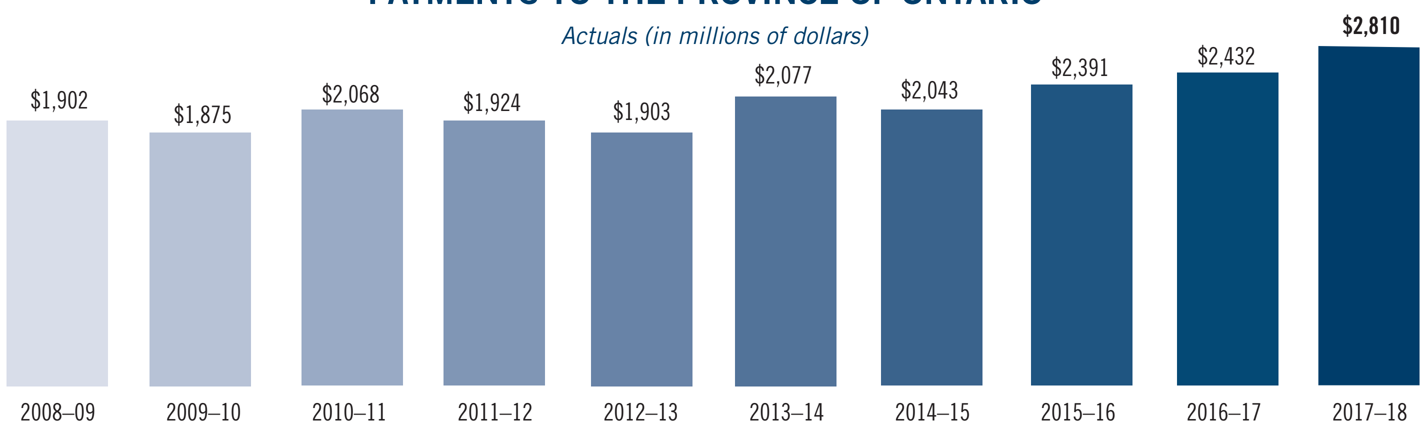
THE PATH FORWARD – FISCAL 2018–19

Overall, fiscal 2018–19 will build on the initiatives from fiscal 2017–18, continuing to drive OLG's goal of generating greater and more sustainable financial benefits for the province. The following activities are anticipated to contribute to achieving OLG's goal:

- the introduction of new INSTANT products in Lottery and the positive impact of the first full year of operations of HIT OR MISS and NEVER MISS A DRAW
- investment costs to execute the Lottery strategy, including rolling out multi-lane lottery sales solutions
- the first full year that service providers will operate gaming sites in the North, Southwest, Ottawa and GTA Gaming Bundles
- the transition of the West GTA and Central Gaming Bundles to service providers during fiscal 2018–19

PAYMENTS TO THE PROVINCE OF ONTARIO*

Actuals (in millions of dollars)



**Payments to the Province of Ontario are calculated on a cash basis which includes 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 Casino in accordance with the* Ontario Lottery and Gaming Corporation Act, 1999.

OLG made record payments to the Province of Ontario of $2.81 billion in fiscal 2017–18 in large part due to the sale of gaming assets associated with the four gaming bundles transitioned to service providers. These funds were used by the government to invest in provincial priorities including the operation of hospitals; problem gambling prevention, treatment and research; amateur sport; and local and provincial charities. In the past 10 years, OLG's payments to the Province of Ontario have increased by $908 million or a record 47.7 per cent.

3. RESULTS OF OPERATIONS – LINES OF BUSINESS

The Corporation has four lines of business and one Corporate Services division. The four lines of business are distinct revenue-generating business units that offer different products and services and are managed separately as they require different enabling technologies and supporting marketing strategies. The lines of business are Lottery, Charitable Gaming, Land-based Gaming and Internet Gaming. Gaming facilities in the Land-based Gaming line of business can be operated directly by OLG, third party operators at Resort Casinos or by land-based gaming service providers. The Corporate Services division provides support services to the revenue-generating lines of business that OLG directly operates. In addition, the Corporation proudly supports and administers funding to Ontario's horse racing industry.

The following sections summarize the results of each line of business as well as the Corporate Services division in relation to OLG's two main key performance indicators: revenue and NPP.

A. LOTTERY

Summary data from Statement of Comprehensive Income

(in thousands of dollars)

For the fiscal year	**2017–18**	2016–17	**$ Variance**	% Variance
Revenue	**$ 3,779,738**	$ 3,680,753	**98,985**	2.7
Direct Expenses	**2,434,342**	2,336,705	**(97,637)**	(4.2)
Contribution Margin	**1,345,396**	1,344,048	**1,348**	0.1
Indirect Expenses	**274,473**	262,608	**(11,865)**	(4.5)
Net Income	**$ 1,070,923**	$ 1,081,440	**(10,517)**	(1.0)
Add: Win Contribution	**-**	-	**-**	-
Net Profit to the Province	**$ 1,070,923**	$ 1,081,440	**(10,517)**	(1.0)

A1. Lottery revenue

The Lottery line of business launched the following major initiatives in fiscal 2017–18:

- In June 2017, QUICKTICKET, which is a pre-printed LOTTO MAX or LOTTO 6/49 ticket with ENCORE, was made available in checkout lanes at major grocery store chains in Ontario, making it more convenient for players to play these national online lotteries with ENCORE.
- In September 2017, OLG launched THE BIG SPIN, a new INSTANT ticket that combines traditional scratch play with a spinning wheel animation on the lottery terminal customer display screen and a chance to win an in-person spin on THE BIG SPIN Wheel at the OLG Prize Centre in Toronto. As the spin of the big wheel is streamed live, everyone can now join in on the winning moment.
- In January 2018, the first draws were held for HIT OR MISS, a new lottery game that allows players to watch draws as they happen on the OLG Lottery App or the OLG website. While players still purchase their tickets at lottery retailers, the true gaming experience of HIT OR MISS is fully digital as it can be played on a computer or smartphone.
- In January 2018, OLG launched online lottery subscriptions on PlayOLG to further enhance the lottery experience for customers by focusing on convenience and ease of access.

Lottery revenue for fiscal 2017–18 was $3.78 billion, an increase of $99.0 million or 2.7 per cent from the previous fiscal year. This was primarily due to higher sales for INSTANT, LOTTO 6/49, the full year impact of DAILY GRAND and the launch of the HIT OR MISS regional (Ontario only) Lotto game. The increase was offset by lower sales for LOTTO MAX due to lower valued jackpots. Lottery revenue was $172.6 million or 4.8 per cent higher than budget due to greater than expected sales for INSTANT and regional Lotto games.

The following table sets forth 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	**2017–18**	2016–17	**2017–18**	2016–17	**2017–18**	2016–17	**2017–18**	2016–17
Lotto	**16**	15	**$ 2,127.8**	$ 2,190.1	**56.3%**	59.5%	**$ 1,039.9**	$ 1,067.5
INSTANT	**79**	79	**1,353.7**	1,192.8	**35.8%**	32.4%	**893.4**	783.7
Sports	**6**	6	**298.2**	297.9	**7.9%**	8.1%	**182.3**	184.3
Totals	**101**	100	**$ 3,779.7**	$ 3,680.8	**100.0%**	100.0%	**$ 2,115.6**	$ 2,035.5

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. The other members are British Columbia Lottery Corporation (BCLC), Western Canada Lottery Corporation (WCLC), Loto-Québec (LQ) and Atlantic Lottery Corporation (ALC). The three main games ILC oversees are LOTTO MAX, LOTTO 6/49 and DAILY GRAND. ILC also oversees certain INSTANT games (e.g., CASH EXPLOSION) that are sold by participating members in their respective jurisdictions across Canada.

Lotto games refer to national and regional lottery products where tickets are 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 that determine if the ticket is a winner.

Lotto sales decreased by 2.8 per cent from last fiscal as LOTTO MAX sales decreased by $125.7 million or 15.3 per cent primarily due to the number of draws with lower value jackpots this fiscal versus last. In fiscal 2017–18, LOTTO MAX had 14 jackpots at values greater than $50 million versus 22 in the previous fiscal year. This resulted in a decrease in the average sales per jackpot draw to $13.3 million ($15.5 million in fiscal 2016–17). LOTTO 6/49 sales partially offset the Lotto sales decrease in part due to having 14 draws with jackpot values of $20 million and more versus 12 in the previous fiscal year. Compared to budget, national Lotto sales were down $26.1 million or 1.9 per cent primarily resulting from lower LOTTO 6/49 and DAILY GRAND sales of $35.2 million and LOTTO MAX sales that were above budget by $9.1 million.

The decrease year over year in national Lotto sales was partially offset by a marginal improvement in regional Lotto sales, primarily due to the strong performance of LOTTARIO (high value jackpots), Daily games (i.e., PICK 2, PICK 3 and PICK 4) and the launch of HIT OR MISS.

INSTANT sales of $1.35 billion had yet another record year, exceeding previous fiscal year and budget. Sales increased $161.0 million or 13.5 per cent, driven in large part by the launch of THE BIG SPIN and higher sales activity for $10 CROSSWORD and $10 and $20 Variety products.

Sports product revenues were consistent with prior year however below budget due mainly to lower wagers on combination picks, especially for baseball, hockey and basketball.

A2. Lottery Net Profit to the Province

NPP from the Lottery line of business for fiscal 2017–18 was $1.07 billion, $10.5 million or 1.0 per cent lower than the previous fiscal year but $22.4 million or 2.1 per cent higher than budget. The decrease in NPP was primarily due to increased operating expenses related to one-time marketing and development costs associated with delivering new products, such as HIT OR MISS and NEVER MISS A DRAW, to market. The higher than budget NPP was mainly due to the flow through of higher than anticipated sales.

A3. Lottery – Other key performance indicators

The following are additional Lottery key performance indicators (KPIs) for fiscal 2017–18 compared to fiscal 2016–17:

For the fiscal year	**2017–18**	2016–17	Budget 2017–18
Average sales per LOTTO MAX jackpot draw* ($ millions)	**$ 13.3**	$ 15.5	$ 13.2
Average sales per LOTTO 6/49 jackpot draw* ($ millions)	**$ 5.9**	$ 5.7	$ 6.1
Total retailers	**9,790**	9,765	n/a
INSTANT ticket sales (millions of tickets)	**290**	273	280
Average price per INSTANT ticket sold	**$ 4.67**	$ 4.37	$ 4.20

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

Average sales per jackpot draw for LOTTO MAX decreased due to a marked reduction in the number of higher value jackpot draws in fiscal 2017–18. This resulted in a decrease in the average sales per jackpot draw to $13.3 million compared to $15.5 million in fiscal 2016–17. LOTTO MAX offers jackpots starting at $10 million and growing to a maximum of $60 million and then creates a series of individual $1 million prizes (MAXMILLIONS). Customers tend to wager more when the value of the jackpot rolls or increases to its next level. In fiscal 2017–18, LOTTO MAX had 14 jackpots of $50 million or more plus MAXMILLIONS, compared to 22 such jackpots in the previous fiscal year, while LOTTO 6/49 experienced 14 jackpots of $20 million or more versus 12 in last fiscal. As a result, the average sales per jackpot draw for LOTTO 6/49 increased to $5.9 million in fiscal 2017–18 versus $5.7 million in fiscal 2016–17. The total number of lottery retailers in fiscal 2017–18 was relatively consistent with the previous fiscal year.

Overall, INSTANT ticket sales volume in fiscal 2017–18 was 6.2 per cent above the previous fiscal year and 3.6 per cent greater than budget. The average price per INSTANT ticket sold increased over last fiscal and budget due to the continued success of sales of higher priced ticket games.

A4. Lottery trends and risks

The Lottery line of business faces two distinct risk areas:

- aging technology that inhibits the customer experience and restricts where tickets are sold; and
- a reliance on a diminishing core player base.

To address these concerns, OLG is becoming more customer-focused and is seeking to enhance its capabilities in technology and innovation through partnerships with the private sector.

The launch of PlayOLG in January 2015 offered customers the option to purchase LOTTO 6/49, LOTTO MAX and ENCORE tickets on the Internet; however, the majority of adult Ontarians still purchase paper lottery tickets from a retailer. In addition, OLG's current lottery terminal technology limits where paper-based tickets can be sold. Most adult Ontarians frequently visit supermarkets, big box stores and large retail locations where OLG products are not conveniently located or are not offered for sale. OLG's modernization addressed this challenge by recommending the expansion of lottery retail options to include these multilane retailers that can sell lottery products at multiple checkouts, while continuing to support the existing retailer network. Starting in 2017, customers passing through more than 1,600 checkout lanes at 260 select Metro and Food Basics stores across Ontario were able to purchase a QUICKTICKET, which is a pre-printed LOTTO MAX and LOTTO 6/49 ticket with ENCORE. This innovation was closely followed by the launch of LOTTO EXPRESS 2, which allows cashiers to print unique tickets for these same games at select Loblaws stores. This technology is expected to roll out to additional locations in 2018. OLG also launched the new OLG Lottery App on May 30, 2017 that gives players a convenient option for checking their lottery tickets and finding other lottery information on their smartphones. In the future, the app could also support lottery ticket sales and other transactions.

OLG is working to ensure its technology and product offerings are responsive to customer expectations. This includes the selection of a service provider to provide a new enterprise-wide digital foundation for OLG's products. This platform will improve the ways OLG connects with customers within a framework of social responsibility. It will allow OLG to add new games, improve the online experience and enable mobile responsiveness. It will also add to existing digital capabilities in areas like player registration, responsible gambling controls and player accounts. Through a competitive procurement process, OLG will also replace and update the existing network and lottery terminals in retail stores. New lottery terminals will enhance functionality for retailers and reduce maintenance costs. In addition to replacing and updating the terminals, the selected service provider will also be responsible for integrating and maintaining the new terminals and managing the corresponding telecommunications network. OLG will also add retailers to the network, expanding its customer reach across the province in a responsible way. Through the modernization of Lottery, OLG will seek ways to unlock opportunities to create greater value for Ontario. OLG's plans for Lottery will be fully implemented in fiscal 2021–22.

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

B. CHARITABLE GAMING

Summary data from Statement of Comprehensive Income (Loss)

(in thousands of dollars)

For the fiscal year		**2017–18**		2016–17	**$ Variance**	% Variance
Revenue	**$**	**172,096**	$	153,044	**19,052**	12.4
Direct Expenses		**136,609**		126,023	**(10,586)**	(8.4)
Contribution Margin	**$**	**35,487**	$	27,021	**8,466**	31.3
Indirect Expenses		**33,158**		37,632	**4,474**	11.9
Net Profit (Loss)		**2,329**		(10,611)	**12,940**	121.9
Add: Win Contribution		**-**		-	**-**	-
Net Profit (Loss) to the Province	**$**	**2,329**	$	(10,611)	**12,940**	121.9

B1. Charitable Gaming revenue

OLG conducts and manages the operations of 31 Charitable Gaming Centres across Ontario. These sites offer classic paper-based bingo and Break Open Ticket (BOT) products as well as related games that are played on electronic devices. Play on Demand (POD) games are personal electronic Bingo games with different price and prize levels. TapTix are electronic devices that can be used to play a BOT.

Charitable Gaming contribution margin in fiscal 2017–18 was $35.5 million, an increase of $8.5 million or 31.3 per cent over the previous fiscal year. This increase was primarily due to the strong performance of TapTix. The increase in TapTix contribution margin was due to the full year impact of the additional 70 units launched in fiscal 2016–17 and new themes and game mix changes including the introduction of more progressive and multi-priced games at the sites.

Charitable Gaming contribution margin for fiscal 2017–18 was higher than budget by $8.4 million or 31.1 per cent mainly due to the continued success of TapTix as discussed above.

B2. Charitable Gaming Net Profit to the Province

Charitable Gaming NPP in fiscal 2017–18 was $2.3 million, an improvement of $12.9 million or 121.9 per cent as compared to fiscal 2016–17 and $13.0 million or 121.8 per cent as compared to budget. Performance improvement to a net profit position was attributable to the strong performance of TapTix and lower non-cash impairment charges due to optimizing the existing TapTix units at the sites. The non-cash impairment charges were lower as no additional Diamond Game TapTix units were launched in fiscal 2017–18 and new site conversions were postponed. In addition, corporate marketing costs were lower than expected due to the deferral of costs to fiscal 2018–19 and personnel costs were lower due to reduced staffing levels. During the year, Management identified indicators of impairment in the Charitable Gaming cash generating units (CGUs) (i.e., the individual Charitable Gaming Centres), 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 $1.0 million ($2.8 million in fiscal 2016–17) were included in other expenses.

B3. 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 more than 1,800 local charity and non-profit groups. As of March 31, 2018, this program made direct-to-charity payments in excess of $193 million since its launch in fiscal 2005–06.

Payments to charitable associations that rely on funding from Charitable Gaming are included in direct 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 $41.4 million in fiscal 2017–18 representing an increase of $5.0 million or 13.8 per cent when compared to fiscal 2016–17.

B4. Charitable Gaming trends and risks

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

Through the Charitable Gaming Revitalization Initiative, charities have made positive contributions to programs and services in their communities such as:

- Start Me Up Niagara (St. Catharines) works with individuals facing significant life challenges such as addiction, mental illness, poverty, homelessness and unemployment. It provides opportunities to improve health, increase community integration and support employment.
- Inn from the Cold (Newmarket) works with people in a respectful, dignified and non-judgmental manner to provide them a safe and positive environment. Inn from The Cold meets the needs of people who are homeless or at risk of becoming homeless. It works with the community and collaborates with its partners to support those with basic to complex needs in York Region.
- VON Durham Hospice Services provides support, comfort and hope to individuals, their families, friends and caregivers who are experiencing illness, death or grief by offering volunteer-based hospice palliative care, bereavement services and educational opportunities.
- Gateway Centre for Learning (Penetanguishene) works to increase awareness of literacy needs and to promote a literate society. It offers confidential tutoring to adults who want to improve their reading, writing, math, computer, employability and life skills. The centre believes that literacy is a basic human right and that each citizen should be able to function fully and comfortably in his or her community. It believes in people helping themselves and each other.
- Brentwood Recovery Home (Windsor) is a non-denominational recovery home that has served over 20,000 men and women primarily from Windsor and Essex County; however, clients come from all over Canada and the United States. Brentwood is dedicated to providing compassionate care and treatment in a residential setting for people whose primary problem is alcohol and drug abuse. Brentwood also provides vital support programs for their families.

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

To continue to support the industry and to grow revenue for participating charities, OLG plans to:

- refresh existing products with new themes
- introduce new games
- promote a balanced composition of games for continued responsible growth

With an enhanced product offering, growth in Charitable Gaming revenue and NPP is expected. In addition, the Corporation anticipates being in a position to announce and implement the new business model in fiscal 2018–19. As the Charitable Gaming industry is going through transition, it could be resource intensive to promptly transition all 31 Charitable Gaming Centres to the new business model. To mitigate this risk, OLG will work collaboratively with all stakeholders to promote an effective and efficient transition.

C. LAND-BASED GAMING

Prior to fiscal 2017–18, OLG reported on Resort Casinos and Slots and Casinos as separate lines of business. As gaming sites continue to transition to service providers and this business model changes, the Resorts Casinos and Slots and Casinos lines of business have been consolidated into one Land-based Gaming line of business.

Gaming revenue from land-based gaming service provider-operated sites within the Land-based Gaming line of business represents OLG's share of revenue, pursuant to the Casino Operating and Services Agreement. OLG's share of revenue is after the deduction of fees due to the service providers primarily comprising a fixed fee, a variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures.

Summary data from Statement of Comprehensive Income

(in thousands of dollars)

For the fiscal year	**2017–18**	2016–17	**$ Variance**	% Variance
Revenue	**$ 3,552,808**	$ 3,582,711	**(29,903)**	(0.8)
Direct Expenses	**646,049**	601,296	**(44,753)**	(7.4)
Contribution Margin	**$ 2,906,759**	$ 2,981,415	**(74,656)**	(2.5)
Indirect Expenses	**1,418,755**	1,597,939	**179,184**	11.2
Net Income	**1,488,004**	1,383,476	**104,528**	7.6
Add: Win Contribution	**312,929**	289,707	**23,222**	8.0
Net Profit to the Province	**$ 1,800,933**	$ 1,673,183	**127,750**	7.6

C1. Land-based Gaming Revenue

Land-based Gaming revenue includes:

- OLG operated Slots and Casinos
- OLG's share of revenue from sites operated by land-based gaming service providers
- revenue from Resort Casinos which are owned and managed by OLG with day-to-day operations carried out by private sector operators (i.e., Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview)).

In fiscal 2017–18, Land-based Gaming revenue was $3.55 billion, a decrease of $29.9 million or 0.8 per cent compared to the previous fiscal year. As modernization of the Land-based Gaming business and the transition of sites to service providers continue, OLG is required, in accordance with IFRS to present revenue for these sites differently from those sites that it operates directly. Gaming revenue for service provider operated sites includes OLG's share, pursuant to the COSA, of the gaming revenue generated at the Casino or Slot facility and is recognized in the same period the game is played. OLG's share of revenue is after the deduction of fees due to Service Providers primarily comprising a fixed fee, variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures. In accordance with the COSAs, OLG does not recognize non-gaming revenue generated at Service Provider-operated sites.

As a result, revenue presented after this change in business model will be lower than revenue presented in reporting periods prior to this change. Before the deduction of service provider fees, Land-based Gaming revenue was $264.5 million or 7.5 per cent above prior year.

The majority of Land-based Gaming sites experienced a year-over-year increase in gaming revenue before the deduction of service provider fees. Contributing factors included a $51.6 million increase at Great Blue Heron Casino primarily due to a full year of table revenue. Great Blue Heron Casino's table operation transitioned to OLG September 8, 2016. Similarly, Shorelines Casino Belleville gaming revenue before service provider fees was $46.4 million above prior year as it opened to the public on January 11, 2017, making fiscal 2017–18 the first full year of operation. Casino Woodbine and Casino Ajax were $40.9 million and $11.0 million above prior year, respectively. Both sites experienced increased Gold member and non-carded play driven by targeted carded member initiatives and player development activities designed to retain and grow high-value members, as well as integrated provincial and local advertising that reinforced top-of-mind awareness and supported both carded and non-carded visits. Casino Rama's revenue increase can also be attributed to higher revenue from table games such as Baccarat and Midi-Baccarat. The Niagara properties experienced a notable positive impact due to an increase in higher value table game play.

Land-based Gaming revenue after the deduction of service provider fees was $236.7 million or 7.1 per cent higher than budget primarily due to higher than anticipated slot play across many Land-based Gaming sites, high value table play at the resort casinos, and strong hold for table games at the resort casinos.

C2. Land-based Gaming Net Profit to the Province

In fiscal 2017–18, the Land-based Gaming NPP was $1.80 billion, an increase of $127.8 million or 7.6 per cent from fiscal 2016–17 and $262.9 million or 17.1 per cent above budget. One-time gains on the sale of net assets associated with the North, Southwest, Ottawa and GTA Gaming Bundles accounted for $102.9 million of the increase in addition to the $5.6 million gain on transferring the Great Blue Heron Casino lease. The remaining increase is attributed to the flow through impact of stronger revenue and lower indirect expenses resulting from service providers taking on the day-to-day operational costs of transitioned sites as well as the strong performance of the GTA sites prior to transition. Partially offsetting these favourable variances were:

- increased payments to the Government of Canada of $18.4 million, primarily related to increased HST applicable service provider fees in fiscal 2017–18
- a $64.8 million accelerated amortization expense due to the signing of a new property and services lease at Casino Rama

Compensation for the operators of Resort Casinos is based on an operator's fee calculated as a percentage of Gross Revenue and as a percentage of Net Operating Margin, both as amounts defined in the related operating agreements. Total fees paid to the operators in fiscal 2017–18 were higher compared to the previous year and to budget due to higher than anticipated Gross Revenue and Net Operating Margin.

C3. Land-based Gaming – Other key performance indicators

The following are additional Land-based Gaming KPIs for fiscal 2017–18 compared to fiscal 2016–17:

For the fiscal year	**2017–18**	2016–17	Budget 2017–18
Total patrons (in millions)	**37.7**	37.3	37.5
Net Win per patron*	**$ 101**	$ 95	$ 93
Rated U.S. play**			
Caesars Windsor	**34.6%**	36.0%	n/a
Niagara Casinos	**3.0%**	3.3%	n/a

**Net win per patron is derived by dividing gaming revenue before deduction of service provider fees (net win) by the number of patrons.*
***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.*

The number of total site visits by patrons was 0.4 million or 1.1 per cent above prior year and 0.2 million or 0.6 per cent above budget. Prior year was exceeded primarily due to a full year of operations at Shorelines Casino Belleville. Rideau Carleton Raceway Casino also experienced an increase in visitation due in large part to a labour disruption in the first quarter of fiscal 2016–17.

Partially offsetting these increases was a decline at Casino Woodbine due to a labour disruption in the second quarter of fiscal 2017–18, as well as lower visitation at Shorelines Casino Thousand Islands and Shorelines Slots at Kawartha Downs as a portion of play from these two properties migrated to Shorelines Casino Belleville.

Net win per patron was $101 in fiscal 2017–18, up from both prior year and budget at $95 and $93, respectively, attributable to increased resort casino high-value table play, slot spend per patron and strong hold for table games. Land-based Gaming revenue, before the deduction of service provider fees, also grew at a greater rate than the number of site visits during the fiscal year.

C4. Land-based Gaming trends and risks

Gaming is changing not only in Ontario but around the world, largely driven by demographics and new entrants into the marketplace. Choice and convenience expand every day. OLG needs to keep up with that change and anticipate where that market is going. As a result, we are undergoing a massive undertaking, commenced six years ago, that will bring private sector capital investment and new employment to the land-based gaming industry in this province. Throughout this multi-year effort, the goal has remained consistent: to be a modern and efficient organization operating in the best interests of Ontarians.

OLG has made significant progress advancing the modernization of the gaming business. By the end of fiscal 2017–18, OLG had successfully transitioned the East, North, Southwest, Ottawa and GTA Gaming Bundles to service providers and announced the winning proponent for the West GTA and Central Gaming bundles, which are set to transition in fiscal 2018–19. In addition, on April 10, 2017, OLG issued a Request for Proposal for the Niagara Gaming Bundle, which comprises Casino Niagara and Niagara Fallsview Casino Resort. OLG intends to select a service provider for the Niagara Gaming Bundle in fiscal 2018–19. On July 11, 2017, OLG announced that Niagara Falls Entertainment Partners were selected to build the Niagara Falls Entertainment Centre (NFEC). Construction of NFEC began on October 11, 2017 and when completed will be a new large-scale, high-quality entertainment centre with a direct pedestrian walkway to Niagara Fallsview Casino Resort. A modernization strategy for Caesars Windsor is currently under development.

Achieving these milestones represents a major step forward for the organization. These are significant steps in building a performance-driven culture by optimizing private sector relationships and enhancing gaming entertainment.

In fiscal 2018–19, Land-based Gaming will continue to focus on the success of recently transitioned sites and on the planned transitions of the West GTA and Central Gaming Bundles. Throughout this ongoing transition, the business will strive to increase NPP within a framework of responsible gambling and in the public interest. As the day-to-day delivery of Land-based Gaming shifts to service providers, OLG will be focused on its conduct and management responsibility and the management of multiple service provider relationships to ensure the delivery of higher and more sustainable financial benefits to the province.

Caesars Windsor and the Niagara Properties are located near the U.S. border, leaving them sensitive to variances in both inbound and outbound cross-border traffic. During fiscal 2017–18, the average USD exchange rate was $1.28 CAD compared to $1.31 CAD in fiscal 2016–17. A higher USD drives additional U.S. visits to OLG gaming facilities and keeps Canadian players playing domestically.

In an effort to increase customers' interest, enhance their experience and generate excitement, OLG continues to invest in a number of amenity improvement projects at its Resort Casinos. These include investment in new slot machine products to stimulate growth and improve competitive appeal, carpeting, decor and other patron-facing finishes at Niagara Fallsview Casino Resort, completion of upgrades and renovations to the patron space at Casino Niagara and renovations and upgrades on Caesars Windsor's Forum tower with renovations on the Augustus tower to begin in the latter part of fiscal 2018–19. OLG continues to leverage its 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 its competitive advantage.

A labour disruption at Caesars Windsor began on April 6, 2018 as a result of the expiration of the collective bargaining agreement with unionized employees represented by UNIFOR. The strike action forced the temporary closure of the operation. A new agreement was ratified on June 4, 2018 and Caesars Windsor resumed operations on June 7, 2018.

Gaming revenue (before deducting service provider fees) and NPP for all Land-based Gaming are projected to grow. This will be accomplished through the transition of day-to-day operations of gaming sites to land-based gaming service providers and the subsequent expansion of existing gaming sites, relocation of sites that are in sub-optimal locations or establishment of new sites in areas that are currently underserviced.

As more service providers are selected, OLG's dependency on these partners to operate the day-to-day delivery of Land-based Gaming increases. Relationships and contracts with these partners must be effectively optimized and managed. To mitigate this risk, OLG has established internal and external governance structures to manage and respond to business, contract and relationship needs in a structured, formal manner. In addition, OLG is following all Government of Ontario procurement policies and using independent fairness monitors to oversee and advise on processes as well as developing effective structures to monitor and manage transition and service delivery of Land-based Gaming.

D. INTERNET GAMING

Summary data from Statement of Comprehensive Income

(in thousands of dollars)

For the fiscal year		**2017–18**		2016–17	**$ Variance**	% Variance
Revenue	**$**	**73,074**	$	58,365	**14,709**	25.2
Direct Expenses		**12,494**		9,949	**(2,545)**	(25.6)
Contribution Margin		**60,580**		48,416	**12,164**	25.1
Indirect Expenses		**22,982**		21,038	**(1,944)**	(9.2)
Net Income (Loss)	**$**	**37,598**	$	27,378	**10,220**	37.3
Add: Win Contribution		**–**		–	**–**	–
Net Profit to the Province	**$**	**37,598**	$	27,378	**10,220**	37.3

D1. Internet Gaming revenue

PlayOLG provides Ontarians with safe, secure, responsible Internet Gaming that leverages the trust and confidence of the OLG brand. Internet Gaming revenue in fiscal 2017–18 was $73.1 million, $14.7 million or 25.2 per cent higher than the previous year and $15.1 million or 26.0 per cent above budget. These increases are attributable to a higher number of active players (23.6 per cent above prior year and 24.6 per cent above budget), as well as an expanded portfolio of games and the addition of the PlayOLG Casino mobile app. In fiscal 2017–18, PlayOLG focused on player acquisitions and promotions to encourage players to visit the site while continuing to broaden the portfolio of casino games. Continued revenue growth is expected into the future as player loyalty and retention strengthens, awareness of the website increases, and the portfolio of games expands.

D2. Internet Gaming Net Profit to the Province

NPP from Internet Gaming for fiscal 2017–18 was $37.6 million, $10.2 million or 37.3 per cent above fiscal 2016–17. The year-over-year increase is due to higher revenue, partially offset by slightly higher indirect expenses, primarily marketing and payments to the Government of Canada. Compared to budget, Internet Gaming NPP was $16.6 million or 79.3 per cent above due to higher revenue and lower operating costs, mainly, regulatory fees and indirect service provider fees.

D3. Internet Gaming trends and risks

In 2011, OLG was asked by government to develop a complete Internet Gaming platform and as a result, PlayOLG was launched in January 2015.

Spending by Ontarians on grey market Internet Gaming websites (i.e., those not regulated by the Government of Ontario) provides no return or value to the province. When PlayOLG was launched, research indicated that Ontario residents spent more than $500 million a year gambling on a wide variety of these websites that offered casino games, bingo, sports betting, poker and other related products and this value has grown approximately 15 per cent per year.

PlayOLG's direct competition is made up exclusively of grey market operators who offer a broader portfolio of products and promotional offers; they 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 the federal or provincial levels, changes in consumer opinions relating to Internet Gaming and changes to banking and financial regulations regarding the processing of Internet Gaming transactions.

OLG's Internet Gaming revenue and NPP is projected to grow through the addition of new products, enhancing the PlayOLG website customer experience and growing the player base. In May 2017, the PlayOLG Casino Mobile App was launched, which is an extension of the PlayOLG website and allows existing players to play their favourite casino games utilizing their smartphones.

PlayOLG is committed to ensuring that Responsible Gaming (RG) is the foundation of OLG's Internet Gaming platform. The website uses innovative tools and safeguards to help better understand players' risks and to track their game play. Time and money limits have been integrated into PlayOLG, including maximum weekly deposits, session limits (i.e., the amount of time one spends playing), casino loss limits (i.e., the amount of money one is willing to lose) and lottery purchase amount limits. Players have the option to take a break for one to three months or be self-excluded for a period of six months up 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 (which the player can view) and notify OLG of at-risk players.

E. CORPORATE SERVICES

Summary data from Statement of Comprehensive Income

(in thousands of dollars)

For the fiscal year	**2017–18**	2016–17	**$ Variance**	% Variance
Consolidated Revenue	**$ 7,577,716**	$ 7,474,873	**102,843**	1.4
Corporate Services Expenses	**424,980**	410,480	**(14,500)**	(3.5)
Corporate Services Expenses as a Percentage of Consolidated Revenue	**5.6%**	5.5%	**(0.1%)**	–

E1. Corporate Services expenses

The Corporate Services division provides support services for all revenue-generating lines of business.

Corporate Services includes expenses related to the following divisions; Information Technology, Corporate Affairs, Finance, Development and Support, Enterprise Risk Management, Corporate Project Governance, Human Resources, Enterprise Strategy and Analytics, Executive Offices, Governance Legal and Compliance, Audit Services and Horseracing.

In addition, expenses associated with the Gaming Revenue Sharing and Financial Agreement (GRSFA) with Ontario First Nations Limited Partnership (OFNLP) are included in the Corporate Service Division. This agreement provides OFNLP, an amount equal to 1.7 per cent of gross revenues, as defined in the GRSFA, per year commencing in fiscal 2011–12 for a period of 20 years.

OLG proudly supports the horse racing industry and is helping to build a more sustainable future for generations to come by securing, with the Ontario government on May 7, 2018, a long-term funding agreement for Ontario's horse racing industry. Starting April 1, 2019, the Corporation will directly fund the long-term agreement, which will provide the industry with up to $105.0 million each year for 19 years. Additionally, beginning in fiscal 2018–19, the Corporation will contribute $3.0 million annually as part of the three-year transition support funding and fund purses and operating costs for grassroots and signature-level racetracks.

Corporate Services expenses for fiscal 2017–18 were $425.0 million, an increase of $14.5 million or 3.5 per cent compared to the previous fiscal year. This year over year increase is due to a one-time settlement expense in the current year offset by a reduction in costs relating to the transition of Great Blue Heron Casino's table operations to OLG in the previous year.

E2. Corporate expenses as a percentage of consolidated revenue

Corporate expenses as a percentage of consolidated revenue increased slightly to 5.6 per cent compared to the previous year for the reason mentioned above.

4. FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $208.9 million as at March 31, 2018, a decrease of $98.3 million from $307.2 million as at March 31, 2017. The majority of the Corporation's cash and cash equivalents were denominated in Canadian dollars as at March 31, 2018.

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

(in millions of dollars)

For the fiscal year		**2017–18**		2016–17	**$ Variance**	% Variance
Net cash flows provided by (used in):						
Operating activities	$	**2,320.3**	$	2,278.7	**41.6**	1.8
Investing activities		**109.2**		(137.5)	**246.7**	179.4
Financing activities		**(2,527.8)**		(2,159.0)	**(368.8)**	(17.1)
Net decrease in cash and cash equivalents	$	**(98.3)**	$	(17.8)	**(80.5)**	(452.4)

Cash provided by operating activities:

Cash flows provided by operating activities for fiscal 2017–18 totalled $2.32 billion – $41.6 million higher than in the previous fiscal year, primarily the result of an increase in net income after the adjustment for non-cash items such as amortization and gain on disposal of property, plant and equipment.

Cash provided by investing activities:

Cash flows provided by investing activities, which include capital expenditures and proceeds from the sale of property, plant and equipment, totalled $109.2 million for fiscal 2017–18, $246.7 million higher than in the previous fiscal year primarily due to increased proceeds on disposal of property, plant and equipment due to the sale of the Southwest, North, Ottawa and GTA Gaming Bundle assets in fiscal 2017–18.

Cash used in financing activities:

During fiscal 2017–18, cash flows used in financing activities increased by $368.8 million to $2.53 billion compared with the previous fiscal year. Included in financing activities are direct payments to the Province of Ontario, which totalled $2.50 billion in fiscal 2017–18, up $355.1 million from the previous fiscal year in large part due to the sale of Gaming Bundle assets. Also included in financing activities are repayment of funds to the Ontario Financing Authority (OFA) related to the renovations at Slots at Woodbine Racetrack and lease payments for the Casino Niagara building, Charitable Gaming assets and Great Blue Heron Casino facility.

During fiscal 2017–18, long-term debt repayments totalled $20.6 million and included the following:

- Woodbine loan – $5.1 million
- Obligations under finance leases – $15.5 million

The loan agreement for the purpose 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 was repaid in May 2017 and the second was repaid January 8, 2018.

Gaming Management System Loan

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 2017–18, the Corporation drew $3.4 million, plus accrued interest, bringing the total cumulative amount to $33.1 million. Facility one was fully repaid using the advances from facility two. The facility two loan is repayable over a five-year term in average semi-annual payments of $3.5 million expiring September 30, 2022. The loan bears interest and fees of 2.65 per cent per annum.

Casino Rama Complex Finance Lease

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

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

As a result of entering into the Complex Sublease and modifying the Post-2011 Contract on June 13, 2017, in addition to annual rent payments, RFN is entitled to receive an annual fee from OLG for each successive 12-month period equal to the greater of 1.9 per cent of the Gross Revenues of the Casino Rama Complex, as defined, and $5.5 million. For accounting purposes, the agreements were determined to contain a finance lease.

In calculating the present value of minimum lease payments, the $5.5 million minimum gross revenue payment was considered in substance to be a payment of rent. A discount rate of 3.19 per cent was used and a term of 24 years.

The total remaining obligation under the finance lease as at March 31, 2018 is $237.8 million.

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.

5. ENTERPRISE RISK MANAGEMENT

OVERVIEW

OLG is exposed to diverse risks that could impact business objectives (financial and non-financial) related to its strategy. OLG is being challenged to grow revenue while innovating the business. OLG operations and technology must support growth and continue to run the day-to-day business while undergoing significant changes. OLG has a formal Enterprise Risk Management (ERM) program in place to support Management with a consistent approach to identifying, assessing and managing risks. The ERM program and framework is aligned with ISO 31000 and the Ontario Public Service risk management guidance and requirements.

BOARD RISK GOVERNANCE AND OVERSIGHT

The Board of Directors, through its Audit and Risk Management Committee (ARMC), provides oversight for the ERM program. The ARMC receives reports on top risks and mitigation and response plans to address these risks. Risk oversight responsibilities are outlined in the ARMC Terms of Reference.

RESPONSIBILITIES FOR RISK MANAGEMENT

The CEO has ultimate accountability for risk management supported by Management, the ERM department and other governance functions. Other governance functions consist of Regulatory Compliance, Finance, Legal, Business Continuity Management, Fraud Risk Management and Information Security. All governance functions work collaboratively to monitor the design and operation of controls. OLG Audit Services provides independent assurance regarding the effectiveness of risk management and controls across the organization.

TOP RISKS

Risks are defined as any event that could impact the achievement of objectives. Risks realized, alone or in combination, may have material financial, customer, reputational or legal/regulatory impacts.

OLG takes measures to actively mitigate the risks described below; however, there can be no expectation or assurance that they will effectively mitigate or fully address the risks or that new developments or emerging risks will not materially affect operations or financial results. The following top risks have been identified:

CUSTOMERS

Risk that customer needs are unmet

To ensure OLG can meet customer expectations and gaming entertainment preferences, OLG's enterprise customer strategy introduces innovative entertainment options across all products lines. Key customer risk factors consist of:

- lack of Policy/Regulatory changes to enable OLG's success in pursuing new opportunities
- reduced income for entertainment spend and increasing competition from other entertainment options
- innovation plans that do not keep pace with the market
- direct competition from the grey market and other emerging competitors
- changing demographics which OLG must capture to ensure growth

Mitigations

- considerable research is/will be completed on OLG customer preferences/market opportunities
- innovation through digital development to enhance interactions across all product lines
- advancing the application of analytics to increase customer insights and acquire new data

SHAREHOLDER/STAKEHOLDERS

Risk that OLG's actions do not meet the interests and/or expectations of stakeholders

OLG must effectively communicate with multiple stakeholders who have varying interests (e.g., all levels of government, First Nations support, Charities, etc.) Other key stakeholder risks include:

- government changes in policy, priorities and directions
- lobbying efforts, media, special-interest groups and public opinion pressures
- legacy agreements with stakeholders preventing change
- changes in municipality support
- conflicting stakeholder interests or ineffectively communicating with stakeholders
- delayed approvals due to the pending provincial and municipal elections

Mitigations

- consults and works with key stakeholders regularly including being involved in discussions with government on policy
- OLG's strategic priorities include plans to strengthen relationships with key stakeholders and partners
- stakeholder risks are monitored and action plans/mitigations are put in place

PRIVATE SECTOR ENGAGEMENT

Risk that the private sector does not meet OLG expectations

Key risk factors related to procuring services from the private sector include:

- the potential that procurements do not yield results that satisfy OLG requirements
- procurement process delays and/or increased and unanticipated costs

Once a service provider is selected, OLG will have an increased dependency on these partners to operate elements of OLG's business. This requires assurance that relationships with partners are effectively optimized and managed.

Mitigations

- Ontario procurement policies are followed, including the use of independent fairness monitors to oversee and advise on processes
- OLG and ministries work together to ensure contracts balance OLG and regulatory requirements
- detailed joint transition planning is completed to support the transition of operations to service providers
- an effective structure to monitor and manage service delivery has been established to oversee Land-based Gaming

OPERATIONS

Risk of process, product, service or compliance failures

As OLG undergoes a significant amount of changes to process, products, services and technologies there is a challenge in ensuring that operational risks are managed appropriately. Aspects of operational risk include:

Change Readiness:

- a significant amount of change to processes, products, services and technologies
- not effectively implementing process, product or service improvements

Regulatory Compliance:

- OLG operates in a highly regulated environment and is subject to federal anti-money laundering, anti-terrorist financing, anti-bribery and privacy laws, among others
- changes to regulations, unclear roles of regulators versus OLG or errors may result in non-compliance

Social Responsibility:

- OLG must balance generating revenue with social responsibility, including Responsible Gambling
- OLG must ensure partners act in a socially responsible way

External Environment:

- Examples include pandemics and extreme weather events that are outside of OLG's ability to control

Mitigations

- OLG has a robust control environment to manage operational risks and promotes continuous improvement and social responsibility to minimize process, product and compliance failures
- the employee code of conduct, training programs, a performance management program and an Internal Audit team are in place to support managing this risk
- initiatives are managed with project, cost and risk disciplines
- OLG has dedicated:
  - compliance staff with expertise in regulatory requirements
  - whistleblower and fraud risk programs
  - Responsible Gambling and environmental sustainability programs
  - Business Continuity Management program with response plans

WORKFORCE

Risk that OLG does not attract, retain or appropriately engage its employees

This is 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 strategic capabilities in place when needed.

Mitigations

- continual resource and planning and an enhanced talent management program
- open and transparent communications, both bottom-up and top-down, through identified channels
- dedicated change management resources to support the organization
- deliberate and targeted recruitment strategies for vacant positions to obtain talent
- targeted succession planning for executives
- employee skills training

INFORMATION TECHNOLOGY AND INFRASTRUCTURE

Risk that OLG has insufficient infrastructure to effectively support the needs of the business and customers and that IT failures and/or cyberattacks will increase business interruptions and compromise data security

OLG must ensure that, while implementing new systems, the systems continue to sustain and develop core business and that access to systems and/or information is not compromised with the expanded use of service providers. Factors contributing to risk include:

- maintaining and/or replacing ageing technology infrastructure
- introducing new technology solutions that impact multiple areas within operations
- managing the complexities of integrating legacy technology solutions and new technology solutions
- dealing with an expanded supply chain of IT service providers
- a global increase in the type and severity of cyberattacks
- technology advancements are not leveraged in a timely manner to remain competitive and relevant
- reliance on OLG partners to protect OLG data

Mitigations

- maintaining a technology roadmap and initiating projects to address legacy systems
- alignment of the IT operating model to best support the achievement of strategic themes that include a new organization structure, operating model, principles and initiatives
- completion of reviews via third parties to evaluate cybersecurity risk and continuously assessing threats to security and implementing new controls in response to threats

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, contingencies, finance lease obligations, and value of disposal group held for sale.

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.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The International Accounting Standards Board (IASB) has issued substantive amendments to the May 2014 IFRS 15 – Revenue from contracts with customers (IFRS 15) standard, which deferred the effective date for annual periods beginning on or after January 1, 2018. OLG intends to adopt IFRS 15 for the fiscal year ended March 31, 2019 on a full retrospective basis. Under IFRS 15 the presentation of revenue will be impacted as prize expense will be netted off revenue. Prior to adopting this new standard, prize expense has not been netted against revenue but rather presented separately as an expense.

7. FEES PAID TO EXTERNAL AUDITOR

For the fiscal year ended March 31, 2018, 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	**2017–18**	2016–17
Audit Services	**$ 1,772.7**	$ 1,367.1
Audit Related Services	**263.5**	454.3
Tax Services	**82.6**	180.0
Other Services	**314.0**	728.2
Total of all Services	**$ 2,432.8**	$ 2,729.6

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

Stephen Rigby
President and Chief Executive Officer

Lisa Bell-Murray
Senior Vice President and
Chief Financial Officer

June 28, 2018

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, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation'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 Corporation'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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
June 28, 2018 Toronto, Canada

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

As at March 31, 2018 and 2017
(in thousands of dollars)

	Notes	March 31, 2018	March 31, 2017
Assets			
Current assets			
Cash and cash equivalents		$ 208,903	$ 307,224
Restricted cash	6	59,955	62,124
Trade and other receivables	7	209,558	150,931
Prepaid expenses		33,285	47,164
Inventories	8	38,156	31,258
Assets held for sale	10	117,987	112,606
Total current assets		667,844	711,307
Non-current assets			
Restricted cash	6	119,903	121,301
Property, plant and equipment	9	1,148,979	1,105,676
Other asset	11	-	140,613
Goodwill		1,776	1,776
Total non-current assets		1,270,658	1,369,366
Total assets		**$ 1,938,502**	**$ 2,080,673**
Liabilities and Equity			
Current liabilities			
Trade and other payables	12	$ 364,841	$ 356,857
Provisions	13	6,007	6,784
Due to operators and service providers	16	94,427	47,857
Due to the Government of Canada	18	27,330	16,178
Deferred revenues		32,522	11,160
Current portion of long-term debt	21	19,734	21,397
Liabilities held for sale	10	9,437	1,007
Total current liabilities		554,298	461,240
Non-current liabilities			
Due to operators and service providers	16	148,230	145,834
Due to the Government of Canada	18	16,305	16,042
Long-term debt	21	287,167	200,227
Employee benefits	23	16,190	17,674
Total non-current liabilities		467,892	379,777
Total liabilities		**1,022,190**	**841,017**
Equity			
Retained earnings		734,064	1,056,010
Contributed surplus		62,345	62,345
Reserves	6	119,903	121,301
Total equity		**916,312**	**1,239,656**
Total liabilities and equity		**$ 1,938,502**	**$ $2,080,673**

Related party transactions (Note 15)
Commitments (Note 16 and 24)
Contingencies (Note 25)
Subsequent events (Note 27)

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

Approved on behalf of the Board

George L. Cooke
Chair

Lori O'Neill
Director

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2018 and 2017
(in thousands of dollars)

	Notes	March 31, 2018	March 31, 2017
Revenues			
Gaming		$ 7,455,985	$ 7,352,500
Non-gaming		121,731	122,373
		7,577,716	**7,474,873**
Direct Expenses			
Prizes		2,115,607	2,035,482
Commissions and fees		650,980	603,873
Win contribution	17	312,929	289,707
Food, beverage and other purchases		103,074	104,252
Ticket printing		46,904	40,659
		3,229,494	**3,073,973**
Contribution margin		**4,348,222**	**4,400,900**
Indirect expenses (income)			
Personnel		855,794	933,843
Marketing and promotion		281,774	286,778
Amortization	9,11	204,426	155,957
Payments to the Government of Canada		341,609	315,725
Cost of premises and equipment		266,694	315,620
Regulatory fees		34,587	41,103
Gaming Revenue Sharing Payment	24.d	139,561	137,349
Finance income	14	(10,998)	(10,934)
Finance costs	14	16,023	9,430
(Gains) losses on disposal of property, plant and equipment, net	19	(107,086)	2,593
Other	20	151,964	142,233
		2,174,348	**2,329,697**
Net income and comprehensive income		**$ 2,173,874**	**$ 2,071,203**

Other 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, 2018 and 2017
(in thousands of dollars)

		Retained earnings		Contributed surplus		Capital renewals reserves		Operating reserves		Severance reserves		Total
Balance at March 31, 2016	**$**	**1,129,256**	**$**	**62,345**	**$**	**18,503**	**$**	**54,308**	**$**	**46,146**	**$**	**1,310,558**
Net income and comprehensive income		2,071,203		–		–		–		–		2,071,203
Contributions or distributions												
Transfers to reserves		(2,344)		–		764		1,208		372		–
Payments to the Province of Ontario		(2,142,105)		–		–		–		–		(2,142,105)
Balance at March 31, 2017	**$**	**1,056,010**	**$**	**62,345**	**$**	**19,267**	**$**	**55,516**	**$**	**46,518**	**$**	**1,239,656**
Net income and comprehensive income		2,173,874		–		–		–		–		2,173,874
Contributions or distributions												
Transfers to (from) reserves		1,398		–		(3,167)		1,233		536		–
Payments to the Province of Ontario		(2,497,218)		–		–		–		–		(2,497,218)
Balance at March 31, 2018	**$**	**734,064**	**$**	**62,345**	**$**	**16,100**	**$**	**56,749**	**$**	**47,054**	**$**	**916,312**

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2018 and 2017
(in thousands of dollars)

	Notes	March 31, 2018	March 31, 2017
Cash flows from operating activities			
Net income and comprehensive income		$ 2,173,874	$ 2,071,203
Adjustments to reconcile profit for the period to net cash from operating activities:			
Amortization	9,11	204,426	155,957
(Gains) Losses on disposal of property, plant and equipment, net	19	(107,086)	2,593
Net finance costs (income)	14	5,025	(1,504)
Impairment loss on property, plant and equipment	9	976	2,831
Other long-term employee benefits	23.c	(1,484)	2,159
Operating cash flows before change in non-cash working capital		2,275,731	2,233,239
Changes in non-cash working capital and current restricted cash:			
Decrease (increase) in current restricted cash		2,169	(5,182)
(Increase) decrease in trade and other receivables		(58,627)	8,209
Decrease in prepaid expenses		13,879	7,811
(Increase) in inventories		(6,898)	(3,210)
Increase in trade and other payables		15,750	36,245
(Decrease) increase in provisions		(777)	961
Increase in due to operators and service providers		46,570	7,163
Increase (decrease) in due to the Government of Canada		11,152	(1,331)
Increase (decrease) in deferred revenues		21,362	(5,171)
Net cash from operating activities		**2,320,311**	**2,278,734**
Cash flows from (used in) investing activities			
Interest received		10,998	10,934
Capital expenditures		(113,241)	(116,067)
Increase in net assets held for sale		(22,310)	(30,161)
Proceeds on disposal of property, plant and equipment		232,353	103
Decrease (increase) in non-current restricted cash		1,398	(2,344)
Net cash from (used in) investing activities		**109,198**	**(137,535)**
Cash flows used in financing activities			
Interest paid		(13,364)	(6,814)
Increase in long-term debt		3,400	8,250
Repayments of long-term debt		(20,648)	(18,340)
Payments to the Province of Ontario		(2,497,218)	(2,142,105)
Net cash used in financing activities		**(2,527,830)**	**(2,159,009)**
(Decrease) in cash and cash equivalents		(98,321)	(17,810)
Cash and cash equivalents, beginning of year		307,224	325,034
Cash and cash equivalents, end of year		**$ 208,903**	**$ 307,224**
Supplemental disclosure relating to non-cash financing and investing activities:			
Acquisition of property, plant and equipment through finance leases		$ 243,303	$ 2,249
Acquisition of property, plant and equipment not yet paid for		$ 3,782	$ 11,139

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2018 and 2017

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), Land-based Gaming, which includes OLG operated Slots and Casinos, Service Provider-operated Slots and Casinos and Resort Casinos; Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview) in the Province of Ontario. In addition, the Corporation proudly supports and administers funding to Ontario's horse racing industry (Note 24.e).

As at March 31, 2018, the Corporation had operating agreements with Caesars Entertainment Windsor Limited (CEWL), CHC Casinos Canada Limited and Falls Management Group, L.P. for the operation of Caesars Windsor, Casino Rama, Casino Niagara and Fallsview, respectively. The Corporation consolidates the financial positions and results of the Resort Casinos but not those of their respective operators. OLG also had an operating agreement with Great Blue Heron Gaming Company for the operation of Great Blue Heron Casino (GBHC). This agreement was terminated on January 23, 2018 at which time an agreement with a new service provider as detailed in Note 2 became effective. OLG consolidated the financial results of GBHC up until January 23, 2018, which was the period OLG controlled the operations.

As detailed in Note 2, the Corporation entered into Casino Operating Services Agreements (COSAs) with certain Service Providers. The Corporation does not control these Service Providers and therefore does not consolidate the financial position or results of operations of these Service Providers. In accordance with the COSAs, OLG records its share of gaming revenue generated at the Casino or Slot facility operated by the Service Provider and is recognized in the same period the game is played (Note 4.c(iii)). In addition to the long-term gaming revenue share arrangement, when the OLG sites transition to service providers, OLG records any applicable gains on sale of gaming bundle assets (Note 19).

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

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

These Consolidated Financial Statements were authorized for issue by the Board of Directors of the Corporation on June 28, 2018.

2. MODERNIZING GAMING IN ONTARIO

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

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

OLG Gaming Bundle	Sites	Service Provider	Status of Bundle	COSA Effective Date
East	Shorelines: • Casino Thousand Islands • Slots at Kawartha Downs • Casino Belleville	**Ontario Gaming East Limited Partnership (OGELP)**	• TAPA signed on September 8, 2015 • COSA signed on January 11, 2016	January 11, 2016
Southwest	Gateway Casinos: • Point Edward • London • Clinton • Dresden • Hanover • Woodstock	**Gateway Casinos & Entertainment Limited (Gateway)**	• TAPA signed on December 13, 2016 • COSA signed on May 9, 2017	May 9, 2017
North	Gateway Casinos: • Sault Ste. Marie • Thunder Bay • Sudbury • North Bay (Optional New Build) • Kenora (Optional New Build)	**Gateway**	• TAPA signed on December 13, 2016 • COSA signed on May 30, 2017	May 30, 2017
Ottawa	Rideau Carleton Raceway Casino	**HR Ottawa L.P. (Hard Rock)**	• TAPA signed on May 15, 2017 • COSA signed on September 12, 2017	September 12, 2017
Greater Toronto Area	• Casino Woodbine • Casino Ajax • Great Blue Heron Casino	**Ontario Gaming GTA Limited Partnership (OGGLP)**	• TAPA signed on August 7, 2017 • COSA signed on January 23, 2018	January 23, 2018
West Greater Toronto Area	Elements Casinos: • Brantford • Flamboro • Mohawk • Grand River	**Ontario Gaming West GTA Limited Partnership (OGWGLP)**	• TAPA signed on December 18, 2017 • COSA signed on May 1, 2018 (Note 27)	May 1, 2018
Central	• Slots at Georgian • Casino Rama Resort • Simcoe County (Optional New Build)	**Gateway**	• TAPA signed on March 14, 2018	To be determined (TBD)
Niagara	• Casino Niagara • Fallsview Casino Resort	**TBD**	• RFP issued April 10, 2017	TBD

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 are included in the following notes:

- Leases (Note 4.o)
- Consolidation (Note 4.a)

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)
- Disposal group held for sale (Note 10)
- Provisions (Note 13)
- Obligations under finance leases (Note 21.c)
- 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, 2018 and March 31, 2017.

a. Basis of consolidation

The Consolidated Financial Statements include the accounts of the Corporation, and the wholly owned subsidiary which it controls and the Resort Casinos. The Corporation consolidates the results of operations prior to the transition of the sites to Service Providers (Note 2). The Corporation does not control any of the Gaming Bundle Service Providers (Note 2) and therefore does not consolidate their respective financial position and results. In accordance with the agreements entered into with the Services Providers, OLG recognizes its share of revenue as disclosed in Note 4.c(iii). 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 on the transaction date. Foreign currency transaction gains and losses are recognized within Finance income or cost 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.ca. 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 which acts as a proxy for the eventual sale to the customer. 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 for all cGaming products is recognized in the same period the game is played, net of prizes paid.

(iii) Land-based Gaming (Slots and Casinos and Resort Casinos)

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

Non-gaming revenue from OLG-operated sites and Resort Casinos:
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 and at Resort Casinos. Non-gaming revenue is recorded at the retail value and is recognized as goods are delivered and services performed. In accordance with the COSAs, OLG does not recognize non-gaming revenue generated at Service Provider-operated sites.

(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. Some of these customer loyalty incentive programs 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 prizes

The prize expense for lottery 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 predetermined 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 annuity-based top prizes is accrued as tickets are sold to customers and is based on the cost of the annuity purchased by the Corporation from a third party.

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

f. Commissions and bonuses

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

(i) Lottery

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

(ii) cGaming

cGaming 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), as defined in their respective agreements.

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

(iii) Municipalities

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

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 (MSIFN)

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

g. Cash and cash equivalents

Cash and cash equivalents include cash and liquid investments that have a term to maturity 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 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.

j. Inventories

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

k. Financial instruments

(i) Non-derivative financial assets recognition

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 Statement 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 Statement 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 and Service Providers, 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, 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 (Gains) losses on disposal of property, plant and equipment in the Consolidated Statements of Comprehensive Income.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. 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
OLG owned Land-based 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. Disposal group held for sale

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

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.

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

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

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

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

o. Leases

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

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

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the Finance cost and the reduction of the outstanding liability. The Finance cost is allocated to each period during the term of the lease to produce a constant periodic rate of interest on the remaining balance of the liability.

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

p. Deferred revenue

Funds collected for lottery games for which results are determined based on a draw, and for which tickets are sold in advance of the game draw, are recorded as deferred revenue and recognized as revenue once the related draw occurs. Also included is prepaid consideration received from Gaming Bundle sale transactions related to OLG's future share of gaming revenue which is recognized on a straight-line basis over the duration of the agreement.

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.

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

(ii) Defined benefit plans

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

(iii) Other long-term employee benefits

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

(iv) Termination benefits

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

(v) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability and expense are recognized for the amount expected to be settled wholly within 12 months of the end of the reporting period if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

t. 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, loans and receivables and net foreign currency transaction gains. Interest income is recognized as it accrues in the Consolidated Statements of Comprehensive Income using the effective interest method.

Finance costs consist of interest expense on borrowings, unwinding of the discount on provisions, interest on finance leases 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.

u. 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.

v. Consolidated statements of comprehensive income presentation

Direct expenses are costs that are directly associated with current fiscal gaming or non-gaming revenue and vary as revenue changes. Indirect expenses are costs that do not directly vary with current fiscal revenue levels. Contribution margin is total gaming and non-gaming revenue net of direct expenses.

w. 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.

x. Accounting standards issued but not yet adopted

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

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

On May 28, 2014, the IASB issued IFRS 15. Since that time, the IASB issued substantive amendments to the new standard, deferring the effective date for annual periods beginning on or after January 1, 2018. Earlier application was permitted. The revised standard features a five-step model that will apply to revenue earned from a contract with a customer, with limited exceptions, regardless of the type of revenue transaction or the industry. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation intends to adopt IFRS 15 in its Consolidated Financial Statements for the annual period beginning on April 1, 2018 on a full retrospective basis. The Corporation is continuing to assess the impact of this standard on the Consolidated Financial Statements but expects it to primarily impact how lottery revenue is presented as prize expense will be netted off revenue.

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

In July 2014, the IASB issued IFRS 9 which supersedes IAS 39, Financial Instruments: Recognition and Measurement. The new standard includes revised guidance on the classification and measurement of financial instruments including the introduction of a new expected credit loss model for calculating impairment on financial assets and general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments under IAS 39. The Company will adopt IFRS 9 in its financial statements for the annual period beginning on April 1, 2018. The Corporation does not anticipate any material impact of this standard on its Consolidated Financial Statements.

(iii) IFRS 16, Leases (IFRS 16)

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

(tabular amounts in thousands of Canadian dollars)

5. CAPITAL RISK MANAGEMENT

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

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

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

The Board of Directors is responsible for the oversight of Management, including policies related to financial and risk management. The Corporation manages its capital structure and adjusts 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, 2018	March 31, 2017
Current		
Prize funds on deposit (a)	$ 54,996	$ 50,135
Horse racing funds (b)	2,370	4,034
Other (c)	2,589	7,955
	$ 59,955	**$ 62,124**
Non-current		
Reserves (d)		
Capital renewals	$ 16,100	$ 19,267
Operating	56,749	55,516
Severance	47,054	46,518
	$ 119,903	**$ 121,301**
Restricted cash	**$ 179,858**	**$ 183,425**

a. Prize funds on deposit of $54,996,000 (March 31, 2017 – $50,135,000) are funds set aside for the estimated gross prizes outstanding of $92,918,000 (March 31, 2017 – $86,221,000) less an estimate for prizes not expected to be claimed by customers of $37,922,000 (March 31, 2017 – $36,086,000).

b. In the Corporation's role as administrator of the Horse Racing Partnership Funding Program (Note 24.e), at March 31, 2018 $2,370,000 (March 31, 2017 – $4,034,000) were yet to be distributed.

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

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

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

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

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

7. TRADE AND OTHER RECEIVABLES

	March 31, 2018	March 31, 2017
Trade receivables	$ 162,815	$ 144,412
Less: allowance for impairment	(6,310)	(5,019)
Trade receivables, net	156,505	139,393
Other receivables	53,053	11,538
Trade and other receivables	**$ 209,558**	**$ 150,931**

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, 2018	March 31, 2017
Slot machine and table game parts	$ 1,846	$ 2,285
Lottery and charitable gaming tickets and paper	30,454	21,408
Security and surveillance parts	–	1,047
Food and beverage	2,227	2,690
Retail	1,093	941
Other	2,536	2,887
Inventories	**$ 38,156**	**$ 31,258**

Inventory costs, included in expenses, for the year ended March 31, 2018 were $118,161,000 (March 31, 2017 – $117,480,000). During fiscal 2017–18, the Corporation recorded $223,000 in inventory write-down reversals in expenses (fiscal 2016–17 – nil).

9. PROPERTY, PLANT AND EQUIPMENT

Cost

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	OLG owned Land-based Gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2016	$ 137,061	$ 1,882,448	$ 625,426	$ 648,582	$ 83,829	$ 599,633	$ 71,253	$ 22,069	$ 4,070,301
Additions and assets put into use	–	7,576	20,911	7,317	11,690	60,857	2,252	10,508	121,111
Disposals and retirements	–	(1,090)	(24,960)	(10,820)	–	(41,383)	(417)	(529)	(79,199)
Transfers to held for sale (Note 10)	(7,410)	(118,382)	(46,162)	(32,517)	–	(64,469)	–	–	(268,940)
Balance at March 31, 2017	**$ 129,651**	**$ 1,770,552**	**$ 575,215**	**$ 612,562**	**$ 95,519**	**$ 554,638**	**$ 73,088**	**$ 32,048**	**$ 3,843,273**
Balance at April 1, 2017	$ 129,651	$ 1,770,552	$ 575,215	$ 612,562	$ 95,519	$ 554,638	$ 73,088	$ 32,048	$ 3,843,273
Additions and assets put into use	–	2,897	47,591	17,233	5,352	41,198	243,303	(8,387)	349,187
Disposals and retirements	–	(2,144)	(82,153)	(452,478)	(76)	(176,901)	–	–	(713,752)
Transfers to held for sale (Note 10)	–	–	(93,865)	(32,438)	–	(151,406)	–	–	(277,709)
Balance at March 31, 2018	**$ 129,651**	**$ 1,771,305**	**$ 446,788**	**$ 144,879**	**$ 100,795**	**$ 267,529**	**$ 316,391**	**$ 23,661**	**$ 3,200,999**

(tabular amounts in thousands of Canadian dollars)

Accumulated amortization and accumulated impairment losses

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	OLG owned Land-based Gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2016	$ 41,091	$ 1,135,138	$ 530,875	$ 553,467	$ 75,164	$ 461,818	$ 48,721	$ –	$ 2,846,274
Amortization for the period	–	36,638	35,416	20,522	3,118	54,098	2,705	–	152,497
Impairment loss	–	–	579	–	–	–	2,252	–	2,831
Disposal and retirements	–	(752)	(24,845)	(9,804)	–	(40,686)	(416)	–	(76,503)
Transfers to held for sale (Note 10)	–	(71,097)	(39,801)	(29,746)	–	(46,858)	–	–	(187,502)
Balance at March 31, 2017	**$ 41,091**	**$ 1,099,927**	**$ 502,224**	**$ 534,439**	**$ 78,282**	**$ 428,372**	**$ 53,262**	**$ –**	**$ 2,737,597**
Balance at April 1, 2017	$ 41,091	$ 1,099,927	$ 502,224	$ 534,439	$ 78,282	$ 428,372	$ 53,262	$ –	$ 2,737,597
Amortization for the period	–	33,379	34,564	76,007	5,798	39,171	10,522	–	199,441
Impairment loss	–	–	976	–	–	–	–	–	976
Disposal and retirements	–	(1,193)	(75,228)	(446,951)	(2)	(140,990)	–	–	(664,364)
Transfers to held for sale (Note 10)	–	–	(76,866)	(32,033)	–	(112,731)	–	–	(221,630)
Balance at March 31, 2018	**$ 41,091**	**$ 1,132,113**	**$ 385,670**	**$ 131,462**	**$ 84,078**	**$ 213,822**	**$ 63,784**	**$ –**	**$ 2,052,020**

Carrying amounts

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	OLG owned Land-based Gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at March 31, 2017	$ 88,560	$ 670,625	$ 72,991	$ 78,123	$ 17,237	$ 126,266	$ 19,826	$ 32,048	$ 1,105,676
Balance at March 31, 2018	**$ 88,560**	**$ 639,192**	**$ 61,118**	**$ 13,417**	**$ 16,717**	**$ 53,707**	**$ 252,607**	**$ 23,661**	**$ 1,148,979**

The Corporation leases certain items of property, plant and equipment under finance lease agreements. At March 31, 2018, the net carrying amount of leased property, plant and equipment was $252,607,000 (March 31, 2017 – $19,826,000) (see Note 22.c).

Impairment

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

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

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 $976,000 (fiscal 2016–17 – $2,831,000) was recognized in Other in the Consolidated Statements of Comprehensive Income. The impairment loss relates to the cGaming line of business 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, 2018.

10. DISPOSAL GROUP HELD FOR SALE

On December 18, 2017 and March 14, 2018, OLG signed TAPAs with Ontario Gaming West GTA Limited Partnership (OGWGLP) and Gateway Casinos & Entertainment Limited (Gateway) as the Service Providers for the West GTA and Central Gaming Bundles, respectively. Under the terms of the respective TAPAs, OLG committed to sell certain assets and OGWGLP and Gateway agreed to purchase such assets and assume certain liabilities related to the sites in the Bundles (Note 27).

Accordingly, at March 31, 2018, the assets and liabilities to be transferred under the West GTA and Central Gaming Bundles met the criteria to be classified as a disposal group held for sale and stated at their carrying values comprised of the following:

	March 31, 2018	March 31, 2017
Cash	$ 54,663	$ 29,458
Property, plant and equipment	56,079	81,438
Other	7,245	1,710
Assets held for sale	**$ 117,987**	**$ 112,606**
Trade payables and other	9,437	1,007
Liabilities held for sale	**$ 9,437**	**$ 1,007**

On December 13, 2016, Gateway was announced as the Service Provider for the Southwest and North Gaming Bundles. As such, at March 31, 2017, the assets and liabilities to be transferred under the North and Southwest Gaming Bundles met the criteria to be classified as a disposal group held for sale. The sale of these Bundles was completed in fiscal 2017–18 (see Note 19) and resulted in a gain on disposal of $63,088,000.

11. OTHER ASSET

On September 8, 2016, the OLG entered into a lease agreement with Mississaugas of Scugog Island First Nation (MSIFN) for a term of 22 years plus a Stub Period, as defined therein, for the Great Blue Heron Casino premises. The lease agreement was considered a finance lease for accounting purposes. On January 23, 2018, the lease was part of certain assets acquired and liabilities assumed by Ontario Gaming GTA Limited Partnership (OGGLP) which resulted in the derecognition of the finance lease obligation and corresponding Other asset (Note 21.c). Prior to derecognition the amortization expense recognized during fiscal 2017–18 was $4,985,000 (fiscal 2016–17 – $3,460,000).

(tabular amounts in thousands of Canadian dollars)

12. TRADE AND OTHER PAYABLES

	March 31, 2018	March 31, 2017
Trade payables and accruals	$ 120,605	$ 103,263
Prizes payable	54,996	50,135
Short-term employee benefits	40,613	51,434
Gaming liability	74,618	72,851
Commissions payable	28,910	27,031
Horse racing liability	475	3,261
Due to Rama First Nation	1,809	2,500
Other payables and accruals	42,815	46,382
Trade and other payables	**$ 364,841**	**$ 356,857**

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

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

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

Due to Rama First Nation includes the variable portion of the annual fee related to the Amended and Restated Post-2011 Contract and services for fire protection, police protection and other community services relating to Casino Rama (Note 21.c).

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

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

13. PROVISIONS

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

	Legal claims	Other provisions	Total
Balance at April 1, 2017	$ 2,773	$ 4,011	**$** 6,784
Increases and additional provisions	822	1,247	2,069
Amounts paid	(566)	(692)	(1,258)
Amounts reversed	(1,082)	(506)	(1,588)
Balance at March 31, 2018	**$ 1,947**	**$ 4,060**	**$ 6,007**

Legal claims

During fiscal 2017–18, an additional $822,000 of potential legal claims were accrued, with an offsetting reduction of $566,000 in payments to claimants. The $1,082,000 of legal claims reversed in fiscal 2017–18 was due to the likelihood of the obligations becoming remote. The ultimate outcome or actual cost of settlement depends on the court proceedings and may vary significantly from the original estimates. Legal matters that have not been recognized as provisions, as the outcome is not probable or the amount cannot be reliably estimated, are disclosed as contingent liabilities, unless the likelihood of the outcome is remote (Note 25).

Other provisions

Other provisions include provisions for decommissioning obligations and minor claims managed by a third party.

The decommissioning 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 2017–18, an additional $100,000 of decommissioning obligations was accrued.

During fiscal 2017–18, an additional $1,147,000 of minor claims managed by a third party was accrued, $692,000 of which were settled and $506,000 were reversed as the likelihood was remote that the claims would be incurred.

14. FINANCE INCOME (COST)

	March 31, 2018	March 31, 2017
Interest income on financial assets at fair value through profit and loss and loans and receivables	$ 3,926	$ 2,163
Foreign exchange gain, net	7,072	8,771
Finance income	**$ 10,998**	**$ 10,934**
Interest on bank overdraft and loans	$ (426)	$ (381)
Interest on obligations under finance leases	(12,900)	(6,392)
Other interest expense	(2,697)	(2,657)
Total interest expense for financial liabilities not classified at fair value through profit and loss	$ (16,023)	$ (9,430)
Finance costs	**$ (16,023)**	**$ (9,430)**

(tabular amounts in thousands of Canadian dollars)

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

Key management personnel compensation includes:

	March 31, 2018	March 31, 2017
Short-term employee benefits	$ 4,827	$ 3,944
Post-employment benefits	244	239
	$ 5,071	$ 4,183

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.

16. DUE TO OPERATORS AND SERVICE PROVIDERS

	March 31, 2018	March 31, 2017
Due to operators (a)	$ 186,821	$ 186,511
Due to Service Providers (b)	55,836	7,180
	242,657	**193,691**
Less: current portion	94,427	47,857
Non-Current Due to operators and Service Providers	**$ 148,230**	**$ 145,834**

a. Due to operators

Under the terms of the operating agreements for each of the Resort Casinos, each operator is entitled to receive an operator's fee calculated as a percentage of Gross Revenue and as a percentage of Net Operating Margin, both as defined in the related operating agreements. OLG also had an operating agreement with Great Blue Heron Gaming Company for the operations of Great Blue Heron Casino. This agreement was terminated on January 23, 2018 at which time an agreement with a new service provider became effective. The total amount accrued with respect to the operator's fees at March 31, 2018 was $37,264,000 (March 31, 2017 – $38,668,000). The Resort Casinos, including Great Blue Heron Casino and their respective operators, are as follows:

Site	Operator	Operating Agreement Term Expiration Date
Casino Niagara and Fallsview	Falls Management Group, L.P.	June 10, 2019
Casino Rama	CHC Casinos Canada Limited	July 18, 2018
Caesars Windsor	Caesars Entertainment Windsor Limited (CEWL)	July 31, 2020
Great Blue Heron Casino	Great Blue Heron Gaming Company	Terminated January 23, 2018

Also included in amounts due to operators are:

(i) Casino Niagara and Fallsview

During fiscal 2015–16, the Corporation incurred one-time operator non-extension costs of $159,259,000, including HST of $15,783,000, in relation to exercising its option to not extend the Permanent Casino Operating Agreement with Falls Management Group, L.P. The costs, which were discounted using a rate of 1.643 per cent, represented 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. As at March 31, 2018, the non-current amount due to the operator was $148,230,000 (March 31, 2017 – $145,834,000) with payment due on or before June 10, 2019.

Under the terms of the Permanent Casino Operating Agreement, in a Competitive Environment, as defined in the Permanent Casino Operating Agreement, the operator is entitled to receive additional operator services fees and an attractor fee. As a result, at March 31, 2018, the Corporation has included $1,000,000 (March 31, 2017 – $1,705,000) in due to operators and has a remaining commitment as at March 31, 2018 of $3,340,000.

(ii) Caesars Windsor

Under the terms of the Caesars Trademark Licence Agreement related to the rebranding of Casino Windsor, the Corporation pays a licence fee calculated as a percentage of the Adjusted Gross Revenues, as defined, of Caesars Windsor. The Caesars Trademark Licence Agreement is with a parent company of CEWL and will terminate on July 31, 2020. As at March 31, 2018, the amount included in Due to operators in respect of the trademark licence agreement was $327,000 (March 31, 2017– $304,000).

As at March 31, 2018, the current and non-current amount due to operators was $186,821,000 (March 31, 2017 – $186,511,000).

At each of the Resort Casinos, the operator is the employer, either directly or indirectly, of the employees working at that facility. OLG also had an operating agreement with Great Blue Heron Gaming Company for the operations of Great Blue Heron Casino. This agreement was terminated on January 23, 2018 at which time an agreement with a new service provider as detailed in Note 2 became effective. All payroll and payroll- related costs are charged to the Corporation monthly and expensed in the Corporation's Consolidated Statements of Comprehensive Income.

b. Due to Service Providers

Under the terms of their respective COSAs, each of the Service Providers is entitled to receive a share of the gaming revenue, as defined herein, generated at the Casinos and Slot facilities it operates. The amount due to Service Providers represents the Service Provider's accrued share of gaming revenue primarily comprising a fixed fee, variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures. The table below sets out the sites operated by Service Providers and the term of each COSA as of March 31, 2018:

OLG Gaming Bundle	Service Provider	Operating Agreement Term Expiration
East	OGELP	March 31, 2036
Southwest	Gateway	March 31, 2037
North	Gateway	March 31, 2037
Ottawa	Hard Rock	March 31, 2037
Greater Toronto Area	OGGLP	March 31, 2040

(tabular amounts in thousands of Canadian dollars)

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 Casino in accordance with the *Ontario Lottery and Gaming Corporation Act, 1999*, which amounted to $312,929,000 for fiscal 2017–18 (fiscal 2016–17 – $289,707,000) and was recorded as a direct expense. The Corporation retains the responsibility to remit the contribution once a site is operated by a Service Provider.

18. DUE TO THE GOVERNMENT OF CANADA

As at March 31, 2018, the amount Due to the Government of Canada was $43,635,000 (March 31, 2017–$32,220,000), of which $16,305,000 (March 31, 2017 – $16,042,000) was included in the non-current amount Due to the Government of Canada related to the Falls Management Group, L.P. non-extension (Note 16). 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 in the same way as it is for any other GST/HST registrant in Canada. The non-recoverable GST/HST payable to suppliers and the additional imputed tax payable to the Government of Canada on gaming-related expenses were recognized as payments to the Government of Canada.

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. GAINS (LOSSES) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

During fiscal 2017–18, the Corporation realized net gains on disposal of property, plant and equipment of $107,086,000 (net losses during fiscal 2016–17 of $2,593,000) which included gains associated with the sales of the four gaming bundles assets: North and Southwest ($63,088,000), Ottawa ($9,610,000) and GTA ($30,251,000). (See Note 2 and Note 4.c(iii) for the related long-term gaming revenue share model the Corporation and the Service Providers have entered into.)

20. OTHER

	March 31, 2018	March 31, 2017
General and administration (a)	$ 194,592	$ 190,270
ATM fees	(33,055)	(40,201)
Impairment charge (b)	976	2,831
Miscellaneous income	(10,549)	(10,667)
Other	**$ 151,964**	**$ 142,233**

a. General and administration

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

b. Impairment charge

The Corporation recognized an impairment loss for the year ended March 31, 2018 of $976,000 (March 31, 2017 – $2,831,000) (Note 9).

21. LONG-TERM DEBT

	March 31, 2018	March 31, 2017
Woodbine loan (a)	$ –	$ 5,069
Gaming Management System loan (b)	33,079	29,097
Obligations under finance leases (c)	273,822	187,458
	306,901	221,624
Less: current portion	(19,734)	(21,397)
Long-term debt	**$ 287,167**	**$ 200,227**

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 of the slots facility at Woodbine Racetrack.

The loan balance 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 bore interest at a rate of 2.320 per cent per annum and was unsecured. The remaining loan balance was repaid on January 8, 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 slot machines while operated by the Corporation. During fiscal 2017–18, the Corporation drew $3,400,000 (prior cumulative advances to March 31, 2017 – $28,700,000), on facility one bringing the total cumulative loan balance to $33,079,000 (March 31, 2017 – $29,097,000) inclusive of interest. Facility one was fully repaid with facility two. Facility two is repayable over five years in average semi-annual payments of $3,507,000. The loan bears interest and fees of 2.65 per cent per annum and is unsecured. The loan is due September 30, 2022.

c. Obligations under finance leases

Casino Niagara facility

Effective March 2010, the Corporation entered into an amending agreement for an additional 15-year term with Maple Leaf Entertainment Inc., Canadian Niagara Hotels Inc., 1032514 Ontario Limited and Greenberg International Inc. 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 a finance lease for accounting purposes and has an implicit interest rate of 8.5 per cent. The total remaining obligation under the finance lease was $30,453,000 at March 31, 2018 (March 31, 2017 – $33,412,000).

(tabular amounts in thousands of Canadian dollars)

cGaming TapTix

The Corporation entered into a master services agreement on August 22, 2012 to lease TapTix, formerly known as Break Open Ticket (BOT) dispensers. This agreement is a finance lease for accounting purposes and has an implicit interest rate of 9.0 per cent. The total remaining obligation under the finance lease was $5,531,000 at March 31, 2018 (March 31, 2017 –$11,175,000).

Great Blue Heron Casino premises

Effective September 8, 2016, the Corporation entered into a lease agreement for 22 years plus a stub period, as defined, with the Mississaugas of Scugog Island First Nation (MSIFN) to lease the premises that situate the Great Blue Heron Casino. This agreement was a finance lease for accounting purposes with a discount rate of 2.75 per cent used to calculate the present value of future lease payments. On January 23, 2018, the finance lease with MSIFN was part of certain assets acquired and liabilities assumed by OGGLP which resulted in the derecognition of the finance lease obligation and corresponding other asset (Note 11). The total remaining obligation under the finance lease on March 31, 2018 is $nil (March 31, 2017 - $142,871,000).

Casino Rama complex

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

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

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

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

The total remaining obligation under the finance lease as at March 31, 2018 is $237,838,000.

d. Payments over the next five years and thereafter

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

As at March 31	Long-term debt	Obligations under finance leases		Total
	Repayments	Principal	Interest	
2019	$ 6,574	$ 13,259	$ 10,543	$ 30,376
2020	9,596	12,719	9,809	32,124
2021	6,611	12,313	8,914	27,838
2022	6,787	12,333	8,523	27,643
2023	3,511	12,555	8,129	24,195
Thereafter	–	210,643	69,997	280,640
	$ 33,079	**$ 273,822**	**$ 115,915**	**$ 422,816**

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 Corporation has a formal Enterprise Risk Management 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.

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

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

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

c. Credit risk

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

Trade and other receivables

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

The amounts disclosed in the Consolidated Statements of Financial Position are net of allowances for impairment, which consist of a specific provision that relates to individually significant exposures, estimated by Management based on experience and an assessment of the current economic environment. The Corporation establishes an allowance for impairment that represents its estimate of potential credit losses. Historically, the Corporation has not experienced any significant losses. As at March 31, 2018, the Corporation had an allowance for impairment of $6,310,000 (March 31, 2017 – $5,019,000), which represented approximately 3.0 per cent (March 31, 2017 – 3.2 per cent) of the Corporation's consolidated Trade and other receivables. The Corporation believes that its allowance for impairment is sufficient to reflect the related credit risk.

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.

(tabular amounts in thousands of Canadian dollars)

d. Liquidity risk

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

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

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

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

March 31, 2018	Carrying amount	Contractual cash flows	< 1 year	1–2 years	3–5 years	> 5 years
Trade and other payables	$ 364,841	$ 364,841	$ 364,841	$ –	$ –	$ –
Provisions	6,007	6,007	6,007	–	–	–
Due to operators and Service Providers	242,657	245,570	94,427	151,143	–	–
Due to the Government of Canada	43,635	43,956	27,330	16,626	–	–
Long–term debt, including obligations under finance leases	306,901	424,814	30,769	33,051	80,355	280,639
	$ 964,041	**$ 1,085,188**	**$ 523,374**	**$ 200,820**	**$ 80,355**	**$ 280,639**

March 31, 2017	Carrying amount	Contractual cash flows	< 1 year	1–2 years	3–5 years	> 5 years
Trade and other payables	$ 356,857	$ 356,857	$ 356,857	$ –	$ –	$ –
Provisions	6,784	6,784	6,784	–	–	–
Due to operators and Service Providers	193,691	199,000	47,857	–	151,143	–
Due to the Government of Canada	32,220	32,804	16,178	–	16,626	–
Long–term debt, including obligations under finance leases	221,624	290,605	29,564	22,903	61,499	176,639
	$ 811,176	**$ 886,050**	**$ 457,240**	**$ 22,903**	**$ 229,268**	**$ 176,639**

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.

At March 31, 2018, long-term debt consists of one loan agreement with the OFA and obligations under finance leases. The obligations under finance leases (Note 21.c) and the loan agreement have fixed interest rates for their entire terms. Each of the long-term debt instruments is currently subject to limited interest rate risk.

At March 31, 2018, the Corporation had cash and cash equivalents of $208,903,000 (March 31, 2017 – $307,224,000). The impact of fluctuations in interest rates is not significant and, accordingly, a sensitivity analysis of the impact of fluctuations in interest rates on net income has not been provided.

(ii) Foreign currency risk

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

The majority of the Corporation's suppliers and customers are based in Canada and, therefore, transact in Canadian dollars (CAD). Some suppliers and customers are based outside of Canada. The suppliers located outside of Canada typically transact in USD. The Corporation's border properties attract U.S. players who are required to exchange their USD for CAD prior to play. The Corporation exchanges USD using the daily market exchange rate and utilizes both a 'buy' and 'sell' rate. The Corporation holds USD cash and bank accounts for the purposes of transacting in USD with customers, as well as paying its U.S. suppliers. The balances held in USD are closely monitored to ensure future USD requirements are met. The Corporation's net foreign exchange gain for the year ended March 31, 2018 was $7,072,000 (March 31, 2017 – $8,771,000).

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

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

USD (balances shown in CAD equivalents)	March 31, 2018	March 31, 2017
Cash and cash equivalents	$ 24,246	$ 29,251
Trade and other payables	(4,463)	(4,667)
Obligations under finance leases	(5,531)	(11,175)
Net exposure	$ **14,252**	**$ 13,409**

Sensitivity analysis

A 10 per cent increase in the value of the USD at March 31, 2018 would have increased net income by $1,425,000. A 10 per cent decrease in the value of the USD at March 31, 2018 would have decreased net income by $1,425,000. 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
- establishing sales liability thresholds by sport
- providing credit management controls
- posting conditions and prize structure statements on OLG.ca
- limiting the aggregate amount of prizes that may be won on any given day for all sports-based products
- suppressing sales of any game at any time when liability risk is a concern.

f. Fair values measurement

Financial instruments are measured subsequent to initial recognition at fair value and 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).

In the Consolidated Statements of Financial Position, the carrying amounts of Trade and other payables, current Due to operators and Service Providers, 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 service provider 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, 2018 or March 31, 2017.

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 have created defined contribution pension plans for their employees. OLG also had an operating agreement with Great Blue Heron Gaming Company for the operations of Great Blue Heron Casino up until January 23, 2018. The pension expense for Resorts and GBHC defined contribution plans for fiscal 2017–18 amounted to $22,093,000 (fiscal 2016–17 – $21,598,000).

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 2017–18 was $15,634,000 (fiscal 2016–17 – $19,602,000).

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, 2018 was $17,944,000 (March 31, 2017 – $19,004,000), of which $16,190,000 (March 31, 2017 – $17,674,000) was included in non-current employee benefits liability and $1,754,000 (March 31, 2017 – $1,330,000) was included in Trade and other payables (Note 12). The accrued benefit costs are based on actuarial assumptions.

The operators of the Resort Casinos are Schedule 1 employers under the Act and are not subject to the financial reporting requirements of self-insured employers. Great Blue Heron Gaming Company, as operator of Great Blue Heron Casino, was also a Schedule 1 employer under the Act up until January 23, 2018.

24. COMMITMENTS

	Obligations under operating leases (a)	HST on lease commitments (b)	Suppliers (c)
2019	$ 13,114	$ 24,465	$ 42,438
2020	5,918	20,963	–
2021	3,952	17,580	–
2022	1,273	14,379	–
2023	1,304	12,264	–
	25,561	89,651	42,438
Thereafter	7,470	187,299	–
	$ 33,031	$ 276,950	$ 42,438

a. Obligations under operating leases

The Corporation has several operating leases for facilities, property and equipment with a typical term of five to seven years. The future minimum lease payments are, approximated as summarized above.

b. HST on lease commitments

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

c. Suppliers

The Corporation has computer hardware maintenance agreements with future payments as at March 31, 2018. The future payments are approximated as summarized above.

d. Ontario First Nations (2008) Limited Partnership

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation, the Ontario First Nations Limited Partnership and Ontario First Nations (2008) Limited Partnership entered into the Gaming Revenue Sharing and Financial Agreement (GRSFA). Pursuant to the terms of the GRSFA and an Order-in-Council, the Corporation was directed to pay the Ontario First Nations (2008) Limited Partnership, commencing in fiscal 2011–12 and in each fiscal year for the remainder thereafter of the 20-year term, an amount equal to 1.7 per cent of the prior year's Gross Revenues of the Corporation, as defined (Gaming Revenue Sharing Payment). Pursuant to the GRSFA, during fiscal 2017–18, $139,561,000 was expensed (fiscal 2016–17 – $137,349,000) as Gaming Revenue Sharing Payment.

e. Horse Racing Funding Agreement

Under the existing funding agreement effective for the current year and fiscal 2018–19, the Corporation will administer Transfer Payment Agreements the Province has in place with racetracks under the Horse Racing Partnership Funding Program by acting as a flow-through intermediary for the provincial funding. The Corporation will also continue to provide the industry with advice and support in areas including responsible gambling, marketing and performance management (Note 27.b).

f. Niagara Falls Entertainment Centre

In August 2017, OLG executed a lease agreement with Niagara Falls Entertainment Partners General Partnership (NFEP) requiring NFEP to design, construct, finance and subsequently maintain the Niagara Falls Entertainment Centre (NFEC) in Niagara Falls, Ontario. The construction is scheduled to be completed by June 2019 and the lease term of approximately 21 years will commence at that time. As at March 31, 2018, OLG has not made any payments under the lease agreement. The expected cumulative base rent payments to NFEP are estimated to be a minimum of $130,000,000 plus other costs, as defined, over the term of the lease. OLG intends to transfer the lease of the facility to the successful Niagara Bundle Service Provider but it will remain jointly liable for all obligations and covenants as tenant. At the expiration or termination of the lease term, OLG holds the option to purchase the land and building.

25. CONTINGENCIES

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. In addition, as the Corporation continues to modernize and transition gaming sites to service providers, there is a risk of contingent liabilities being present for binding contracts that cannot be assigned to service providers. The Corporation believes that the outcome of these outstanding claims and contingencies will not have a material impact on its Consolidated Statements of Comprehensive Income or the possibility of an outflow of resources is not determinable. Estimates, where appropriate, have been included in the Consolidated Statements of Financial Position (Note 13); 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. OTHER INFORMATION

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

- **Lottery** derives its revenue from the sale of lottery products, which include Lotto, INSTANT and Sports products. Lotto products are also available for purchase over the Internet at PlayOLG.ca.
- **Charitable Gaming** (cGaming) derives its revenue from the sale of Charitable Gaming products.
- **Land-based Gaming** comprises:
  - **Slots and Casinos**, which are gaming facilities operated by OLG or a Service Provider. OLG Casinos, which included Great Blue Heron Casino up until January 23, 2018, 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 Service Provider-operated sites, OLG receives a share of the gaming revenue generated. The non-gaming revenue is earned and retained by the Service Provider.
  - **Resort Casinos**, which are full-service casinos that offer customers a variety of amenities, including accommodations, entertainment and food and beverage services, in addition to slot and table games.
- **Internet Gaming** (iGaming) derives its revenue from casino-style games available over the Internet at PlayOLG.ca.

March 31, 2018	Lottery	cGaming	Land–based Gaming	iGaming	Corporate Services	Total
Revenues						
Gaming	$ 3,779,738	$ 172,096	$ 3,431,077	$ 73,074	$ –	$ 7,455,985
Non–gaming	–	–	121,731	–	–	121,731
	3,779,738	**172,096**	**3,552,808**	**73,074**	**–**	**7,577,716**
Direct expenses					–	
Prizes	2,115,607	–	–	–	–	2,115,607
Commissions and fees	278,007	130,433	230,046	12,494	–	650,980
Win contribution (Note 17)	–	–	312,929	–	–	312,929
Food, beverage, and other purchases	–	–	103,074	–	–	103,074
Ticket printing	40,728	6,176	–	–	–	46,904
	2,434,342	**136,609**	**646,049**	**12,494**	–	**3,229,494**
Contribution margin	**1,345,396**	**35,487**	**2,906,759**	**60,580**	–	**4,348,222**
Indirect expenses						
Personnel	35,505	2,837	688,613	4,024	124,815	855,794
Marketing and promotion	71,753	–	184,208	5,038	20,775	281,774
Amortization	7,764	–	190,059	153	6,450	204,426
Payments to the Government of Canada	110,095	17,187	184,363	5,552	24,412	341,609
Cost of premises and equipment	25,339	5,843	213,719	398	21,395	266,694
Regulatory fees	11,177	2,628	17,891	2,861	30	34,587
Gaming Revenue Sharing Payment	–	–	–	–	139,561	139,561
Net finance (income) costs	38	417	2,856	(2)	1,716	5,025
(Gains) losses on disposal of property, plant and equipment, net	16	–	(107,073)	–	(29)	(107,086)
Other	12,786	4,246	44,119	4,958	85,855	151,964
	274,473	**33,158**	**1,418,755**	**22,982**	**424,980**	**2,174,348**
Net income (loss)	**$ 1,070,923**	**$ 2,329**	**$ 1,488,004**	**$ 37,598**	**(424,980)**	**$ 2,173,874**
Add: Win contribution (Note 17)	–	–	312,929	–	–	312,929
Net Profit (loss) to the Province (a)	**$ 1,070,923**	**$ 2,329**	**$ 1,800,933**	**$ 37,598**	**$ (424,980)**	**$ 2,486,803**

(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 net income (loss).

(tabular amounts in thousands of Canadian dollars)

March 31, 2017	Lottery	cGaming	Land–based Gaming	iGaming	Corporate Services	Total
Revenues						
Gaming	$ 3,680,753	$ 153,044	$ 3,460,338	$ 58,365	$ –	$ 7,352,500
Non–gaming	–	–	122,373	–	–	122,373
	3,680,753	**153,044**	**3,582,711**	**58,365**	**–**	**7,474,873**
Direct expenses					–	
Prizes	2,035,482	–	–	–	–	2,035,482
Commissions and fees	266,161	120,426	207,337	9,949	–	603,873
Win contribution (Note 17)	–	–	289,707	–	–	289,707
Food, beverage, and other purchases	–	–	104,252	–	–	104,252
Ticket printing	35,062	5,597	–	–	–	**40,659**
	2,336,705	**126,023**	**601,296**	**9,949**	–	**3,073,973**
Contribution margin	**1,344,048**	**27,021**	**2,981,415**	**48,416**	–	**4,400,900**
Indirect expenses						
Personnel	33,534	4,129	763,839	4,242	128,099	933,843
Marketing and promotion	63,064	235	195,595	3,613	24,271	286,778
Amortization	4,918	–	143,155	201	7,683	155,957
Payments to the Government of Canada	101,251	17,567	165,975	4,718	26,214	315,725
Cost of premises and equipment	24,710	4,780	265,605	398	20,127	315,620
Regulatory fees	11,974	2,597	22,433	4,099	–	41,103
Gaming Revenue Sharing Payment	–	–	–	–	137,349	137,349
Net finance (income) costs	38	1,402	(5,173)	(1)	2,230	(1,504)
(Gains) losses on disposal of property, plant and equipment, net	–	–	2,592	–	1	2,593
Other	23,119	6,922	43,918	3,768	64,506	142,233
	262,608	**37,632**	**1,597,939**	**21,038**	**410,480**	**2,329,697**
Net income (loss)	**$ 1,081,440**	**$ (10,611)**	**$ 1,383,476**	**$ 27,378**	**(410,480)**	**$ 2,071,203**
Add: Win contribution (Note 17)	–	–	289,707	–	–	289,707
Net Profit (loss) to the Province (a)	**$ 1,081,440**	**$ (10,611)**	**$ 1,673,183**	**$ 27,378**	**$ (410,480)**	**$ 2,360,910**

(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 net income (loss).

27. SUBSEQUENT EVENTS

a) On May 1, 2018, OLG and OGWGLP entered into a 20-year COSA for the West GTA Gaming Bundle and a 20-year lease agreement for the Brantford land and building. OGWGLP purchased the assets of the Gaming Bundle for $62,221,000, which included an estimate for working capital of $26,520,000, resulting in a gain on sale of assets of $16,776,000 and assumed day-to-day operations of the sites in the Gaming Bundle from OLG. In addition to the gain on sale of assets, OLG will recognize its share of gaming revenue over the duration of the COSA. OGWGLP is entitled to receive a share of the gaming revenue, as defined in the COSA, generated at the Casinos and Slot facilities it operates in the Gaming Bundle. The share of revenue owed to OGWGLP primarily reflects the fixed fee, a variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures. On the sale date, OLG derecognized all held for sale assets and liabilities – including property, plant and equipment – related to the sites in the West GTA Gaming Bundle. As part of the lease agreement, OGWGLP made an upfront lease payment of $60,900,000 for use of the land and building where Casino Brantford resides. OLG is obligated to pay OGWGLP the fair market value of the Brantford land and building at the lease expiry or termination date. The termination date is at the discretion of OGWGLP, which has the option to terminate the lease by providing six months' notice.

b) On May 7, 2018, the Corporation and the Ontario government executed a long-term funding arrangement for Ontario's horse racing industry. Starting April 1, 2019, the Corporation will directly fund the long-term agreement, which will provide the industry with up to $105,000,000 each year for 19 years. In addition, starting in fiscal 2018–19, the Corporation will contribute $3,000,000 annually as part of the three-year transitional funding support of purses and operating costs for grassroots and signature-level racetracks (Note 24.e).

c) On June 15, 2018, OLG entered into an agreement to purchase approximately 11,000 new lottery terminals and the related network and support services. The new lottery terminals, expected to be installed in fiscal 2019–20, will replace existing terminals located at retail locations throughout Ontario, enabling the sale and checking of lottery tickets. Upon signing the agreement, OLG is expected to incur approximately $61,400,000 in capital costs plus additional amounts for service fees. OLG has obtained approval from the OFA to borrow up to a maximum $85,700,000 for this capital project.

28. COMPARATIVE FIGURES

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

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