2019–20 ANNUAL REPORT

ONTARIO LOTTERY AND GAMING CORPORATION

This page intentionally left blank

TABLE OF CONTENTS

MESSAGE FROM THE CHAIR OF THE BOARD

I was honoured to take the helm as Chair of Ontario Lottery and Gaming Corporation (OLG) in December 2019 after serving as a board member for seven months. During this time, it has been a privilege to work alongside the Board of Directors to guide the responsible growth of the lottery and gaming business of OLG. Together with the President and CEO, we are optimizing the performance of one of the largest sources of non-tax revenue for the Province of Ontario and contributing to the economy.

In the past fiscal year, the Corporation generated $2.3 billion in Net Profit to the Province (NPP) — revenue for important provincial priorities, such as health care and education, all for the benefit of the people of Ontario. OLG's return to the province would have been higher without the occurrence of COVID-19 which required the closure of all provincial casinos in March 2020.

OLG will continue to evolve its business model to keep pace with customer demand in an increasingly competitive marketplace. Through strong corporate governance, our board will oversee a high-performing and accountable crown agency that manages risks and opportunities proactively.

In the closing weeks of this fiscal year, OLG faced a significant operational challenge as a result of the COVID-19 pandemic. OLG took decisive action to shut casinos and make other modifications to the business to help stop the spread of the virus, consistent with provincial emergency measures. In so doing, we were proud to make the health and safety of employees and customers a priority at a critical time.

During the pandemic period, OLG was able to optimize its remaining revenue streams, relying on the resilience of the lottery retail business and the appeal of its digital offering. Through active planning, OLG will be ready to resume casino operations aligned with the reopening of the economy.

Looking forward, we will capitalize on the recovery period, and aggressively seek new opportunities to grow returns to the province and create value within our provincially approved mandate.

The board would like to thank all OLG employees for their hard work and commitment to advancing the important work of this organization. With the dedication of our employees, we will continue our proud tradition of giving back to the people and the Province of Ontario.

The board looks forward to guiding the senior management team as it delivers on value for the province and continues to position OLG for ongoing success.

Peter M. Deeb
Chair

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

In this fiscal year, OLG completed its modernization plan for Land-based Gaming — one of the largest public-private partnerships in Canada — while meeting performance targets for the Lottery business and digital offering.

OLG was on track to meet its overall fiscal targets when the COVID-19 outbreak occurred in the last two weeks of the fiscal year. The coronavirus outbreak affected revenue through the first two weeks of March before provincial emergency measures were introduced. Even with a near month of compromised operations, proceeds from Lottery and Gaming were virtually the same as the full 12-month total of the prior year.

The Corporation ended the year with $2.3 billion in Net Profit to the Province, making it again one of the largest sources of non-tax revenue for Ontario.

In Land-based Gaming, we moved our eighth gaming bundle into the hands of the private sector with the transition of the Niagara casinos to a new service provider.

Under the direction of OLG, the service providers continued to generate new jobs and private investment in communities across the province. Two new facilities opened in southwestern Ontario; construction neared completion on major projects in Niagara Falls and Pickering; shovels were put in the ground in North Bay; and renovations moved forward in other locations throughout Ontario.

Throughout fiscal 2019–20, the Lottery business continued to grow in the national and regional Lotto product categories. In January 2020, OLG saw a record one-week sales total when the LOTTO MAX jackpot reached $70 million for the first time ever. We also made progress on a refresh of our lottery terminal network that will see approximately 10,000 new terminals rolled out to retail locations in fiscal 2020–21.

In this fiscal year, we also grew our digital business, and we expect our new platform to be launched next year to accelerate that growth plan. During the pandemic period, we saw an increase of Lottery sales online, as well as notable increases in customer registrations and average active daily players, finishing the fiscal year $30 million favourable to budget. In this growth period, we also saw an increase in the usage of online Responsible Gambling tools — time and budget limits — that promote healthy play for our customers.

OLG and its industry partners implemented two historic agreements in this fiscal year. OLG implemented a long-term funding agreement that will provide nearly two decades of stable funding to the horse racing industry. OLG also introduced a new business model for the charitable gaming sector that will mean more revenue for additional charities.

As our business continues to evolve, social responsibility and responsible gambling will remain cornerstone values for OLG and keys to our future success. We will continue to advance our industry-leading *PlaySmart* program that supports customers in making informed choices and positive play. It also provides assistance to adult Ontarians dealing with their own or a loved one’s problem gambling.

Employee engagement is critical to social responsibility and business performance. I am immensely proud of how our employees have come together to support one another during these unprecedented times. Despite the rapid change to their working environment and the challenges that presents, our employees have worked diligently to ensure OLG is making the best contribution possible to the province. We know that our employees' professionalism and dedication are critical to OLG as we reopen operations, in step with provincial direction.

As an organization, we are proud of what we have accomplished this past fiscal year and the obstacles we have overcome. In the year ahead, together with our employees, we will build on a solid business model and continue to preserve and grow value for the benefit of the people of Ontario.

Stephen Rigby
President and Chief Executive Officer

OVERVIEW

The vision of the Ontario Lottery and Gaming Corporation (OLG or the Corporation) is to develop world-class gaming entertainment for Ontario. We provide gaming entertainment in a socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and host communities.

OLG conducts and manages Land-based Gaming, Digital Gaming (i.e., PlayOLG), Charitable Gaming and the sale of national, regional and INSTANT lottery games in the Province of Ontario. We are also helping to build a more sustainable horse racing industry in the province.

OLG's operations are organized under four lines of business.

Lottery – OLG operates 21 terminal-based lottery and sports games and offers 89 INSTANT lottery products through nearly 9,800 independent retailers across the province.

Land-based Gaming – At the end of the fiscal year, OLG was responsible for conducting and managing gaming at 27 Land-based Gaming facilities.

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

Charitable Gaming – At the end of the fiscal year, OLG was responsible for conducting and managing 33 Charitable Gaming Centres operated by service providers across Ontario. In addition to the classic paper-based play, these sites offer a variety of bingo and break open ticket games in electronic formats.

The Ontario Lottery and Gaming Corporation Act, 1999 requires that net revenue from OLG's operations be paid into the Government of Ontario's Consolidated Revenue Fund.

OLG is one of the largest contributors of non-tax revenue to the Province of Ontario. The Government of Ontario uses the revenue it receives from OLG to invest in priority programs to benefit all Ontarians.

In the closing weeks of fiscal 2019–20, OLG's operations and its contribution to the province were negatively impacted by the COVID-19 pandemic. Casinos in Ontario closed, many lottery retailers suspended ticket sales, and major league sports events were cancelled, effectively shutting down the Sports lottery business.

These events and the actions OLG took to mitigate their effects on operations are presented in this report.

Despite unprecedented challenges, OLG maintained its position as a top revenue generator for the province in fiscal 2019–20 by maximizing the performance of the business and managing costs.

OLG will continue to take guidance from public health authorities, while it maintains efforts to stabilize revenue for the province and readies the casino business for the reopening of the economy.

OLG'S BENEFIT TO THE PROVINCE OF ONTARIO[1]

Since 1975, OLG has generated approximately $55 billion for the people and Province of Ontario. OLG's annual payments to the province have helped support provincial priorities including the operation of hospitals; problem gambling prevention and treatment; amateur sport; and local and provincial charities, among other initiatives. In addition to OLG's payments to the province, there are several direct beneficiaries of Lottery and Gaming proceeds, including host communities, Ontario First Nations, lottery retailers and Ontario's horse racing industry.

ECONOMIC ACTIVITY GENERATED BY OLG IN ONTARIO: $5.3 billion

OLG operations contribute to the economy in many ways. In the 2019–20 fiscal year, OLG and its Land-based Gaming service providers contributed approximately $5.3 billion in economic activity in the Province of Ontario.

NET PROFIT TO THE PROVINCE[2]: $2.3 billion

These funds are directed by the Government of Ontario to provincial priorities. Since the start of OLG's modernization, this amount has grown by more than 22 per cent, from $1.9 billion in fiscal 2011–12 to $2.3 billion in fiscal 2019–20. Among Government Business Enterprises, OLG continues to be one of the largest sources of non-tax revenue for the Province of Ontario.

SUPPORT FOR ONTARIO'S ECONOMY: $2.9 billion

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

- **$965 million** for the employment of approximately 16,800 people. This includes $594 million[3] for employees at Land-based Gaming sites operated by service providers
- **$300 million** in commissions paid to lottery retailers across the province
- **$161 million** in payments to municipalities and Ontario First Nations that host Land-based Gaming facilities and Charitable Gaming Centres
- **$152 million** in payments to Ontario First Nations through the Gaming Revenue Sharing and Financial Agreement
- **$120 million** in direct funding to Ontario's horse racing industry through the Amended and Restated Funding Agreement for Live Horse Racing
- **$1.2 billion** in goods and services purchased from Ontario businesses to support Land-based Gaming facilities across the province. This includes approximately $1.1 billion[3] for Land-based Gaming sites operated by service providers.

CORPORATE RESPONSIBILITY: $66 million

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

- **$13 million** directed by OLG to its Responsible Gambling program, including *PlaySmart* Centres, education and technology, program delivery, staff training, and self-exclusion including capital costs for facial recognition systems
- **$51 million** in Charitable Gaming proceeds distributed to participating local charities
- **$2 million** in corporate sponsorships including festivals and events.

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

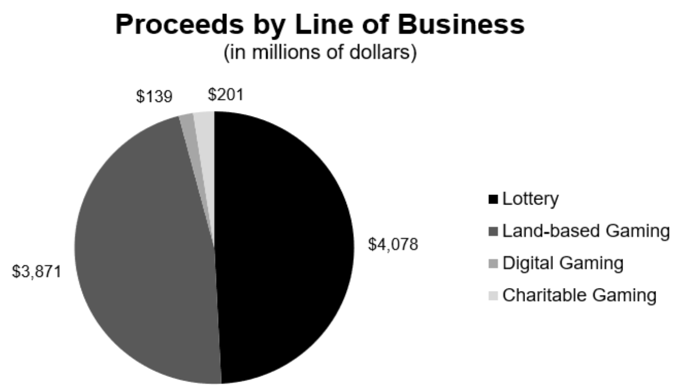
[1]Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
[2]Net Profit to the Province is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments.
[3]Includes information as reported by Land-based Gaming service providers. These amounts are not included in the Corporation's Consolidated Financial Statements.

FINANCIAL HIGHLIGHTS[1]

In fiscal 2019–20, OLG's Lottery, Land-based Gaming, Digital Gaming and Charitable Gaming, lines of business collectively generated $8.3 billion in total proceeds, similar to last year despite the adverse impacts of the casino closures due to COVID-19.

Net Profit to the Province was $168 million less than prior year, primarily as a result of absorbing the new $120 million cost of funding the horse racing industry. Other factors that increased the cost burden on OLG included: increased stakeholder payments, necessary digital infrastructure investments for the future, and fewer one-time gains on the sale of assets with the completion of modernization.

This was further compounded by the revenue impact of COVID-19 which included the closure of 27 casinos on March 16, 2020, the temporary suspension of lottery sales by up to 1,700 retailers and the cessation of Proline sports wagering.



(in millions of dollars)

for the fiscal year ended March 31		2019–20		2018–19[2]
Proceeds				
Lottery	**$**	**4,078**	$	4,147
Land-based Gaming		**3,871**		3,857
Digital Gaming		**139**		112
Charitable Gaming		**201**		183
Total OLG Proceeds	**$**	**8,289**	$	8,299
Net Profit to the Province	**$**	**2,303**	$	2,471

Proceeds from Lottery and Gaming represents sales from Lottery products before the deduction of Lottery prizes, net win from casino-style games purchased on PlayOLG, and net win from Charitable Gaming and Land-based Gaming before the deduction of service provider fees.

Proceeds from Lottery and Gaming does not include revenue from non-gaming sources (e.g., food and beverage service, accommodations) or revenue from leases.

The Corporation considers proceeds to be a key measure of performance that is most reflective of its product offerings and its relationships with third parties.

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

[2]Starting in fiscal 2019–20, proceeds of Lotto products offered through PlayOLG are reported in Digital Gaming (previously reported in Lottery). The comparative period, fiscal 2018–19, has been adjusted similarly.

ONTARIO GAMING MARKET

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

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

OLG's proactive and responsible approach to growing Ontario's gaming marketplace starts by identifying new gaming entertainment opportunities, optimizing and managing their delivery structures and implementing strategies to achieve the desired results. This approach is complemented by cultivating and managing new relationships with Land-based Gaming service providers. Since fiscal 2015–16 the Ontario gaming market has experienced a compound annual growth rate of 3.1 per cent based on total proceeds.

DELIVERING ON OUR MANDATE

Ontario's first lottery launched in May 1975. Since then, OLG has been providing popular lottery and gaming entertainment, in a socially responsible manner that helps give back to the province, communities and people of Ontario. Through our operations, we are helping to make Ontario stronger by providing billions of dollars in revenue to Ontario to support government priorities. This is our mandate as a crown agency.

OLG has one shareholder, the Government of Ontario. OLG reports to the government through the Minister of Finance, who provides direction to OLG through its Board of Directors and sets specific priorities for the Corporation. Guided by these priorities, OLG establishes its own goals, objectives and strategic direction that ensure we deliver on our mandate and contribute to a stronger Ontario.

The minister provided the following direction that informed OLG's strategic planning for the 2019–20 fiscal year:

1. Modernize the gaming business, including the completion of the remaining Land-based Gaming bundle procurements, leading to viable transactions that will provide more choice and convenience for customers.
2. Continue to modernize the lottery business and related digital strategy to ensure that technology and product solutions are responsive to changing customer needs and to unlock opportunities to create greater value for Ontario within a framework of social responsibility.
3. Continue to work with charitable gaming sector stakeholders on the implementation of a new business model.
4. Continue to further integrate the horse racing industry into the province's gaming strategy.
5. Continue to develop customer-focused approaches while achieving continuous improvement in responsible gambling standards and social responsibility.

OUR STRATEGY

OLG must compete in a gaming marketplace that is constantly changing in response to global innovations and evolving customer demand.

OLG's Path Forward strategy puts the customer at the centre of everything we do, aligned to four main themes:

- **Strong and Responsible Growth** — OLG is creating long-term value for its customers and the province in a socially responsible manner. This includes growing the gaming market through new and expanded casino facilities, while maximizing gaming revenue, Net Profit to the Province, new jobs and capital invested in communities province-wide by service providers.
- **Digital Development** — OLG is developing new products and experiences that are available where and when customers want them. We are striving to deliver competitive and compelling digital gaming entertainment that fulfill customer preferences.
- **Know Our Customers** — OLG is focussed on understanding its customers' needs and identifying new opportunities to connect with them. Using data and analytics, we are investing in new technology to generate customer insights, enabling us to offer new games and product enhancements that better meet demand.
- **Culture of Performance** — Foundational to this work is a high-functioning organization with a highly engaged workforce. OLG is developing a new operating model and structure, and pursuing initiatives to nurture employee engagement and evolve our culture.

These themes define OLG's customer focus, informing the establishment of five strategic priorities for fiscal 2019–20.

OUR STRATEGIC PRIORITIES

1. Land-based Gaming

Driving strong responsible growth in Land-based Gaming is a strategic priority for OLG.

Our Land-based Gaming service providers are investing significant private sector capital, creating jobs and delivering economic benefits across Ontario. Since OLG began its modernization of Land-based Gaming, more than $1 billion of private sector capital has been invested in the province and approximately 400 new gaming jobs have been created. While a number of these jobs were impacted by casino closures, it is hoped that an economic recovery will repatriate and further grow employment as new and existing casinos open their doors.

Since fiscal 2016–17, new land-based casinos were built and opened in Belleville, Peterborough, Chatham and Sarnia, the last two having opened in fiscal 2019–20. A new casino is under construction in North Bay and is expected to open in fiscal 2020–21, depending on the reopening of the economy by the Government of Ontario.

In Niagara Falls, a new state-of-the-art entertainment centre is set to open in calendar 2020, pending provincial reopening protocols. The 5,000-seat Niagara Falls Entertainment Centre represents a private sector capital investment of more than $130 million. The new entertainment centre will accommodate larger concerts, shows and attractions and is expected to draw more visitors to the City of Niagara Falls and the Niagara casinos.

In the GTA, a new casino in Pickering will be ready to open in fiscal year 2020–21 as part of a development that provides for significant non-gaming investment. Also, the development at Woodbine is well underway.

The province’s responses to the COVID-19 pandemic had delayed the construction and opening dates of these new facilities. To date, the full impacts have yet to be determined.

OLG’s transformation of Land-based Gaming is nearing completion. On June 11, 2019, OLG transferred the assets and operations of the Niagara Gaming Bundle to MGE Niagara Entertainment Inc. The Niagara bundle was the eighth gaming bundle to transition to a service provider.

In January 2020, OLG announced its intention to bring the ninth and final gaming bundle, the Windsor Gaming Bundle that consists of the Windsor casino, into its modernization program. In order to facilitate the procurement process slated to begin in fiscal 2020–21, OLG and the current casino operator, Caesars Entertainment Windsor Limited, agreed to extend their existing contractual arrangement for three years, to August 1, 2023.

Beyond relationships with Land-based Gaming service providers, OLG continues to develop and strengthen several other successful partnerships that are benefiting communities across the province including with Ontario’s horse racing industry and charitable gaming sector.

OLG implemented new government policy direction through the Optional Slots at Racetracks Program. This program responds to the situation experienced by five eligible racetracks by retaining or returning slot facilities to the racetrack or by providing additional operational funding. Kawartha Downs, Ajax Downs, and Hiawatha Horse Park all elected to keep slots facilities, while Fort Erie Race Track and Dresden Raceway elected to receive enhanced financial support for their horse racing operations.

Horse Racing is an important part of our province's heritage and is vital to many rural communities in Ontario.

On April 1, 2019, a new funding agreement with the industry came into effect, providing stable financial support for racetracks and horsepeople over a 19-year period. Under the terms of the agreement, OLG is providing funding of up to $117 million per year to the industry. This is in addition to the commitment of $3 million annually as part of the three-year transitional funding to support purses and operating costs for grassroots and signature-level racetracks. In previous years, OLG's role was to administer the funds which were received as transfers from the province.

The agreement will allow the industry to manage its own affairs in the marketplace — to grow wagering and a quality horse supply — while ensuring the industry is accountable for the public funds it receives.

Between April and August 2019, OLG and the charitable gaming sector transitioned 31 existing Charitable Gaming Centres to a new business model. The new model is intended to improve the industry's product offering and support its long-term sustainability, while ensuring local charities continue to have a reliable and sustainable way to raise funds. Two more paper-based bingo halls converted to Charitable Gaming Centres in October 2019 and March 2020, respectively. At the end of the fiscal year, OLG conducted and managed 33 Charitable Gaming Centres in 27 municipalities across Ontario.

As of March 31, 2020, OLG's Charitable Bingo and Gaming Revitalization Initiative had provided in excess of $287 million to approximately 2,000 local charities and non-profit groups through 33 Charitable Gaming Centres since the program's inception in 2005.

Organizations benefiting from charitable gaming revenue are delivering critical services in their local communities and are improving life for thousands of people across the province.

OLG is committed to increasing charitable gaming revenue within a framework of responsible gambling and, through modernized products and services, to delivering a customer entertainment experience that is different from other forms of gaming.

2. Digital Implementation

A strong digital offering is critical to the next phase of OLG's growth.

OLG continues to advance the implementation of its digital foundation, working to establish a competitive offering with scalability for the future.

Working with Bede Gaming Canada Limited, OLG will introduce a new digital platform that will help meet the evolving needs of our customers. This platform will serve as an integration point for OLG's products and channels, allowing it to add new games and improve its online offering, enhance customer choice, and enable mobile responsiveness.

More specifically, this new platform will be the foundation from which OLG can offer personalized gaming entertainment through a competitive website and mobile applications, an expanded digital library including digital lottery products, integration with leading entertainment brands and additional customer services such as live player support. The options and customer-driven controls of *PlaySmart*, OLG's world-leading Responsible Gambling program, will also be built into the platform, which is expected to launch in fiscal 2020–21.

OLG entered into an agreement with Francaise des Jeux Gaming Solutions France (FDJ) to enhance and expand sports betting in both digital and retail channels. OLG has offered a successful sports betting product at retail locations for many years. It will build on that success by significantly expanding its sports betting offering and giving customers access to thousands of new events, including all major sports leagues and events. The new sports offering will include *PlaySmart* content for both digital and retail channels.

3. Customer Experience

OLG is implementing an enterprise-wide customer experience strategy for all gaming entertainment options regardless of channel — Lottery, Land-based, Charitable, or Digital Gaming. This includes introducing products and features that respond to evolving customer expectations for entertainment. It also includes enhancements to existing products based on demand.

OLG continues to work with IDEMIA Identity & Security France SAS to replace and upgrade its lottery retail terminals and network. The new terminals allow OLG to add more products and provide a better experience for customers, while delivering enhanced features for retailers. In February 2020, OLG began to rollout approximately 10,000 new lottery terminals and a state-of-the-art network. The rollout began after a successful pilot project at about 300 locations in fall 2019. By the end of March 2020, over 1,200 new Elite Terminals and Ticket Checkers had been installed.

Changes to LOTTO MAX, which took effect in May 2019, are giving customers the chance to win a larger jackpot and doubling their opportunities to win it by increasing the maximum jackpot prize from $60 million to $70 million and adding a second weekly draw, which means jackpots can grow more quickly. The LOTTO MAX jackpot first reached $70 million in January 2020, which resulted in record one-week lottery sales. That same month, the first winning $70 million jackpot ticket was sold in Ontario.

To meet the changing needs of customers, OLG is evolving its product portfolio and has created a multi-year product plan. This development roadmap provides a timeline for new products and experiences across retail, web and mobile channels to drive customer acquisition and revenue growth.

4. **Refine Organizational Operating Model and Culture**

   OLG employees and culture are foundational to the successful execution of OLG's strategy. In fiscal 2019–20, OLG continued work on a new organizational structure while supporting a culture of performance.

   In November 2019, OLG renamed its Human Resources division to 'People and Culture' to better reflect OLG's central focus on nurturing talent and culture as drivers of performance. OLG also launched a series of initiatives to foster employee engagement and evolve the company culture and management practices. This included redesigning our performance management system, developing measurable performance objectives linked to our strategic priorities and sharing more information with employees across the organization through roundtables, divisional leadership outreach programs and manager briefing calls in advance of notable internal and external announcements.

   In fiscal 2019–20, OLG continued to modernize its human resources functions. In June 2020, it introduced Workday, a new human capital management cloud-based application. Workday provides all employees with intuitive self-service technology and is accessible on any OLG browser and mobile device. People managers have access to extensive data and analytics on demand to help them make decisions, manage progress and take accountability.

   In its ongoing efforts to enable a high-performing organization, OLG created internal working groups to identify and address enterprise-wide issues that impacted employee engagement. As a result, significant improvements were noted in the findings of the recent employee engagement survey.

5. **Continuous Management Improvement**

   OLG is refining its comprehensive suite of tools (people, process, governance and technology) that support management's capability and capacity to meet its strategic objectives and commitments.

   In fiscal 2019–20, OLG began to implement a new Enterprise Resource Planning system which will enhance management's ability to interpret financial data and manage supply chain operations more effectively. Launch of the new system is scheduled for early calendar 2021.

   OLG continued to focus on expenditure management by advancing a range of new measures to monitor and contain costs and to improve their effectiveness. Fiscal responsibility remains paramount for the Corporation and we continue to further challenge ourselves to deliver even greater efficiencies and value for money.

   OLG also launched a new Strategic Business Review. Its focus is to identify operational improvements, optimize existing market activities and create new revenue growth strategies. Given the potential long-term impacts of COVID-19, the scope has been expanded to include an assessment of new customer behaviours and their effects on our business.

OLG's ongoing commitment to Responsible Gambling

Responsible Gambling (RG) is a core business priority and anchor of social responsibility for OLG.

Our RG efforts are helping to foster a healthy, sustainable player base through education, risk reduction and player assistance. That is what is behind *PlaySmart* — Ontario's most comprehensive gambling education and player support program. *PlaySmart* helps players increase their gambling knowledge, understand its risks, create positive play habits and know how to obtain help if they need it.

In 2019, OLG launched a three-year RG Plan to raise awareness of the *PlaySmart* brand and to help us embed RG into the gaming experience. The plan sets out key milestones to guide our RG efforts within our own organization and with those of service providers at both Land-based Gaming and charitable gaming sites.

Preventing and mitigating problem gambling is part of our mandate, and in order to stay on top of issues and find newer and better ways to address concerns, we collaborate extensively with government, communities and independent agencies, like the Centre for Addiction and Mental Health, Gambling Research Exchange Ontario, and the Responsible Gambling Council (RGC).

In both 2014 and 2018, the World Lottery Association (WLA), which recognizes excellence in responsible gambling, awarded OLG's RG program "Best Overall Responsible Gaming Program". OLG's *PlaySmart* program holds a Level 4 accreditation from the WLA — the highest level an organization can achieve.

The Responsible Gambling Council's RG Check is another internationally recognized standard for responsible gambling. Twenty-five slots and casinos facilities have held this designation, which is only available to those in operation for more than a year that meet stringent criteria in areas such as self-exclusion, informed decision-making and employee training. OLG's gaming website, PlayOLG, has also achieved the RG Check accreditation. PlayOLG has embedded RG tools which draw on Canadian and global best practices learned from consultations with a broad range of stakeholders, researchers and addiction specialists.

OLG continues to look for new ways to improve the *PlaySmart* program, strengthen relations with stakeholders and enhance the knowledge and experience of players.

ADDRESSING THE CHALLENGES OF THE COVID-19 PANDEMIC

Like most businesses around the globe, OLG and its industry partners were challenged by the unprecedented events in the final weeks of the 2019–20 fiscal year, resulting from the rapid onset of COVID-19 and the resulting pandemic. Following advice from public health authorities, OLG took quick action to help the Government of Ontario protect citizens and curb the spread of the virus.

On March 13, 2020, OLG asked all non-business-critical staff to work from home, a measure that significantly reduced the number of employees working each day at OLG corporate offices, distribution centres, the Toronto Prize Centre and in the field.

On March 16, 2020, all Ontario casinos were temporarily closed. Shortly after, the Charitable Gaming industry made the decision, with OLG's support, to close Charitable Gaming Centres across the province. And at the end of business on March 17, 2020, OLG closed in-person customer services at its Toronto Prize Centre until further notice. About the same time, approximately 1,700 retailers suspended lottery ticket sales and redemptions at their stores.

We are preparing the Corporation for a resumption of normal operations as quickly as possible. To this end, we are working closely with our service providers and operators on developing resource and operating plans for reopening the areas of our business that are currently closed due to provincial emergency measures related to COVID-19.

Our employees are critical to our revenue generation focus; they will be essential to ensuring a successful return to full business operations; and they are key to readying the Corporation for its place in the digital realm. As such, our number one priority is their health and safety. We will continue to support our employees through this crisis and provide them with timely up-to-date information as we move forward.

GOVERNANCE

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999* (the Act). Classified as an Operational Enterprise Agency, OLG has a single shareholder, the Government of Ontario, and for fiscal 2019–20 reported through its Board of Directors to the Minister of Finance. Members of the Board of Directors and its Chair are appointed by the Lieutenant Governor in Council. Neither the Chair nor the members of the board are full-time, nor are they members of management.

BOARD MANDATE

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

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

BOARD OF DIRECTORS

The following directors served as members of the board during fiscal 2019–20.

Peter M. Deeb, Chair
(Director – May 2, 2019 – May 1, 2022; Chair – December 7, 2019 – December 6, 2020)

Peter Deeb is Chair of Hampton Financial Corporation, a diversified financial services business that engages in the areas of wealth management, capital markets and principal trading.

As a private equity investor and financial services executive for more than 30 years, Mr. Deeb has been engaged in managing and financing companies in the energy, shipping and property sectors. His career also included many years in the Middle East, Asia and Africa as an advisor to both government and industry on Middle Eastern affairs.

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

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

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

Jason Melbourne, Vice-Chair
(November 28, 2019 – November 27, 2022)

Jason Melbourne is the Global Head of Canadian Equities at Canaccord Genuity. He is a founding partner of Genuity Capital Markets, having served as its Head of Institutional Equity Sales before its merger with Canaccord. Prior to his time at Genuity, he held several roles in institutional equity sales and investment banking at CIBC World Markets, HSBC, TD Securities and Gordon Capital.

Gail Beggs
(May 17, 2013 – November 19, 2019; December 12, 2019 – December 11, 2022)

Gail Beggs has more than 30 years of experience leading organizations in the Ontario Public Service, including serving as Deputy Minister of the ministries of the Environment, Natural Resources and the Ontario Secretariat for Aboriginal Affairs.

Vikram Khurana
(January 17, 2020 – January 16, 2023)

Vikram (Vik) Khurana is Chair of Toronto Business Development Centre, a leading business incubator, and serves on the Board of Trustees of the Canada Post Community Foundation. He is founder of a number of multinational businesses including Prudential Consulting, Inc. and Leading System Consultants, and has advised multinational organizations in Information Technology (IT) and IT enabled services, and business process outsourcing. Prior to becoming an entrepreneur, Mr. Khurana worked at TD Bank.

Lori O'Neill
(February 12, 2014 – February 11, 2022)

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

Shelly Rae
(February 8, 2018 – February 7, 2020; March 12, 2020 – March 11, 2022)

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

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

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

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

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

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

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

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

Steve Williams
(May 27, 2015 – May 26, 2019; May 30, 2019 – May 29, 2021)

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

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

The total remuneration made to OLG's Board of Directors in fiscal 2019–20 was $295,910.

Director	Remuneration
Peter M. Deeb (Chair, effective December 7, 2019)	$50,261
George L. Cooke (Chair)	$125,738
Jason Melbourne (Vice-Chair)	$3,202
Gail Beggs	$18,146
Vikram Khurana	$2,031
Lori O'Neill	$25,400
Shelly Rae	$18,375
Orlando M. Rosa	$17,075
Darryl Rowe	$18,875
Steve Williams	$16,807
Total:	**$295,910**

BOARD COMMITTEES

As of March 31, 2020, the OLG Board of Directors operated through four working committees.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee assists the board in its oversight of the integrity of OLG's consolidated financial statements and business results, and the Corporation's compliance with legal and regulatory requirements. It reviews the framework for internal controls for financial reporting and disclosures, as well as policies and procedures used to identify and manage business risks. The Committee affirms the qualifications, independence and performance of the external auditors, and oversees the Corporation's internal audit, finance, enterprise risk management and compliance functions. The Chair of this committee, as of March 31, 2020, is Lori O'Neill.

GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Governance and Corporate Social Responsibility Committee assists the board in upholding high standards of governance and oversight of corporate social responsibility. It also helps to ensure that OLG conducts its business in a manner that integrates social responsibility considerations (e.g., responsible gambling, mitigation of social harm, responsible procurement and environmental sustainability) that are material to the delivery of gambling in Ontario. The Chair of this committee, as of March 31, 2020, is Gail Beggs.

PEOPLE, CULTURE AND COMPENSATION COMMITTEE

The People, Culture and Compensation Committee assists the board in discharging its responsibilities relating to compensation, organizational structure and talent management, health and safety, and culture. This includes reviewing compensation principles and programs, ensuring effective succession planning; undertaking the recruitment of the President and CEO (PCEO) as required, and the annual PCEO performance reviews; and ensuring that human resources policies and programs are aligned with a high performing engaged workforce. The Chair of this committee, as of March 31, 2020, is Shelly Rae.

TRANSFORMATION AND TECHNOLOGY COMMITTEE

The Transformation and Technology Committee assists the board in overseeing matters pertaining to strategy and information technology associated with major initiatives, and business transformation plans and programs to achieve the Corporation's vision, mission, and mandate. The Chair of this committee, as of March 31, 2020, is Peter Deeb.

EXECUTIVE COMMITTEE

As of March 31, 2020, senior executives responsible for day-to-day operations were:

Stephen Rigby, President and Chief Executive Officer

Lori Sullivan, Chief Operating Officer

Alexandra Aguzzi-Barbagli, Senior Vice President, Corporate Affairs

Lisa Bell-Murray, Senior Vice President and Chief Financial Officer

Brian Calalang, Chief of Staff and Vice President to the CEO

Brian Gill, Senior Vice President and Chief Technology Officer, and Interim Senior Vice President, Business Design

Nancy Kennedy, Senior Vice President, People and Culture

Malissa Petch, Senior Vice President, Risk and Audit

David Pridmore, Senior Vice President, Enterprise Strategy and Analytics

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

Management's Discussion and Analysis

For the fiscal year ended March 31, 2020

1. Introduction and Disclosures

The following Management's Discussion and Analysis (MD&A) is a commentary on the consolidated financial position and financial performance of the Ontario Lottery and Gaming Corporation (OLG or the Corporation) and should be read together with the audited Consolidated Financial Statements of OLG for the fiscal year ended March 31, 2020.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Amounts are presented in Canadian dollars and are rounded to the nearest million.

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

Please note that financial figures have been rounded or truncated, which means that certain charts or tables may not add or cross-tabulate.

The Board of Directors, on the recommendation of its Audit and Risk Management Committee, approved the contents of this MD&A on July 28, 2020.

Temporary Business Interruption

On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization. The Governments of Canada and Ontario immediately responded by putting measures in place to reduce the spread of the disease and protect human life. Following advice from public health authorities, the Corporation took quick action to help the Government of Ontario protect citizens and curb the spread of the virus. At the end of the fiscal year, these measures already had a significant impact on the Corporation's operations.

On March 16, 2020, all Ontario casinos were temporarily closed and by March 17, 2020, the Charitable Gaming industry made the decision, with OLG's support, to close Charitable Gaming Centres across the province. And, on March 17, 2020, OLG announced it was closing in-person customer services at its prize centre in Toronto until further notice. About the same time, approximately 1,700 retailers suspended lottery ticket sales and redemptions at their stores.

Forward-Looking Statements

This MD&A contains forward-looking statements about expected or potential future business and financial performance. For OLG, forward-looking statements include, but are not limited to: statements about possible transformation initiatives; future revenue and profit guidance; and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve uncertainties that could cause actual results to differ materially from those projected. These uncertainties include but are not limited to the economic environment; customer demand; the outcome of litigation; the competitive environment; the timing and scale of potential capital investments by Land-based Gaming service providers; market response to new gaming amenities; and changes in government policy or regulation. Like businesses around the world, OLG is facing new uncertainties as the result of the COVID-19 pandemic. For OLG, these uncertainties include, but are not limited to the timing of the reopening of Land-based Gaming facilities and the scope, scale and duration of likely maximum patron count restrictions at reopening, and the effects and duration of overall player behaviour changes that may impact their participation levels depending on gaming offering and delivery channel.

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

Non-IFRS measures

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

Proceeds from Lottery and Gaming (Proceeds) represents sales from Lottery products before the deduction of Lottery prizes, net win from casino-style games purchased on PlayOLG, and net win from Charitable Gaming and Land-based Gaming before the deduction of service provider fees.

Net Income before Stakeholder payments represents net income before the deduction of stakeholder payments primarily comprising charity payments, host municipality commissions and payments to the Government of Canada.

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

Net win per patron is derived by dividing proceeds before the deduction of fees paid to Land-based Gaming service providers (net win) by the number of patrons.

Win contribution is the amount the Corporation remits to the Province of Ontario equal to 20 per cent of gaming revenue, as defined, generated at 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*.

Other non-IFRS measures used in this document may be specific to the line of business in which they are used and are defined when they are first introduced.

2. Executive Summary

Despite the severe impacts of COVID-19, OLG ended the fiscal year returning $2.3 billion in NPP.

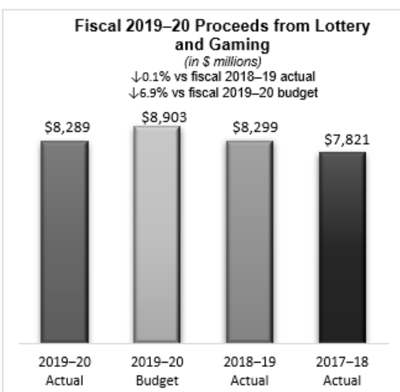
Even without the impacts of the pandemic, OLG had planned for NPP in fiscal 2019–20 to be lower than the previous year for a number of reasons, such as:

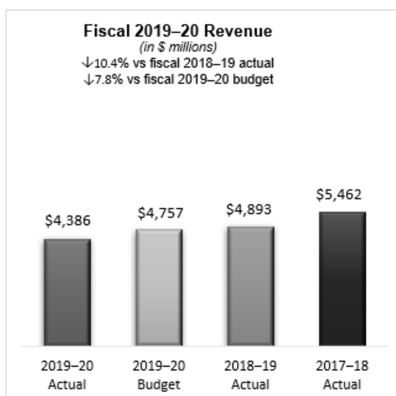
- $120 million of costs reallocated from the province to OLG to support horse racing
- Fiscal 2018–19 saw unusually high jackpots for national Lotto games versus fiscal 2019–20, which had a more normalized roll pattern

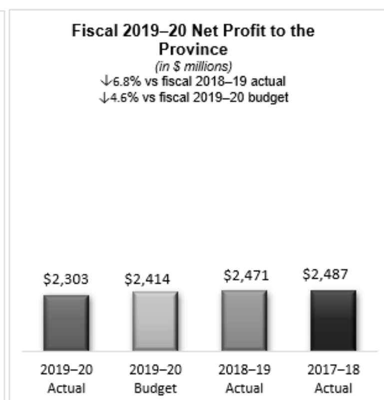
Despite these new impacts, OLG continued to drive returns to the province by optimizing the business and curtailing operating expenses and costs which resulted in savings in general and administrative costs. A hiring freeze also generated payroll savings.

The occurrence of the COVID-19 pandemic had adverse impacts on OLG's business including the closure of 27 casinos, the temporary suspension of lottery sales by up to 1,700 retailers and the cessation of Proline sports wagering.

The pandemic also resulted in an increase in Digital Gaming proceeds with a rise in average active daily players and new registrations on PlayOLG. The increase in Digital Gaming proceeds, however, was not sufficient to offset the reduction in proceeds due to casino closures.







<u>Proceeds from Lottery and Gaming</u>

In fiscal 2019–20, total proceeds from Lottery and Gaming were $8.3 billion, which was $10 million or 0.1 per cent below the prior year and $614 million or 6.9 per cent below budget.

Lottery proceeds came in $69 million short of last year's all-time proceeds record given two factors: the occurrence of high jackpots last year, and the impacts of the pandemic in the last two weeks of this fiscal year.

In Land-based Gaming, proceeds were slightly ahead of last year, up $14 million, with growth achieved as a result of gaming expansions partially offset by the complete shutdown of the casino business for the last two weeks of the fiscal year.

Digital Gaming proceeds grew $27 million ahead of last year and PlayOLG continued to increase casino game offerings and welcome new players, especially in the final weeks of fiscal 2019–20 as customers responded to provincial physical distancing requirements.

Charitable Gaming proceeds continued to climb in fiscal 2019–20, up $18 million compared to last year. The increase was primarily due to the strong performance of electronic games as new themes were introduced and more electronic products were added.

Revenues

Revenues represent total proceeds less Lottery prizes and service provider fees. In fiscal 2019–20, total revenues from all OLG operations were $4.4 billion, which is $507 million below the previous year and $371 million below budget.

The total revenue shortfall to prior year was driven primarily by an increase in fees paid to service providers related mainly to the Niagara Gaming Bundle, which transitioned to the new operating model in fiscal 2019–20 and the disruption of Land-based Gaming revenue for the last two weeks of the fiscal year.

NPP

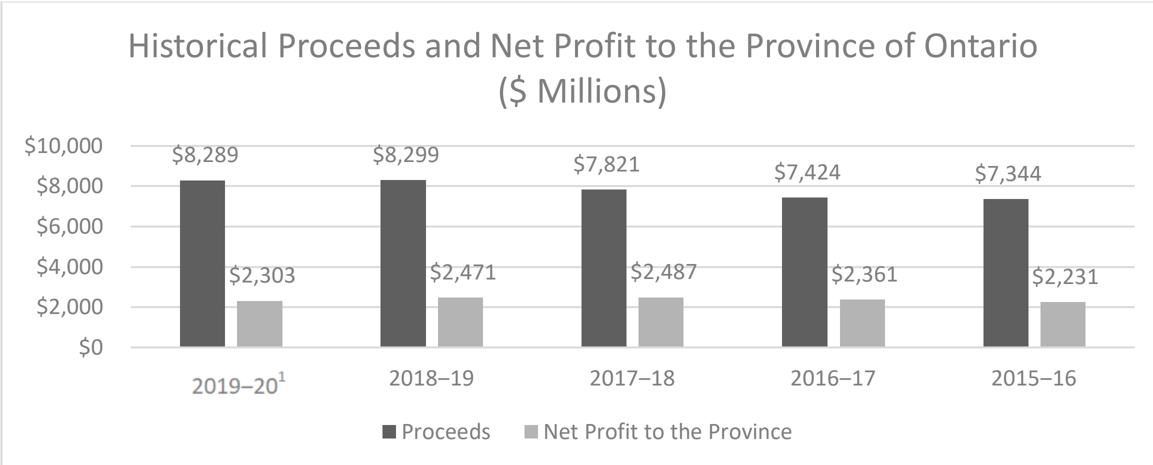
In fiscal 2019–20, NPP was $2.3 billion, $168 million or 6.8 per cent less than last year and $111 million below budget.

While OLG assumed new costs during the 2019–20 fiscal year, including $120 million of direct funding for horse racing, these impacts were partially offset by enhanced cost management. In addition, prior to the pandemic, operational stability in Land-based Gaming (following a prolonged labour disruption at Caesars Windsor in fiscal 2018–19) was generating favourable returns.

Flow-through from improved Digital Gaming proceeds contributed favourably to NPP but not enough to offset the results of the casino closures.

Throughout the year, OLG pursued an enhanced expenditure management program which achieved savings in general and administrative costs. Without these savings, NPP shortfalls from the impacts of the pandemic would have been more severe.

A historical trending of OLG's total proceeds and NPP follows:



[1]In fiscal 2019–20, new funding obligation borne by OLG for the payment of $120 million for horse racing.

Fiscal 2019–20 results compared to budget

Fiscal 2019–20 total proceeds and revenues were lower than budget due primarily to the revenue impacts of the pandemic resulting in the casino closures, and the temporary loss of lottery retailers.

While there were a number of business challenges that arose in the course of the year (e.g., delays in capital deployments), these were being successfully mitigated by OLG until the pandemic hit. Savings generated by effective cost management throughout the year helped soften the adverse impact of the pandemic on proceeds.

Due to the pandemic, OLG ended the year with an NPP contribution of $111 million below budget.

3. Results of Operations – Lines of Business

A. Lottery (Retail)

Highlights:

- LOTTO MAX set a new record of $1 billion in sales this year with the successful introduction of twice-weekly draws and a revised game structure in May 2019.
- Lottery sales set a new one-week record in January 2020 when the LOTTO MAX jackpot reached a new all-time high of $70 million.
- Innovation helped to deliver a record year for INSTANT ticket sales. A new $50 ticket pack and the launch of a $10 Bingo Multiplier ticket, designed for our most loyal and engaged customers, drove incremental proceeds. Sales of variety games also increased by eight per cent over last fiscal year.

Important advancements were made in product and technology solutions as OLG continued to modernize its Lotto, INSTANT and online businesses to respond to changing customer demands.

With nearly 9,800 points of distribution at lottery retail, investments in this channel are essential for our future. More than 1,200 new Elite terminals and Ticket Checkers were installed in this fiscal year. The rest will be installed across the entire network in fiscal 2020–21.

Summary data from Statement of Comprehensive Income

For the fiscal year

(in millions of dollars)

	2019–20	2018–19[1]	**$ Variance**	% Variance
Proceeds	**$ 4,078**	$ 4,147	**(69)**	(2)
Less: Lottery prizes	**(2,298)**	(2,321)	**23**	1
Revenue	**1,780**	1,826	**(46)**	(3)
Expenses	**562**	546	**(16)**	(3)
Net income before the undernoted	**1,218**	1,280	**(62)**	(5)
Less: Stakeholder payments	**(126)**	(119)	**7**	6
Net income	**1,092**	1,161	**(69)**	(6)
Net Profit to the Province	**$ 1,092**	$ 1,161	**(69)**	(6)

[1]Starting in fiscal 2019–20, proceeds of Lotto products offered through PlayOLG are reported in Digital Gaming (previously reported in Lottery). The comparative period, fiscal 2018–19, has been adjusted similarly.

A1. Year-over-year financial results

Proceeds

Lottery proceeds for fiscal 2019–20 were $4.1 billion, a decrease of $69 million or two per cent from the previous fiscal year.

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

Lottery proceeds and prize data by type of game

Product Groupings	Number of Games		Proceeds (in millions of dollars)		Percentage of Proceeds		Prizes (in millions of dollars)	
For the fiscal year	**2019–20**	2018–19	**2019–20**	2018–19[1]	**2019–20**	2018–19[1]	**2019–20**	2018–19[1]
Lotto	**15**	15	**$2,378**	$2,435	**58%**	59%	**$1,176**	$1,200
INSTANT	**89**	78	**1,417**	1,409	**35%**	34%	**947**	937
Sports	**6**	6	**283**	303	**7%**	7%	**175**	184
Totals	**110**	99	**$4,078**	$4,147	**100%**	100%	**$2,298**	$2,321

[1]Starting in fiscal 2019–20, proceeds of Lotto products offered through PlayOLG are reported in Digital Gaming (previously reported in Lottery). The comparative period, fiscal 2018–19, has been adjusted similarly.

The COVID-19 pandemic impacted sales across all product groupings, with proceeds in the Sports category down $20 million from the previous year, as major league sporting events were cancelled in the month of March. Below are other items that drove OLG's year-over-year performance:

- LOTTO MAX delivered higher proceeds than the previous year because of the game enhancements.

- Total proceeds for all national Lotto games, however, were three per cent below the previous year because of fewer large LOTTO 6/49 jackpots affecting proceeds.
- Proceeds for regional Lotto games (e.g., LOTTARIO and ONTARIO 6/49) were $12 million below the previous year, mainly due to lower sales for HIT OR MISS and the WATCH & WIN category of games and some cannibalization of the regional Lotto games due to the introduction of the LOTTO MAX enhancements.
- Proceeds for INSTANT games were marginally higher than the prior year at $8 million, setting a new sales record in fiscal 2019–20. The increase was mainly due to strong holiday season sales, as well as the launch of the $500,000 CLASSIC EXTRAVAGANZA and the $10 INSTANT BINGO MULTIPLIER.

Revenue

Compared to fiscal 2018–19, revenue decreased by $46 million or three per cent, primarily due to lower proceeds, as described previously.

NPP

In fiscal 2019–20, Lottery NPP was $1.1 billion, $69 million or six per cent lower than in fiscal 2018–19. The main reasons for this variance were the flow-through impact of lower proceeds, costs incurred related to new product launches, and increased capacity at the customer support centre.

A2. Fiscal 2019–20 results compared to budget

Lottery ended the year with proceeds, revenue and NPP all flat to budget. Despite favourable gains in the Lotto category of games, these were eroded by pandemic impacts on sports and lottery retail.

A3. Lottery – Other key performance indicators

The following are additional Lottery key performance indicators (KPIs) for fiscal 2019–20 compared to fiscal 2018–19 and budget:

Lottery proceeds and prize data by type of game

For the fiscal year	**2019–20**	2018–19[1]	**Budget 2019–20**	2019–20 Variance to Budget
LOTTO MAX average weekly proceeds ($ millions)[2]	**$ 19.3**	$ 18.5	**$ 19.8**	$ (0.5)
LOTTO 6/49 average weekly proceeds ($ millions)	**$ 10.6**	$ 12.2	**$ 9.5**	$ 1.1
Average price per INSTANT ticket sold	**$ 5.34**	$ 5.06	**$ 5.14**	$ 0.20
Average wager per Sports lottery ticket sold	**$ 8.22**	$ 8.34	**$ 8.34**	$ (0.12)

[1] *Starting in fiscal 2019–20, proceeds of Lotto products offered through PlayOLG are reported in Digital Gaming (previously reported in Lottery). The comparative period, fiscal 2018–19, has been adjusted similarly.*

[2] *The frequency of LOTTO MAX draws was increased from one weekly jackpot draw to two in May 2019.*

LOTTO 6/49 average weekly proceeds exceeded budgeted average weekly proceeds of $9.5 million as the games were not affected as much as expected by the introduction of the new LOTTO MAX game. The new LOTTO MAX game did not meet the expected average weekly proceeds of $19.8 million largely due to fewer high-value jackpots than anticipated. OLG had budgeted for a slight increase in the average price per INSTANT ticket sold as higher priced products were introduced compared to the previous year. This shift resulted in a $0.20 increase in the average price per INSTANT ticket sold, surpassing expectations.

The Sports lottery category has consistently shown steady sales with approximately two per cent of the Ontario adult population wagering on these products. The goal for fiscal 2019–20 was to maintain a steady average wager per ticket of $8.34. The timing of the COVID-19 pandemic, which resulted in mass cancellations of sports events at a critical point in the season, caused the average wager per ticket to drop to $8.22 in fiscal 2019–20.

A4. Lottery trends and risks

In addition to COVID-19-related risks to Lottery, which are discussed in detail in the Enterprise Risk Management section on page 43, Lottery faces three distinct risks:

- aging technology that inhibits the customer experience and restricts sales in all channels
- a reliance on a core player base that is shrinking in size and growing in age
- exposure to revenue fluctuations due to the unpredictable jackpot roll patterns of big Lotto games.

To mitigate these risks, OLG is focusing on innovation and technology to attract new customers and enhance their play experience:

- OLG is working with IDEMIA Identity & Security France SAS to refresh existing lottery terminals and the associated network to enable new product offerings in the retail channel.
- Together with Bede Gaming Canada Limited, OLG is building a new digital platform that will enable a more robust and modern customer experience that will build revenue in our digital channel and attract new customers.
- OLG has developed an innovation strategy with supporting resources to develop new products that will diversify our appeal to customers and enhance our revenue mix with more predictable revenue and prizing patterns.

These initiatives allow for a wider distribution of our lottery products and are designed to attract new customers to the category, which will result in omni-channel growth in Lottery proceeds and NPP.

B. Land-based Gaming

Highlights:

- Proceeds were higher than in the prior year, driven largely by capital investments by service providers to expand gaming and enhance non-gaming amenities, offset in part by the impact of casino closures due to the COVID-19 pandemic.
- OLG successfully transitioned the Niagara casinos to a service provider in June 2019. As of March 31, 2020, all gaming sites (except for Caesars Windsor) had been transitioned to a new operating and services model with private sector service providers assuming more of the financial risk and investing their own capital in communities across the province.

- Since this transition began, the province has seen in excess of $1 billion of private sector capital investment and approximately 400 new jobs in the gaming industry.
- The current Operating Agreement with Caesars Windsor was extended by three years in order to enable the future inclusion of the Windsor casino in OLG's modernization.
- Since the announcement of Land-based Gaming modernization in 2012 and the subsequent implementation of the strategy thereafter, OLG has delivered cumulative incremental NPP to the Province of Ontario.

Summary data from Statement of Comprehensive Income

For the fiscal year

(in millions of dollars)

	2019–20	2018–19	**$ Variance**	% Variance
Proceeds	**$ 3,871**	$ 3,857	**14**	-
Less: Service Provider fees	**(1,599)**	(1,171)	**(428)**	(37)
Gaming revenue	**2,272**	2,686	**(414)**	(15)
Lease revenue	**72**	14	**58**	414
Non-gaming revenue	**42**	82	**(40)**	(49)
Revenue	**2,386**	2,782	**(396)**	(14)
Expenses	**406**	819	**413**	50
Net income before the undernoted	**1,980**	1,963	**17**	1
Less: Stakeholder payments/Win contribution	**(576)**	(611)	**(35)**	(6)
Net income	**1,404**	1,352	**52**	4
Add: Win contribution	**256**	280	**(24)**	(9)
Net Profit to the Province	**$ 1,660**	$ 1,632	**28**	2

B1. Year-over-year financial results

Proceeds

Total Land-based Gaming proceeds for fiscal 2019–20 was $3.9 billion, an increase of $14 million compared to the previous fiscal year, with many sites at or above the level of the previous fiscal year. This is attributable to the significant expansion of gaming with the construction of new casinos, and the addition of new slots and table games at existing sites. This growth was impacted by the mandatory casino closures.

Absent the impact of COVID-19 and the resulting casino closures, patron site visits were trending above the previous year which would have had a positive impact on proceeds.

In fiscal 2019–20, service providers:

- built a new casino in Chatham, with approximately 320 slot machines and 10 live table games. This new site relocated from a slot facility located at Dresden Raceway which closed
- opened a new gaming facility with approximately 150 slot machines in Sarnia
- introduced 10 live table games at Gateway Casinos London.

These initiatives added to the full-year impact of gaming expansions completed in fiscal 2018–19, including:

- the introduction of approximately 100 live table games and 400 additional slot machines at Casino Woodbine
- the addition of approximately 400 slot machines and 22 live table games at Elements Casino Mohawk
- the opening of a new casino with approximately 500 slot machines and 20 live table games in Peterborough
- the addition of 26 live table games at Gateway Casinos Innisfil
- the addition of approximately 112 slot machines at Casino Ajax.

In addition to the development initiatives described above, proceeds from gaming increased over the prior year as a result of a labour disruption which forced the temporary closure of Caesars Windsor for approximately two months in fiscal 2018–19.

The year-over-year growth in proceeds in fiscal 2019–20 compared to fiscal 2018–19 was partially offset by the closure of all OLG gaming facilities in Ontario in response to the COVID-19 pandemic.

As service providers execute their development plans over time, OLG expects that proceeds will continue to be redistributed as the impacts of expansion settle across the marketplace.

Revenue

Gaming revenue for service provider-operated sites includes OLG's share of proceeds, in accordance with the Casino Operating and Services Agreement (COSA), generated at the Resort Casino, Casino or Slot facility, as well as the net win from those gaming sites while they were operated by OLG or a Resort Casino operator under the former operating model. OLG's share of revenue is determined after the deduction of service provider fees, which are comprised primarily of a fixed fee, a variable fee (calculated as a percentage of gaming revenue, as defined, above a set revenue threshold) and an amount for permitted capital expenditures. Also included in service provider fees are accounting adjustments in order to fairly present OLG's share of revenue. The new revenue share model transfers site operational costs to service providers. OLG does not recognize non-gaming revenue generated at service provider-operated sites.

Total gaming revenue from Land-based Gaming for fiscal 2019–20 was $2.3 billion, a decrease of $414 million compared to the previous fiscal year. The decrease was driven primarily by the casino closures and an increase in fees paid to service providers related mainly to the Niagara Gaming Bundle, which transitioned to the new operating model in fiscal 2019–20. During the first year of transition, revenues are generally lower until such time as the service providers undertake capital investments to drive future revenues, which, in the case of the Niagara Gaming Bundle, is the opening of the new Niagara Falls Entertainment Centre.

NPP

NPP for fiscal 2019–20 was almost $1.7 billion or $28 million above fiscal 2018–19.

Growth in NPP in fiscal 2019–20 compared to fiscal 2018–19 was related to the gaming activities of service providers as described earlier and a full uninterrupted year of operations at Caesars Windsor (fiscal 2018–19 experienced a two-month labour disruption). OLG would have realized a larger increase in year-over-year NPP if it were not for the impact of the COVID-19 pandemic at the end of March.

B2. Fiscal 2019–20 results compared to budget

Total Land-based Gaming proceeds for fiscal 2019–20 were below budget by $650 million or 14 per cent. Factors contributing to this decrease included:

- Slower than anticipated market response to additional slot machines and live table games at Elements Casino Flamboro and Elements Casino Mohawk.
- Development delays related to the Pickering Casino Resort and the Niagara Falls Entertainment Centre, both of which are anticipated to drive incremental gaming revenue once opened.
- Reduced business levels and the subsequent closure of all Ontario casinos and slot machine facilities in March 2020 in response to the COVID-19 pandemic.

Most of this variance is related to delays in the deployment of major capital projects by the private sector; OLG expects these projects to proceed generating economic benefits in future years.

Total gaming revenue was $343 million below budget consistent with the factors contributing to the decrease in proceeds compared to budget, as described above.

NPP for fiscal 2019–20 was $207 million below budget for the reasons stated previously.

B3. Land-based Gaming – Other key performance indicators

The following are additional Land-based Gaming key performance indicators for fiscal 2019–20 compared to prior fiscal years:

For the Fiscal Year	2019–20	2018–19	2017–18
Total patrons (in millions)	**38.9**	39.6	37.7
Net win per patron[1]	**$ 100**	$ 97	$ 101
Total number of slots	**25,150**	23,750	22,950
Total number of tables	**800**	680	590
Service Providers' capital investment (in millions)[2]	**$ 531.5**	$ 404.1	$ 77.2

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

Patron visits are an indicator of the health of the Land-based Gaming business as increased visits lead to greater opportunities to drive proceeds and NPP. Absent the impact of COVID-19 and the resulting casino closures, patron site visits were trending to exceed 40 million for the first time, two million or four per cent above the previous year. The trend was a positive reflection of the efforts of service providers, including a combination of new site builds, expanded offerings, and evolving marketing and player development strategies. Total patron visits ended fiscal 2019–20 at 38.9 million, two percent below prior year driven by the impact of the casino closures during the last two weeks of March 2020.

Net win per patron was $100 in fiscal 2019–20, up $3 from fiscal 2018–19.

Land-based Gaming modernization has encouraged private sector capital investment across the province. This capital investment includes increases in the number of slot machines and live table games, which improves the customer experience and increases visitation.

B4. Land-based Gaming trends and risks

In addition to COVID-19-related risks to Land-based Gaming, which are discussed in detail in the Enterprise Risk Management section on page 43, the Land-based Gaming line of business faces several distinct risks to achieving its growth projections:

- OLG relies on the private sector to drive incremental revenue, which can be influenced by many factors within and outside service providers' control.
- Growth in proceeds and NPP is reliant on a strong market response to new developments.
- The financial condition of OLG's service providers related to operations within or outside of Ontario may influence their decisions in Ontario.

To mitigate these risks, OLG is:

- maintaining ongoing communications and alignment with service providers to ensure they can continue to deliver as expected considering the current circumstances
- enhancing its third-party management program that includes conducting research and regular risk assessments, ensuring the availability of critical skill sets, and clarifying and managing key contract obligations
- monitoring financial performance of the service providers by reviewing financial information delivered to OLG under specific COSA obligations, as well as reviewing publicly reported financial information regarding service providers and their affiliates.

By the middle of fiscal 2019–20, eight gaming bundles had been fully transitioned to service providers. Since those transitions, significant new private sector capital investments have been made including new casinos built and opened in Belleville, Peterborough, Chatham and Sarnia, and capital expansions and improvements at Casino Woodbine, Elements Casino Mohawk, Elements Casino Flamboro, Starlight Casino Point Edward, Playtime Casino Hanover, Gateway Casinos Innisfil and Rideau Carleton Casino.

In addition to the completed projects noted above, the construction of the Niagara Falls Entertainment Centre is progressing towards a planned opening in fiscal 2020–21, new gaming facilities are under construction in Pickering and North Bay, and a substantial redevelopment is underway at Casino Woodbine.

These developments will increase choice and convenience for customers and are expected to continue to drive financial and economic development results through significant private sector capital investment, job creation and incremental returns to the province in the form of increased NPP.

In January 2020, OLG announced that its operating agreement with Caesars Windsor was extended by three years to allow for the casino to move into the procurement process for OLG's modernization.

C. Digital Gaming

Highlights:

- OLG continues to grow its digital business on PlayOLG while developing a new, more agile and scalable player platform.
- Total proceeds, including proceeds for Lottery games purchased on PlayOLG, were up 24 per cent from the prior year. These proceeds were previously recorded in the Lottery line of business.
- The total number of products offered on PlayOLG increased by 37 per cent.
- Weekly average player registrations on PlayOLG increased fivefold in the final weeks of fiscal 2019–20 as more people turned to the Internet while physical distancing measures were in place.
- Strong growth in casino game proceeds via mobile represented 36 per cent of total digital casino game proceeds in fiscal 2019–20 versus 25 per cent in fiscal 2018–19.

PlayOLG provides a safe, secure and responsible Internet gaming option that leverages the trust and confidence Ontarians have in the OLG brand.

Summary data from Statement of Comprehensive Income

For the fiscal year

(in millions of dollars)

	2019–20	2018–19[1]	**$ Variance**	% Variance
Proceeds	**$ 139**	$ 112	**27**	24
Less: Lottery prizes	**(15)**	(10)	**(5)**	(50)
Revenue	**124**	102	**22**	22
Expenses	**40**	35	**(5)**	(14)
Net income before the undernoted	**84**	67	**17**	25
Less: Stakeholder payments	**(10)**	(7)	**3**	43
Net income	**74**	60	**14**	23
Net Profit to the Province	**$ 74**	$ 60	**14**	23

[1]Starting in fiscal 2019–20, proceeds of Lotto products offered through PlayOLG are reported in Digital Gaming (previously reported in Lottery). The comparative period, fiscal 2018–19, has been adjusted similarly.

C1. Year-over-year financial results

Proceeds

Digital Gaming proceeds in fiscal 2019–20 were $139 million, $27 million or 24 per cent higher than the previous year. These results can be attributed to the number of average active daily players, up 24 per cent compared to the previous year, and an increase in lottery transactions overall. The final weeks of the fiscal year were positively impacted by the COVID-19 pandemic as 64,000 new customers seeking lottery tickets and casino entertainment registered online for a PlayOLG account.

Digital casino proceeds set a new record, with $109 million in proceeds compared to $92 million in fiscal 2018–19.

Lottery proceeds captured through the PlayOLG digital channel set a new record and were realized at $30 million in fiscal 2019–20 compared to $20 million in fiscal 2018–19. Although growth was experienced throughout the fiscal year, the impact of the COVID-19 pandemic combined with high LOTTO MAX jackpots drove additional registration and sales in the final days of the fiscal year.

In fiscal 2019–20, PlayOLG engaged with new players and retained existing ones through compelling advertising, retention activities including promotions and the regular introduction of new games. Proceeds are expected to grow further when OLG launches its new digital platform.

Revenue

As Digital Gaming proceeds increased in fiscal 2019–20, so did the associated revenue. Revenue was $124 million which was 22 per cent higher than the previous fiscal year for reasons consistent with the discussion above.

NPP

NPP for fiscal 2019–20 was $74 million, $14 million or 23 per cent higher than fiscal 2018–19. The year-over-year increase is directly tied to higher proceeds, partially offset by higher service provider fees and payments to the Government of Canada, which vary with volume. Profit margins remained high at 59.7 per cent, up from 58.8 per cent in the previous fiscal year.

C2. Fiscal 2019–20 results compared to budget

Digital gaming proceeds, revenue and NPP for the year exceeded budget by $30 million, $23 million and $27 million, respectively, for the reasons stated previously.

C3. Digital Gaming trends and risks

COVID-19-related risks to Digital Gaming are discussed in detail in the Enterprise Risk Management section on page 43.

The Digital Gaming line of business faces growing competition from many grey market gaming websites that are not regulated by the Government of Ontario but offer services to an increasing number of Ontarians. This creates an unlevel playing field of regulation (PlayOLG versus grey market sites), as well as varying standards of integrity and social responsibility potentially affecting the public interest in Ontario.

To mitigate this risk, OLG is growing PlayOLG's market share by increasing its product portfolio and continuing to offer Lottery games as a key differentiator. Another differentiator is that PlayOLG operates under the long-established and respected OLG brand and provides responsible gambling tools to help players manage their play.

OLG selected Bede Gaming Canada Limited to provide a new digital platform that will provide the flexibility to offer new games and products that respond to evolving customer expectations. Once implemented, OLG will be able to provide a wider range of casino-style games, more digital Lottery games and an array of new integrated digital sports betting products.

The new digital platform will also deliver a more robust customer experience including a responsive website that adapts to mobile, tablet and desktop applications, and new types of promotions.

Responsible Gambling remains a priority for OLG throughout this new digital platform development. The new digital solution will help inform players about how to play responsibly and provide them with customizable tools to set money, deposit, loss and game session limits (i.e., time per game, time per session), establish 'take-a-break' features and initiate self-exclusion.

Working with its service provider, OLG continues to make good progress toward the launch of its new flexible and scalable digital platform which is expected to launch in fiscal 2020–21.

In its 2019 budget, the Government of Ontario announced its intention to establish a competitive market for online gambling that will reflect consumer choice while protecting people who play on these websites.

D. Charitable Gaming

Highlights:

- OLG introduced a new business model for charitable gaming that ensures local charities have a reliable and sustainable way to raise funds and enhances the gaming experience for customers. By August 1, 2019, 31 existing Charitable Gaming Centres had successfully transitioned to this new business model and operating agreement.
- Two new Charitable Gaming Centres in each of the Greater Toronto Area and Tecumseh launched in October 2019 and March 2020, respectively.
- Total proceeds were up by $18 million, or 10 per cent, from the prior year as more electronic games were brought to market.
- Payments to charities increased by $7 million over last year, reaching a new high at $51 million for fiscal 2019–20.

Summary data from Statement of Comprehensive Income

For the fiscal year

(in millions of dollars)

	2019–20	2018–19	**$ Variance**	% Variance
Proceeds	**$ 201**	$ 183	**$ 18**	10
Less: Service Provider fees	**(105)**	-	**(105)**	(100)
Revenue	**96**	183	**(87)**	(48)
Expenses	**29**	112	**83**	74
Net income before the undernoted	**67**	71	**(4)**	(6)
Less: Stakeholder payments	**(75)**	(67)	**8**	12
Net income	**(8)**	4	**(12)**	(300)
Net Profit to the Province	**$ (8)**	$ 4	**$ (12)**	(300)

D1. Year-over-year financial results

Proceeds

Charitable Gaming proceeds in fiscal 2019–20 were $201 million, an increase of $18 million from the previous fiscal year. The increase in fiscal 2019–20 was primarily due to the strong performance of electronic games as new themes were introduced and approximately 1,000 new electronic products were added.

Revenue

Total gaming revenue from Charitable Gaming for fiscal 2019–20 was $96 million, a decrease of $87 million compared to the previous fiscal year. Under the terms of a new agreement, fees paid to service providers, and fees paid on behalf of service providers, are presented against revenue rather than as an expense as they were under the previous model and at the time the budget was prepared.

NPP

In fiscal 2019–20, net income before stakeholder payments for Charitable Gaming was $67 million, down $4 million from fiscal 2018–19. Contributing to this decline were costs associated with the transition of sites to the new business model, increase in stakeholder payments and the impact of Charitable Gaming Centre closures due to COVID-19. Net loss to the province after stakeholder payments for Charitable Gaming was $8 million, down $12 million from fiscal 2018–19 for the reasons outlined previously.

D2. Fiscal 2019–20 results compared to budget

Compared to budget, proceeds were up $16 million primarily due to the strong performance of electronic games, despite an estimated shortfall of $10 million resulting from the closure of all Charitable Gaming Centres in March 2020 in response to the COVID-19 pandemic. Gaming revenue was $89 million below budget solely due to the new business model and the manner in which OLG reports revenue as stated earlier.

Charitable Gaming incurred a net loss to the province in fiscal 2019–20 that was $4 million lower than budgeted. In addition to the strong performance of electronic games discussed previously, an unanticipated gain on sales of assets that transitioned to the new business model contributed to this improvement.

D3. Charity payments

OLG makes direct payments to the charity associations affiliated with the Charitable Gaming Centres. Since its launch in fiscal 2005–06, the Charitable Bingo and Gaming Revitalization Initiative has provided more than $287 million to local charities (as of March 31, 2020).

Payments to charitable associations are included in stakeholder payments. Charities receive a commission based on a percentage of net gaming win. The payments to charitable associations totalled $51 million in fiscal 2019–20, an increase of $7 million over the prior year primarily due to strong revenue performance.

These payments help approximately 2,000 local charity and non-profit groups across the province by providing funds at the grass roots level. Charities that benefit from OLG’s Charitable Bingo and Gaming Revitalization Initiative are delivering critical services in their local communities and improving the lives of thousands of people across the province.

D4. Charitable Gaming trends and risks

COVID-19-related risks to Charitable Gaming are discussed in detail in the Enterprise Risk Management section on page 43.

OLG’s Charitable Bingo and Gaming Revitalization Initiative was designed to preserve and enhance funding for local charities across Ontario while also creating economic benefits, including employment opportunities. The objectives of the initiative continue to be achieved by introducing and refreshing new electronic products, enhancing customer service, upgrading facilities and promoting continued responsible growth. In fiscal 2018–19, OLG finalized a new Charitable Gaming business model that is more sustainable for all stakeholders and allows greater flexibility for service providers to grow their business. OLG began implementing the new model in early fiscal 2019–20 and by August 1, 2019, all Charitable Gaming Centres had successfully transitioned.

The private sector’s role in the Charitable Gaming business model has inherent risks as service providers maintain and grow the business. Under the terms of the new business model, service providers are expected to expand offerings and enhance the customer experience. Charitable Gaming also faces competitive risks. The charitable gaming market is impacted by other forms of land-based gaming which leverages a similar customer base. OLG is aware of this risk and it will continue its overall market management role. OLG will also proactively manage future opportunities and risks in the charitable gaming industry as both parties gain experience with the new business model.

E. Corporate Services

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

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

Corporate Services expenses also includes certain stakeholder payments the Corporation makes that cannot be directly attributed to a specific line of business. Please refer to Section E3.

Summary data from Statement of Comprehensive Income
For the fiscal year
(in millions of dollars)

	2019–20	2018–19	**$ Variance**	% Variance
Corporate Services Expenses	**$ 515**	$ 386	**$ (129)**	(33)
Less: Stakeholder payments	**(294)**	(170)	**124**	73
Corporate Services Expenses net of Stakeholder Payments	**$ 221**	$ 216	**$ (5)**	(2)

E1. Year-over-year financial results

Because of proactive cost management, OLG was able to hold Corporate Services expenses net of stakeholder payments to a marginal increase from prior year while driving performance of the business.

Corporate Services expenses net of stakeholder payments for fiscal 2019–20 were $221 million, or 2.7 per cent of total proceeds, compared to 2.6 per cent in prior year, as the Corporation continued to invest in new capabilities to drive the customer experience through customer and data research and analytics. This investment was offset by reductions in other costs through tight fiscal management.

E2. Fiscal 2019–20 results compared to budget

Corporate Services expenses before stakeholder payments were below budget by $71 million. Approximately $46 million of the variance related to cost savings activities to help offset revenue shortfalls. Key activities included implementing a hiring freeze, reprioritizing projects with the intent to defer costs where possible and controlling general and administrative costs.

The remaining variance relates to a reallocation of costs to other parts of the organization as we began to implement an organizational design change.

E3. Stakeholder payments

Corporate Services expenses also include certain centralized payments to stakeholders — primarily payments to Ontario First Nations pursuant to the Gaming Revenue Sharing and Financial Agreement (GRSFA), payments to the Government of Canada and a new payment obligation introduced in fiscal 2019–20 related to the horse racing industry.

The GRSFA requires that OLG provide OFNLP an amount equal to 1.7 per cent of its gross revenues, as defined in the agreement, each year for a 20-year period that began in fiscal 2011–12. In fiscal 2019–20, OLG paid a total of $152 million to OFNLP, up $6 million from the previous fiscal year.

On April 1, 2019, OLG, with support from the Ontario government, executed a new Amended and Restated Funding Agreement for Live Horse Racing with Ontario's horse racing industry and OLG payments to the industry totalled $120 million for the fiscal year. This was a new cost that was absorbed into OLG's fiscal 2019–20 budget. OLG is proud of its support for the horse racing industry and is helping to build a more sustainable industry for generations to come.

Stakeholder payments were $294 million in fiscal 2019–20, an increase of $124 million from the previous fiscal year related primarily to the new payment to the horse racing industry.

4. Financial Condition

Liquidity and capital resources

The closure of Land-based Gaming and Charitable Gaming operations at the end of fiscal 2019–20 had a negative impact on the Corporation's revenue and cash flows. The Corporation continues to manage its liquidity through effective cash flow, cost and vendor management, and by forecasting and assessing cash flow requirements on an ongoing basis.

On May 6, 2020, the Corporation entered into a loan agreement with the Ontario Financing Authority to borrow an amount up to $300 million. As of July 28, 2020, $60 million had been drawn under the non-revolving loan facility. Refer to Note 30 of the Notes to the Consolidated Financial Statements for further details on this loan agreement.

Refer to the Enterprise Risk Management section on page 43 for further discussion on COVID-19 risks to the Corporation's liquidity.

	For the fiscal year (in millions of dollars)			
Net cash flows provided by (used in):	**2019–20**	2018–19	**$ Variance**	% Variance
Operating activities	**$ 2,126**	$ 2,323	**(197)**	(8)
Investing activities	**178**	46	**132**	287
Financing activities	**(2,412)**	(2,310)	**(102)**	(4)
Net (decrease) increase in cash	**$ (108)**	$ 59	**(167)**	(283)

Cash provided by operating activities:

Cash flows provided by operating activities decreased primarily due to a one-time operator non-extension payment made in June 2019 and the Amended and Restated Funding Agreement for Live Horse Racing that took effect April 1, 2019 requiring OLG to directly fund payments to the industry. Partially offsetting the decrease was consideration received from the service provider of the Niagara Gaming Bundle which relates to OLG's future share of gaming revenue.

Cash provided by investing activities:

Cash flows provided by investing activities increased primarily due to the collapsing of reserve accounts at the Niagara casinos and Caesars Windsor coupled with the proceeds received from the sale of the assets of the Niagara Gaming Bundle.

Cash used in financing activities:

Cash flows used in financing activities increased primarily due to additional payments made to the Province of Ontario on the return of reserve funds previously held at the Niagara casinos and Caesars Windsor and proceeds received on the transfer of assets and operations of the Niagara casinos to a new service provider.

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

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

The Board of Directors is responsible for the oversight of management, including the establishment of policies related to financial and risk management. The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation is not subject to any externally imposed capital requirements. Refer to Note 25 of the Notes to the Consolidated Financial Statements for further details on the Corporation's financial risk management and financial instruments.

5. Enterprise Risk Management

Overview

OLG has a formal Enterprise Risk Management (ERM) program that focuses on optimizing its performance and supporting management by identifying, assessing and managing risks related to its strategy. The ERM program consists of a risk framework (aligned with the risk management guidance and requirements of Management Board of Cabinet); an assessment process; regular monitoring of key risks; and quarterly risk reporting to the Audit and Risk Management Committee of the Board of Directors. The ultimate accountability for risk management lies with OLG's President and CEO with support from management, the Risk and Audit department and other governance-related departments including Regulatory Compliance, Finance, Legal and Information Security. Through the ERM process, key risks have been identified and the President and CEO and management have developed risk mitigation strategies for each. The key risks include:

Pandemic

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. The governments of Canada and Ontario immediately responded with actions to reduce the spread of the disease and protect human life. At the end of the fiscal year, these measures already had a significant impact on the province's economy and OLG's operations.

The duration and severity of the pandemic depends on several factors and, until a vaccine is developed and tested, there could be additional waves of COVID-19-related public health responses. With each wave, there is potential for renewed impacts on our operations. During this pandemic response, OLG is focussing on managing the following risk factors:

- public health restrictions put in place by governments to protect the public and the resulting adjustments to OLG operations. The duration and scope of these restrictions in future potential waves of infection is uncertain. Government actions will also likely present opportunities as the governments also provide support to help maintain and stimulate economic activity

- access and availability of OLG employees to support ongoing and critical operations
- changes to consumer behaviour that are both temporary and permanent in nature
- the capability and health of private sector service providers and third parties to support critical OLG operations. These third parties are subject to their own pandemic risks, which could limit their ability to support OLG and, in extreme cases, threaten their own viability.

As OLG faces current and future challenges of operating during this pandemic, it will consider risks on an ongoing basis, identify steps to mitigate them and respond accordingly.

OLG is prepared to respond to crises with established Emergency Response Plans (ERPs) and Business Continuity Plans (BCPs), and more specific operational pandemic plans based on the ERPs and BCPs, to ensure that OLG is protecting the health and safety of its employees and to ensure the continued operation of its critical functions so that OLG can continue to generate revenue while conforming to government emergency measures. A cross-functional task force chaired by the President and CEO is responsible for actively monitoring the evolving situation and quickly responding to new developments. The following reports on the status of the impacts of the pandemic on each of our business lines:

- **Land-based Gaming and Charitable Gaming**: It is unclear how the pandemic will affect customer behaviour and their return to these sites, especially with the safety protocols which will likely be in place for some time. To help mitigate these risks, OLG completed closure agreements with its Land-based Gaming service providers to secure casino assets and to position the gaming sites for successful business resumption once emergency measures are relaxed. OLG is planning for a range of scenarios with varying severity. OLG is in regular contact with its Land-based Gaming and Charitable Gaming service providers, the regulator, the Alcohol and Gaming Commission of Ontario, and the Ministry of Finance to stay aligned on public messaging and to ensure service providers are in a strong position to return to normal operations as quickly as possible. The Land-based Gaming service providers are required to have restart plans that include measures to meet all required public health guidelines.
- **Lottery and Digital Gaming:** National and regional lottery product sales continue but were initially impacted when approximately 1,700 retail partners suspended lottery ticket sales in late March 2020. While we expect most retailer locations to return to lottery ticket sales, re-uptake is unclear. The resumption of Sports lottery sales depends on the reopening of this sector of the economy and the timing of each sport season. Despite these challenges, the impacts of COVID-19 also presented a unique opportunity for OLG's Digital Gaming business to grow its customer base.
- **Horse Racing:** This activity was temporarily suspended as part of the government's emergency response. This meant that monies available for purses through the long-term funding agreement were no longer flowing to the industry. OLG is working with the province and the industry on an arrangement to enable access to these funds to help maintain horse supply within the province until horse racing resumes.

- **Corporate Office:** OLG's prime focus continued to be the safety and wellbeing of its employees and this included enabling them to work remotely, wherever possible. Physical distancing measures and enhanced cleaning practices were established at workplaces and Personal Protection Equipment (e.g., masks and gloves) were provided where applicable to protect those employees required on-site to support critical processes. In addition, all travel between OLG locations was paused. Planning was immediately undertaken to support safe and effective return to office protocols for when the situation permits, while considering the potential for additional waves of the COVID-19 virus.

The adjustments to OLG's operations and the pandemic itself have far reaching implications that affect other key risks facing OLG, addressed in more detail below.

Financial Position

To date, OLG has continued to operate Lottery and Digital Gaming (PlayOLG), while Land-based Gaming facilities and Charitable Gaming centres are closed. The COVID-19 situation continues to change, and although not anticipated, additional public safety measures that impact ongoing Lottery or Digital Gaming operations could negatively affect OLG's ability to cover the costs of current operations.

OLG remains in a solid financial position to maintain ongoing operations from its remaining active revenue streams. However, OLG is also contractually obligated to make payments to its private sector partners and certain other stakeholders (e.g., First Nations). The closure of OLG's Land-based Gaming sites and the immediate and complete loss of revenue put pressure on OLG's ability to make these payments, thus affecting its overall liquidity. OLG may continue to be challenged if the situation results in lengthy closures or further restrictions on lottery operations. To address this, OLG obtained a loan facility in the amount of $300 million from the Ontario Financing Authority for the primary purpose of maintaining contractual payments to private sector partners and stakeholders during this closure period. OLG continues to manage its liquidity through effective cash flow management, cost management and prioritization of initiatives.

To help mitigate this risk, OLG has taken the following measures:

- Certain expenditures (i.e., travel, hiring, training, etc.) were curtailed, other material expenditures (i.e., marketing) were reduced or deferred and additional measures were taken to contain costs, including deferring certain payments to vendors, landlords and other stakeholders.
- Initiatives were reprioritized with a focus on projects that support revenue generation in the immediate term and those that prepare OLG to start up operations once direction is received from government.
- Scenario and continency planning was conducted to support financial planning.

Private Sector Engagement

OLG is increasingly reliant on private sector third parties to deliver or support critical growth initiatives. This model has inherent risk that the third parties do not deliver on expectations.

Long-term agreements have been established with Land-based Gaming service providers, as well as private sector technology providers to deliver the technology, innovative products and services required to support Digital Gaming. OLG needs to ensure third-party performance while maintaining healthy relationships with these strategically important partners.

To grow revenues, Land-based Gaming service providers plan to deploy capital for new builds and site expansions, new product and non-gaming amenities. These plans may be impacted by new or changing regulations or government restrictions, delayed municipal approvals, as well as by changing customer behaviours. Revenue loss from casino closures could also impact capital available to fund investments that support growth plans.

The performance of OLG's technology service providers may be impacted by the complexity of integration activities and stakeholder relationships. The COVID-19 pandemic has added to this complexity with varying degrees of restrictions based on their geographic locations, new safety protocols, the service providers' abilities to secure resources, and the health of their financial positions and supply chain. Additionally, corporate restructurings are common within this sector and must be closely monitored to ensure appropriate management of associated risks.

To mitigate this risk, OLG is:

- maintaining ongoing communications and ensuring alignment with private sector partners to ensure they can continue to deliver even under the current circumstances
- enhancing its third-party management program to include research and regular risk assessments, ensuring the availability of new skill sets and clarifying key contract obligations. Other tools include enhanced governance, and holistic performance dashboards to enable effective monitoring of private sector partners.

People and Culture

OLG's employees and culture are foundational to the successful execution of its strategy. As OLG completes the implementation of Land-based Gaming modernization and continues moving forward on its digital strategy, cultural changes and adjustments are required. These will take time as OLG employees adapt to new ways of working and develop new or different skills and capabilities. The loss of key employees at critical times could impede the progress of the strategic plan.

Access to key talent is an ongoing risk to OLG under normal circumstances but especially during a pandemic. The measures taken by the Government of Ontario and OLG to address the health and safety of people helps mitigate workforce impacts of COVID-19- related illness. To date, OLG has provided the technology and other supports to enable employees to sustain work from home arrangements to continue delivering on the priorities of the organization.

Throughout the COVID-19 pandemic, OLG has seen a significant increase in lottery purchases through its digital channel (PlayOLG). However, this puts a strain on the resources required to meet the demands of this increased activity. As OLG continues to operate throughout the pandemic and develops plans to resume operations, there may be unanticipated shifts in demands for resources.

To mitigate this risk:

- Senior management has established the health and safety of OLG employees as the top priority during the COVID-19 pandemic. All employees who are not required on-site to carry out critical business processes are working from home. Employees required to be on-site are being provided with the information and supplies they require to protect themselves and others in the workplace and in the community. Safe physical distancing and enhanced cleaning practices have been implemented and plans are in place to ensure continued operations if employee availability is negatively affected by COVID-19.
- Resources are being redeployed across the organization to meet these changing demands and OLG will leverage vendor rosters to facilitate interim access to key skills sets, if required. Training and development will focus on preparing employees to take on leadership roles as required. As part of refining the Organizational Operating Model and Culture Strategic Priority, senior leadership will continue to focus on initiatives that will ensure employees are engaged and productive during this pandemic period and look to evaluate opportunities for new ways of working in the future.

Information Technology and Infrastructure

While implementing new digital technologies, OLG must ensure that its legacy systems continue to sustain and grow the core business and that access to systems and/or information is not compromised. All businesses face increasing incidents of cyberattacks. To address these challenges, high-valued technology improvements are underway, and more are planned to enhance security, functionality, reliability and flexibility. This includes the roll out of new lottery terminals across all retail locations, which has continued despite the pandemic.

OLG has a mature cybersecurity risk management program and continues to evolve the program. OLG's Information Security Department performs vigorous and continuous vulnerability and patch management processes; monitors and aligns its controls to known and highly regarded frameworks; and assesses legal and regulatory changes accordingly. Cyber insurance is in place to mitigate impacts of cybersecurity incidents should they occur, and OLG will continue to update and enhance its capabilities to respond to the ever-changing threat landscape. Furthermore, service providers and private sector partners are required to maintain their own cybersecurity controls and provide OLG with independent assurance on those controls.

The COVID-19 pandemic has increased OLG employees' and customers' reliance on technology to sustain operations. Third parties must maintain networks, hardware, software and services as these are critical to maintain OLG's business operations. To mitigate this risk, OLG regularly reviews its business continuity plans and disaster recovery plans to ensure they can effectively address the potential for disruptions in this area. Additional measures are being taken to assess critical third parties to identify changes in risk and to take appropriate action.

Government and Stakeholder Relationships

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

To mitigate this risk, the President and CEO, with support from the Corporate Affairs division, maintains open and ongoing communication with government. OLG leverages well-developed planning processes to determine when government approvals are required and ensures the required materials are prepared at the appropriate time. OLG also works proactively to ensure that its plans meet the outcomes that the government is seeking.

OLG is taking its lead from the government during the COVID-19 pandemic, adhering to restrictions for public safety and seeking clarification and confirmation on other important decisions. OLG informs government about the impacts these decisions have on its operations and on the revenues it provides to the province.

Governance, Legal and Compliance

OLG is required to comply with certain laws and regulations as it carries out its mandate. A focus on compliance is crucial as OLG implements its strategy, enters new relationships with third parties and advances into the digital environment. OLG must understand the legal and regulatory implications of new and innovative technologies. This includes ensuring that service providers and private sector partners understand their obligations in a regulated environment relevant to public sector entities like OLG. As governments make changes to regulations or laws, OLG may be required to respond with business adjustments. This is particularly true in areas such as anti-money laundering regulation, Land-based Gaming regulations, and online gaming regulations.

To mitigate this risk, OLG has implemented an Enterprise Compliance Framework and maintains processes and dedicated compliance resources. Programs are in place to ensure that regulatory compliance requirements are considered with each new initiative. OLG and its third parties receive ongoing training on regulatory requirements. Enhancements to OLG's Anti-Money Laundering program will be made as required.

Competitive Products

OLG is broadening its customer experiences and leveraging technology in the digital marketplace. However, OLG competes with a wider range of global entertainment options than in any other market, and it must keep pace with evolving customer expectations by launching new and innovative products with agility. Two factors that may challenge this response include the limitations of our current gaming platforms to support the breadth and depth of products customers desire and the requirement that OLG operates within the parameters of the laws and regulations that govern it, which often require stringent testing.

To mitigate this risk, OLG is embarking on a customer experience strategy and product roadmap, which includes a new player platform and website, and new mobile applications.

The increase in the number of players accessing OLG Lottery sales during the pandemic provides OLG with insights into new customers as it looks to enhance their digital experience.

6. Significant Accounting Policies and Use of Estimates and Judgments

To conform with International Financial Reporting Standards (IFRS), the preparation of these Consolidated Financial Statements 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
- Leases
- Consolidation

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

- Property, plant and equipment – useful lives and residual values
- Provisions
- Lease liabilities and right-of-use assets
- Contract liabilities
- Valuation of financial instruments
- Employee benefits
- Contingencies

In light of the temporary closures of Land-based Gaming facilities and Charitable Gaming operations due to COVID-19, significant estimates and judgments have been made by management when evaluating credit risk for expected credit losses.

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

Adoption of new Accounting Standards

On April 1, 2019 the Corporation adopted IFRS 16 Leases (IFRS 16). This standard provides a single lessee accounting model requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in International Accounting Standard 17, Leases (IAS 17), with the distinction between operating leases and finance leases being retained.

The Corporation adopted IFRS 16 using the modified retrospective approach without restating comparative amounts. The Corporation elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Contracts not identified as leases under IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4) that were entered into before the transition date, were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

Impacts on the Corporation's Consolidated Financial Statements on April 1, 2019

	Balance as at March 31, 2019	IFRS 16 adjustments	Adjusted balance as at April 1, 2019
Property, plant and equipment	$ 1,054	$ (240)	$ 814
Trade and other receivables	139	4	143
Right-of-use assets	-	297	297
Total assets	$ 1,193	$ 61	$ 1,254
Current portion of long-term debt	$ 22	$ (12)	$ 10
Long-term debt	271	(249)	22
Current portion of lease liabilities[1]	-	43	43
Lease liabilities[1]	-	279	279
Total liabilities	$ 293	$ 61	$ 354

[1]When measuring lease liabilities, the Corporation discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities was 4.0 per cent.

MANAGEMENT'S RESPONSIBILITY FOR ANNUAL REPORTING

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

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

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

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

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

Stephen Rigby
President and Chief Executive Officer

Lisa Bell-Murray
Senior Vice President and
Chief Financial Officer

June 24, 2020

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statements of financial position as at March 31, 2020 and March 31, 2019
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2020 and March 31, 2019, 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 2019–20".

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 as at the date of this auditors' report.

If, based on the work we have performed on this 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.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "OLG Annual Report 2019–20" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

Page 3

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

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

Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

June 24, 2020

Ontario Lottery and Gaming Corporation

Consolidated Statements of Financial Position

As at March 31, 2020 and 2019

(in millions of Canadian dollars)

	Notes	2020	2019
Assets			
Current assets			
Cash		$ 160	$ 268
Restricted cash	6	100	72
Trade and other receivables	7	61	139
Due from Service Providers	16	45	19
Prepaid expenses		14	28
Inventories	8	37	31
Assets held for sale	11	-	136
Total current assets		417	693
Non-current assets			
Restricted cash	6	35	116
Property, plant and equipment	9	805	1,054
Right-of-use assets	10	271	-
Total non-current assets		1,111	1,170
Total assets		**$ 1,528**	**$ 1,863**
Liabilities and Equity			
Current liabilities			
Trade and other payables	12	$ 317	$ 308
Provisions	13	35	21
Due to operators and Service Providers	16	103	289
Due to the Government of Canada	18	30	44
Current portion of contract liabilities	19	45	34
Current portion of lease liabilities	10	14	-
Current portion of long-term debt	20	11	22
Liabilities held for sale	11	-	14
Total current liabilities		555	732
Non-current liabilities			
Contract liabilities	19	182	23
Lease liabilities	10	271	-
Long-term debt	20	21	271
Employee benefits	26	13	14
Total non-current liabilities		487	308
Total liabilities		1,042	1,040
Equity			
Retained earnings		389	645
Contributed surplus		62	62
Reserves	6	35	116
Total equity		486	823
Total liabilities and equity		**$ 1,528**	**$ 1,863**

Commitments (Notes 16 and 27)

Contingencies (Note 28)

Subsequent events (Notes 25.d, 27.d and 30)

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

Approved on behalf of the Board

Peter M. Deeb, Chair

Lori O'Neill, Director

Ontario Lottery and Gaming Corporation
Consolidated Statements of Comprehensive Income
For the years ended March 31, 2020 and 2019
(in millions of Canadian dollars)

	Notes	2020	2019
Proceeds from Lottery and Gaming		$ 8,289	$ 8,299
Less: Lottery prizes		(2,313)	(2,331)
Less: Service Provider fees		(1,704)	(1,171)
Gaming revenue		4,272	4,797
Lease revenue		72	14
Non-gaming site revenue		42	82
Revenue		4,386	4,893
Expenses (income)			
Stakeholder payments	22	825	694
Commissions and fees	21	398	486
Personnel		371	572
Win contribution	17	256	280
Marketing and promotion		159	215
Amortization	9,10	85	94
Systems maintenance		71	96
General operating, administration and other	24	64	80
Ticket printing, distribution and testing		55	56
Facilities		38	67
Food, beverage and other purchases		29	74
Regulatory fees		13	29
Finance costs	14	15	14
Finance income	14	(11)	(14)
Gains on disposal of property, plant and equipment, net	23	(29)	(41)
		2,339	2,702
Net income and comprehensive income		$ 2,047	$ 2,191

Other information (Note 29)

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, 2020 and 2019
(in millions of Canadian dollars)

	Retained earnings	Contributed surplus	Capital renewals reserves	Operating reserves	Severance reserves	Total
Balance at March 31, 2018	$ 734	$ 62	$ 16	$ 57	$ 47	$ 916
Net income and comprehensive income	2,191	-	-	-	-	2,191
Contr butions or distributions						
Transfers to (from) reserves	4	-	(6)	1	1	-
Payments to the Province of Ontario	(2,284)	-	-	-	-	(2,284)
Balance at March 31, 2019	$ 645	$ 62	$ 10	$ 58	$ 48	$ 823
Net income and comprehensive income	2,047	-	-	-	-	2,047
Contr butions or distributions						
Transfers 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

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, 2020 and 2019
(in millions of Canadian dollars)

	Notes	2020	2019
Cash flows from operating activities			
Net income and comprehensive income		$ 2,047	$ 2,191
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	85	94
Gains on disposal of property, plant and equipment, net	23	(29)	(41)
Net finance costs	14	4	-
Impairment loss on property, plant and equipment	9	-	1
Other long-term employee benefits	26.c	(1)	(2)
Operating cash flows before change in non-cash working capital		2,106	2,243
Changes in non-cash working capital and current restricted cash:			
(Increase) in current restricted cash		(28)	(12)
Decrease in trade and other receivables		82	70
(Increase) in due from Service Providers		(26)	(19)
Decrease in prepaid expenses		14	6
(Increase) decrease in inventories		(6)	7
(Decrease) in trade and other payables		-	(55)
Increase in provisions		14	15
(Decrease) increase in due to operators and Service Providers		(186)	44
(Decrease) in due to the Government of Canada		(14)	-
Increase in contract liabilities		170	24
Net cash from operating activities		2,126	2,323
Cash flows from (used) in investing activities			
Interest received		11	14
Capital expenditures		(53)	(74)
Change in net assets held for sale		51	3
Proceeds from disposal of property, plant and equipment and assets held for sale		88	99
Decrease in non-current restricted cash		81	4
Net cash from investing activities		178	46
Cash flows from (used) in financing activities			
Interest paid		(14)	(12)
Proceeds from long-term debt		10	5
Repayments of long-term debt		(10)	(19)
Payment of lease liabilities		(14)	-
Payments to the Province of Ontario		(2,384)	(2,284)
Net cash used in financing activities		(2,412)	(2,310)
(Decrease) increase in cash		(108)	59
Cash, beginning of year		268	209
Cash, end of year		$ 160	$ 268
Supplemental disclosure relating to non-cash investing activities:			
Acquisition of property, plant and equipment not yet paid for		$ 11	$ 3

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), prior to and after the transition of service providers to the new financial model,
- Digital Gaming, and
- Land-based Gaming, which includes:
    - service provider-operated Land-based Gaming sites,
    - Resort Casinos: Caesars Windsor and prior to the transition to service providers, Casino Rama and Casino Niagara and Niagara Fallsview Casino Resort (Fallsview), and
    - OLG-operated Slots and Casinos prior to the transition to service providers (fiscal 2018–19).

The Corporation is also helping to build a more sustainable horse racing industry in Ontario (Note 27.d).

As at March 31, 2020, 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 July 18, 2018, the Corporation had an operating agreement with CHC Casinos Canada Limited for the operation of Casino Rama and until June 11, 2019, it had an operating agreement with Falls Management Group L.P. for the operation of Casino Niagara and Fallsview. Upon termination of these operating agreements, the new agreements between the Corporation and service providers (Note 2) became effective. The Corporation consolidated the financial results of Casino Rama up until July 18, 2018, and 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 Services Agreements (COSAs) with certain Land-based Gaming service providers and Charitable Gaming Centre Service Providers Agreements (CGCSPAs) with cGaming service providers (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 game is 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 (Note 23).

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 24, 2020.

2. Modernizing Gaming in Ontario

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. Once the Request for Proposal (RFP) stage for a gaming bundle was completed, OLG selected a Service Provider and a Transition and Asset Purchase Agreement (TAPA) was signed by the parties. The TAPA commits the Service Provider to acquire certain assets and assume certain liabilities from OLG related to the gaming sites in the bundle and to sign the COSA, which governs the operations of the gaming sites in the bundle. OLG continues to conduct and manage Land-based Gaming sites in the bundles while the Service Providers assume control of the day-to-day operations.

(in millions of Canadian dollars)

2. Modernizing Gaming in Ontario (continued)

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

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

* Not in operation as of March 31, 2020.

2. Modernizing Gaming in Ontario (continued)

As at March 31, 2020, OLG conducts and manages 33 cGaming Centres across Ontario. 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 in each of the Greater Toronto Area and Tecumseh opened in October 2019 and March 2020, respectively, and these centres are also operated by cGaming Service Providers.

3. Basis of preparation

a. Temporary Business Interruption

On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization. The Governments of Canada and Ontario immediately responded by putting measures in place to reduce the spread of the disease and protect human life. Following advice from public health authorities, the Corporation took action as summarized below:

Land-based Gaming

The Corporation, the operator of Caesars Windsor and the Land-based Gaming Service Providers agreed to suspend operations at all gaming facilities across Ontario. This temporary closure was effective March 16, 2020.

On March 15, 2020, the Corporation and the Land-based Gaming Service Providers entered into Letter Agreements which set out the financial and other arrangements between the parties with respect to the temporary closure of the gaming facilities commencing March 16, 2020 and ending on April 6, 2020, with the option to extend this period (see Note 30.a for the extensions).

Charitable Gaming

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

Lottery

On March 17, 2020, the Corporation announced it was temporarily closing in-person customer services at its prize centre in Toronto.

On March 23, 2020, the Government of Ontario announced that workplaces deemed essential, including certain retail businesses would remain operational during the pandemic response. Lottery sales continued at retail outlets authorized to sell lottery products that chose to remain open. Some retailers that remained open temporarily suspended the sale of lottery products.

Impact to financial results

The COVID-19 pandemic and the public health and economic responses to it cause significant uncertainty regarding the duration, impact and magnitude of the temporary closures of certain OLG operations and the recovery upon reopening. The financial effect on the Corporation’s consolidated results of operations, cash flows and financial position is not known at this time; however, the impact could be material.

3. Basis of preparation (continued)

a. Temporary Business Interruption (continued)

The Corporation's exposure to credit risk has increased as a result of COVID-19. The Corporation recognized expected credit losses related to amounts owed from Land-based Gaming Service Providers (Note 25.c).

The closure of gaming facilities and suspension of lottery sales at certain retail locations also affected the Corporation's cash flow. The Corporation continues to manage its liquidity risk through cost and vendor management, reprioritization of initiatives and by forecasting and assessing cash flow requirements on an ongoing basis (see Note 30.b for the Ontario Financing Authority (OFA) Loan Agreement).

b. Statement of compliance

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

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.f).

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.

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.c)
- Leases (Note 4.j)
- Consolidation (Note 4.a)

3. Basis of preparation (continued)

e. Use of estimates and judgments (continued)

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

- Property, plant and equipment – useful lives and residual values (Note 4.g)
- Provisions (Note 13)
- Lease liabilities and right-of-use assets (Note 10)
- Contract liabilities (Note 19)
- Valuation of financial instruments (Note 25)
- Employee benefits (Note 26)
- Contingencies (Note 28)

In light of the temporary closures due to COVID-19 (Note 3.a), significant estimates and judgments have been made by management when evaluating credit risk for expected credit losses (Note 25.c).

f. Adoption of new accounting standards

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2019 did not materially affect the Corporation's Consolidated Financial Statements. The Corporation also adopted IFRS 16 Leases (IFRS 16) on April 1, 2019. The effects of the adoption are described below.

IFRS 16 Leases (IFRS 16)

IFRS 16 provides a single lessee accounting model requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in International Accounting Standard 17, Leases (IAS 17), with the distinction between operating leases and finance leases being retained.

The Corporation adopted IFRS 16 using the modified retrospective approach without restating comparative amounts. The Corporation elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Contracts not identified as leases under IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4) that were entered into before the transition date were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

IFRS 16 provides certain optional practical expedients, including those related to the initial adoption of the standard. The Corporation applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments of whether leases are onerous as opposed to reviewing leases for impairment review under IAS 36 (Impairment of Assets) as at the date of initial application; and
- application of the exemption not to recognize right-of-use assets and lease liabilities for leases with less than 12 months of lease term remaining as of the date of the initial application.

3. Basis of preparation (continued)

f. Adoption of new accounting standards (continued)

(i) Recognition and measurement

As a lessee

The Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for most leases. However, the Corporation has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset if they are new or for short-term leases with a lease term of 12 months or less.

Leases classified as operating leases under IAS 17

On adoption of IFRS 16, the Corporation recognized right-of-use assets and lease liabilities in relation to leases of office facilities, prize centre retail space and warehouses which had previously been classified as operating leases.

The lease liabilities and right-of-use assets were measured as follows:

a) Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at April 1, 2019.

b) Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Leases classified as finance leases under IAS 17

On adoption of IFRS 16, the Corporation recognized right-of-use assets and lease liabilities in relation to casino complexes and equipment which had previously been classified as finance leases. The carrying amount of the right-of-use asset and the lease liability at April 1, 2019 were determined as the carrying amount of the finance leased asset and finance lease liability under IAS 17 immediately before that date.

As a lessor

Except for the case of subleases, the Corporation is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Under IFRS 16, the Corporation is required to assess the classification of a sublease with reference to the right-of-use asset, not the underlying asset. On transition, the Corporation reassessed the classification of a sublease contract and determined it to be classified as an operating lease consistent with IAS 17.

(in millions of Canadian dollars)

3. Basis of preparation (continued)

f. Adoption of new accounting standards (continued)

(ii) Impacts on the Corporation's Consolidated Financial Statements on April 1, 2019

	Balance as at March 31, 2019	IFRS 16 adjustments	Adjusted balance as at April 1, 2019
Property, plant and equipment	$ 1,054	$ (240)	$ 814
Trade and other receivables	139	4	143
Right-of-use assets	-	297	297
Total assets	$ 1,193	$ 61	$ 1,254
Current portion of long-term debt	$ 22	$ (12)	$ 10
Long-term debt	271	(249)	22
Current portion of lease liabilities*	-	43	43
Lease liabilities*	-	279	279
Total liabilities	$ 293	$ 61	$ 354

* When measuring lease liabilities the Corporation discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities was 4.0 per cent.

(iii) Reconciliation of operating lease commitments and aggregate lease liability

The following table reconciles the Corporation's operating lease commitments at March 31, 2019, as previously disclosed in the Corporation's Consolidated Financial Statements, to the lease liabilities recognized on initial application of IFRS 16 at April 1, 2019.

Operating lease commitments disclosed as at March 31, 2019	$ 60
Less: Short-term leases not recognized under IFRS 16	(1)
Less: Low value leases not recognized under IFRS 16	(3)
Plus: Effect of extension options reasonably certain to be exercised	18
	74
Effect of discounting using the incremental borrowing rate as at the date of initial application	(13)
Leases previously classified as finance leases	261
Lease liabilities recognized at April 1, 2019	$ 322

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, 2020 and March 31, 2019.

a. Basis of consolidation

The Consolidated Financial Statements include the accounts of the Corporation, OGAC and the Resort Casinos (Caesars Windsor, Casino Rama until July 18, 2018; Casino Niagara and Fallsview until June 11, 2019). The Corporation consolidates the results of operations prior to the transition of the sites to Service Providers (Note 2). The Corporation does not control any of the 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.c. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

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

b. Foreign currency

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

c. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the core operating business transactions accounted for under both IFRS 15, 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 wagering transactions are within the scope of IFRS 9 or IFRS 15. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

4. Significant accounting policies (continued)

c. 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 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).

Gaming revenue from sites operated by Land-based Gaming Service Providers, which pursuant to the COSAs, includes OLG's share of the proceeds generated at the facility 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 fixed fee, a variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures.

Non-gaming site revenue generated at sites operated or 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.

4. Significant accounting policies (continued)

c. Revenue recognition (continued)

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

Funds collected for lottery games for which results are determined based on a draw, and for which tickets are sold in advance of the 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 COSA.

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 the Corporation or its Resort Casino operators. Gaming revenue from Wagering Transactions represents the difference between amounts earned through gaming wagers less the payouts from those wagers, net of any changes in accrued jackpot liabilities and liabilities under customer loyalty incentive programs. For Wagering Transactions, revenue is recognized in the same period the game is played or when the related draw occurs.

(i) Customer loyalty incentive programs

The Corporation has customer loyalty incentive programs provided by Resort Casinos operated by an operator which includes Caesars Windsor, Casino Niagara and Fallsview until June 11, 2019, and Casino Rama until July 18, 2018, and in fiscal 2018–19, OLG-operated sites. 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.

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)

c. 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, Casino Niagara and Fallsview until June 11, 2019, and Casino Rama until July 18, 2018, and in fiscal 2018–19, OLG-operated sites prior to transition to Land-based Gaming Service Providers (West GTA and Central bundles).

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.

d. 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.

e. 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.

f. 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)

f. 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	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 operators 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 19.b).

4. Significant accounting policies (continued)

f. 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.

g. 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)

g. 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	2 to 10 years
Leasehold improvements	Lesser of useful life or term of lease
Lottery gaming assets	2 to 7 years
Land-based Gaming assets	2 to 10 years

Property, plant and equipment are amortized when they are ready for their intended use. Construction in progress and assets not yet in use are stated at cost, less any recognized impairment loss. Amortization of these assets 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.

h. Disposal group held for sale

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

i. 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.

4. Significant accounting policies (continued)

i. Impairment (continued)

(i) Financial assets (continued)

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, the Corporation uses historic actual credit losses adjusted for forecasts of future conditions.

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.

4. Significant accounting policies (continued)

i. Impairment (continued)

(ii) Non-financial assets (continued)

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.

j. Leases

Policy applicable from April 1, 2019

(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.

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.

4. Significant accounting policies (continued)

j. Leases (continued)

(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.

Policy applicable before April 1, 2019

Prior to the adoption of IFRS 16 on April 1, 2019, leases of property, plant and equipment were recognized as finance leases if the Corporation obtained substantially all the risks and rewards of owning the underlying assets. All other leases were classified as operating leases for which the Corporation recognized an expense in the Consolidated Statements of Comprehensive Income on a straight-line basis over the term of the lease.

k. Provisions

Provisions are liabilities of uncertain timing and amount. A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

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

l. 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.

4. Significant accounting policies (continued)

l. Employee benefits (continued)

(ii) Defined benefit plans

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

(iii) Other long-term employee benefits

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

(iv) Termination benefits

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

(v) Short-term employee benefits

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

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

m. Finance income and Finance costs

Finance income primarily consists of interest income on funds held in bank accounts 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.

4. Significant accounting policies (continued)

n. 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.

o. 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 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), 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.c), and
- Recognition of amounts related to advanced consideration received from certain bundles (Note 19.a).

p. 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.

The following amended standards are not expected to have a significant impact on the Corporation's Consolidated Financial Statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

- In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to introduce a refined definition of materiality to make it easier to understand and apply. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Corporation does not expect the amendments to have a material impact on the Consolidated Financial Statements.

(in millions of Canadian dollars)

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 25 for further details on the Corporation's financial risk management and financial instruments.

6. Restricted cash

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

		2020		2019
Current				
Prize funds on deposit (a)	$	73	$	63
Other (b)		27		9
	$	100	$	72
Non-current				
Reserves (c)				
Capital renewals		5		10
Operating		30		58
Severance		-		48
	$	35	$	116
Restricted cash	$	135	$	188

a. Prize funds on deposit of $73 million (2019 – $63 million) are funds set aside for the estimated gross prizes outstanding of $110 million (2019 – $99 million) less an estimate for prizes not expected to be claimed by customers of $37 million (2019 – $36 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's horse racing industry not yet distributed.

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

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

(in millions of Canadian dollars)

6. Restricted cash (continued)

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

Upon termination of the operating agreement with Falls Management Group, L.P. for the operations of Casino Niagara and Fallsview, on June 11, 2019, the capital renewals reserves and operating reserves were collapsed and funds were paid to the Province of Ontario.

At March 31, 2020, the capital renewals reserves and operating reserves balances related solely to Casino Rama 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 said operating agreement. The Corporation maintains an obligation for certain non-insured legal costs, pursuant to the new agreements (Note 28).

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

Pursuant to the Additional Services and Extension Agreement (ASEA) entered into during fiscal 2019–20 between the Corporation and CEWL (Note 16) relating to Caesars Windsor, the severance reserve was collapsed and funds were paid to the Province of Ontario.

7. Trade and other receivables

	2020	2019
Trade receivables	$ 54	$ 81
Less: expected credit loss	-	(1)
Trade receivables, net	54	80
Other receivables	7	59
Trade and other receivables	$ 61	$ 139

The Corporation's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 25.

8. Inventories

	2020	2019
Lottery paper	$ 33	$ 27
Other	4	4
Inventories	$ 37	$ 31

Inventory costs included in expenses for the year ended March 31, 2020 were $70 million (March 31, 2019 – $99 million).

Ontario Lottery and Gaming Corporation
Notes to the Consolidated Financial Statements
For the years ended March 31, 2020 and 2019
(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	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2018	$ 130	$ 1,771	$ 447	$ 145	$ 101	$ 267	$ 316	$ 24	$ 3,201
Additions and assets put into use	-	14	26	7	6	20	-	(1)	72
Disposals and retirements	-	(1)	(20)	-	-	(25)	-	-	(46)
Transfers to held for sale (Note 11)	-	-	(107)	(127)	-	(170)	-	(1)	(405)
Balance at March 31, 2019	**$ 130**	**$ 1,784**	**$ 346**	**$ 25**	**$ 107**	**$ 92**	**$ 316**	**$ 22**	**$ 2,822**
Recognition of right-of-use asset on adoption of IFRS 16 (Note 3.f)							(316)		(316)
Adjusted 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**

(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	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2018	$ 41	$ 1,132	$ 386	$ 131	$ 84	$ 214	$ 64	$ -	$ 2,052
Amortization for the period	-	31	25	2	9	14	13	-	94
Impairment loss	-	-	1	-	-	-	-	-	1
Disposal and retirements	-	(1)	(21)	6	-	(28)	(1)	-	(45)
Transfers to held for sale (Note 11)	-	-	(87)	(121)	-	(126)	-	-	(334)
Balance at March 31, 2019	**$ 41**	**$ 1,162**	**$ 304**	**$ 18**	**$ 93**	**$ 74**	**$ 76**	**$ -**	**$ 1,768**
Recognition of right-of-use asset on adop ion of IFRS 16 (Note 3.f)							(76)		(76)
Adjusted balance at April 1, 2019	$ 41	$ 1,162	$ 304	$ 18	$ 93	$ 74	$ -	$ -	$ 1,692
Amortization for the period	-	29	19	2	9	8	-	-	67
Impairment loss	-	-	-	-	-	-	-	-	-
Disposal and retirements	-	-	(34)	(1)	-	(8)	-	-	(43)
Balance at March 31, 2020	**$ 41**	**$ 1,191**	**$ 289**	**$ 19**	**$ 102**	**$ 74**	**$ -**	**$ -**	**$ 1,716**

(in millions of Canadian dollars)

9. Property, plant and equipment (continued)

Carrying amounts

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based Gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at March 31, 2019	$ 89	$ 622	$ 42	$ 7	$ 14	$ 18	$ 240	$ 22	$ 1,054
Balance at March 31, 2020	$ **89**	$ **597**	$ **33**	$ **5**	$ **5**	$ **18**	$ **-**	$ **58**	$ **805**

10. Leases

a. As a lessee

The Corporation leases property and equipment under long-term leases. Property leases primarily comprise office facilities, prize centre retail space, warehouses and casino complexes. Equipment leases primarily comprise gaming and office equipment.

Office facilities, prize centre retail space and warehouses

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 payments over the term of the lease.

Casino Niagara facility

On June 11, 2019 the Corporation's lease agreement with respect to the Casino Niagara facility was terminated resulting in a net gain of $13 million related to the derecognition of the right-of-use asset and lease liability (Note 23).

Casino Rama complex

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

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

In addition to annual rent payments received pursuant to the Complex Sublease, the Post-2011 Contract entitles Rama First Nation to receive an annual fee from OLG for each successive 12-month period equal to the greater of 1.9 per cent of the Gross Revenues of the Casino Rama Complex, as defined, and $5.5 million.

In calculating the present value of minimum lease payments, the $5.5 million minimum gross revenue payment was considered in substance to be a payment of rent.

Equipment

The Corporation's lease for TapTix dispensers, formerly known as Break Open Ticket (BOT) dispensers, was terminated in fiscal 2019–20. The Corporation was released of its remaining lease payment obligations and derecognized the right-of-use asset and lease liability resulting in a net gain of $2 million (Note 23).

(in millions of Canadian dollars)

10. Leases (continued)

a. As a lessee (continued)

i) Right-of-use assets

Cost	**Property**	**Equipment**	**Total**
Balance at April 1, 2019	$ 349	$ 25	$ 374
Additions	2	-	2
Modifications to lease terms	4	-	4
Disposals	(48)	(25)	(73)
Balance at March 31, 2020	**$ 307**	**$ -**	**$ 307**
Accumulated amortization			
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**
Carrying amounts			
Balance at April 1, 2019	**$ 297**	**$ -**	**$ 297**
Balance at March 31, 2020	**$ 271**	**$ -**	**$ 271**

ii) Lease liabilities

	Property	**Equipment**	**Total**
Balance at April 1, 2019 (Note 3.f)	$ 319	$ 3	$ 322
Additions	2	-	2
Interest expense	10	-	10
Variable lease payment adjustment	4	-	4
Derecognized	(26)	(2)	(28)
Interest payments	(10)	-	(10)
Principal payments	(14)	(1)	(15)
Balance at March 31, 2020	**$ 285**	**$ -**	**$ 285**
Current	$ 14	$ -	$ 14
Non-current	271	-	271
	$ 285	$ -	$ 285

(in millions of Canadian dollars)

10. Leases (continued)

a. As a lessee (continued)

iii) Maturity analysis of lease liabilities

Payments related to lease liabilities that are expected to be made over the next five years and thereafter are approximated as follows:

As at March 31	Principal payments
2021	$ 14
2022	14
2023	15
2024	15
2025	16
Thereafter	211
	$ 285

b. As a lessor

The Corporation leases or subleases casino complex properties to Land-based Gaming Service Providers as operating leases.

Fallsview and Montrose properties

On June 11, 2019, the Corporation and MGE entered into a 21-year lease agreement for the Fallsview and Montrose (located at Niagara) properties. As part of the lease agreement, MGE is required to pay the Corporation approximately $27 million per year for the combined properties subject to Consumer Price Index (CPI) adjustments.

Casino Rama complex

On March 29, 2018, OLG and Gateway Casinos & Entertainment Limited entered into the Casino Rama Net Sublease and sub-sublease (the sub-sublease) which commenced on July 18, 2018, the Central Bundle COSA signing date. The term of the sub-sublease expires on July 31, 2041 provided that if the term of the COSA is extended beyond July 31, 2041, the term of the sub-sublease shall automatically be extended for a corresponding period of time, subject to the terms of the sub-sublease. As part of the sub-sublease, Gateway is required to pay the Corporation approximately $12 million per year for the Casino Rama complex subject to CPI adjustments.

Brantford Casino property

During fiscal 2018–19, the Corporation and OGWGLP entered into a 20-year lease agreement for the Brantford Casino land and building. As part of the lease agreement, OGWGLP prepaid $61 million for use of the land and building (Note 19.b).

(in millions of Canadian dollars)

10. Leases (continued)

b. As a lessor (continued)

i) Maturity analysis of contractual lease payments to be received

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

As at March 31		
2021	$	39
2022		39
2023		39
2024		39
2025		39
Thereafter		603
	$	798

11. Disposal group held for sale

At March 31, 2019, the assets and liabilities transferred or disposed of under the Niagara Gaming Bundle met the criteria to be classified as a disposal group held for sale (Notes 2 and 16). Their carrying values comprised the following:

		2020		**2019**
Cash	$	-	$	50
Property, plant and equipment (Note 9)		-		71
Other		-		15
Assets held for sale	$	-	$	136
Trade payables and other		-		14
Liabilities held for sale	$	-	$	14

The sale of the Niagara Bundle was completed in fiscal 2019–20 and resulted in a gain on disposal of $27 million (Note 23).

12. Trade and other payables

		2020		**2019**
Trade payables and accruals	$	86	$	88
Prizes payable		73		63
Short-term employee benefits		38		31
Gaming liability		61		61
Commissions payable		26		32
Other payables and accruals		33		33
Trade and other payables	$	317	$	308

Prizes payable are unclaimed and estimated lottery prizes.

(in millions of Canadian dollars)

12. Trade and other payables (continued)

Short-term employee benefits include salaries payable, incentive accruals, long-term service awards, 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, an operator or by OLG, 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.

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

The Corporation's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 25.

13. Provisions

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

	Legal claims	Other provisions	Total
Balance at April 1, 2019	$ 2	$ 19	$ 21
Increases and additional provisions	11	5	16
Amounts paid	(1)	-	(1)
Amounts reversed	-	(1)	(1)
Balance at March 31, 2020	**$ 12**	**$ 23**	**$ 35**

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 28).

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, 2020 is $2 million.

The HST provision relates to a refund received over fiscal 2018–19 and fiscal 2019–20 in the amount of $18 million, which is under review with the Canada Revenue Agency (CRA).

(in millions of Canadian dollars)

14. Finance income and Finance costs

	2020	2019
Interest income on financial assets measured at amortized cost	$ 6	$ 7
Foreign exchange gain, net	5	7
Finance income	$ 11	$ 14
Interest expense for non-derivative financial liabilities:		
Interest on bank overdraft and loans	$ 1	$ 1
Interest on lease liabilities (Note 10.a.ii)	10	11
Other interest expense	4	2
Finance costs	$ 15	$ 14

15. 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, loan agreements with the OFA (Note 20), post-employment benefit plans with the Ontario Pension Board (Note 26.b) and other long-term employee benefits with the Workplace Safety and Insurance Board (Note 26.c).

The office facility lease with Ontario Infrastructure and Lands Corporation had a right-of-use asset balance and a lease liability balance of $14 million each at March 31, 2020 (Note 10).

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.

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 Committee members, have authority and responsibility for overseeing, planning, directing and controlling the activities of the Corporation.

Key management personnel compensation includes:

	2020	2019
Short-term employee benefits	$ 5	$ 5
Termination benefits	2	-
	$ 7	$ 5

(in millions of Canadian dollars)

16. Due to / from operators and Service Providers

Due from Service Providers

		2020		2019
Due from Land-based Gaming Service Providers (b)	$	47	$	19
Due from cGaming Service Providers (b)		1		-
Less: expected credit losses		(3)		-
Due from Service Providers	$	45	$	19

The Corporation's exposure to credit risks and impairment losses related to due from Service Providers is disclosed in Note 25.

Due to operators and Service Providers

		2020		2019
Due to operators (a)	$	17	$	178
Due to Land-based Gaming Service Providers (b)		86		111
Due to operators and Service Providers	$	103	$	289

a. Due to operators

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.

During fiscal 2019–20, the Corporation and CEWL entered into an ASEA which extends the term of the operating agreement relating to Caesars Windsor. The Extension Term, as defined, commences on August 1, 2020 and expires on August 1, 2023, with the option to further extend the term on a month-to-month basis for 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 and a Final Operating Period Fixed 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 (Note 6.c).

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.

Casino Niagara and Fallsview

During fiscal 2015–16, the Corporation incurred one-time operator non-extension costs in relation to exercising its option to not extend the Permanent Casino Operating Agreement with Falls Management Group, L.P. As at March 31, 2020, the amount due to the operator was nil (March 31, 2019 – $153 million).

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

b. Due to / from Land-based Gaming and Charitable Gaming Service Providers

Under the terms of their respective COSAs and CGCSPAs, each Service Provider is entitled to receive a share of the gaming proceeds, generated at the facility it operates. The amount due to cGaming Service Providers represents the Service Provider's accrued share of gaming revenue primarily comprising a variable fee. 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 19.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.

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.

17. 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 $256 million for fiscal 2019–20 (fiscal 2018–19 – $280 million). The Corporation retains the responsibility to remit the contribution once a site is operated by a Land-based Gaming Service Provider.

18. Due to Government of Canada

As at March 31, 2020, the amount Due to the Government of Canada was $30 million (March 31, 2019 – $44 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.

(in millions of Canadian dollars)

18. Due to Government of Canada (continued)

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

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

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

19. Contract liabilities

		2020		2019
Gaming Bundle contract liabilities (a)	$	194	$	24
Deferred lease revenue (b)		21		22
Deferred lottery gaming revenue		5		5
Expected prize payout		5		4
Other		2		2
		227		57
Less: current portion		(45)		(34)
Contract liabilities	$	182	$	23

a. 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.

b. Deferred lease revenue

During fiscal 2018–19, the Corporation and OGWGLP entered into 20-year lease agreement for the Brantford Casino land and building. The lease agreement provides OGWGLP the option to terminate the agreement at any time. Upon termination, the Corporation is required to pay OGWGLP the then fair value of the land and building. As part of the lease agreement, OGWGLP prepaid $61 million for use of the land and building where Casino Brantford resides representing a portion of deferred lease revenue to be recognized over the term of the lease and an estimate of the fair value of the Corporation’s obligation related to the put option held by OGWGLP.

(in millions of Canadian dollars)

20. Long-term debt

		2020		2019
Gaming Management System loan (a)	$	17	$	27
Player Platform loan (b)		3		3
Lottery Terminals loan (c)		12		2
Obligations under finance leases (i)		-		261
		32		293
Less: current portion		(11)		(22)
Long-term debt	$	21	$	271

(i) As a result of the implementation of IFRS 16, obligations under finance lease are included in lease liabilities commencing April 1, 2019 (Note 3.f and 10).

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

In July 2014, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $35 million to finance the implementation of its Gaming Management System. This system will replace infrastructure that tracks and records gaming activity and accounting, as well as data and security events, at all slot machines while operated by the Corporation. During fiscal 2017–18, the Corporation fully repaid facility one, with a cumulative balance of $33 million with facility two. Facility two 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.

b. Player Platform loan

In June 2018, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $29 million to finance the development and implementation of a new player platform solution. Facility one is repayable, inclusive of interest accrued, at the earlier of the project completion date or July 2020. Facility one bears interest and fees of 3.027 per cent per annum and is unsecured.

c. Lottery Terminals loan

In February 2018, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to $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 2019–20, the Corporation drew $10 million on facility one bringing the total cumulative loan balance to $12 million inclusive of interest. Facility one is repayable, inclusive of interest accrued, at the earlier of the project completion date or September 2020. Facility one bears interest and fees of an average 1.79 per cent per annum and is unsecured.

(in millions of Canadian dollars)

20. Long-term debt (continued)

d. Payments over the next five years and thereafter

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 Repayments
2021	$	11
2022		9
2023		6
2024		3
2025		3
Thereafter		-
	$	32

21. Commissions and fees

		2020		**2019**
Lottery retailer commissions (a)	$	300	$	304
Operator fees (b)		87		164
Other (c)		11		18
Commissions and fees	$	398	$	486

a. Lottery

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

b. Operator fees

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

c. Other

These primarily comprise fees paid to cGaming service providers prior to the effective date of the CGCSPA for marketing efforts and third parties related to *PlaySmart* centres.

22. Stakeholder payments

	Notes		**2020**		**2019**
Payments to the Government of Canada	18	$	355	$	362
Gaming Revenue Sharing Payment to OFNLP	27.c		152		146
Municipal commissions (a)			141		135
Horse Racing Funding	27.d		120		-
Other (b)			57		51
Stakeholder payments		$	825	$	694

(in millions of Canadian dollars)

22. Stakeholder payments (continued)

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 cGaming Centres receive a commission based on a percentage of Adjusted Net Gaming Win, as defined in the cGaming 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 not-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.

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

During fiscal 2019–20, the Corporation realized net gains on disposal of property, plant and equipment of $29 million (fiscal 2018–19 – $41 million) which primarily included net gains associated with the sales and derecognition of the assets in the Niagara Gaming Bundle ($27 million) and with respect to the cGaming Centres ($3 million) (see Note 2 and Note 4.c for the related long-term gaming revenue share models entered into by the Corporation and the Service Providers). The gain on disposal in fiscal 2018–19 included gains associated with the sale of the West GTA and Central Gaming Bundles of $17 million and $26 million, respectively.

24. General operating, administration and other

		2020		2019
General and administration (a)	$	77	$	103
ATM fees		(6)		(13)
Miscellaneous income		(7)		(10)
General operating, administration and other	$	64	$	80

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.

25. 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.

c. Credit risk

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

Trade and other receivables

Trade and other receivables include credit provided to retailers of lottery products, and credit provided to customers of Resort Casinos prior to the transition of these casinos to Land-based Gaming Service Providers. 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.

25. Financial risk management and financial instruments (continued)

c. Credit risk (continued)

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, 2020, the Corporation had a negligible provision for expected credit losses (March 31, 2019 – $1 million), which represented approximately 0.2 per cent (March 31, 2019 – 1.0 per cent) of the Corporation’s consolidated Trade and other receivables. 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 March 31, 2020. 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, 2020.

As at March 31, 2020, the gross amount due from Service Providers was $48 million primarily due from three Land-based Gaming Service Providers which represents 95 per cent of the gross amount due from Service Providers. This amount represents the Corporation's maximum exposure to credit risk from Land-based Gaming and cGaming Service Providers. As discussed in Note 3.a, the Corporation’s Land-based Gaming and cGaming operations were temporarily closed in March 2020. The Corporation is monitoring the economic environment and is taking actions to limit this exposure.

As at March 31, 2020, the Corporation had a provision for expected credit losses of $3 million (March 31, 2019 – nil), which represented approximately six per cent (March 31, 2019 – nil per cent) of the Corporation’s balance due from Service Providers. The Corporation believes that the provision for expected credit losses is sufficient to reflect the related credit risk.

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.

(in millions of Canadian dollars)

25. Financial risk management and financial instruments (continued)

d. Liquidity risk (continued)

As discussed in Note 3.a, the Corporation’s Land-based Gaming and cGaming operations were temporarily closed in March 2020 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, on May 6, 2020, the Corporation entered into a loan agreement with the OFA to borrow an amount up to $300 million (Note 30.b).

The undiscounted contractual maturities of financial liabilities are as follows:

March 31, 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 operators 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

March 31, 2019	Carrying amount	Contractual cash flows	<1 year	1 - 2 years	3 - 5 years	> 5 years
Trade and other payables	$ 308	$ 308	$ 308	$ -	$ -	$ -
Due to operators and Service Providers	289	289	289	-	-	-
Due to Government of Canada	44	44	44	-	-	-
Long-term debt, including obligations under finance leases	293	388	33	29	77	249
	$ 934	$ 1,029	$ 674	$ 29	$ 77	$ 249

(in millions of Canadian dollars)

25. Financial risk management and financial instruments (continued)

e. Market risk

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

(i) Interest rate risk

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

The Corporation is subject to interest rate risk on its long-term debt.

At March 31, 2020, long-term debt consists of three 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, 2020, the Corporation had cash of $160 million (March 31, 2019 – $268 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) Foreign currency risk

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

The majority of the Corporation’s suppliers and customers are based in Canada and, therefore, transact in Canadian dollars (CAD). Some suppliers and customers are based outside of Canada. The suppliers located outside of Canada typically transact in USD. The Corporation’s border properties attract U.S. players who are required to exchange their USD for CAD prior to play. The Corporation exchanges USD using the daily market exchange rate and utilizes both a ‘buy’ and ‘sell’ rate. The Corporation holds USD cash and bank accounts for the purposes of transacting in USD with customers, as well as paying its U.S. suppliers. The balances held in USD are closely monitored to ensure future USD requirements are met. The Corporation’s net foreign exchange gain for the year ended March 31, 2020 was $5 million (March 31, 2019 – $7 million).

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

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

USD (balances shown in CAD equivalents)		**2020**		**2019**
Cash	$	8	$	22
Trade and other payables		(2)		(3)
Obligations under finance leases		-		(3)
Net exposure	$	6	$	16

The impact of foreign currency is not significant and, accordingly, a sensitivity analysis of the impact of fluctuations in foreign currency on net income has not been provided.

25. Financial risk management and financial instruments (continued)

e. Market risk (continued)

(iii) Other market price risk

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

- setting odds for each event within a short time frame before the actual event
- establishing sales liability thresholds by sport
- 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 on any given day for all sports-based products
- suppressing sales of any game at any time when liability risk is a concern.

f. Fair values measurement

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

The fair value of the Corporation’s long-term debt 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 16.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, 2020.

25. Financial risk management and financial instruments (continued)

f. Fair values measurement (continued)

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

26. 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, Fallsview and Casino Rama) have or had created defined contribution pension plans for their employees. The pension expense for the Resort Casinos' defined contribution plans for fiscal 2019–20 amounted to $10 million (fiscal 2018–19 – $19 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, which is a sole-sponsored defined benefit pension plans established by the Province of Ontario. The Province of Ontario controls all entities included in the PSPF Pension Fund. Contribution rates are set by the *Public Service Pension Act*, whereby the Corporation matches all regular contributions made by the member. The Corporation classified the plan as a state plan whereby there is no contractual agreement or stated policy for charging the net defined benefit cost of the plan to the Corporation. As such, the Corporation accounts for these post-employment benefits as a defined contribution plan and has recorded no additional liability for the plan deficit. The annual contributions made by the Corporation are recorded as an expense in the Consolidated Statements of Comprehensive Income. The Corporation's contribution and pension expense for fiscal 2019–20 was $11 million (fiscal 2018–19 – $10 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, 2020 was $15 million (March 31, 2019 – $15 million), of which $13 million (March 31, 2019 – $14 million) was included in non-current employee benefits liability and $2 million (March 31, 2019 – $1 million) was included in Trade and other payables (Note 12). The accrued benefit costs are based on actuarial assumptions.

The operators of the Resort Casinos are Schedule 1 employers under the Act and are not subject to the financial reporting requirements of self-insured employers. CHC Casinos Canada Limited, as operator of Casino Rama, and Falls Management Group L.P., as operator of Casino Niagara and Fallsview, were also Schedule 1 employers under the Act until July 18, 2018 and June 11, 2019, respectively.

(in millions of Canadian dollars)

27. Commitments

	HST on lease commitments (a)	Suppliers (b)	Total
2021	$ 11	$ 143	$ 154
2022	10	8	18
2023	8	8	16
2024	7	8	15
2025	5	6	11
	41	173	214
Thereafter	86	103	189
	$ 127	$ 276	$ 403

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 18.b) on the future lease payments are approximated as summarized above.

b. Suppliers

The Corporation has computer hardware maintenance, utility service and asset acquisition agreements with future payments as at March 31, 2020. 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 2019–20, $152 million was expensed (fiscal 2018–19 – $146 million) as Monthly Revenue Share Payments to OFNLP.

d. Horse Racing Funding Agreement

Until the end of fiscal 2018–19, the Corporation acted as a flow-through intermediary for provincial funding of horse racing pursuant to the Transfer Payment Agreements with racetracks under the Horse Racing Partnership Funding Program.

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.

27. Commitments (continued)

d. Horse Racing Funding Agreement (continued)

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

Subsequent to March 31, 2020, 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 closure period to cover approximately 50 per cent of the cost to care and train racehorses.

28. Contingencies

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

29. Other information

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

- **Lottery** derives its revenue from the sale of lottery games, which include Lotto, INSTANT and Sports products, at retail locations.
- **Land-based Gaming** comprises:
  - **Slots and Casinos**, which are gaming facilities operated by a Service Provider (or in fiscal 2018–19 operated by OLG for the period prior to transition to Service Providers), offer slot and table games, as well as food and beverage services. At the Service Provider-operated sites, OLG receives a share of the gaming revenue generated. The non-gaming revenue is earned and retained by the Service Provider.
  - **Resort Casinos**, operated by an operator or Service Provider, which are full-service casinos that offer customers a variety of amenities, including accommodations, entertainment and food and beverage services, in addition to slot and table games. Resort Casinos operated by an operator include Caesars Windsor, Casino Niagara and Fallsview until June 11, 2019 and Casino Rama until July 18, 2018. At the Service Provider-operated Resort Casinos, non-gaming revenue is earned and retained by the Service Provider.
- **Digital Gaming** derives its revenue from casino-style games and Lotto products available for purchase on PlayOLG.
- **Charitable Gaming** (cGaming) derives its share of gaming revenue from cGaming Centres operated by Service Providers. Prior to transitioning cGaming Service Providers pursuant to the CGCSPA in fiscal 2019–20, the Corporation had recognized all gaming revenue generated at the sites.

(in millions of Canadian dollars)

29. Other information (continued)

2020	Lottery	Land-based Gaming	Digital Gaming	cGaming	Corporate Services	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 (a)	**1,780**	**2,386**	**124**	**96**	**-**	**4,386**
Expenses (income)						
Commissions and fees	301	40	25	26	6	398
Personnel	41	199	5	3	123	371
Marketing and promotion	106	32	7	-	14	159
Amortization	12	59	-	-	14	85
Systems maintenance	26	21	-	1	23	71
General operating, administration and other	11	19	1	1	32	64
Ticket printing, distribution and testing	54	-	-	1	-	55
Facilities	-	30	-	-	8	38
Food, beverage, and other purchases	-	29	-	-	-	29
Regulatory fees	10	-	3	-	-	13
Net finance costs	1	3	-	-	-	4
(Gains) losses on disposal of property, plant and equipment, net	-	(26)	(1)	(3)	1	(29)
	562	**406**	**40**	**29**	**221**	**1,258**
Net income (loss) before the deduction of the undernoted	**$ 1,218**	**$ 1,980**	**$ 84**	**$ 67**	**$ (221)**	**$ 3,128**
Stakeholder payments	126	320	10	75	294	825
Win contribution	-	256	-	-	-	256
Net income (loss)	1,092	1,404	74	(8)	(515)	2,047
Add: Win contribution (Note 17)	-	256	-	-	-	256
Net Profit (loss) to the Province (b)	**$ 1,092**	**$ 1,660**	**$ 74**	**$ (8)**	**$ (515)**	**$ 2,303**

(in millions of Canadian dollars)

29. Other information (continued)

2019	**Lottery**	**Land-based Gaming**	**Digital Gaming**	**cGaming**	**Corporate Services**	**Total**
Proceeds from Lottery and Gaming	$ 4,147	$ 3,857	$ 112	$ 183	$ -	$ 8,299
Less: Lottery prizes	(2,321)	-	(10)	-	-	(2,331)
Less: Service Provider fees	-	(1,171)	-	-	-	(1,171)
Gaming revenue	1,826	2,686	102	183	-	4,797
Lease revenue	-	14	-	-	-	14
Non-gaming site revenue	-	82	-	-	-	82
Revenue (a)	**1,826**	**2,782**	**102**	**183**	**-**	**4,893**
Expenses (income)						
Commissions and fees	305	63	22	91	5	486
Personnel	35	409	4	3	121	572
Marketing and promotion	92	98	6	-	19	215
Amortization	12	76	-	-	6	94
Systems maintenance	25	41	-	8	22	96
General operating, administration and other	10	34	-	1	35	80
Ticket printing, distribution and testing	50	-	-	6	-	56
Facilities	3	54	-	-	10	67
Food, beverage, and other purchases	-	74	-	-	-	74
Regulatory fees	14	9	3	2	1	29
Net finance (income) costs	-	2	-	1	(3)	-
(Gains) on disposal of property, plant and equipment, net	-	(41)	-	-	-	(41)
	546	**819**	**35**	**112**	**216**	**1,728**
Net income (loss) before the deduction of the undernoted	**$ 1,280**	**$ 1,963**	**$ 67**	**$ 71**	**$ (216)**	**$ 3,165**
Stakeholder payments	119	331	7	67	170	694
Win contribution	-	280	-	-	-	280
Net income (loss)	1,161	1,352	60	4	(386)	2,191
Add: Win contribution (Note 17)	-	280	-	-	-	280
Net Profit (loss) to the Province (b)	**$ 1,161**	**$ 1,632**	**$ 60**	**$ 4**	**$ (386)**	**$ 2,471**

(a) During fiscal 2019–20, $3,671 million (fiscal 2018–19 – $3,359 million) represented revenue earned from Administered Games and other transactions made in exchange for a defined good or service and $715 million (fiscal 2018–19 – $1,534 million) represented revenue earned from Wagering Transactions.

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

* For fiscal 2019–20, the Corporation reported Lottery products sold through PlayOLG under Digital Gaming. The comparative period has been adjusted to report revenue and prizes of Lottery products sold through PlayOLG under Digital, previously reported under Lottery.

30. Subsequent events

a. COVID-19

The temporary closure of gaming facilities remains in effect as at the date of the approval of these Consolidated Financial Statements.

The Letter Agreements between the Corporation and the Land-based Gaming Service Providers (Note 3.a) that were set to expire April 6, 2020 were subsequently extended and on April 19, 2020, the Corporation and the Land-based Gaming Service Providers entered into an extension agreement to the March 16, 2020 Letter Agreements. The extensions to the Letter Agreements expire on the earlier of June 30, 2020 and the date on which the casinos are permitted to reopen. The Corporation is in the process of getting Service Provider's approval to Letter Agreement extensions to expire on the earlier of September 30, 2020 and the date on which the casinos are permitted to reopen. During the closure period, the Corporation will continue to pay the fixed component of the Service Provider fees pursuant to the respective COSAs.

The Corporation, together with ILC, implemented a six-month expiry-date extension for lottery tickets that have an expiry date between March 17, 2020 and September 17, 2020 in recognition that the closure of the prize centre and the physical distancing requirements in effect at retail locations may impede players' ability to claim lottery prizes.

b. 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 made up of two facilities.

Facility one is a non-revolving loan facility up to a maximum of $300 million. It is repayable, inclusive of interest accrued, twelve months after May 6, 2020, unless an extension for an additional twelve months is approved. Facility one bears interest at the Province of Ontario's cost of funds as of each Facility one advance date, plus 0.03 percent per annum.

Facility two is a non-revolving three-year term loan up to a maximum of the principal amount of Facility one plus interest accrued thereon. Facility two shall be used to repay Facility one principal and interest. Facility two is repayable, inclusive of interest accrued, thirty-six months after Facility two advancement date. Facility two bears interest at the Province of Ontario's three-year benchmark interest rate, which reflects the all-in cost of issuing an Ontario's three-year amortizing bond, inclusive of fees and commissions, plus 0.03 per cent per annum.

The Corporation has been advanced $50 million under the non-revolving loan facility as of the date of these Consolidated Financial Statements.

c. Niagara Falls Entertainment Centre

In August 2017, OLG executed a Lease Agreement (the "Lease") with Niagara Falls Entertainment Partners General Partnership ("NFEP") requiring NFEP to design, construct, finance and subsequently maintain the Niagara Falls Entertainment Centre ("NFEC") located in Niagara Falls, Ontario.

30. Subsequent events (continued)

c. Niagara Falls Entertainment Centre (continued)

On June 5, 2020, NFEP achieved substantial completion of the NFEC and the Lease Commencement Date, as defined, was June 15, 2020 for a term of approximately 20 years. Due to the COVID-19 impact on the current environment and other delays, the Corporation is currently unable to determine the impact on the Consolidated Financial Statements.

OLG intends to transfer the Lease to MGE in fiscal 2020–21, but will remain liable for certain obligations and covenants under the Lease following such assignment.

At the expiration or termination of the Lease term, OLG holds the option to purchase the NFEC land and building for the then fair market value of the NFEC Lands, as defined.

olg.ca

SAULT STE. MARIE
70 Foster Drive, Suite 800
Sault Ste. Marie, ON P6A 6V2
705-946-6464

TORONTO
4120 Yonge Street, Suite 500
Toronto, ON M2P 2B8
416-224-1772

Ontario

An Operational Enterprise Agency of the Province of Ontario

OLG Support Centre – Customer Inquiries
1-800-387-0098

The Ontario Problem Gambling Helpline
1-888-230-3505

ISSN 1499 4887

Ce rapport est également publié en français sous le nom de Rapport annuel 2019-2020 de la Société des loteries et des jeux de l'Ontario. Il est disponible en composant le 1-800-387-0098.