Consolidated Financial Statements of the

ONTARIO LOTTERY AND GAMING CORPORATION

for the years ended March 31, 2021 and 2020

ONTARIO LOTTERY AND GAMING CORPORATION

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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 judgements and estimates in accordance with International Financial Reporting Standards.

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

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

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

Duncan Hannay
President and Chief Executive Officer

Pinder Basi
Chief Financial Officer

June 22, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statements of financial position as at March 31, 2021 and March 31, 2020
- the consolidated statements of comprehensive income for the years ended March 31, 2021 and March 31, 2020
- the consolidated statements of changes in equity for the years ended March 31, 2021 and March 31, 2020
- the consolidated statements of cash flows for the years ended March 31, 2021 and March 31, 2020
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2021 and March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Other Information

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

- the information included in the Corporation's Management's Discussion and Analysis
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "OLG Annual Report 2020-21

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

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

We obtained the information included in Management's Discussion and Analysis and the "OLG Annual Report 2020-21", as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 22, 2021

Ontario Lottery and Gaming Corporation
Consolidated Statements of Financial Position
As at March 31, 2021 and 2020
(in millions of Canadian dollars)

	Notes		2021		2020
Assets					
Current assets					
Cash		$	443	$	160
Restricted cash	6		107		100
Trade and other receivables	7		97		61
Due from Service Providers	15		43		45
Prepaid expenses			17		14
Inventories	8		33		37
Total current assets			740		417
Non-current assets					
Restricted cash	6		35		35
Property, plant and equipment	9		816		805
Right-of-use assets	10		245		271
Finance lease receivable	10		154		-
Other asset	10		49		-
Total non-current assets			1,299		1,111
Total assets		**$**	**2,039**	**$**	**1,528**
Liabilities and Equity					
Current liabilities					
Trade and other payables	11	$	336	$	317
Provisions	12		43		35
Due to operator and Service Providers	15		75		103
Due to the Government of Canada	17		18		30
Current portion of contract liabilities	18		45		45
Current portion of lease liabilities	10		18		14
Current portion of long-term debt	19		12		11
Total current liabilities			547		555
Non-current liabilities					
Contract liabilities	18		181		182
Lease liabilities	10		405		271
Long-term debt	19		51		21
Employee benefits	24		12		13
Total non-current liabilities			649		487
Total liabilities			1,196		1,042
Equity					
Retained earnings			746		389
Contributed surplus			62		62
Reserves	6		35		35
Total equity			843		486
Total liabilities and equity		**$**	**2,039**	**$**	**1,528**

Commitments (Note 15 and 25)
Contingencies (Note 26)
Subsequent events (Note 3.a)

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

Approved on behalf of the Board

Gail Beggs

Gail Beggs, Vice-Chair and Acting Chair

L O'Neill

Lori O'Neill, Director

Ontario Lottery and Gaming Corporation
Consolidated Statements of Comprehensive Income
For the years ended March 31, 2021 and 2020
(in millions of Canadian dollars)

	Notes	2021	2020
Proceeds from Lottery and Gaming		$ 4,801	$ 8,289
Less: Lottery prizes		(2,464)	(2,313)
Less: Service Provider fees		(153)	(1,704)
Gaming revenue		2,184	4,272
Lease revenue	10	54	72
Non-gaming site revenue		-	42
Revenue	18	2,238	4,386
Expenses (income)			
Commissions and fees	20	736	398
Stakeholder payments	21	493	825
Personnel		222	371
Marketing and promotion		103	159
Amortization	9,10	80	85
Systems maintenance		64	71
General operating, administration and other	22	58	64
Ticket printing, distribution and testing		58	55
Facilities		46	38
Regulatory fees		12	13
Win contribution	16	2	256
Food, beverage and other purchases		-	29
Finance costs	13	13	15
Finance income	13	(6)	(11)
Gains on disposal of property, plant and equipment, net		-	(29)
		1,881	2,339
Net income and comprehensive income		$ 357	$ 2,047

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

Ontario Lottery and Gaming Corporation
Consolidated Statements of Changes in Equity
For the years ended March 31, 2021 and 2020
(in millions of Canadian dollars)

	Retained earnings	Contributed surplus	Capital renewals reserves	Operating reserves	Severance reserves	Total
Balance at March 31, 2019	$ 645	$ 62	$ 10	$ 58	$ 48	$ 823
Net income and comprehensive income	2,047	-	-	-	-	2,047
Contributions or distributions						
Transfers to (from) reserves	81	-	(5)	(28)	(48)	-
Payments to the Province of Ontario	(2,384)	-	-	-	-	(2,384)
Balance at March 31, 2020	$ 389	$ 62	$ 5	$ 30	$ -	$ 486
Net income and comprehensive income	357	-	-	-	-	357
Balance at March 31, 2021	$ 746	$ 62	$ 5	$ 30	$ -	$ 843

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

Ontario Lottery and Gaming Corporation
Consolidated Statements of Cash Flows
For the years ended March 31, 2021 and 2020
(in millions of Canadian dollars)

	Notes	2021	2020
Cash flows from operating activities			
Net income and comprehensive income		$ 357	$ 2,047
Adjustments to reconcile profit for the period to net cash from operating activities:			
Amortization of property, plant and equipment and right-of-use assets	9,10	80	85
Gains on disposal of property, plant and equipment, net		-	(29)
Net finance costs	13	7	4
Other long-term employee benefits	24.c	(1)	(1)
Other	10	4	-
Operating cash flows before change in non-cash working capital		447	2,106
Changes in non-cash working capital and current restricted cash:			
(Increase) in current restricted cash		(7)	(28)
(Increase) decrease in trade and other receivables		(33)	82
(Increase) in other assets		(49)	-
Decrease (increase) in due from Service Providers		3	(26)
(Increase) decrease in prepaid expenses		(3)	14
Decrease (increase) in inventories		4	(6)
Increase in trade and other payables		24	-
Increase in provisions		8	14
(Decrease) in due to operator and Service Providers		(28)	(186)
(Decrease) in due to the Government of Canada		(12)	(14)
(Decrease) increase in contract liabilities		(1)	170
Net cash from operating activities		353	2,126
Cash flows (used in) from investing activities			
Interest received		3	11
Capital expenditures		(78)	(53)
Change in net assets held for sale		-	51
Proceeds from disposal of property, plant and equipment and assets held for sale		-	88
Decrease in non-current restricted cash		-	81
Net cash (used in) from investing activities		(75)	178
Cash flows from (used in) financing activities			
Interest paid		(11)	(14)
Proceeds from long-term debt		100	10
Repayments of long-term debt		(70)	(10)
Payment of lease liabilities		(14)	(14)
Payments to the Province of Ontario		-	(2,384)
Net cash from (used in) financing activities		5	(2,412)
Increase (decrease) in cash		283	(108)
Cash, beginning of year		160	268
Cash, end of year		$ 443	$ 160
Supplemental disclosure relating to non-cash investing activities:			
Acquisition of property, plant and equipment not yet paid for		$ 7	$ 11

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

1. Reporting entity

Ontario Lottery and Gaming Corporation (OLG or the Corporation) was established without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation is classified as an Operational Enterprise Agency of the Ontario government and is responsible for conducting and managing;

- Lottery games,
- Charitable Gaming (cGaming),
- Digital Gaming, and
- Land-based Gaming.

The Corporation is also directly funding and helping to support the horse racing industry in Ontario (Note 25.d).

As at March 31, 2021, the Corporation has an operating agreement with Caesars Entertainment Windsor Limited (CEWL) for the operation of Caesars Windsor. The Corporation consolidates the financial position and results of Caesars Windsor but not those of the casino's operating entity. Until June 11, 2019, the Corporation had an operating agreement with Falls Management Group L.P. for the operation of Casino Niagara and Fallsview. Upon termination of the operating agreement, the new agreement between the Corporation and the Niagara Service Provider (Note 2) became effective. The Corporation consolidated the financial results of Casino Niagara and Fallsview until June 11, 2019, which was the period up until which the Corporation controlled their respective operations.

As detailed in Note 2, the Corporation entered into Casino Operating and Services Agreements (COSAs) with certain Land-based Gaming service providers and Charitable Gaming Centre Service Providers Agreements (CGCSPAs) with cGaming service providers (individually, and collectively, the 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 and CGCSPAs, the Corporation recognizes its share of gaming revenue generated at the Land-based Gaming sites and cGaming Centres operated by Service Providers in the same period the revenue is earned when the games are played. In addition to the long-term gaming revenue share arrangements, when OLG sites transition to Service Providers, OLG recognizes any applicable gains associated with the sale or derecognition of assets.

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 22, 2021.

(in millions of Canadian dollars)

2. Modernizing Gaming in Ontario

a. Land-based Gaming

As part of its modernization, the Corporation bundled all slots at racetracks and casino operations, with the exception of Caesars Windsor, into eight geographically based gaming bundles. The bundles, which were comprised of tangible assets, working capital and the right to operate and build, were transferred to private sector service providers (each, a Land-based Gaming Service Provider) following a successful procurement process. OLG continues to conduct and manage Land-based Gaming sites in the bundles while the Service Providers assume control of the day-to-day operations

The chart below outlines the OLG gaming bundles:

OLG Gaming Bundle	Sites	Service Provider	COSA Effective Date	Operating Agreement Term Expiration
East	Thousand Islands Kawartha Downs Belleville Peterborough	Ontario Gaming East Limited Partnership (OGELP)	January 11, 2016	March 31, 2040
Southwest	Point Edward London Clinton Chatham Hanover Woodstock Sarnia	Gateway Casinos & Entertainment Limited (Gateway)	May 9, 2017	March 31, 2037
North	Sault Ste. Marie Thunder Bay Sudbury North Bay (New Build*) Kenora (New Build*)	Gateway	May 30, 2017	March 31, 2037
Ottawa	Rideau	HR Ottawa L.P. (Hard Rock)	September 12, 2017	March 31, 2037
Greater Toronto Area	Woodbine Ajax Great Blue Heron Pickering (New Build*)	Ontario Gaming GTA Limited Partnership (OGGLP)	January 23, 2018	January 22, 2039
West Greater Toronto Area	Brantford Flamboro Mohawk Grand River	Ontario Gaming West GTA Limited Partnership (OGWGLP)	May 1, 2018	March 31, 2038
Central	Innisfil Rama Wasaga Beach (New Build*)	Gateway	July 18, 2018	July 31, 2041
Niagara	Casino Niagara Fallsview	MGE Niagara Entertainment Inc. (MGE)	June 11, 2019	March 31, 2040

* Not yet constructed, in process of construction or not yet opened to the public as of March 31, 2021.

2. Modernizing Gaming in Ontario (continued)

b. Charitable Gaming

In fiscal 2019-20, the Corporation transitioned 31 service provider-operated cGaming Centres to a new financial model under CGCSPAs which are set to expire on March 31, 2030. Two new cGaming Centres opened in fiscal 2019-20, and an additional four new cGaming Centres opened in fiscal 2020-21. These centres are also operated by cGaming Service Providers.

As at March 31, 2021, OLG conducts and manages 37 cGaming Centres across Ontario

3. Basis of preparation

a. Temporary business interruption

The COVID-19 pandemic introduced new challenges for Ontario which have significantly impacted the Corporation's operations and financial performance in fiscal 2020-21. The duration and impact of the COVID-19 pandemic is unknown at this time.

The COVID-19 pandemic has impacted the Corporation's cash flows, financial position and results of operations. The dynamic nature of the COVID-19 pandemic causes significant uncertainty regarding the duration, impact and magnitude of the temporary closures of certain OLG operations, and the recovery upon re-opening.

The Corporation's exposure to credit risk has increased as a result of the COVID-19 pandemic. The Corporation recognized expected credit losses related to amounts owed from Land-based Gaming Service Providers (Note 23.c).

The closure of gaming facilities, as noted below, also affected the Corporation's cash flow. The Corporation continues to manage its liquidity risk through cost and vendor management, reprioritization of certain initiatives and by forecasting and assessing cash flow requirements on an ongoing basis (see Note 19 for the Ontario Financing Authority (OFA) Loan Agreement).

Land-based Gaming

The Corporation, the operator of Caesars Windsor and the Land-based Gaming Service Providers temporarily closed all gaming facilities effective March 16, 2020.

In September 2020, certain gaming facilities across the Province began reopening at significantly reduced occupancy levels consistent with provincial guidelines and public health restrictions. Closures were once again mandated by various Public Health units for certain areas of the Province in October and November, with all sites in the Province closing again by December 2020. While some gaming facilities opened again subsequent to December 2020 closures, all Land-based Gaming sites were closed by April 3, 2021.

During the temporary closures, the Corporation agreed to continue paying the fixed fee and permitted capital payments as required by the respective COSAs and temporarily suspend the fixed threshold requirements in the respective COSAs which are minimum amounts of revenue to be shared with the Corporation.

3. Basis of preparation (continued)

a. Temporary business interruption (continued)

During fiscal 2020-21, the Corporation and the Land-based Gaming Service Providers have agreed to establish an interim compensation model that is intended to compensate the Land-based Gaming Service Providers for their services during the COVID-19 pandemic and through a period of pandemic recovery. The interim compensation model includes the fixed fee and permitted capital payments as required by the respective COSAs and a variable component fee based on a fixed percentage of gaming revenue, subject to certain requirements. The interim compensation model continues for approximately 36 months plus re-closure periods (if applicable), or earlier if gaming revenues exceed agreed performance targets that reflect pre-pandemic revenue levels. Upon termination of the interim compensation model, the historical COSA compensation models applicable to each gaming bundle will apply.

Charitable Gaming

On March 17, 2020, the cGaming Service Providers, with the Corporation's support, suspended the operations of all cGaming Centres across Ontario.

In July 2020, cGaming Centres across the Province began reopening at significantly reduced occupancy levels consistent with provincial guidelines and public health restrictions. Closures were once again mandated by various Public Health units for certain areas of the Province with all sites in the Province closing by December 2020. While some cGaming Centres opened again subsequent to the December 2020 closures, all cGaming Centres were closed by April 3, 2021.

Lottery

Lottery was impacted in late March 2020 when the government declared all non-essential workplaces to close. By mid-April, more than 2,000 of the approximately 9,800 retailers had temporarily withdrawn from offering lottery ticket sales, however, by September 2020 most retailers resumed sales.

b. Statement of compliance

These Consolidated Financial Statements include the accounts of the Corporation, the Resort Casinos (Caesars Windsor and in fiscal 2019-20, Casino Niagara and Fallsview until June 11, 2019), the wholly owned subsidiary, Ontario Gaming Assets Corporation (OGAC), and have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

c. Basis of measurement

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

d. 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.

3. Basis of preparation (continued)

e. Use of estimates and judgments

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

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

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

- Revenue (Note 4.b)
- Leases (Note 4.h)
- Consolidation (Note 4.a)

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

- Property, plant and equipment – impairment, useful lives and residual values (Notes 4.f and 4.g)
- Provisions (Note 12)
- Lease liabilities, right-of-use assets and finance lease receivable (Note 10)
- Contract liabilities (Note 18)
- Valuation of financial instruments including credit risk for expected credit losses (Note 23)
- Employee benefits (Note 24)
- Contingencies (Note 26)

f. Adoption of new accounting standards

Accounting standards, interpretations and amendments effective for accounting years beginning on April 1, 2020 did not materially affect the Corporation's Consolidated Financial Statements.

4. Significant accounting policies

The following accounting policies have been applied consistently by the Corporation in the Consolidated Financial Statements as at and for the years ended March 31, 2021 and March 31, 2020.

a. Basis of consolidation

The Consolidated Financial Statements include the accounts of the Corporation, OGAC and the Resort Casinos (Caesars Windsor and in fiscal 2019-20, Casino Niagara and Fallsview until June 11, 2019). The Corporation consolidates the results of operations prior to the transition of the gaming sites to Service Providers (Note 2). The Corporation does not control any of the Land-based Gaming or cGaming Service Providers (Note 2) and therefore does not consolidate their respective financial position and results. In accordance with agreements entered into with Land-based Gaming and cGaming Service Providers, the Corporation recognizes its share of revenue as disclosed in Note 4.b. 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. Revenue recognition

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

4. Significant accounting policies (continued)

b. Revenue recognition (continued)

Revenue from Administered Games under IFRS 15 is recognized as follows:

- Revenue from lottery tickets for which results are determined based on a draw and the Corporation can definitively determine its return, is recognized when the related draw occurs net of awarded prizes. These tickets are sold to customers either by contracted lottery retailers or on OLG.ca (formerly PlayOLG).

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

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

- Prior to transitioning cGaming Service Providers pursuant to the CGCSPAs, revenue from certain cGaming products that were administered games was recognized net of the predetermined prize structure once the period of play had ended.

Revenue from other transactions made in exchange for a defined good or service under IFRS 15 is recognized as follows:

Subsequent to transitioning cGaming Service Providers pursuant to the CGCSPAs, OLG recognizes its share of the proceeds generated at the site and is recognized in the same period the games are played. OLG's share of revenue is determined after the deduction of Service Providers' fees, primarily comprising a variable fee (calculated as a percentage of gaming revenue).

4. Significant accounting policies (continued)

b. Revenue recognition (continued)

Gaming revenue, pursuant to the COSAs, from sites operated by Land-based Gaming Service Providers:

- During fiscal 2020-21 when gaming facilities were open, OLG's share of the proceeds generated at the facility was recognized in the same period the games were played. OLG's share of revenue was determined after the deduction of Service Providers' fees, primarily comprising a fixed fee, a variable fee (calculated as a percentage of gaming revenue) and an amount for the permitted capital expenditures, as defined.

- During the temporary closures in fiscal 2019-20 and 2020-21, nil gaming revenue was recognized. The Corporation continued to pay certain Service Providers' fees which were expensed within Commissions and fees in the Consolidated Statements of Comprehensive Income (Note 20.b). The nature of the Service Providers' fees paid during the temporary closures represented fees in exchange for services received and did not relate to gaming revenue.

- During fiscal 2019-20 when gaming facilities were open, gaming revenue included OLG's share of the proceeds generated at the facility and was recognized in the same period the games were played. OLG's share of revenue was determined after the deduction of Service Providers' fees, primarily comprising a fixed fee, a variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures, as defined.

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

The Corporation leases certain properties to Land-based Gaming Service Providers and third parties in exchange for fixed and variable payments, as applicable, pursuant to lease agreements, including property tax and operating cost reimbursements under certain leases. In addition to these fixed and variable payments, an adjustment is made for certain leases in accordance with IFRS 15 to reallocate gaming revenue to lease revenue with the objective of recognizing a fair market value lease payment. No adjustment was recognized in fiscal 2020-21 for this reallocation because no gaming revenue was generated at the respective lease properties due to the site closures.

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

4. Significant accounting policies (continued)

b. Revenue recognition (continued)

Revenue earned from Wagering Transactions under IFRS 9 is recognized as follows:

Revenue earned from Wagering Transactions where the outcome is based on a future event, includes revenue from certain lottery and digital game offerings, certain charitable gaming products prior to transitioning cGaming Service Providers pursuant to the CGCSPAs (after transition, all cGaming revenue is recognized as part of the revenue share arrangement disclosed above) and slot and table game operations operated by its Resort Casino operators. Gaming revenue from Wagering Transactions represents the difference between amounts earned through gaming wagers less the payouts from those wagers, net of any changes in accrued jackpot liabilities and liabilities under customer loyalty incentive programs. For Wagering Transactions, revenue is recognized in the same period the game is played or when the related draw occurs.

(i) Customer loyalty incentive programs

The Corporation has customer loyalty incentive programs provided by Resort Casinos operated by an operator which includes Caesars Windsor and in fiscal 2019–20, Casino Niagara and Fallsview until June 11, 2019. The Corporation's customer loyalty incentive programs continue after the sites transition to Land-based Gaming Service Providers, pursuant to the COSA, until the transition to their own loyalty incentive program occurs which is settled through the service provider fee.

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

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

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

4. Significant accounting policies (continued)

b. Revenue recognition (continued)

(ii) Complimentary goods and services

Complimentary goods and services are provided by Resort Casinos operated by an operator which includes Caesars Windsor and in fiscal 2019-20, Casino Niagara and Fallsview until June 11, 2019.

The Corporation may provide lodging, transportation, food and beverage, entertainment and other goods and services to customers at no charge, at sites operated or owned by OLG.

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

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

c. Restricted cash

Cash is restricted for the purposes of funding reserves and includes prize funds on deposit, horse racing program funds, unused proceeds received from term loans and funds held on behalf of Digital Gaming patrons.

d. 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.

e. Financial instruments

(i) Non-derivative financial assets recognition

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

The Corporation initially recognizes trade receivables on the date that they originated. All other financial assets are recognized initially on the trade date on which the Corporation becomes a party to the contractual provisions of the instrument.

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

4. Significant accounting policies (continued)

e. Financial instruments (continued)

(ii) Non-derivative financial asset measurement

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

(iii) Financial liabilities recognition

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

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

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

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

(iv) Financial liabilities measurement

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

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

4. Significant accounting policies (continued)

e. Financial instruments (continued)

(v) Offsetting

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

f. Property, plant and equipment

(i) Recognition and measurement

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

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

Cost includes an expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent costs

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

(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.

4. Significant accounting policies (continued)

f. Property, plant and equipment (continued)

(iii) Amortization (continued)

The estimated useful lives are as follows:

Asset	Rate
Buildings	10 to 50 years
Furniture, fixtures and equipment	3 to 10 years
Leasehold improvements	Lesser of useful life or term of lease
Lottery gaming assets	5 to 7 years
Land-based Gaming assets	5 to 10 years

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

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

g. Impairment

(i) Financial assets

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

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

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

For receivables Due from Service Providers and finance lease receivable, the Corporation uses historic actual credit losses adjusted for forecasts of future conditions.

4. Significant accounting policies (continued)

g. Impairment (continued)

(i) Financial assets (continued)

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

(ii) Non-financial assets

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

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

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

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.

h. Leases

(i) As a lessee

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognizing a right-of-use asset and a lease liability at the commencement date except for:

- leases of low value assets (based on the value of the underlying asset when new); and
- short-term leases with a lease term of 12 months or less.

4. Significant accounting policies (continued)

h. Leases (continued)

The right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease or initial direct costs incurred.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, initially using the index or rate as at the commencement date, lease payments in extension periods if the Corporation is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

For contracts that both convey a right to the Corporation to use an identified asset and require services to be provided to the Corporation by the lessor, the Corporation has elected to account for the entire contract as a lease.

Right-of-use assets are subsequently measured at cost less any accumulated amortization and impairment losses and adjusted for certain remeasurements of the lease liability.

Lease liabilities are subsequently measured at amortized cost and are remeasured when there is a change in future lease payments arising from a change in an index or rate or if there is a change in assessment of whether it will exercise an extension or termination option.

(ii) As a lessor

The Corporation determines at lease inception whether a lease is a finance lease or an operating lease based on whether the lease substantially transfers all of the risks and rewards incidental to owning the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Corporation is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Corporation recognizes lease payments received under operating leases as income on a straight-line basis over the term of the lease as Lease revenue in the Consolidated Statements of Comprehensive Income.

The Corporation recognizes assets held under a finance lease presented as a finance lease receivable at an amount equal to the net investment in the lease. Finance lease receivables are initially measured at the present value of the lease payments receivable by the Corporation. Lease payments received are apportioned between a reduction in the finance lease receivable and finance income over the lease term.

i. 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.

4. Significant accounting policies (continued)

i. Provisions (continued)

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as Finance costs.

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

j. 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 administered by the Ontario Pension Board. 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 accounts for these post-employment benefits as a defined contribution plan and does not record additional liability for the plan deficit.

(iii) Other long-term employee benefits

The Corporation’s net obligation with respect to long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any related assets is deducted.

(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.

4. Significant accounting policies (continued)

j. Employee benefits (continued)

(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.

k. Finance income and Finance costs

Finance income primarily consists of interest income on funds held in bank accounts, interest income on finance lease receivable and net foreign currency transaction gains. Interest income is recognized as it accrues in the Consolidated Statements of Comprehensive Income using the effective interest method.

Finance costs consist of interest expense on borrowings, unwinding of the discount on provisions and interest on lease liabilities.

l. 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.

m. Consolidated Statements of Comprehensive Income presentation

Proceeds from Lottery and Gaming represents sales from Lottery products before the deduction of Lottery prizes, net win from casino-style games purchased on OLG.ca (formerly PlayOLG), and net win from cGaming and Land-based Gaming before the deduction of Service Provider fees.

Service Provider fees for cGaming after the transition to the new financial model, primarily comprise a variable fee (calculated as a percentage of gaming revenue) and other fees paid or payable to, or on behalf of Service Providers.

Service Provider fees for Land-based Gaming, comprise fixed fees, variable fees (calculated as a percentage of gaming revenue based on set revenue thresholds under the original COSA or calculated as a percentage of gaming revenue during the period of the interim compensation model), an amount for permitted capital expenditures and other fees paid or payable to, or on behalf of Service Providers. Also included in Service Provider fees are other adjustments in order to recognize OLG's share of revenue in accordance with IFRS 15, which primarily comprise:

- Reclassification of amounts to lease revenue, to reflect fair value consideration to the lease component of the arrangement (Note 4.b), and
- Recognition of amounts related to advanced consideration received from certain bundles (Note 18.b)

4. Significant accounting policies (continued)

m. Consolidated Statements of Comprehensive Income presentation (continued)

Service provider fees for cGaming and Land-based Gaming paid or payable during the temporary closures were expensed within Commissions and fees in the Consolidated Statements of Comprehensive Income (Note 20.b)

n. Accounting standards issued but not yet effective

A number of new amendments to standards take effect in future fiscal reporting periods. Earlier application is permitted; however, the Corporation has not early adopted the amended standards in preparing these Consolidated Financial Statements.

Amendments to IAS 1, *Presentation of Financial Statements* (effective for annual reporting periods beginning on or after January 1, 2023)

- The amendments to IAS 1 clarify the presentation of liabilities in the statement of financial position. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement or if management intends or expects to settle the liability within 12 months. The Corporation does not expect the amendments to have a material impact on the Consolidated Financial Statements

Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets (effective for annual reporting periods beginning on or after January 1, 2022)

- The amendments to IAS 37 clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts. The Corporation does not expect the amendments to have a material impact on the Consolidated Financial Statements.

5. Capital risk management

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

The Corporation is required to finance certain capital expenditures with debt obtained from the 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 growth of its operations and to provide returns to the Province of Ontario.

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

(in millions of Canadian dollars)

6. Restricted cash

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

	2021	2020
Current		
Prize funds on deposit (a)	$ 89	$ 73
Other (b)	18	27
	$ 107	$ 100
Non-current		
Reserves (c)	$ 35	$ 35
Restricted cash	$ 142	$ 135

a. Prize funds on deposit of $89 million (2020 – $73 million) are funds set aside for the estimated gross prizes outstanding of $124 million (2020 – $110 million) less an estimate for prizes not expected to be claimed by customers of $35 million (2020 – $37 million).

b. Other restricted cash represents OFA loan proceeds inclusive of interest earned and received, funds held on behalf of Digital Gaming patrons and funds held in trust on behalf of the Ontario horse racing industry not yet distributed.

c. The reserves balances relate solely to Casino Rama which continue to be held in accordance with the former operating agreement, to fund non-insured legal costs arising from claims relating to the period prior to the expiry of the former operating agreement. The Corporation maintains an obligation for potential certain non-insured legal costs, pursuant to the new agreements with the Service Provider.

7. Trade and other receivables

	2021	2020
Trade receivables	$ 84	$ 54
Other receivables	13	7
Trade and other receivables	$ 97	$ 61

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

8. Inventories

	2021	2020
Lottery paper	$ 27	$ 33
Other	6	4
Inventories	$ 33	$ 37

Inventory costs included in expenses for the year ended March 31, 2021 were $59 million (March 31, 2020 – $70 million).

(in millions of Canadian dollars)

9. Property, plant and equipment

Cost

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based Gaming assets	Construction in progress and assets not yet in use	Total
Balance at April 1, 2019	$ 130	$ 1,784	$ 346	$ 25	$ 107	$ 92	$ 22	$ 2,506
Additions and assets put into use	-	6	11	-	-	7	37	61
Disposals and retirements	-	(2)	(35)	(1)	-	(7)	(1)	(46)
Balance at March 31, 2020	$ 130	$ 1,788	$ 322	$ 24	$ 107	$ 92	$ 58	$ 2,521
Balance at April 1, 2020	$ 130	$ 1,788	$ 322	$ 24	$ 107	$ 92	$ 58	$ 2,521
Additions and assets put into use	-	13	23	1	60	1	(25)	73
Disposals and retirements	-	(1)	-	-	-	-	-	(1)
Balance at March 31, 2021	$ 130	$ 1,800	$ 345	$ 25	$ 167	$ 93	$ 33	$ 2,593

Ontario Lottery and Gaming Corporation
Notes to the Consolidated Financial Statements
For the years ended March 31, 2021 and 2020
(in millions of Canadian dollars)

9. Property, plant and equipment (continued)

Accumulated amortization and accumulated impairment losses

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based Gaming assets	Construction in progress and assets not yet in use	Total
Balance at April 1, 2019	$ 41	$ 1,162	$ 304	$ 18	$ 93	$ 74	$ -	$ 1,692
Amortization for the period	-	29	19	2	9	8	-	67
Disposal and retirements	-	-	(34)	(1)	-	(8)	-	(43)
Balance at March 31, 2020	$ 41	$ 1,191	$ 289	$ 19	$ 102	$ 74	$ -	$ 1,716
Balance at April 1, 2020	$ 41	$ 1,191	$ 289	$ 19	$ 102	$ 74	$ -	$ 1,716
Amortization for the period	-	28	17	1	8	7	-	61
Balance at March 31, 2021	$ 41	$ 1,219	$ 306	$ 20	$ 110	$ 81	$ -	$ 1,777

Carrying amounts

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based Gaming assets	Construction in progress and assets not yet in use	Total
Balance at March 31, 2020	$ 89	$ 597	$ 33	$ 5	$ 5	$ 18	$ 58	$ 805
Balance at March 31, 2021	$ 89	$ 581	$ 39	$ 5	$ 57	$ 12	$ 33	$ 816

(in millions of Canadian dollars)

10. Leases

a. As a lessee

The Corporation leases land and property under long-term leases.

Leases of office facilities, prize centre retail space and warehouses are typically fixed for periods of five to 10 years, and some have extension options exercisable by the Corporation for an additional one to five years after the end of the non-cancellable period. Extension options are included in the terms of the leases when the Corporation can reasonably expect to exercise that option. The lease payments comprise fixed and variable payments over the term of the lease.

Casino complex, land and entertainment centre leases are typically fixed for periods of 20 to 30 years, and some have extension options exercisable by the Corporation for an additional five to 15 years after the end of the non-cancellable period. The lease payments comprise fixed and variable payments over the term of the lease.

During fiscal 2020-21, the Corporation subleased the entertainment centre lease to a Land-based Gaming Service Provider and derecognized the right-of-use asset and recognized a finance lease receivable.

i) Right-of-use assets

Cost

	Property	Equipment	Total
Balance at April 1, 2019	$ 349	$ 25	$ 374
Additions	2	-	2
Modifications	4	-	4
Disposals	(48)	(25)	(73)
Balance at March 31, 2020	$ 307	$ -	$ 307
Balance at April 1, 2020	$ 307	$ -	$ 307
Additions	165	-	165
Modifications	3	-	3
Disposals	(181)	-	(181)
Balance at March 31, 2021	$ 294	$ -	$ 294

Accumulated amortization

	Property	Equipment	Total
Balance at April 1, 2019	$ 52	$ 25	$ 77
Amortization for the year	18	-	18
Disposals	(34)	(25)	(59)
Balance at March 31, 2020	$ 36	$ -	$ 36
Balance at April 1, 2020	$ 36	$ -	$ 36
Amortization for the year	19	-	19
Disposals	(6)	-	(6)
Balance at March 31, 2021	$ 49	$ -	$ 49

(in millions of Canadian dollars)

10. Leases (continued)

a. As a lessee (continued)

i) Right-of-use assets (continued)

Carrying amount

	Property	Equipment	Total
Balance at March 31, 2020	$ 271	$ -	$ 271
Balance at March 31, 2021	$ 245	$ -	$ 245

ii) Lease liabilities

	2021	2020
Balance at April 1	$ 285	$ 322
Additions	165	2
Interest expense	13	10
Variable lease payment adjustments	4	4
Derecognized	(12)	(28)
Interest payments	(13)	(10)
Principal payments	(19)	(15)
Balance at March 31	$ 423	$ 285
Current	$ 18	$ 14
Non-current	405	271
	$ 423	$ 285

The following table sets out a maturity analysis of contractual lease payments showing the undiscounted contractual lease payments to be made after the reporting date.

As at March 31	
2022	$ 30
2023	31
2024	31
2025	30
2026	30
Thereafter	401
Total undiscounted lease liabilities	$ 553
Less: Imputed interest on leases	130
Total discounted lease	$ 423

(in millions of Canadian dollars)

10. Leases (continued)

a. As a lessee (continued)

iii) Amounts recognized in profit and loss

		2021		2020
Amortization on right-of-use assets	$	19	$	18
Interest on lease liabilities		13		10
Variable lease payments not included in the measurement of lease liabilities		7		5
Expenses relating to leases of low-value assets		2		1

iv) Amounts recognized in the Consolidated Statements of Cash Flows

		2021		2020
Total cash outflow for leases	$	34	$	32

b. As a lessor

Lease income from the lease contracts in which the Corporation acts as a lessor are as follows:

		2021		2020
Finance lease				
Finance income on the finance lease receivable	$	2	$	-
Operating lease				
Lease revenue from fixed lease payments	$	41	$	35
Lease revenue from variable lease payments		13		37
Total operating lease revenue	$	54	$	72

i) Operating leases

The Corporation leases or subleases casino complex properties and land in long-term lease arrangements to Land-based Gaming Service Providers as operating leases. The subleases are typically fixed for periods of 19 to 23 years with extension options available to the Corporation subject to certain terms and conditions. The lease payments typically comprise fixed and variable payments over the term.

For a certain land and building lease, a Land-based Gaming Service Provider prepaid $61 million for use of the land and building. The Land-based Gaming Service Provider has the option to terminate the lease agreement at any time and upon termination, the Corporation is required to pay the Land-based Gaming Service Provider the then fair value of the land and building. The prepayment represents a portion of deferred lease revenue (Note 18.b) and an estimate of the fair value of the Corporation's obligation related to the put option held by the Land-based Gaming Service Provider (Note 15.b).

For leases where rent payments have been deferred in the year ended March 31, 2021 to future periods, the Corporation recognized the deferrals as an Other asset $49 million (2020 - nil) in the Consolidated Statements of Financial Position.

(in millions of Canadian dollars)

10. Leases (continued)

b. As a lessor (continued)

i) Operating leases (continued)

The following table sets out a maturity analysis of contractual lease payments under operating leases, showing the undiscounted contractual lease payments to be received after the reporting date.

As at March 31		
2022	$	20
2023		40
2024		40
2025		40
2026		40
Thereafter		637
	$	817

ii) Finance lease

The Corporation subleases a parking lot and an entertainment centre in long-term lease arrangements to Land-based Gaming Service Providers as finance leases. The subleases are typically for periods of 20 years with fixed and variable payments over the term of the lease.

The following table sets out a maturity analysis of contractual lease payments under finance leases, showing the undiscounted contractual lease payments to be received after the reporting date.

As at March 31		
2022	$	10
2023		10
2024		10
2025		10
2026		10
Thereafter		156
Total undiscounted lease payments receivable	$	206
Unearned finance income		(42)
Finance lease receivable, Gross	$	164
Less: expected credit losses		4
Finance lease receivable	$	160
Current finance lease receivable (presented within other receivables)		6
Non-current finance lease receivable		154

The Corporation's exposure to credit risks and impairment losses related to finance lease receivable is disclosed in Note 23.

(in millions of Canadian dollars)

11. Trade and other payables

	2021	2020
Trade payables and accruals	$ 104	$ 86
Prizes payable	89	73
Short-term employee benefits	37	38
Gaming liability	60	61
Commissions payable	4	26
Customer deposits	13	7
Other payables and accruals	29	26
Trade and other payables	$ 336	$ 317

Prizes payable are unclaimed and estimated lottery prizes.

Short-term employee benefits include salaries payable, incentive accruals, long-term service awards to be paid within the next 12 months, vacation pay accrual, termination benefits and other short-term employee-related liabilities.

Gaming liability includes progressive jackpots, customer loyalty incentive points and other gaming-related payables. Progressive jackpots, which are offered at gaming facilities operated by a Service Provider or, an operator, are measured based on the anticipated payout of the progressive jackpots. 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 municipalities and First Nations that host a Land-based Gaming facility or a cGaming Centre.

Customer deposits includes funds held on behalf of Digital Gaming and Caesars Windsor patrons.

Other payables and accruals include accrued win contribution, corporate marketing, and other miscellaneous amounts.

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

12. Provisions

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

	Legal claims	Other provisions	Total
Balance at April 1, 2020	$ 12	$ 23	$ 35
Increases and additional provisions	9	-	9
Amounts reversed	(1)	-	(1)
Balance at March 31, 2021	$ 20	$ 23	$ 43

Legal claims

The ultimate outcome of legal proceedings (including actual cost of settlement and awards) depends on several factors and may vary significantly from original estimates. Legal matters that have not been recognized as provisions (including where the outcome cannot be assessed at this time) as the outcome is not probable or the amount cannot be reliably estimated, are disclosed as contingent liabilities, unless the likelihood of the outcome is remote (Note 26).

(in millions of Canadian dollars)

12. Provisions (continued)

Other provisions

Other provisions primarily include provisions for decommissioning obligations and Harmonized Sales Tax (HST).

The decommissioning provision is associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The balance at March 31, 2021 is $2 million (2020 - $2 million).

The HST provision relates to refunds received in previous fiscal years in the amount of $18 million (2020 - $18 million which is under review with the Canada Revenue Agency (CRA).

13. Finance income and Finance costs

		2021		**2020**
Interest income on financial assets measured at amortized cost	$	4	$	6
Foreign exchange gain, net		-		5
Finance income on finance lease receivable (Note 10)		2		-
Finance income	$	6	$	11
Interest expense for non-derivative financial liabilities:				
Interest on bank overdraft and loans	$	-	$	1
Interest on lease liabilities (Note 10)		13		10
Other interest expense		-		4
Finance costs	$	13	$	15

14. Related parties

The Corporation is related to various other government agencies, ministries and Crown corporations. Related party transactions include an office facility lease with Ontario Infrastructure and Lands Corporation (Note 10), loan agreements with the OFA (Note 19), post-employment benefit plans with the Ontario Pension Board (Note 24.b) and other long-term employee benefits with the Workplace Safety and Insurance Board (Note 24.c).

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

(in millions of Canadian dollars)

14. Related parties (continued)

Transactions with key management personnel

Key management personnel compensation

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

Key management personnel compensation includes:

		2021		2020
Short-term employee benefits	$	4	$	5
Termination benefits		-		2
	$	4	$	7

15. Due to / from operator and Service Providers

Due from Service Providers

		2021		2020
Due from Land-based Gaming Service Providers (b)	$	45	$	47
Due from cGaming Service Providers		1		1
Less: expected credit losses		(3)		(3)
Due from Service Providers	$	43	$	45

The Corporation's exposure to credit risks and impairment losses related to due from Service Providers is disclosed in Note 23.

Due to operator and Service Providers

		2021		2020
Due to operator (a)	$	15	$	17
Due to Land-based Gaming Service Providers (b)		60		86
Due to operator and Service Providers	$	75	$	103

a. Due to operator

Caesars Windsor

Under the terms of the operating agreement for Caesars Windsor, the 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 agreement.

15. Due to / from operators and Service Providers (continued)

a. Due to operator (continued)

During fiscal 2019-20, the Corporation and CEWL entered into an Additional Services and Extension Agreement (ASEA) which extends the term of the operating agreement relating to Caesars Windsor. The Extension Term, as defined, commenced on August 1, 2020 and expires on August 1, 2023, with certain options for the Corporation to further extend the term for up to one year ending on August 1, 2024. Pursuant to the terms of the ASEA, the operator is entitled primarily to the current Operator's Fee as defined in the operating agreement, an Extension Payment of $4 million per year (on a per diem basis) and a Fixed Operator Fee, as defined, in lieu of the current Operator's Fee in the last six months of the ASEA. Pursuant to the ASEA, the requirement to maintain the severance reserve was no longer required and therefore was collapsed during fiscal 2019-20 and funds were paid to the Province of Ontario.

At Caesars Windsor, the operator's subsidiary is the employer of the employees working at that facility. 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 / from Land-based Gaming Service Providers

Under the terms of the COSAs, each Service Provider is entitled to receive a share of the gaming proceeds, generated at the facility it operates. During the temporary closures in fiscal 2019-20 and 2020-21, gaming proceeds were nil however the Corporation continued paying the fixed fee and permitted capital payments as required by the respective COSAs (Note 3). Accrued service provider payments were included in the due to Service Provider.

When gaming sites are open, the amount due to Land-based Gaming Service Providers represents the Service Provider’s accrued share of gaming revenue primarily comprising a fixed fee, a variable fee and an amount for permitted capital expenditures. Also included is an amount due to the West GTA Gaming Bundle Service Provider in the event the Service Provider terminates a lease agreement early or at expiry (Note 10.b).

Due to the calculation method and the timing of settlement, certain gaming bundles may be in a receivable position at the end of the fiscal year. Certain amounts receivable from the Land-based Gaming Service Providers are subject to interest. Where amounts receivable from Land-based Gaming Service Providers cannot be settled on a net basis or OLG does not intend to settle in this manner, these amounts have been presented separately from those that are Due to Service Providers.

There were no amounts outstanding in which the Corporation intended to net settle as at March 31, 2021. As at March 31, 2020, the Corporation intended to net settle an amount due from a Land-based Gaming Service Provider. Accordingly, this balance of $27 million due from a Land-based Gaming Service Provider was presented net of amounts payable to the same Service Provider.

c. Due from cGaming Service Providers

Under the terms of the CGCSPAs, each cGaming Service Provider is entitled to receive a share of the gaming proceeds, generated at the facility it operates. The amount due from cGaming Service Providers represents the Corporation's accrued share of gaming revenue.

16. Win contribution

The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue generated at the respective sites, as defined, from Caesars Windsor, Casino Rama, Casino Niagara, Fallsview Casino and the Great Blue Heron Casino in accordance with the *Ontario Lottery and Gaming Corporation Act, 1999*, which amounted to $2 million for fiscal 2020–21 (fiscal 2019–20 – $256 million). The Corporation retains the responsibility to remit the contribution once a site is operated by a Land-based Gaming Service Provider.

17. Due to Government of Canada

As at March 31, 2021, the amount Due to the Government of Canada was $18 million (March 31, 2020 – $30 million). The recognition of this obligation requires management to make certain estimates regarding the nature, timing and amounts associated with the Due to the Government of Canada liability.

a. Payments on behalf of the Province of Ontario

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

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

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

The net tax attributable to non-gaming activities is calculated in the same way as it is for any other GST/HST registrant in Canada. The non-recoverable GST/HST payable to suppliers and the additional imputed tax payable to the Government of Canada on gaming-related expenses were recognized as payments to the Government of Canada, which is recorded in stakeholder payments in the Consolidated Statements of Comprehensive Income (Note 21).

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

(in millions of Canadian dollars)

18. Revenue

a. Disaggregation of revenue

The Corporation's revenue disaggregated by line of business is as follows:

2021	Lottery	Land-based Gaming	Digital Gaming	cGaming	Total
Proceeds from Lottery and Gaming	$ 4,234	$ 116	$ 356	$ 95	$ 4,801
Less: Lottery prizes	(2,403)	-	(61)	-	(2,464)
Less: Service Provider fees	-	(85)	-	(68)	(153)
Gaming revenue	1,831	31	295	27	2,184
Lease revenue	-	54	-	-	54
Non-gaming site revenue	-	-	-	-	-
Revenue	$ 1,831	$ 85	$ 295	$ 27	$ 2,238
Revenue from Administered Games / other transactions in exchange for a defined good or service					1,827
Revenue from Wagered Games					411
Revenue					$ 2,238

2020	Lottery	Land-based Gaming	Digital Gaming	cGaming	Total
Proceeds from Lottery and Gaming	$ 4,078	$ 3,871	$ 139	$ 201	$ 8,289
Less: Lottery prizes	(2,298)	-	(15)	-	(2,313)
Less: Service Provider fees	-	(1,599)	-	(105)	(1,704)
Gaming revenue	1,780	2,272	124	96	4,272
Lease revenue	-	72	-	-	72
Non-gaming site revenue	-	42	-	-	42
Revenue	$ 1,780	$ 2,386	$ 124	$ 96	$ 4,386
Revenue from Administered Games / other transactions in exchange for a defined good or service					3,671
Revenue from Wagered Games					715
Revenue					$ 4,386

(in millions of Canadian dollars)

18. Revenue (continued)

b. Contract liabilities

		2021		2020
Gaming Bundle contract liabilities (i)	$	193	$	194
Deferred lease revenue (ii)		20		21
Deferred lottery gaming revenue		5		5
Expected prize payout		4		5
Other		4		2
		226		227
Less: current portion		(45)		(45)
Contract liabilities	$	181	$	182

(i) Niagara and GTA Gaming Bundle contract liabilities

These liabilities represent consideration received in advance from the Niagara and GTA Gaming Bundle Service Providers related to OLG's future share of gaming revenue. No revenue from these contract liabilities are recognized during the temporary closures.

(ii) Deferred lease revenue

Deferred lease revenue represents an amount prepaid from the West GTA Gaming Bundle Service Provider for the use of land and building where the casino in Brantford resides (Note 10.a). The deferred lease revenue is recognized as lease revenue over the term of the lease.

19. Long-term debt

		2021		2020
Gaming Management System loan (a)	$	10	$	17
Lottery Terminals loan (b)		53		12
Player Platform loan		-		3
		63		32
Less: current portion		(12)		(11)
Long-term debt	$	51	$	21

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. Gaming Management System loan

The Gaming Management System loan, which commenced in fiscal 2017–18, is repayable over five years in average semi-annual payments of $4 million. The loan bears interest and fees of 2.65 per cent per annum and is unsecured. The loan is due September 30, 2022.

(in millions of Canadian dollars)

19. Long-term debt (continued)

b. Lottery Terminals loan

In February 2018, the Corporation entered into a loan agreement with the OFA, to borrow an amount up to $86 million to finance the replacement and expansion of the Corporation's lottery terminal network and the Corporation's implementation of an enhanced communications network. During fiscal 2020–21, the Corporation drew $40 million bringing the total cumulative loan balance to $52 million inclusive of interest. Facility one is repayable, inclusive of interest accrued, at the earlier of the project completion date or April 30, 2021 with Facility two. Facility one bears interest and fees of an average 0.96 per cent per annum and is unsecured. Facility two is repayable over five years in average semi-annual payments of $6 million. Facility two bears interest and fees of 1.641 per cent per annum and is unsecured.

c. OFA Loan Agreement

On May 6, 2020, as a result of the temporary closure of gaming facilities (Note 3.a), the Corporation entered into a loan agreement with the OFA to borrow an amount up to $300 million for the purpose of providing the Corporation with short-term financing for operating and working capital expenses. The loan agreement is comprised of two facilities. During fiscal 2020-21, under facility one, the Corporation had been advanced $60 million and on February 18, 2021, the Corporation fully repaid the facility one balance. At March 31, 2021, the loan facility one balance was nil and the remaining available credit facility is $240 million.

d. Payments over the next five years and thereafter

Principal payments related to long-term debt that are expected to be made over the next five years and thereafter are approximated as follows:

As at March 31		Principal payments
2022	$	12
2023		13
2024		10
2025		11
2026		11
Thereafter		6
	$	63

20. Commissions and fees

		2021		**2020**
Lottery retailer commissions (a)	$	331	$	300
Service provider fees (b)		334		18
Operator fees (c)		65		69
Other (d)		6		11
Commissions and fees	$	736	$	398

a. Lottery

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

(in millions of Canadian dollars)

20. Commissions and fees (continued)

b. Service Provider fees

Service Provider fees consist of fees paid to Land-based Gaming Service Providers and cGaming Service Providers during the period the gaming facilities and Charitable Gaming Centres were closed. The nature of the Service Provider fees paid during the temporary closures represented fees in exchange for services received and did not relate to gaming revenue.

c. Operator fees

Operator fees also include fees paid to Resort Casino operators (Caesars Windsor, and prior to the transition to Land-based Gaming Service Providers, Casino Niagara and Fallsview), cGaming Service Providers (prior to the effective date of the CGCSPA) and to digital service providers.

d. Other

These primarily comprise fees paid to third parties related to PlaySmart centres.

21. Stakeholder payments

	Notes		2021		2020
Payments to the Government of Canada	17	$	191	$	355
Gaming Revenue Sharing Payment to OFNLP	25.c		149		152
Municipal commissions (a)			9		141
Horse Racing Funding	25.d		118		120
Other (b)			26		57
Stakeholder payments		$	493	$	825

a. Municipal commissions

Municipalities that host a Land-based Gaming facility receive a percentage of Electronic Games Revenue and Live Table Games Revenue as defined in the Municipality Contribution Agreements. The Mississaugas of Scugog Island First Nation (MSIFN), as the host community of the Great Blue Heron Casino, receives a percentage of Electronic Games Revenue and Live Table Games Revenue as defined in the Contribution Agreement. OLG continues to pay the obligations within these agreements after the sites transition to Land-based Gaming Service Providers.

Municipalities that host Charitable Gaming Centres receive a commission based on a percentage of Adjusted Net Gaming Win, as defined in the Charitable Gaming Centre Municipality Agreements. OLG continues to pay the obligations within these agreements after the sites transition to the new cGaming financial model.

b. Other

Other Stakeholder payments include those made to charity and non-for-profit groups and the MSIFN Revenue Share Payment as defined in the Revenue Share Agreement. OLG continues to make these payment obligations after the sites transition to Land-based Gaming Service Providers or the new cGaming financial model.

22. General operating, administration and other

		2021		2020
General and administration (a)	$	61	$	77
ATM fees		-		(6)
Miscellaneous income		(3)		(7)
General operating, administration and other	$	58	$	64

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.

23. Financial risk management and financial instruments

a. Overview

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

b. Risk management framework

The Corporation has a formal Enterprise Risk Management Program, which conforms to the Ontario Management Board of Cabinet Risk Management requirements and guidelines. This program supports the Corporation in the identification, assessment and management of risks that could threaten the achievement of financial and non-financial objectives.

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

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

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

23. Financial risk management and financial instruments (continued)

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, Due from Service Providers and Finance lease receivable.

Trade and other receivables

Trade and other receivables primarily include credit provided to retailers of lottery products. Trade and other receivables are due for settlement no more than 30 days from the date of recognition. The Corporation performs initial credit or similar evaluations and maintains reserves for potential credit losses on accounts receivable balances. The receivables from lottery retailers are short term in nature and are collected by bank account sweeps, making the likelihood of credit loss very low. The carrying amount of these financial assets represents the maximum credit exposure

The amounts disclosed in the Consolidated Statements of Financial Position for Trade and other receivables are net of expected credit losses, which consist of a specific provision that relates to individually significant exposures, estimated by management based an assessment of the current economic environment and past experience. The Corporation establishes expected credit losses that represent its estimate of potential credit losses. Historically, the Corporation has not experienced any significant losses in Trade and other receivables.

As at March 31, 2021 and March 31, 2020, the Corporation had a negligible provision for expected credit losses. The Corporation believes that its provision for expected credit losses is sufficient to reflect the related credit risk.

Due from Service Providers

The amount due from Service Providers represents unsettled Land-based Gaming and cGaming Service Provider fees.

Amounts due from Land-based Gaming Service Providers relate primarily to the calculation and the timing of settlement of Service Provider fees. Amounts due from Land-based Gaming Service Providers and cGaming Service Providers are expected to be settled, within 120 days after year-end. However as a result of COVID-19, certain payments were deferred over longer periods. Historically, the Corporation has not experienced any losses from amounts due from Service Providers. Pursuant to the COSAs, each Land-based Gaming Service Provider has provided the Corporation with a letter of credit. The amount of each letter of credit is in excess of the amounts due to the Corporation at March 31, 2021.

As at March 31, 2021, the gross amount due from Service Providers was $46 million (March 31, 2020 - $48 million) primarily due from two Land-based Gaming Service Providers which represents 97 per cent (March 31, 2020 - 95 per cent) of the gross amount due from Service Providers. As discussed in Note 3.a, the Corporation’s Land-based Gaming and cGaming operations were closed for the majority of fiscal 2020-21. The Corporation is monitoring the economic environment and is taking actions to limit this exposure.

(in millions of Canadian dollars)

23. Financial risk management and financial instruments (continued)

c. Credit risk (continued)

As at March 31, 2021, the Corporation had a provision for expected credit losses of $3 million (March 31, 2020 – $3 million). The Corporation believes that the provision for expected credit losses is sufficient to reflect the related credit risk.

Finance lease receivable

The Finance lease receivable represents the payments to be received over the term of the leases.

As at March 31, 2021, the gross Finance lease receivable was $164 million due from two Land-based Gaming Service Providers. To date, the Corporation has not experienced any losses from payments due under finance lease receivable.

As at March 31, 2021, the Corporation had a provision for expected credit losses of $4 million (March 31, 2020 - nil). The Corporation believes that the provision for expected credit losses is sufficient to reflect the related credit risk.

The gross Due from Service Providers and Finance lease receivable represents the Corporation's maximum exposure to credit risk from Land-based Gaming and cGaming Service Providers.

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 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.

As discussed in Note 3.a, the Corporation’s Land-based Gaming and cGaming operations were closed for the majority of fiscal 2020-21 and this had a negative impact on the Corporation's revenue and cash flows. The Corporation continues to manage its liquidity through cost and vendor management and by forecasting and assessing cash flow requirements on an ongoing basis.

In addition, the Corporation has a remaining available credit facility of $240 million (Note 19).

The undiscounted contractual maturities of financial liabilities are as follows:

2021	**Carrying amount**	**Contractual cash flows**	**<1 year**	**1 - 2 years**	**3 - 5 years**	**> 5 years**
Trade and other payables	$ 336	$ 336	$ 336	$ -	$ -	$ -
Due to operator and Service Providers	75	75	75	-	-	-
Due to Government of Canada	18	18	18	-	-	-
Long-term debt	63	68	13	15	34	6
Lease liabilities	423	553	30	31	91	401
	$ 915	$ 1,050	$ 472	$ 46	$ 125	$ 407

(in millions of Canadian dollars)

23. Financial risk management and financial instruments (continued)

d. Liquidity risk (continued)

2020	Carrying amount	Contractual cash flows	<1 year	1 - 2 years	3 - 5 years	> 5 years
Trade and other payables	$ 317	$ 317	$ 317	$ -	$ -	$ -
Due to operator and Service Providers	103	103	103	-	-	-
Due to Government of Canada	30	30	30	-	-	-
Long-term debt	32	34	12	10	12	-
Lease liabilities	285	384	23	23	70	268
	$ 767	$ 868	$ 485	$ 33	$ 82	$ 268

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 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 long-term debt.

At March 31, 2021, long-term debt consists of two loan agreements with the OFA. Each loan advance is subject to the interest rate at the time of advancement which is fixed during the borrowing period. The loan agreements have fixed interest rates for their entire terms of the repayment periods.

At March 31, 2021, the Corporation had cash of $443 million (March 31, 2020 – $160 million). 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) Other market price risk

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

- setting odds for each event within a short time frame before the actual event
- establishing liability thresholds by sport
- retail policies capping the amount of daily wagers by a customer or group of customers
- posting conditions and prize structure statements on OLG.ca
- limiting the aggregate amount of prizing that may be won for all sports-based products
- suppressing sales of any game at any time when liability risk is a concern.

23. Financial risk management and financial instruments (continued)

f. Fair values measurement

The carrying values of Cash and Restricted cash, and Trade and other receivables approximate fair value because of the short-term nature of these financial instruments. The carrying values of Due from Service Providers and Finance lease receivable also approximate their fair values based on the recognition of an expected credit loss allowance. The carrying amounts of Trade and other payables, Due to operator and Service Providers and Due to the Government of Canada approximate fair values because of the short-term nature of these financial instruments or because they are payable on demand.

The fair value of the Corporation’s long-term debt is not determinable given its related-party nature, and there is no observable market for the Corporation’s long-term debt. Lease liabilities are carried at amortized cost using the effective interest method which approximates fair value.

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

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

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

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

The lease arrangement for the Brantford property (Note 10.b) requires the Corporation on expiry or termination of the lease to buy back the property of the then fair market value. Valuing this option requires level 3 (valuation techniques using non-observable data) inputs for the year ended March 31, 2021.

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

24. Employee benefits

a. Defined contribution plans

The operators of the Resort Casinos (Caesars Windsor and prior to their transition to Land-based Gaming Service Providers, Casino Niagara and Fallsview) have or had created defined contribution pension plans for their employees. The pension expense for the Resort Casinos' defined contribution plans for fiscal 2020–21 amounted to $2 million (fiscal 2019–20 – $10 million).

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. Contribution rates are set by the *Public Service Pension Act*, whereby the Corporation matches all regular contributions made by the member. 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 2020–21 was $11 million (fiscal 2019–20 – $11 million).

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, 2021 was $14 million (March 31, 2020 – $15 million), of which $12 million (March 31, 2020 – $13 million) was included in non-current employee benefits liability and $2 million (March 31, 2020 – $2 million) was included in Trade and other payables (Note 11). The accrued benefit costs are based on actuarial assumptions.

The operators of the Resort Casinos are Schedule 1 employers under the Act and are not subject to the financial reporting requirements of self-insured employers. Falls Management Group L.P., as operator of Casino Niagara and Fallsview, was also Schedule 1 employers under the Act until June 11, 2019.

(in millions of Canadian dollars)

25. Commitments

	HST on lease commitments (a)	Suppliers (b)	Total
2022	$ 9	$ 78	$ 87
2023	16	9	25
2024	15	9	24
2025	8	7	15
2026	7	6	13
	55	109	164
Thereafter	84	97	181
	$ 139	$ 206	$ 345

a. HST on lease commitments

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

b. Suppliers

The Corporation has computer hardware maintenance, utility service, gaming, ticket printing and asset acquisition agreements with future payments as at March 31, 2021. The future payments are approximated as summarized above.

c. Ontario First Nations (2008) Limited Partnership

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation, the Ontario First Nations Limited Partnership and Ontario First Nations (2008) Limited Partnership entered into the Gaming Revenue Sharing and Financial Agreement (GRSFA). Pursuant to the terms of the GRSFA and an Order-in-Council, the Corporation was directed to pay the Ontario First Nations (2008) Limited Partnership (OFNLP), commencing in fiscal 2011–12 and in each fiscal year thereafter for the remaining 20-year term of the agreement, twelve monthly payments aggregating to an amount equal to 1.7 per cent of the prior fiscal year’s Gross Revenues of the Corporation, as defined in accordance with the GRSFA (Gaming Revenue Sharing Payment to OFNLP). Pursuant to the GRSFA, during fiscal 2020–21, $149 million was expensed (fiscal 2019–20 – $152 million) as Monthly Revenue Share Payments to OFNLP.

25. Commitments (continued)

d. Horse Racing Funding Agreement

On April 1, 2019, the Corporation began directly funding the Ontario horse racing industry pursuant to the terms and conditions of a new Amended and Restated Funding Agreement for Live Horse Racing, which provides the industry with up to approximately $117 million per year for up to 19 years. In addition, the Corporation is committed to contribute $3 million annually as part of the three-year transitional funding support of purses and operating costs for grassroots and signature-level racetracks. To aid in pandemic recovery, the three-year transition funding was amended to continue to the end of the first term of the agreement, fiscal 2025-26.

The Corporation also provides the Ontario horse racing industry with advice and support in areas including responsible gambling, marketing and performance management.

During fiscal 2020-21, the Amended and Restated Funding Agreement for Live Horse Racing was amended due to the COVID-19 pandemic which caused the suspension of live horse racing in Ontario. The amendment allowed for scheduled funding to be reallocated during the temporary closures to cover certain costs to care and train racehorses.

26. Contingencies

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business including related to the interpretation of its contracts. The Corporation believes that the outcome of these outstanding claims and contingencies will not have a material impact on its Consolidated Statements of Comprehensive Income or the possibility of an outflow of resources is not determinable. Estimates, where appropriate, have been included in the Consolidated Statements of Financial Position (Note 12); however, additional settlements, if any, concerning these contingencies will be accounted for as a charge in the Consolidated Statements of Comprehensive Income in the period in which the settlement occurs.