2020–21 ANNUAL REPORT
ONTARIO LOTTERY AND GAMING CORPORATION

TABLE OF CONTENTS

MESSAGE FROM THE ACTING CHAIR OF THE BOARD

The Board of Directors is proud to see Ontario Lottery and Gaming Corporation (OLG) continue to deliver on great lottery and gaming entertainment in a socially responsible manner, while contributing to communities and the people of Ontario. This is especially important now as the Province of Ontario continues to deal with the impact of the COVID-19 pandemic and support Ontario's economic recovery.

In October 2020, the board was pleased to welcome OLG's new President and CEO, Duncan Hannay, after an extensive cross Canada recruitment. Duncan brings to OLG a proven track record in private sector growth and business transformation which will serve the organization well at a time of unprecedented change and opportunity.

The board pays tribute to the outgoing President and CEO, Stephen Rigby, who led OLG's pandemic response plan during many months of business disruption, and prior to that, delivered on more than five years of strong business performance while completing Land-based Gaming modernization.

Under Duncan Hannay's leadership, OLG is now pursuing a new strategy to drive the next horizon of growth leveraging its core assets, key partnerships and new business opportunities. The plan will enable OLG to invest strategically in digital development, grow lottery performance, and position Land-based Gaming to recover and continue to make job-creating investments in Ontario communities, while we take full advantage of the corporation's broad customer reach and unparalleled footprint across lottery retail, charitable gaming, and co-located offerings with horse racing.

The senior management team is actively preparing to safely re-open casinos through our Land-based Gaming partners, which will help build stronger communities as we resume payments to host communities. Through Charitable Gaming Centres, OLG also supports Ontario charities and the good causes they fund locally. Our charitable gaming partnerships to date have delivered over $310 million in support of 2,200 charities.

The board was also pleased to see OLG contribute to the provincial interest in thriving local businesses by returning all OLG profits from our new $5 INSTANT PLINKO® game to lottery retailers for the first three months of sales. The board endorses OLG's cultural shift towards greater innovation, as the team continues to explore unique opportunities to support our valued partners.

OLG also plays an important role in sharing proceeds with a range of stakeholders aligned to the broader public interest. Throughout the pandemic, OLG continued to deliver stakeholder payments that include support for Ontario's horse racing industry and the local jobs it creates, as well as payments to 132 First Nations in Ontario through the Ontario First Nations Limited Partnership (OFNLP), which help fund health, education, economic, community and cultural development.

As a board, we support OLG's ongoing investments in social responsibility, including in OLG's award-winning and globally recognized *PlaySmart* program. OLG will continue to lead the industry in its player health supports and harm mitigation measures. We also support OLG's commitment to embedding Equity, Diversity and Inclusion in the organization's new direction, reinforcing fairness and equity as a pillar of success.

While OLG implements its new strategy, it will continue to manage its costs tightly through good governance and value-for-money. The board was pleased to see cost savings achieved in fiscal 2020–21 through new efficiencies and spending deferrals.

Through it all we have never lost sight of our number one priority — the health and safety of our employees and valued customers. On behalf of the entire board, I would like to thank all OLG employees for their perseverance during these challenging times. What OLG has been able to achieve as an organization under the conditions of the past fiscal year is a testament to your strength and resilience. We are grateful for your dedication and commitment — and the enormous contribution you are making to OLG and all of Ontario.

Gail Beggs

Gail Beggs
Acting Chair

NOTE: Effective April 29, 2021, Gail Beggs was appointed Vice-Chair and assumed the role of Acting Chair of the OLG Board of Directors.

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The fiscal year ending March 31, 2021 was a year like no other for OLG. During an unprecedented period for our organization, we have collectively navigated the ongoing challenges of the COVID-19 pandemic, while delivering continued profitability for the Province of Ontario.

Since joining OLG in October 2020, I have seen incredible determination from the team as they worked to create value for the Province in exceptional circumstances. I want to thank all OLG employees for their courage and professionalism in the face of unprecedented challenges this year. Working closely with the Board of Directors and senior management, we upheld the health and safety of employees, customers and our valued partners in every business decision we made.

During the first full year of pandemic conditions, the Corporation achieved a number of important milestones and ended the fiscal year with $359 million in Net Profit to the Province. This included strong Lottery performance supported by the successful launches of two innovative new retail lottery products and unprecedented performance of our new digital platform.

In October 2020, OLG launched a redesigned and vastly improved website, OLG.ca (formerly PlayOLG), that is now supported by a dynamic back-end platform to create customized gaming experiences for our players. With industry-leading marketing and analytics tools, OLG will be able to tailor personalized content and promotions based on player preferences. The new OLG.ca has a refreshed look and is fully responsive, enabling the same play experience on a smartphone, tablet, laptop or desktop and for the first time in Ontario, lottery products can be purchased on mobile devices. In fiscal 2020–21, OLG's Digital Gaming proceeds grew by 156 per cent year over year.

In October 2020, we also launched LIGHTNING LOTTO, a new game with a jackpot that starts at $125,000 and grows until it is won. It is the first lottery draw game in Canada where players don't have to wait to find out if they've won a jackpot, because the draw takes place before sales begin, allowing for immediate game results at point of sale.

In January 2021, together with our valued retailer partners, we had the most successful INSTANT product launch in our history with the introduction of $5 INSTANT PLINKO®. This brand-new INSTANT game gives customers a chance to win cash prizes and top prize winners are invited to the OLG Prize Centre to drop a chip on a real PLINKO board.

INSTANT PLINKO® launched with record sales made possible through a special "Support Local" initiative that returned all profits of this game to retailers for three months. It is our way of saying thank you to our 5,000 retailer owners across the province for delivering exceptional service to our customers during an unprecedented time. OLG supports Ontario businesses in many ways and with this new initiative, we are proud to contribute to economic recovery in the communities served by our valued retail partners.

We rely on our retail network to grow awareness and support our products in stores, which helps generate revenue that benefits OLG, the Province and the people of Ontario. In fiscal 2020–21, we completed the refresh of our lottery terminal network with more than 10,000 new terminals installed at retail locations. The new terminals allow OLG to add more products and provide a better experience for customers, while delivering enhanced features for retailers.

In Land-based Gaming and Charitable Gaming, the pandemic-related closures of casinos and Charitable Gaming Centres throughout fiscal 2020–21 have had a significant impact on these lines of business.

We continue to work with our Land-based Gaming partners to ensure that casinos and Charitable Gaming Centres are readied for the full re-opening of the economy, so service providers can resume development to create jobs and long-term financial growth in communities provincewide. We also remain committed to the horse racing sector in Ontario and continuing to support the industry through the Long-Term Funding Agreement.

As we move our business forward, 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, while also providing assistance to adult Ontarians dealing with problem gambling.

As we look forward, OLG is intent on delivering growth in proceeds and profitability in new channels and with new products, while bringing exceptional value to our business partners, communities and all Ontarians. Early in fiscal 2021–22, we launched a new Integrated Strategic Plan (ISP) called 'Game ON'.

With the support of our Board of Directors, the OLG executive team began the development of Game ON immediately after I joined OLG. It is an ambitious plan that comes at a time when OLG is facing increased competition, evolving customer needs and significant changes in the gaming marketplace. Through Game ON, we will contribute to a better Ontario by delivering great entertainment experiences for our customers. We will do this by placing the customer at the centre of everything we do and consistently delivering best-in-class products and experiences across more touchpoints and channels.

Our new strategic direction will build on OLG's brand equity and gaming footprint across the province, expanding the depth and breadth of our partnerships to unlock even more value in Land-based Gaming, Lottery and across our growing Digital Gaming ecosystem.

I am proud of our organization for the challenges it has overcome and the results we've achieved this year. While there is much work to do, I am excited about leading OLG forward and look to the future with optimism as we continue to build a strong gaming entertainment industry. With the dedication of our employees, we will bring incredible entertainment experiences to our customers, while delivering benefits to communities across our great province.

It's Game ON!

Duncan Hannay
President and Chief Executive Officer

OVERVIEW

The purpose of the Ontario Lottery and Gaming Corporation (OLG or the Corporation) is to contribute to a better Ontario by delivering great entertainment experiences for our customers. We provide gaming entertainment in a socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and gaming host communities.

OLG conducts and manages Land-based Gaming, Digital Gaming (i.e. OLG.ca, formerly PlayOLG), Charitable Gaming and the sale of national, regional, sports and INSTANT lottery games in the Province of Ontario. We are also contributing to Ontario's horse racing industry.

As of March 31, 2021, OLG's operations were organized under four lines of business.

Lottery – OLG operates 19 terminal-based lottery and sports games and offers 95 INSTANT lottery products through approximately 9,800 independent retailers across the province.

Land-based Gaming – OLG is responsible for conducting and managing gaming at 27 Land-based Gaming facilities.

Digital Gaming – OLG conducts and manages the operation of OLG.ca, 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, DAILY GRAND, ONTARIO 49, DAILY KENO and ENCORE).

Charitable Gaming – OLG is responsible for conducting and managing 37 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.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic introduced new challenges for OLG in fiscal 2020–21.

However, throughout the pandemic, OLG's top priority has been the health and safety of its employees, customers and valued partners — and we have consistently followed the advice of public health officials and all provincial protocols.

Land-based Gaming sites and Charitable Gaming Centres across the province were closed for much of the fiscal year — with intermittent re-openings, at reduced occupancy levels, beginning in summer and fall 2020 through the end of the fiscal year.

Lottery was impacted when, by mid-April 2020, more than 2,000 retailers had withdrawn from lottery ticket sales. However, by September 2020, most retailers had resumed sales.

Despite the challenges we faced in fiscal 2020–21, OLG continued to drive the performance of our Lottery and Digital Gaming business. We met our pre-pandemic financial targets for Lottery, despite operating restrictions and reduced retail sales in the first half of the fiscal year. And, OLG's Digital Gaming revenue and its customer base more than doubled in comparison to pre-COVID-19 pandemic levels, establishing a solid base for the future.

The actions OLG took to mitigate the effects of the pandemic and their impact on operations are presented in this report.

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

Since 1975, OLG has generated approximately $55 billion for the people and Province of Ontario, which has 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, there are several direct beneficiaries of Lottery and Gaming proceeds, including host communities, Ontario First Nations, lottery retailers and Ontario's horse racing industry.

OLG operations contribute to the economy in many ways, some of which are highlighted below.

- OLG ended the fiscal year with **$359 million** in Net Profit to the Province (NPP)[2].
- OLG provided, among other contributions:
  - **$2.5 billion** in lottery prizes to its valued customers
  - **$331 million** in commissions to lottery retailers across the province
  - **$149 million** to Ontario First Nations through the Gaming Revenue Sharing and Financial Agreement
  - **$118 million** in direct funding to Ontario's horse racing industry through the Amended and Restated Funding Agreement for Live Horse Racing
  - **$38 million** to municipalities and Ontario First Nations that host Land-based Gaming facilities and Charitable Gaming Centres
- OLG's investments in its Corporate Social Responsibility programs that support Responsible Gambling and charitable organizations included:
  - **$5 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
  - **$23 million** in Charitable Gaming proceeds distributed to participating local charities
  - **$1 million** in corporate sponsorships including festivals and events

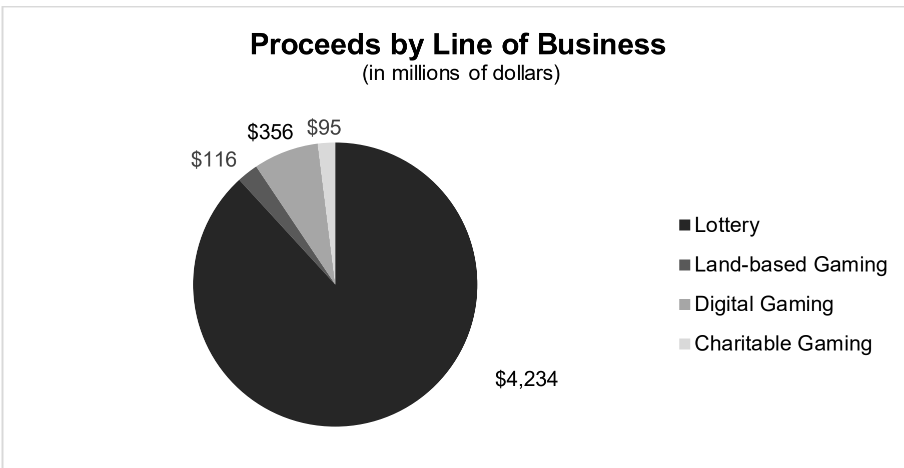
Host municipalities also receive financial benefit from property tax revenue; development fees and other payments; and the creation of jobs. Ontario businesses also benefit from purchases of other goods and services made by OLG and its Land-based Gaming and Charitable Gaming service providers.

[1]Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
[2]Net Profit to the Province is calculated on an accrual basis by adding back win contribution to net income. Due to the impact COVID-19 had on the Corporation, OLG did not provide dividends to the Province of Ontario during fiscal 2020-21.

FINANCIAL HIGHLIGHTS[1]

In fiscal 2020–21, OLG's Lottery, Land-based Gaming, Digital Gaming and Charitable Gaming, lines of business collectively generated $4.8 billion in total proceeds. Compared to fiscal 2019–20, total proceeds were down $3.5 billion or 42 per cent largely due to the Land-based Gaming and Charitable Gaming site closures throughout the fiscal year in response to the COVID-19 pandemic. Even with the challenges of operating restrictions and reduced retail sales in the first half of the fiscal year, Lottery experienced record proceeds, exceeding prior year by $156 million or 4 per cent — largely due to the launch of new customer-appealing games and the completion of the rollout of new lottery terminals across the province. Digital Gaming grew exponentially in fiscal 2020–21 beating pre-pandemic targets — proceeds were up 156 per cent compared to the prior year to a new record of $356 million.

OLG ended the fiscal year with Net Profit to the Province of $359 million, $1.9 billion less than the prior year, primarily due to the pandemic related Land-based Gaming closures. Throughout the pandemic, OLG continued to deliver stakeholder payments and achieved cost savings due to new efficiencies and spending deferrals.



(in millions of dollars) for the fiscal year ended March 31	2020-21	2019-20
Proceeds		
Lottery	$ 4,234	$ 4,078
Land-based Gaming	116	3,871
Digital Gaming	356	139
Charitable Gaming	95	201
Total OLG Proceeds	$ 4,801	$ 8,289
Net Profit to the Province	$ 359	$ 2,303

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

Proceeds from Lottery and Gaming represents sales from Lottery products before the deduction of Lottery prizes, net win from casino style games played on OLG.ca (formerly 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.

ONTARIO GAMING MARKET

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

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, OLG is leveraging our vast footprint across the province and our customer reach to enhance the experience for lottery enthusiasts through expanded product offerings and points of sale. OLG is also growing its Digital Gaming business and improving speed-to-market across all digital categories — to introduce new products and experiences for customers.

OLG currently provides the only regulated online gaming option in Ontario. OLG's Digital Gaming revenue and customer base have more than doubled in comparison to pre-COVID-19 pandemic levels. With the implementation of the new player platform in October 2020 and future growth plans, OLG expects to further grow its share of the online gaming market in Ontario.

In its 2021 Budget, the Government of Ontario indicated it is moving forward with its plan to establish a more open and regulated market for online gambling which includes additional operators, while providing protections for those who play on these websites. OLG is actively supporting the government on this initiative. In addition, federal legislation before the House of Commons could soon make single-event sports wagering legal in Canada.

At the end of fiscal 2020–21, OLG was preparing to launch a new strategic plan to drive the next horizon of growth, actively support the province's economic recovery and, working jointly with our valued partners, create value for customers, communities and Ontario. The Game ON plan will lay the foundation for sustainable growth and enable innovation that will unlock revenue opportunities for years to come for the benefit of Ontario.

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 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 objectives and strategic direction that ensure we deliver on our mandate and contribute to a stronger Ontario.

The priorities for the 2020–21 fiscal year outlined by the Minister in his mandate letter to OLG included:

1. Continuing work with service providers, regulators and law enforcement to support the prevention of money laundering in casinos.

2. Supporting the Government's priorities for Internet gaming, as outlined in the 2019 Ontario Budget.

3. Helping the horse racing industry build a more sustainable future for the rural businesses, jobs and communities that depend on it, through financial support provided by the Long-Term Funding Agreement (LTFA) and its related programs.

4. Making improvements to the Lottery business and related digital strategy to ensure technology and product solutions are responsive to changing customer needs, including the ongoing development of transactional mobile applications (apps).

5. Continuing to work with service providers to evolve the land-based gaming market to optimize provincial benefits.

6. Exploring options for greater customer choice for OLG's Internet Gaming offering in Ontario, including private sector involvement.

7. Developing customer-focused approaches across all business lines while continuously optimizing its responsible gambling and social responsibility programs.

8. Adhering to directives and policies regarding expenditure management and executive compensation.

9. Providing a strong return for the province of Ontario and exploring new revenue opportunities.

OUR 2020–21 PLAN

OLG must compete in a gaming marketplace that is constantly changing in response to global innovations and evolving customer demand. It also needs to adapt to changing economic circumstances — in Ontario and globally.

Like most businesses around the globe, OLG faced unprecedented challenges, beginning early in the 2020–21 fiscal year, as a result of the COVID-19 pandemic. Following advice from public health authorities, OLG took swift and extensive steps to help Ontario in its efforts to protect citizens and stop the spread of the virus.

At the beginning of fiscal 2020–21, all non-business-critical staff were working from home — a measure that significantly reduced the number of employees working each day at OLG locations. At the same time, all Ontario casinos had closed their doors — as did Charitable Gaming Centres across the province — and OLG had temporarily closed the Prize Centre in Toronto to the public.

The events that were unfolding at the beginning of fiscal 2020–21 and the steps OLG took to ensure the health and safety of customers and employees had an instant and significant impact on OLG’s operations. As a result, OLG needed to adjust the plan contemplated in its Annual Business Plan — so it could confront the immediate challenges it was facing, and would continue to face throughout the fiscal year, while it also pursued new growth opportunities.

In April 2020, OLG introduced five new interim priorities to address immediate challenges:

- Ensuring employee health and safety
- Optimizing and supporting core business in Lottery and Digital Gaming
- Developing contingency plans for all scenarios
- Developing plans to re-open casinos, Charitable Gaming Centres and horse racing
- Continuing the implementation of its new digital platform and products

Guided by the interim priorities, OLG maintained its focus on revenue generation and optimizing Lottery and the other channels of our business that operated during the pandemic. At the same time, OLG continued to look to the future of lottery and gaming — particularly as the evolving and growing digital economy is driving a rapid change in customers’ expectations — and developed Game ON, its new strategic plan. To remain competitive, OLG will develop new channels and products — to deliver exceptional experiences and offer the gaming entertainment that customers seek.

2020–21 INTERIM PRIORITIES

1. **Employee and Customer Health and Safety**

   We were guided by our ongoing focus on our employees as the foundation of our performance and revenue generation. Our number one priority remained — and continues to be — their health and safety.

   Throughout fiscal 2020–21, OLG followed the guidance of public health authorities. OLG established extensive safeguards early in the pandemic at its corporate offices, the OLG Prize Centre and casinos across the province to ensure safe workspaces and customer-facing operations and, as of March 31, 2021, all non-business-critical staff were working from home.

   We continued to support our employees through the pandemic and provided them with timely up-to-date information and the tools they needed as we moved forward.

   In June 2020, OLG introduced Workday, a new human capital management cloud-based application. Workday has helped employees as they work remotely by providing intuitive self-service technology that is accessible on any OLG browser and mobile device.

   Workday's self-service technology has created many efficiencies by streamlining human resources related processes. People managers have access to extensive data and analytics on demand to help them make decisions, manage progress and take accountability. With pay slips accessible through Workday, the need for pay statement notifications has been eliminated. Income tax statements have also moved online and employees can update their banking and tax information directly, which has minimized delays associated with manually submitting change requests.

2. **Optimizing Lottery and Digital**

   Despite the challenges OLG faced in fiscal 2020–21, it continued to drive the performance of its Lottery and Digital Gaming business. Lottery proceeds achieved a record setting year and Digital Gaming revenue and its customer base had more than doubled in comparison to pre-COVID-19 pandemic levels.

   In fiscal 2020–21, OLG took a number of important steps to enhance its lottery offering, at retail locations and online.

   During the fiscal year, OLG completed the modernization of more than 10,000 new lottery terminals across Ontario and upgraded the lottery network to enable new experiences at retail points of sale.

   In October 2020, OLG introduced LIGHTNING LOTTO and the game quickly became popular with players. The retail-only game has a progressive jackpot that starts at $125,000 and grows until it is won. The draw is conducted before sales start. If a customer's numbers at purchase match those drawn earlier in the day, they win instantly.

   In fiscal 2020–21, OLG experienced a record year for INSTANT ticket sales highlighted by the sales of its new $5 INSTANT PLINKO®. The game was introduced in January 2021 and is the most successful INSTANT launch in OLG's history. Record sales of this game were made possible through a special “Support Local” initiative that returned all profits to retailers for three months.

3. **Developing Contingency Plans**

   In fiscal 2020–21, OLG remained in a solid financial position to maintain ongoing operations and it continued to manage its liquidity through effective cash flow management, cost management and prioritization of initiatives. However, contractual obligations required OLG to continue making certain payments to service providers and certain other stakeholders.

   On May 6, 2020, the Corporation entered into a loan agreement with the Ontario Financing Authority to borrow an amount up to $300 million for the primary purpose of maintaining contractual payments to private sector partners and stakeholders during the pandemic closure period. OLG drew $60 million under the non-revolving loan facility and repaid that amount earlier than anticipated due to the strong performance of Lottery and Digital Gaming, as well as tight fiscal management. As of March 31, 2021, all $60 million had been repaid.

   OLG has established Emergency Response Plans (ERPs) and Business Continuity Plans (BCPs) — and more specific operational pandemic plans based on the ERPs and BCPs — to ensure it is prepared to respond to crises, while protecting the health and safety of its employees and the continued operation of its critical functions. These plans were developed so OLG could continue to generate revenue while conforming to government emergency measures.

4. **Re-open Land-based Gaming Operations**

   The COVID-19 pandemic introduced new challenges for Ontario which have significantly impacted OLG operations and performance. In consultation with the government and public health authorities, Land-based Gaming sites and Charitable Gaming Centres across the province closed in mid-March 2020. Although some casinos and Charitable Gaming Centres across the province had begun re-opening in summer and fall 2020, at significantly reduced occupancy levels consistent with public health restrictions, subsequent closures were once again mandated by various public health units for certain areas of the province.

   Although it occurred after the fiscal year for this annual report, but during its preparation, it is worthy to note that in early April 2021, in response to provincewide emergency measures announced by the Government of Ontario, all gaming sites and Charitable Gaming Centres were once again closed.

   In fiscal 2020–21, OLG worked with its Land-based Gaming service providers on establishing interim agreements as temporary support measures during the casino closure and planned re-opening periods. The interim agreements adjust OLG’s compensation model to compensate Land-based Gaming service providers for their services during the COVID-19 pandemic while their sites are not generating gaming revenue, as well as to help support them through the pandemic recovery period. In addition, the Long-Term Funding Agreement with Ontario’s horse racing industry was amended in fiscal 2020–21 to give the sector time to recover from the pandemic and preserve local employment.

We recognize the importance of Land-based Gaming to our business and our contribution to the Province and it remains a priority for OLG. We are aligned with our service providers to resume casino development, when permittable, which is a catalyst for jobs, investment, and long-term financial growth in communities provincewide.

5. Implementing Digital Platform and Products

To remain competitive in an evolving and growing digital economy, OLG has continued to expand its digital footprint to reach customers in new ways.

In October 2020, working with Bede Gaming Canada Limited, OLG introduced a new digital platform to meet the evolving needs of our customers and establish a competitive offering with scalability for the future. As a result, in October 2020, OLG launched the new OLG.ca, which amalgamates OLG's transactional online gaming website with its corporate website, so all gambling activity and corporate information is accessible on one site. OLG.ca meaningfully exceeded growth objectives set for Digital Gaming (digital casino and digital lottery) revenue and profitability.

The site has a refreshed look and offers the same play experience on a smartphone, tablet, laptop or desktop and for the first time in Ontario, lottery products can be purchased on mobile devices. With industry-leading marketing and analytics tools, OLG can tailor personalized content and promotions based on player preferences. In addition, OLG will introduce new native apps for iOS and Android in fiscal 2021–22 that integrate online casino and lottery play with the ticket checker functionality of OLG's current app.

DAILY GRAND, DAILY KENO and ONTARIO 49 have been added to the available lottery purchase options on OLG.ca which already included LOTTO MAX, LOTTO 6/49 and ENCORE and the virtual casino features slots as well as blackjack, roulette and video poker.

OLG.ca offers the next generation of responsible gambling tools that have been designed to engage customers in positive play and to mitigate harm for at-risk players. Players can manage their account and activities by setting play time reminders and deposit limits for casino and lottery play using the built-in *PlaySmart* tools to keep play fun.

OLG has offered successful sports betting products, such as Proline, Point Spread and Pools, at retail locations for many years. Federal legislation before the House of Commons could mean the legalization of single-event sports wagering in Canada in 2021.

With changes anticipated to the sports gaming market, OLG entered into an agreement with FDJ Gaming Solutions France to enhance and expand sports betting in both digital and retail channels.

Through this partnership, OLG will continue to build on the success of current sports products by significantly expanding its offerings at retail locations and through the development of a dedicated sports betting website and mobile app. The new sports betting solution is expected to begin operating in the 2021 calendar year.

Driving share growth in Digital Gaming and accelerating our speed to market is a priority for OLG to set ourselves up as a leader in the digital entertainment space. We will take on sophisticated global competitors by relentlessly engaging, acquiring, on boarding, and retaining digital customers.

<u>OLG's Ongoing Commitment to Responsible Gambling</u>

Investing in player health is a cornerstone of our success. We are committed to pursuing the highest standards of Responsible Gambling (RG) and our award-winning and globally recognized *PlaySmart* Program continues to be a leader in the industry.

PlaySmart is a unique approach to helping players — the new and seasoned customers alike — build knowledge, understand the risks, gain insights into personal playing behaviours, engage in positive play habits, and know how to obtain help if needed. The program provides customized RG tools and deploys the full power of analytics, state-of-the-art technologies, and education platforms to maximize a player's gaming health.

OLG's *PlaySmart* program holds a Level 4 accreditation from the World Lottery Association (WLA) — the highest level an organization can achieve — and has twice received the WLA's "Best Overall Responsible Gaming Program" award. In addition, OLG's Digital Gaming platform (OLG.ca) and most Ontario casinos[1] are accredited by the Responsible Gambling Council's RG Check, another internationally recognized standard for RG.

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 sites and Charitable Gaming Centres.

OLG will continue to support the customer journey and enhance the knowledge and experience of players by looking for new ways to improve the *PlaySmart* program with input from expert groups and our valued RG partners.

[1]A small number of casinos were unable to complete the RG Check reaccreditation process in fiscal 2020-21, due to provincewide casino closures related to the COVID-19 global pandemic.

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 2020–21, 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 2020–21.

Peter M. Deeb, Chair
(Director – May 2, 2019 – April 29, 2021; Chair – December 7, 2020 – April 29, 2021)

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.

Jason Melbourne, Vice-Chair
(Director – November 28, 2019 – April 29, 2021; reappointed Vice-Chair – March 12, 2021 – April 29, 2021)

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.

In addition to serving on OLG's Board of Directors, Ms. Beggs is a member of the Condominium Regulatory Authority of Ontario Board of Directors and chairs the Governance Committee. Ms. Beggs also serves on the Board of Directors of Forests Ontario.

During her public service career, Ms. Beggs was President and CEO and subsequently, the Chair of the Board of the Ontario Clean Water Agency, an Ontario Crown corporation, as well as the Chair of the Board of the Great Lakes Fishery Commission, a binational agency.

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 and Board of Directors of Ontario Capital Growth Corporation. 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.

Mr. Khurana served on the Board of Directors of Export Development Canada, FinDev Canada, the Dean's Council of Ted Rogers School of Management at Ryerson University, the Technical Standards and Safety Authority, Asia Pacific Foundation of Canada and the Advisory Board of the Indo Canada Chamber of Commerce.

Mr. Khurana is an active participant in a variety of fundraising activities for development-related causes and was an honorary member of the Board of Governors at Mount Sinai Hospital Foundation in Toronto.

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. Ms. O'Neill previously served on the board of a federal Crown corporation, an SEC-registrant technology company, a number of privately held technology companies, Startup Canada and the Executive Committee of the Ottawa Chapter of the Institute of Corporate Directors. Ms. O'Neill holds an ICD.D designation, a U.S. CPA designation and a Bachelor of Commerce from Carleton University.

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

Orlando M. Rosa
(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. Mr. Rosa graduated cum laude from the Faculty of Law at the University of Ottawa in 1981.

Steve Williams
(May 27, 2015 – May 26, 2019; May 30, 2019 – May 30, 2023)

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

The total remuneration made to OLG's Board of Directors in fiscal 2020–21 was $294,568.

Director	Remuneration
Peter M. Deeb (Chair)	$146,701
Jason Melbourne (Vice-Chair)	$19,834
Gail Beggs	$21,958
Vikram Khurana	$19,583
Lori O'Neill	$23,683
Shelly Rae	$22,743
Orlando M. Rosa	$20,933
Steve Williams	$19,133
Total:	**$294,568**

BOARD COMMITTEES

As of March 31, 2021, 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, 2021, 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, 2021, 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, 2021, 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, 2021, is Vikram Khurana.

EXECUTIVE COMMITTEE

As of March 31, 2021, senior executives responsible for day-to-day operations were:

Duncan Hannay, President and Chief Executive Officer

Lori Sullivan, Chief Operating Officer

Alexandra Aguzzi-Barbagli, Senior Vice President, Corporate Affairs

Pinder Basi, Chief Financial Officer

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

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, 2021

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, 2021.

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 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 June 22, 2021.

Impact of the COVID-19 Pandemic

The challenges presented by the COVID-19 pandemic significantly impacted OLG operations and performance in fiscal 2020–21.

Land-based Gaming sites and Charitable Gaming Centres across the province were closed for much of the fiscal year — with intermittent re-openings, at reduced occupancy levels, beginning in summer and fall 2020 through the end of the fiscal year.

Lottery was impacted when, by mid-April 2020, more than 2,000 retailers had withdrawn from offering lottery ticket sales. However, by September 2020 most retailers had resumed sales.

Despite the challenges OLG faced in fiscal 2020–21, it continued to drive the performance of its Lottery and Digital Gaming business. In fiscal 2020–21, lottery proceeds achieved a record setting year and Digital Gaming revenue and its customer base have more than doubled in comparison to pre-COVID-19 pandemic levels.

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 most businesses around the globe, OLG is facing unprecedented challenges and uncertainties as a result of the COVID-19 pandemic. For OLG, these uncertainties include, but are not limited to, the timing of the re-opening of Land-based Gaming and Charitable Gaming facilities and the scope, scale and duration of maximum patron count restrictions at re-opening; 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 OLG.ca (formerly PlayOLG), and net win from Charitable Gaming and Land-based Gaming before the deduction of service provider fees.

Service provider fees primarily comprise fees paid to or on behalf of service providers while the sites are open.

The Corporation considers proceeds to be most reflective of its product offerings and its relationships with third parties.

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

Net Profit to the Province (NPP) is calculated on an accrual basis by adding back win contribution to net income.

The Corporation considers NPP to be most reflective of its financial performance and uses it for setting targets for the Corporation.

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.

Proceeds bridged to Revenue
(in $ millions)

	2020-21					2019-20				
	Lottery	Digital	Land-based Gaming	Charitable Gaming	Consolidated	Lottery	Digital	Land-based Gaming	Charitable Gaming	Consolidated
Proceeds from Lottery and Gaming	$ 4,234	$ 356	$ 116	$ 95	$ 4,801	$ 4,078	$ 139	$ 3,871	$ 201	$ 8,289
Less: Lottery prizes	(2,403)	(61)	-	-	(2,464)	(2,298)	(15)	-	-	(2,313)
Less: Service Provider fees	-	-	(85)	(68)	(153)	-	-	(1,599)	(105)	(1,704)
Gaming Revenue	1,831	295	31	27	2,184	1,780	124	2,272	96	4,272
Lease revenue	-	-	54	-	54	-	-	72	-	72
Non-gaming site revenue	-	-	-	-	-	-	-	42	-	42
Revenue	$ 1,831	$ 295	$ 85	$ 27	$ 2,238	$ 1,780	$ 124	$ 2,386	$ 96	$ 4,386

NPP bridged to Net Income
(in $ millions)

	2020-21						2019-20					
	Lottery	Digital	Land-based Gaming	Charitable Gaming	Corporate Services	Consolidated	Lottery	Digital	Land-based Gaming	Charitable Gaming	Corporate Services	Consolidated
Net Profit (Loss) to Province	$1,129	$ 196	$ (489)	$ 4	$ (481)	$ 359	$ 1,092	$ 59	$ 1,660	$ (8)	$ (500)	$ 2,303
Less: Win Contribution	-	-	(2)	-	-	(2)	-	-	(256)	-	-	(256)
Net Income (Loss)	$1,129	$ 196	$ (491)	$ 4	$ (481)	$ 357	$ 1,092	$ 59	$ 1,404	$ (8)	$ (500)	$ 2,047

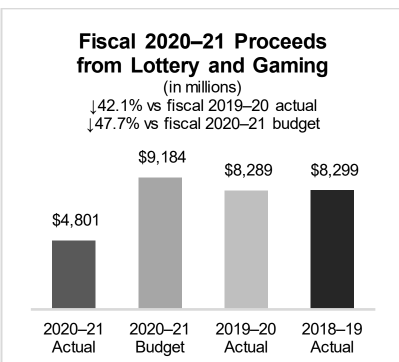
2. Executive Summary

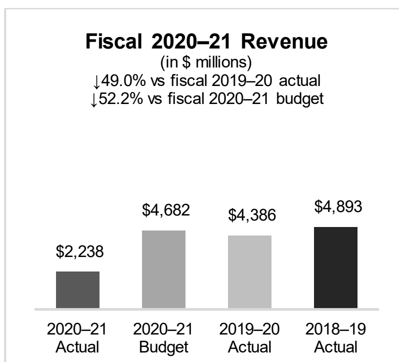
The effects of the COVID-19 pandemic on OLG's fiscal 2020–21 results were significant. With extensive public health restrictions in place, Land-based Gaming and Charitable Gaming site activity was significantly limited through much of the year. Overall, OLG's proceeds and NPP fell short of budget and prior year, primarily due to Land-based Gaming closures.

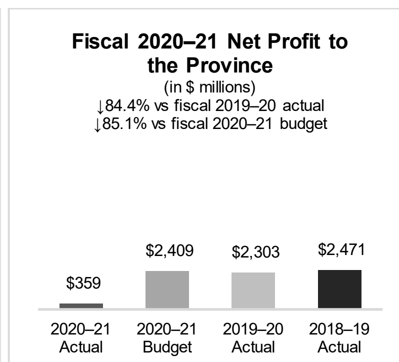
Despite the challenges faced in fiscal 2020–21, OLG continued to drive the performance of its Lottery and Digital Gaming business. Lottery achieved record results as consumers found entertainment in popular national and regional lottery products in OLG's vast distribution network provincewide. As well, INSTANT products delivered a record year, increasing 15 per cent year over year.

Digital Gaming introduced an enhanced digital platform, new digital lottery offerings and improved customer experience processes throughout the pandemic. Digital Gaming proceeds are comprised of digital casino and digital lottery, which grew year over year by 115 per cent and 307 per cent, respectively. Website traffic and player registrations on OLG.ca grew exponentially leading to record numbers of active players.

OLG was able to mitigate some of the impact from reduced proceeds and continued its cost management efforts across many areas of the organization.







Fiscal 2020–21 results compared to prior year:

Proceeds from Lottery and Gaming

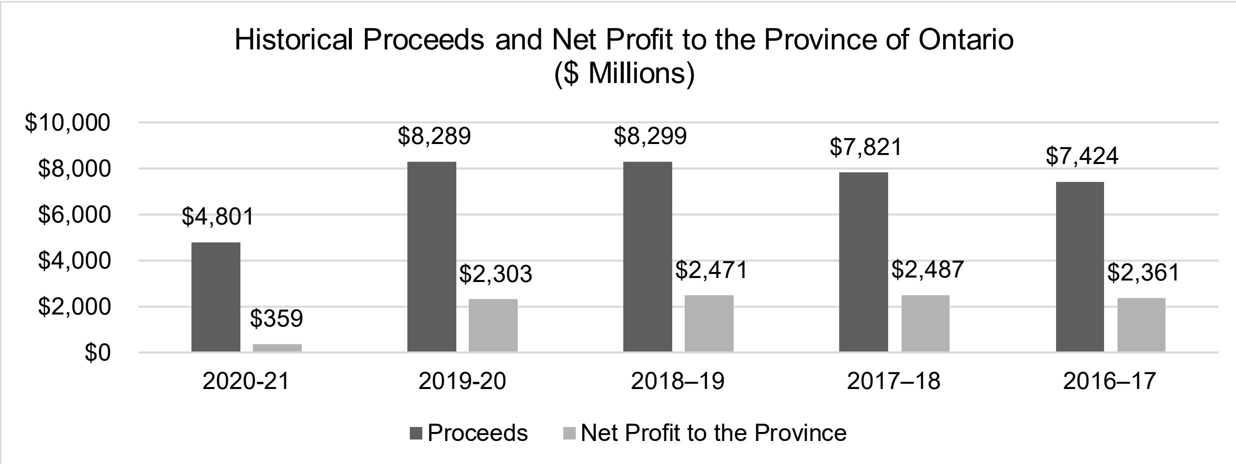
OLG proceeds from Lottery and Gaming were $4.8 billion, $3.5 billion or 42 per cent below prior year. With casino closures in the first half of the fiscal year, and only intermittent re-openings with patron capacity constraints in place thereafter, Land-based Gaming was the significant contributor to the shortfall. Conversely, Lottery and Digital Gaming proceeds both exceeded prior year results. Lottery was supported by strong INSTANT and regional Lottery results, while Digital Gaming proceeds saw significant growth as more players moved online because of public health restrictions.

Revenues

Revenues represent total proceeds less Lottery prizes and service provider fees incurred while Land-based Gaming and Charitable Gaming sites were open. For fiscal 2020–21, total revenues were $2.2 billion, $2.1 billion or 49 per cent below prior year, primarily based on the lower Land-based Gaming revenue caused by the closure of casino sites.

NPP

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



As expected with lower proceeds, OLG consolidated NPP was $359 million, $1.9 billion or 84 per cent lower than prior year. OLG maintained profitability with improved results in Lottery and Digital Gaming, as well as continued cost management, which helped to partially mitigate Land-based Gaming reduced proceeds and fixed expense obligations. Savings on controllable cost areas, primarily in personnel, marketing and general and administration, amounted to a more than 20 per cent decrease versus prior year.

Fiscal 2020–21 results compared to budget:

Proceeds from Lottery and Gaming

OLG total proceeds from Lottery and Gaming were 48 per cent below budget. The budget did not anticipate the pandemic and its impact to Land-based Gaming results due to site closures, which was offset slightly by favourable results from Lottery and Digital Gaming proceeds. Digital casino and digital lottery exceeded budget by 118 per cent and 248 per cent, respectively.

Revenues

For fiscal 2020–21, revenues were lower than budget by $2.4 billion or 52 per cent, again primarily due to lower Land-based Gaming revenue caused by the closure of casino sites.

NPP

NPP was below budget by $2.1 billion or 85 per cent, primarily due to the closure of Land-based Gaming sites. Partially offsetting the shortfall, Lottery and Digital Gaming exceeded budgeted NPP based on their strong performance, with Lottery exceeding NPP by eight per cent and Digital Gaming by more than 15 times. OLG achieved more than $100 million in savings primarily in personnel, marketing and general and administration compared to budget, largely due to efficiencies and spending deferrals partially mitigating the impact of site closures.

3. Results of Operations – Lines of Business

A. Lottery (Retail)

Highlights:

- Lottery retail proceeds reached an all-time high of $4.2 billion.
- National Lotto sales per jackpot returned to pre-COVID-19 levels as the year progressed.
- Regional Lotto set a new sales record, mainly due to the introduction and popularity of LIGHTNING LOTTO. It is the first lottery draw game in Canada where players don't have to wait to find out if they've won a jackpot, because the draw takes place before sales begin.
- Record year for INSTANT ticket sales highlighted by the sales of OLG's new $5 INSTANT PLINKO®, the most successful INSTANT product launch in the corporation's history.
- Lottery prizes provided to OLG's valued customers totalled over $2.4 billion.

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.

In fiscal 2020–21, OLG completed the installation of more than 10,000 new lottery terminals and the upgrade of the lottery network to enable new experiences at retail points of sale. The new terminals allow OLG to add more products and provide a better experience for customers, while delivering enhanced features for retailers.

Summary data from Statement of Comprehensive Income

For the fiscal year

(in millions of dollars)

	2020-21	2019–20	**$ Variance**	% Variance
Proceeds	**$ 4,234**	$ 4,078	**156**	4
Less: Lottery prizes	**(2,403)**	(2,298)	**(105)**	(5)
Revenue	**1,831**	1,780	**51**	3
Expenses	**578**	562	**(16)**	(3)
Net income before the undernoted	**1,253**	1,218	**35**	3
Less: Stakeholder payments	**(124)**	(126)	**(2)**	(2)
Net income	**1,129**	1,092	**37**	3
Net Profit to the Province	**$ 1,129**	$ 1,092	**37**	3

A1. Year over year financial results

Proceeds

Lottery retail proceeds for fiscal 2020–21 achieved an all-time high of $4.2 billion, an increase of $156 million or four per cent from the previous fiscal year.

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

Lottery proceeds and prize data by type of game

Product Grouping	Number of Games		Proceeds (in millions of dollars)		Percentage of Proceeds		Prizes (in millions of dollars)	
For the fiscal year	**2020-21**	2019-20	**2020-21**	2019-20	**2020-21**	2019-20	**2020-21**	2019-20
Lotto	**16**	15	**$ 2,372**	$ 2,378	**56%**	58%	**$ 1,181**	$ 1,176
INSTANT	**95**	89	**$ 1,628**	$ 1,417	**38%**	35%	**$ 1,089**	$ 947
Sports	**3**	6	**$ 234**	$ 283	**6%**	7%	**$ 133**	$ 175
Totals	**114**	110	**$ 4,234**	$ 4,078	**100%**	100%	**$ 2,403**	$ 2,298

Below are items that affected OLG's year-over-year performance:

- Proceeds for all National Lotto games were down $67 million from the previous year because of lower sales per jackpots experienced early in the fiscal year due to retailers temporarily withdrawing from lottery ticket sales. Proceeds were also impacted as players shifted to the digital channel.
- Proceeds for regional Lotto games (e.g., LOTTARIO and ONTARIO 6/49) were $61 million above the previous year, setting a new sales record in fiscal 2020–21. The increase was mainly due to the introduction of LIGHTNING LOTTO.
- Total National and Regional Draws as an omni-channel achieved record levels.
- Proceeds for INSTANT games were $211 million higher than the prior year, also setting a new sales record in fiscal 2020–21. The increase was mainly due to the launch of new products such as $5 INSTANT PLINKO®, supported by a special "Support Local" initiative that returned all profits of this game to retailers for three months, and $30 CROSSWORD ticket. Also contributing to the increase was growth in higher price point tickets. Overall, the INSTANT category experienced growth from players who were seeking entertainment substitutes during the pandemic.
- Proceeds in the Sports category were down $49 million from the previous year, primarily due to the cancellation of major league sporting events from April to the final week of July. Sports betting levels returned to pre-COVID-19 levels when professional sports events resumed.

Revenue

Compared to fiscal 2019–20, revenue increased by $51 million or three per cent, primarily due to higher proceeds, as described previously.

NPP

In fiscal 2020–21, Lottery NPP was $1.1 billion, $37 million or three per cent higher than in fiscal 2019–20. The main reason for this variance was the flow through impact of higher proceeds partially offset by higher expenses. While cost savings, such as lower marketing expenses, were initiated to offset the impact of the COVID-19 pandemic, overall expenses were up primarily due to retailer commissions, related to the increase in proceeds.

A2. Fiscal 2020–21 results compared to budget

Lottery ended the year with proceeds, revenue and NPP all above budget. This was achieved through a strong recovery of national Lotto sales, record results for regional Lotto and INSTANT and cost savings which offset the impacts of the pandemic on lottery retail.

A3. Lottery – Other key performance indicators

The following are additional Lottery key performance indicators (KPIs) for fiscal 2020–21 compared to fiscal 2019–20 and budget:

For the fiscal year		**2020–21**		**2019–20**		**Budget 2020-21**		**Variance to Budget 2020-21**
LOTTO MAX average weekly proceeds ($ millions)	**$**	**19.0**	**$**	**19.3**	**$**	**18.8**	$	0.2
LOTTO 6/49 average weekly proceeds ($ millions)	**$**	**9.8**	**$**	**10.6**	**$**	**10.5**	$	(0.7)
Average price per INSTANT ticket sold	**$**	**5.75**	**$**	**5.34**	**$**	**5.53**	$	0.22
Average wager per Sports lottery ticket sold	**$**	**9.14**	**$**	**8.22**	**$**	**8.34**	$	0.80

LOTTO MAX average weekly proceeds exceeded the budgeted average weekly proceeds of $18.8 million, largely due to a greater number of high-valued jackpots than anticipated. LOTTO 6/49 average weekly proceeds trailed the $10.5 million budgeted, primarily due to less bonus draws offered. Average price per INSTANT ticket sold was above budget due to growth in higher price point tickets, 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 2020–21 was to return to the fiscal 2018-19 average wager per ticket of $8.34. The demand for sports wagering increased once sporting events returned from players who were seeking alternative entertainment options during the pandemic resulting in a higher average wager per ticket of $9.14 in fiscal 2020–21.

A4. Lottery trends and risks

In addition to COVID-19-related risks to Lottery, which are discussed in the Enterprise Risk Management section, Lottery faces two distinct risks:

- 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 implementing a new strategy that focuses on customer needs and accelerating innovation and technology to be competitive in the market, attract new customers and enhance their play experience:

- OLG is working to leverage its new lottery terminals to enable new product offerings and stronger account management in the retail channel.
- OLG's new digital platform provides more extensive customer data to improve decision making, which allows OLG to launch products faster and more effectively. At the same time, OLG can enhance the customer experience by offering promotions and content to customers on demand and based on behaviours. All of this helps OLG to drive greater revenue and player acquisition and retention.
- OLG has developed an innovation strategy to develop new products that will diversify our appeal to new customers and enhance our revenue mix with more stable revenue streams 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:

- In consultation with the Government of Ontario and public health authorities, all casinos across the province closed in mid-March 2020, just prior to the start of the fiscal year.
- Throughout the fiscal year, including during closure periods, OLG continued making certain fixed fee payments to service providers as contractually required, which support ongoing maintenance of Land-based Gaming facilities and assets to ensure a clear path to recovery coming out of the COVID-19 pandemic.
- From September 2020 through the end of the fiscal year there were intermittent re-openings and re-closures of most casinos in Ontario, subject to restrictive capacity constraints, as regions moved through zone-specific COVID-19 response protocols. Fallsview Casino Resort, Casino Niagara, Rideau Carleton Casino, and Casino Rama remained closed for the entire fiscal year.
- Despite closures and operating constraints, Land-based Gaming generated $116 million in proceeds.

Summary data from Statement of Comprehensive Income

For the fiscal year (in millions of dollars)	2020–21	2019–20	$ Variance	% Variance
Proceeds	**$ 116**	$ 3,871	**(3,755)**	(97)
Less: Service Provider fees	**(85)**	(1,599)	**1,514**	95
Gaming revenue	**31**	2,272	**(2,241)**	(99)
Lease revenue	**54**	72	**(18)**	(25)
Non-gaming revenue	**-**	42	**(42)**	(100)
Revenue	**85**	2,386	**(2,301)**	(96)
Expenses[1]	**510**	406	**(104)**	(26)
Net income before the undernoted	**(425)**	1,980	**(2,405)**	(121)
Less: Stakeholder payments/Win contribution	**(66)**	(576)	**(510)**	(89)
Net (loss) income	**(491)**	1,404	**(1,895)**	(135)
Add: Win contribution	**2**	256	**(254)**	(99)
Net Profit (Loss) to the Province	**$ (489)**	$ 1,660	**(2,149)**	(129)

[1]In fiscal 2020-21 service provider fees of $334 million were expensed in the period (fiscal 2019-20 - $18 million).

B1. Year over year financial results

Proceeds

Total Land-based Gaming proceeds for fiscal 2020–21 were $116 million, a decrease of $3.8 billion compared to the previous fiscal year. The decrease is the result of the closure of all casino sites for most of the first half of the fiscal year, then intermittent re-openings of some sites in the second half of the fiscal year, under significant capacity constraints along with no live table games. As a result of the COVID-19 pandemic, Land-based Gaming development activity was delayed. Specifically, the completion and launch of casinos in Pickering and North Bay were scheduled for fiscal 2020–21, but Pickering's launch is now expected in fiscal 2021–22, and no timeline has been set for the opening of the North Bay casino.

Revenue

Gaming revenue for service provider-operated sites includes OLG's share of proceeds, in accordance with the Casino Operating and Services Agreement (COSA), as amended from time to time, generated at the facility, as well as the net win from those gaming sites while they were operated by a Resort Casino operator under the former operating model. OLG's share of revenue is determined after the deduction of service provider fees, incurred while the facilities were open, which are comprised primarily of a fixed fee, a variable fee (calculated as a percentage of gaming revenue) 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. While facilities were closed, service provider fees were expensed as the nature of the service provider fees paid during the temporary closures represented fees in exchange for services received. The COSA revenue share model transfers site operational costs to service providers. OLG does not recognize non-gaming revenue generated at service provider-operated sites.

Gaming revenue from Land-based Gaming for fiscal 2020–21 was $31 million, a decrease of $2.2 billion compared to the previous fiscal year. The decrease was caused by the closure of casino sites as described previously.

NPP

Net loss to the province for fiscal 2020–21 was $489 million or $2.1 billion below fiscal 2019–20. The net loss to the province was driven by the fact that gaming site expenses were incurred throughout the year, even while operations were closed, including fixed fee payments made to service providers which support continued maintenance of Land-based Gaming facilities and assets to ensure a clear path to recovery coming out of the COVID-19 pandemic. In addition, when operations were open for certain casinos, revenues were limited due to operating constraints.

Expenses totalled $510 million, $104 million above the prior year primarily due to the presentation of Land-based Gaming service provider fees as expenses of $334 million ($18 million in fiscal 2019-20), while sites were closed. Excluding these Land-based Gaming service provider fees, Land-based Gaming expenses for fiscal 2020-21 totalled $176 million, a $212 million decrease from prior year.

B2. Fiscal 2020–21 results compared to budget

Total Land-based Gaming proceeds for fiscal 2020–21 were below budget by $4.5 billion or 97 per cent. Factors contributing to this decrease included:

- The closures of all sites for most of the first half of the fiscal year.
- Intermittent re-openings and significant health and safety patron capacity constraints for the remainder of the fiscal year.
- Fallsview Casino Resort, Casino Niagara, Rideau Carleton Casino, and Casino Rama remaining closed for the entire fiscal year.
- Live table games not being permitted to operate at any point in Ontario during the fiscal year.

Total gaming revenue was $2.5 billion below budget, due to the same factors that contributed to the decrease in proceeds compared to budget, as described above.

NPP for fiscal 2020–21 was $2.4 billion below budget as a result of a flow-through of lower gaming revenue combined with continued fixed fee payments made to service providers to continue to maintain assets throughout the casino closure period.

The Corporation is addressing the shortfall compared to budget by maintaining close alignment with the service providers and establishing an interim compensation model to ensure they remain viable and positioned for a full post-pandemic recovery, including resuming capital developments.

B3. Land-based Gaming – Other key performance indicators

The following are additional Land-based Gaming key performance indicators for fiscal 2020–21 compared to prior fiscal years:

For the Fiscal Year	2020–21	2019–20	2018–19
Total patrons (in millions)	**0.5**	38.9	39.6
Net win per patron[1]	**$ 222**	$ 100	$ 97
Total number of slots[2]	**N/A**	25,150	23,750
Total number of tables[2]	**N/A**	800	680
Service Providers' capital investment (in millions)[3]	**$ 242.6**	$ 531.5	$ 404.1

[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]The number of slots and tables were not meaningful metrics to measure in fiscal 2020-21 as a result of significant capacity constraints that were in effect while casinos operated during the year.
[3]Approximated capital spend information obtained from Service Providers' reports. These amounts are not included in the Corporation's Consolidated Financial Statements.

Patron visits were down considerably in 2020–21 due to casino closures, as well as the 50-patron capacity constraint while open (and 10-patron capacity constraint in some instances). However, net win per patron was historically high due to the strategic focus on attracting higher value players in response to limited capacity at casinos.

Land-based Gaming modernization has encouraged private sector capital investment across the province, including increases to the number of slot machines and live table games, which improves the customer experience and increases visitation. Despite COVID-19-related work stoppages and delays, service providers' capital investment in 2020–21 was $243 million.

B4. Land-based Gaming trends and risks

The COVID-19 pandemic was the driver of Land-based Gaming's fiscal 2020–21 performance and presents the single largest risk going forward. Prominent risks related to the pandemic include:

- Mandatory public health restrictions resulting in further closures and continued operational constraints.
- Potential changes in Land-based Gaming consumer behaviour.
- Viability of service providers operating within the pandemic and recovery environments.
- Delays and/or material changes in scope related to service provider development projects, which are key to growing Land-based Gaming revenue.

Other risks to Land-based Gaming recovery and growth are:

- The expansion of a regulated Digital Gaming market in Ontario, which may cannibalize and impact Land-based Gaming.
- Reliance on the private sector to generate incremental revenue, which can be influenced by many factors, some outside the control of service providers.

To mitigate these risks, OLG is:

- Launching its new 'Game On' business strategy, which prioritizes the safe re-opening of Land-based Gaming, and aggressively pursuing new opportunities for growth and innovation for the benefit of Ontario.
- Assessing the anticipated impact of an expanded Digital Gaming market in Ontario on Land-based Gaming.
- Increasing focus on agile team models, which will allow for rapid delivery of entertainment options and solutions in an increasingly competitive ecosystem.
- Establishing interim compensation agreements for all modernized gaming bundles, which position service providers for a quick recovery and resumption of revenue in the recovery period.
- Maintaining close alignment with our valued partners and service providers to ensure they remain viable and positioned for a full post-pandemic recovery, including resuming capital developments.
- Continuing to focus on strong governance, augmented by new performance dashboards to ensure ongoing monitoring of private sector partners.

C. Digital Gaming

Highlights:

- The launch of the new OLG.ca, which has meaningfully exceeded growth objectives set for Digital Gaming revenue and profitability.
- OLG.ca offers a wide range of digital gaming options with a safe, secure and responsible Digital Gaming platform that leverages the trust and confidence Ontarians have in the OLG brand.
- Total proceeds were up 156 per cent from the prior year.
- Total successful player registrations increased by 123 per cent compared to fiscal 2019–20, driven by the launch of the new digital platform and lottery registrations as an alternative to retail purchasing during the pandemic.
- Lottery and casino mobile play was 31 per cent of total proceeds, compared to 28 per cent in the previous fiscal year, driven by the introduction of lottery mobile purchases.

Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2020-21	2019-20[1]	**$ Variance**	% Variance
Proceeds	**$ 356**	$ 139	**217**	156
Less: Lottery prizes	**(61)**	(15)	**(46)**	(307)
Revenue	**295**	124	**171**	138
Expenses	**97**	52	**(45)**	(87)
Net income before the undernoted	**198**	72	**126**	175
Less: Stakeholder payments	**(2)**	(13)	**(11)**	(85)
Net income	**196**	59	**137**	232
Net Profit to the Province	**$ 196**	$ 59	**137**	232

[1] Starting in fiscal 2020-21 Enterprise Website and Mobile Applications (EWMA) and Player Platform costs are reported in Digital Gaming (previously reported in Corporate Services). The comparative period, fiscal 2019-20, has been recast on a consistent basis.

C1. Year over year financial results

Proceeds

Digital Gaming proceeds in fiscal 2020–21 were $356 million, $217 million or 156 per cent higher than the previous year. These results can be attributed to the number of average active daily players, up 120 per cent compared to the previous year, and an increase in digital lottery transactions overall. Digital casino proceeds set a record, with $234 million in proceeds compared to $109 million in fiscal 2019–20.

Lottery proceeds captured through the digital channel set a record of $122 million in fiscal 2020–21 compared to $30 million in fiscal 2019–20. DAILY GRAND, DAILY KENO and ONTARIO 49 were added to the digital channel, along with the launch of mobile purchases.

Revenue

As Digital Gaming proceeds increased in fiscal 2020–21, so did the associated revenue. Revenue was $295 million, which was 138 per cent higher than the previous fiscal year for reasons consistent with the discussion above.

NPP

NPP for fiscal 2020–21 was $196 million, $137 million or 232 per cent higher than fiscal 2019–20. The year-over-year increase is directly tied to higher proceeds, partially offset by higher service provider fees which vary with volume. Profit margins remained high at 66 per cent, up from 48 per cent in the previous fiscal year.

C2. Fiscal 2020–21 results compared to budget

Digital Gaming proceeds, revenue and NPP for the fiscal year exceeded budget by $214 million, $170 million and $184 million, respectively, for the reasons stated previously.

C3. Digital Gaming trends and risks

Prominent risks the Digital Gaming line of business faces are:

- Growing competition from many grey market gaming websites that are not regulated by the Government of Ontario but offer industry leading customer experiences that are comparable to technology leaders such as Amazon and Netflix.
- Greater challenges for OLG, as a regulated entity, compared to unregulated grey market sites which leverage global models and speed to market efficiencies, as well as varying standards of integrity and social responsibility, potentially affecting the public interest in Ontario.

In its 2021 budget, the Government of Ontario indicated it is moving forward with its plan to establish a more open and regulated market for online gambling which includes additional operators, while providing protections for those who play on these websites.

To mitigate these risks OLG is:

- Growing OLG.ca's market share by increasing its product portfolio with new game categories (i.e. Sports) and improved customer experience through targeted and segmented player programs.
- Differentiating OLG.ca from the competition with omni-channel strategies, leveraging its vast retail and land-based footprint, responsible gaming tools and the OLG brand, which is well-established, respected and has high awareness with players.
- Continuing to improve its digital offering. Working with Bede Gaming Canada Limited, OLG launched a new digital platform that will provide the flexibility to offer new games and products that respond to evolving customer expectations. 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 is also delivering 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 which has garnered international recognition for its *PlaySmart* program that is also available on the new digital platform. The new digital solution helps inform players about how to play responsibly and provides 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 as needed.

OLG partners with provincial and local expert groups to ensure that individuals who may be at risk of problem gambling have access to timely referrals to community-based supports, credit counselling and professional treatment as needed.

D. Charitable Gaming

Highlights:

- The Government of Ontario mandated the closure of all Charitable Gaming Centres in mid-March 2020, just prior to the start of the fiscal year.
- Charitable Gaming Centres began re-opening in Ontario in July under regional health capacity constraints allowing no more than 10 or 50 patrons to be present in each facility at any time.
- From July through the end of the fiscal year there were intermittent re-openings and re-closures of most Chartable Gaming Centres in Ontario, subject to the same or more restrictive capacity constraints, as regions moved through zone-specific COVID-19 response protocols.
- Four new Charitable Gaming Centres in each of the Greater Toronto Area, Windsor, Nepean and Ottawa launched in July 2020, September 2020, October 2020 and December 2020, respectively.
- Total proceeds were down by $106 million, or 53 per cent, from prior year due to the closures and capacity constraints put in place in response to the COVID-19 pandemic.
- With pandemic-driven declines in proceeds, payments to charities decreased by $28 million compared to the prior fiscal year.
- All 37 sites operated under the new business model that is more sustainable for all stakeholders and allows greater flexibility for the Charitable Gaming service providers to grow their business. Under the model, service providers are responsible for the capital costs and most of the operating costs at their locations.

Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2020-21	2019-20	**$ Variance**	% Variance
Proceeds	**$ 95**	$ 201	**(106)**	(53)
Less: Service Provider fees	**(68)**	(105)	**37**	35
Revenue	**27**	96	**(69)**	(72)
Expenses	**5**	29	**24**	83
Net income before the undernoted	**22**	67	**(45)**	(67)
Less: Stakeholder payments	**(18)**	(75)	**(57)**	(76)
Net income (loss)	**4**	(8)	**12**	150
Net Profit (Loss) to Province	**$ 4**	$ (8)	**12**	150

D1. Year over year financial results

Proceeds

Charitable Gaming proceeds in fiscal 2020–21 were $95 million, a decrease of $106 million from the prior fiscal year. Contributing to the decline were site closures from April 2020 to July 2020, intermittent re-closures in the fall, and a provincewide lockdown in December 2020 and January 2021. The decrease in proceeds was also attributable to patron capacity constraints put in place provincewide in response to the COVID-19 pandemic.

Revenue

Charitable Gaming revenue decreased in fiscal 2020–21 as proceeds dropped. Also contributing to the decrease was the transition to the new business model during fiscal 2019–20 whereby the service provider fees were presented against revenue rather than as an expense as they were under the previous model. Revenue was $27 million, which was 72 per cent lower than the previous fiscal year for reasons discussed above.

NPP

In fiscal 2020–21, net income before stakeholder payments for Charitable Gaming was $22 million, a decrease of $45 million from fiscal 2019–20. The decrease is primarily due to a decline in revenue for reasons consistent with the discussion above. Net Profit to the Province after stakeholder payments for Charitable Gaming was $4 million, an increase of $12 million over fiscal 2019–20 mainly due to a one-time tax recovery.

D2. Fiscal 2020–21 results compared to budget

Charitable Gaming proceeds were down $146 million compared to budget, primarily due to the intermittent re-closures of Charitable Gaming Centres throughout the year, delays in new site launches due to COVID-19 emergency measures and reduced patrons as result of the COVID-19 capacity constraints. Charitable Gaming revenue was $63 million below budget, mainly due to associated lower proceeds.

The Corporation is addressing the shortfall compared to budget by maintaining close alignment with service providers to ensure they remain viable and prepared for the post-pandemic recovery, while managing future opportunities such as enhancing product offerings and gaming experience for customers.

Charitable Gaming NPP was $4 million in fiscal 2020–21, $8 million higher than budget. The improvement was mainly attributed to a one-time tax recovery, partially offset by the flow through impact from lower revenues.

D3. Charity payments

Since the Charitable Gaming Program launched in fiscal 2005-06, the Charitable Bingo and Gaming Revitalization Initiative has raised over $310 million for local charities (as of March 31, 2021).

OLG makes direct-to-charity contributions to charity associations associated with the Charitable Gaming Centres, which are included in stakeholder payments. Charities receive a commission based on a percentage of net gaming win. The payments to charitable associations totaled $23 million in fiscal 2020–21, a decrease of $28 million from prior year, primary due to lower proceeds as a result of the COVID-19 pandemic.

D4. Charitable Gaming trends and risks

OLG's Charitable Bingo and Gaming Revitalization Initiative was designed to preserve and enhance funding for approximately 2,200 local charities and capital investment. The goals of the initiative continue to be achieved by introducing and refreshing new electronic products, enhancing customer service, upgrading facilities and fostering continued responsible growth. In fiscal 2019–20, all Charitable Gaming Centres had successfully transitioned to the new business model that is more sustainable for all stakeholders and allows greater flexibility for service providers to grow their business.

The COVID-19 pandemic was the main driver impacting the performance of Charitable Gaming in fiscal 2020–21 and remains the largest risk factor expected to continue into fiscal 2021–22.

The key pandemic-related risks include:

- Government-mandated restrictions resulting in continued closures and further operational constraints such as patron capacity constraints at each facility.
- Potential changes in Charitable Gaming consumer behaviour.
- Service providers' viability through the pandemic period.
- Delays in service providers' investments, which are critical to developing the Charitable Gaming industry.

Other risks to Charitable Gaming recovery and growth are:

- The growth of a regulated digital gaming and sport betting market in Ontario, which may cannibalize Charitable Gaming.
- Expansion in Land-based Gaming, which may cannibalize and impact Charitable Gaming as they share a similar customer base.

To mitigate these risks, OLG is:

- Continuing to assess the potential impact of an expanded digital market in Ontario on Charitable Gaming.
- Working collaboratively with service providers to enhance product offerings and the gaming experience for customers.
- Maintaining communication with service providers to ensure they remain viable and prepared for the post-pandemic recovery.
- Continuing its overall market management role to proactively manage future opportunities and risk in the Charitable Gaming industry as the market evolves.

E. Corporate Services

Corporate Services expenses are incurred by functions that support operations and enable OLG's performance through people, strategic support 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 financial management, administration and operations; commercial business management and procurement; business strategy; project management services; legal, risk, audit and compliance; product development; internal and external communications; branding and marketing; social responsibility; responsible gambling; and stakeholder relations. 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)

		2020–21		2019-20[1]	**$ Variance**	% Variance
Corporate Services Expenses		**481**		500	**19**	4
Less: Stakeholder payments		**(285)**		(291)	**(6)**	(2)
Corporate Services Expenses net of Stakeholder Payments	**$**	**196**	$	209	**13**	6

[1] Starting in fiscal 2020-21 Enterprise Website and Mobile Applications (EWMA) and Player Platform costs are reported in Digital Gaming (previously reported in Corporate Services). The comparative period, fiscal 2019-20, has been recast on a consistent basis.

E1. Year over year financial results

Corporate Services expenses net of stakeholder payments were $196 million, $13 million below prior year, due to savings in marketing and promotion, general and administration, commissions and fees and personnel. With the onset of the COVID-19 pandemic, OLG focused on cost management efforts to minimize cash outflows. In fiscal 2020–21, savings were realized from a reduction in headcount through the year, as well as reductions in external advisory services as project activity slowed and the need for external legal services decreased. With the closure of casinos and Charitable Gaming Centres, OLG benefited from reduced costs for *PlaySmart* centres, as well as reduced promotional support in Responsible Gambling activities, as events were limited due to public health measures. Travel savings were also realized across the whole organization.

E2. Fiscal 2020–21 results compared to budget

Corporate Services expenses net of stakeholder payments were under budget by $52 million, with savings in general and administration, marketing and promotion, and personnel. With the fiscal 2020–21 budget set far in advance of the onset of the COVID-19 pandemic, many activities that were expected to occur did not proceed, leading to major revisions to plans and projects. Closures of *PlaySmart* centres aligned with the closures of casinos and Charitable Gaming Centres and significant savings were realized as activities were curtailed. Reduced promotional support for Responsible Gambling activities was realized as public health measures forced the cancellation of many events. Public health restrictions also significantly limited travel, resulting in savings. Project activity was reprioritized leading to reductions in external advisory services.

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 the payment obligation introduced in fiscal 2019–20 related to the horse racing industry.

Under the terms of the GRSFA, OLG pays OFNLP, commencing in fiscal 2011–12 and in each fiscal year thereafter for the remaining 20-year term of the agreement, an amount equal to 1.7 per cent of the prior year's gross revenues, as defined in the agreement.

Stakeholder payments in fiscal 2020–21 were lower than budget by $21 million and lower year over year by $6 million. Compared to budget, savings were mainly due to lower commodity taxes (HST) on curtailed spending activity as well as lower GRSFA and horse racing support payments. Similarly, year over year savings were primarily attributable to lower GRSFA and horse racing payments.

4. Financial Condition

Liquidity and capital resources

The closure of Land-based Gaming and Charitable Gaming sites during fiscal 2020–21 adversely impacted the Corporation's results of operations; however, cash flows were strong due to the Province of Ontario not requiring dividends to be made during the fiscal year. 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. During fiscal 2020–21, the Corporation was advanced $60 million and on February 18, 2021, the Corporation fully repaid the balance. At March 31, 2021, the loan balance was nil and the remaining available credit facility was $240 million. Refer to Note 19 of the Notes to the Consolidated Financial Statements for further details on this loan agreement.

	For the fiscal year (in millions of dollars)			
Net cash flows provided by (used in):	**2020-21**	2019-20	**$ Variance**	% Variance
Operating activities	**$ 353**	$ 2,126	**(1,773)**	(83)
Investing activities	**(75)**	178	**(253)**	(142)
Financing activities	**5**	(2,412)	**2,417**	100
Net increase (decrease) in cash and cash equivalents	**$ 283**	$ (108)	**391**	362

Cash provided by operating activities:

Cash flows provided by operating activities decreased primarily due to the impact of COVID-19 pandemic related closures on the Corporation’s Land-based Gaming results of operations.

Cash used in investing activities:

Cash flows used in investing activities is primarily due to the purchase of new lottery terminals, facility upgrades and other capital expenditures in the year. In fiscal 2019–20, cash flows provided by investing activities was 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 provided by financing activities:

Cash flows provided by financing activities is primarily due to the draws made during fiscal 2020–21 on the Lottery Terminal loan partially offset by repayments on the Player Platform and Gaming Management System loans. As well, given the uncertainties with respect to the COVID-19 pandemic and the impact on the Corporation’s operations, OLG did not provide dividends to the Province of Ontario during fiscal 2020–21, compared to payments to the Province of Ontario of $2.4 billion in fiscal 2019–20.

Capital risk management

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

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

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

The Board of Directors is responsible for the oversight of management, including the establishment of policies related to financial and risk management. The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation is not subject to any externally imposed capital requirements. Refer to Note 23 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 performance and supporting management's efforts to effectively identify and address risks related to its Game ON strategy. The ERM framework is aligned with the risk management guidance and requirements of Management Board of Cabinet. The ultimate accountability for risk management lies with OLG's President and CEO with support from management. The Audit and Risk Management Committee of the Board of Directors receives quarterly risk reporting. 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:

COVID-19 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.

The duration and severity of the pandemic depends on several factors and, until COVID-19 is well controlled, there could be ongoing waves of illness and 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.
- access and availability of OLG employees to support ongoing and critical operations.
- changes to consumer behaviour.
- the capability and financial health of 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.

OLG is prepared to respond to crises with established Emergency Response Plans (ERPs), Business Continuity Plans (BCPs), Disaster Recover Plans (DRPs) and more specific operational pandemic plans. These plans are developed and updated 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.

As OLG faces current and future challenges of operating during this pandemic, it will consider risks and opportunities on an ongoing basis and respond accordingly. The pandemic has provided an opportunity to accelerate the use of technology in our operations, reduce the real estate footprint, and maximize our presence on the digital landscape. To further mitigate this risk, lessons learned from the COVID-19 pandemic are being reviewed regularly and are leading OLG to reimagine how we work today and in the future.

PRIVATE SECTOR ENGAGEMENT

OLG is increasingly reliant on third parties to deliver or support critical growth initiatives. This model has inherent risk that the third parties may 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 availability 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 could add 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 establishing interim agreements with service providers to ensure they can continue to deliver even under the current circumstances.
- conducting monitoring and scenario-based response planning for third parties at the greatest risk for financial viability issues.
- maintaining close relationships with vendors, centralizing procurement activities, and enhancing the enterprise wide third-party management program.
- augmenting our strong governance practices with new performance dashboards to ensure ongoing monitoring of private sector partners.

PEOPLE AND CULTURE

Attracting and retaining key talent in a competitive marketplace is an ongoing risk to OLG. To mitigate this risk:

- OLG cascades objectives from the strategy through the organization down to individual employees, has adopted a new performance management system and is reviewing the related compensation structure to reward strong performers.
- As part of refining the Organizational Operating Model management is reviewing organizational design and assessing talent needs to ensure OLG has the right skills and structure, with the goal of operating as efficiently as possible.

INFORMATION TECHNOLOGY AND INFRASTRUCTURE

While implementing new digital technologies, OLG must ensure that its business systems continue to sustain and grow the core business and that access to systems and/or information is not compromised. All businesses face the potential for incidents of cyberattacks. To address these challenges OLG is:

- Completing high-valued technology improvements with more planned to enhance security, functionality, reliability and flexibility.
- Maintaining and evolving a mature cybersecurity risk management program. Furthermore, service providers and private sector partners are required to maintain their own cybersecurity controls and provide OLG with independent assurance on those controls.
- 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.

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.
- Developed programs to ensure that regulatory compliance requirements are considered with each new initiative.
- Provided ongoing training on regulatory requirements to OLG staff and third parties. 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 wide range of global entertainment options. The Government of Ontario announcement of its intention to establish a market for online legal gambling provides Ontarians with new options. OLG will be challenged to keep pace with evolving customer expectations by launching new and innovative products with agility. In addition, OLG's ability to deliver on the Game ON strategy and launch new competitive products, in some cases, will require government approvals, where timing can be uncertain.

To mitigate this risk, OLG implemented a new player platform and website and will be implementing new mobile applications and sports betting solutions. OLG's strategy is to become customer-obsessed, accelerating speed to market with new and innovative digital solutions and building partnerships to be competitive in the market. OLG will also leverage its domestic advantage — its vast retail and land-based footprint — to differentiate its offerings from those of competitors. This includes delivering on excellence in customer care through globally recognized responsible gambling tools. OLG and the government are working closely to ensure necessary approvals for the Game ON plan are obtained as required — and OLG will be prepared to adjust if approvals are delayed.

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 – impairment, useful lives and residual values
- Provisions
- Lease liabilities, right-of-use assets and finance lease receivable
- Contract liabilities
- Valuation of financial instruments including credit risk for expected credit losses
- Employee benefits
- Contingencies

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

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

MANAGEMENT'S RESPONSIBILITY FOR ANNUAL REPORTING

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

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

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

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

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

Duncan Hannay
President and Chief Executive Officer

Pinder Basi
Chief Financial Officer

June 22, 2021

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

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

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

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

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

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

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

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

KPMG

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 22, 2021

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

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

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

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

Approved on behalf of the Board

Gail Beggs, Vice-Chair and Acting Chair

Lori O'Neill, Director

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

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

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

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

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

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

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

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

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

1. Reporting entity

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

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

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

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

As detailed in Note 2, the Corporation entered into Casino Operating and Services Agreements (COSAs) with certain Land-based Gaming service providers and Charitable Gaming Centre Service Providers Agreements (CGCSPAs) with cGaming service providers (individually, and collectively, the Service Providers). The Corporation does not control these Service Providers and therefore does not consolidate the financial position or results of operations of these Service Providers. In accordance with the COSAs and CGCSPAs, the Corporation recognizes its share of gaming revenue generated at the Land-based Gaming sites and cGaming Centres operated by Service Providers in the same period the revenue is earned when the games are played. In addition to the long-term gaming revenue share arrangements, when OLG sites transition to Service Providers, OLG recognizes any applicable gains associated with the sale or derecognition of assets.

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

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

These Consolidated Financial Statements were authorized for issue by the Board of Directors of the Corporation on June 22, 2021.

(in millions of Canadian dollars)

2. Modernizing Gaming in Ontario

a. Land-based Gaming

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

The chart below outlines the OLG gaming bundles:

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

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

2. Modernizing Gaming in Ontario (continued)

b. Charitable Gaming

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

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

3. Basis of preparation

a. Temporary business interruption

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

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

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

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

Land-based Gaming

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

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

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

3. Basis of preparation (continued)

a. Temporary business interruption (continued)

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

Charitable Gaming

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

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

Lottery

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

b. Statement of compliance

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

c. Basis of measurement

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

d. Functional and presentation currency

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

3. Basis of preparation (continued)

e. Use of estimates and judgments

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

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

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

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

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

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

f. Adoption of new accounting standards

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

4. Significant accounting policies

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

a. Basis of consolidation

The Consolidated Financial Statements include the accounts of the Corporation, OGAC and the Resort Casinos (Caesars Windsor and in fiscal 2019-20, Casino Niagara and Fallsview until June 11, 2019). The Corporation consolidates the results of operations prior to the transition of the gaming sites to Service Providers (Note 2). The Corporation does not control any of the Land-based Gaming or cGaming Service Providers (Note 2) and therefore does not consolidate their respective financial position and results. In accordance with agreements entered into with Land-based Gaming and cGaming Service Providers, the Corporation recognizes its share of revenue as disclosed in Note 4.b. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

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

b. Revenue recognition

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

4. Significant accounting policies (continued)

b. Revenue recognition (continued)

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

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

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

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

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

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

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

4. Significant accounting policies (continued)

b. Revenue recognition (continued)

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

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

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

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

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

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

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

4. Significant accounting policies (continued)

b. Revenue recognition (continued)

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

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

(i) Customer loyalty incentive programs

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

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

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

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

4. Significant accounting policies (continued)

b. Revenue recognition (continued)

(ii) Complimentary goods and services

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

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

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

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

c. Restricted cash

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

d. Inventories

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

e. Financial instruments

(i) Non-derivative financial assets recognition

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

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

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

4. Significant accounting policies (continued)

e. Financial instruments (continued)

(ii) Non-derivative financial asset measurement

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

(iii) Financial liabilities recognition

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

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

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

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

(iv) Financial liabilities measurement

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

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

4. Significant accounting policies (continued)

e. Financial instruments (continued)

(v) Offsetting

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

f. Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Amortization

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

Amortization is recognized in the Consolidated Statements of Comprehensive Income on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

4. Significant accounting policies (continued)

f. Property, plant and equipment (continued)

(iii) Amortization (continued)

The estimated useful lives are as follows:

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

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

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

g. Impairment

(i) Financial assets

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

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

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

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

4. Significant accounting policies (continued)

g. Impairment (continued)

(i) Financial assets (continued)

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

(ii) Non-financial assets

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

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

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in General operating, administration and other in the Consolidated Statements of Comprehensive Income. Impairment losses recognized in respect of CGUs are allocated to reduce, on a pro rata basis, the carrying amounts of the assets in the unit or group of units.

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

h. Leases

(i) As a lessee

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

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

4. Significant accounting policies (continued)

h. Leases (continued)

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

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

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

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

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

(ii) As a lessor

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

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

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

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

i. Provisions

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

4. Significant accounting policies (continued)

i. Provisions (continued)

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

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

j. Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

(iii) Other long-term employee benefits

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

(iv) Termination benefits

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

4. Significant accounting policies (continued)

j. Employee benefits (continued)

(v) Short-term employee benefits

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

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

k. Finance income and Finance costs

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

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

l. Income taxes

As the Corporation is an agent of the Crown, it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

m. Consolidated Statements of Comprehensive Income presentation

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

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

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

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

4. Significant accounting policies (continued)

m. Consolidated Statements of Comprehensive Income presentation (continued)

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

n. Accounting standards issued but not yet effective

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

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

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

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

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

5. Capital risk management

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

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

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

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

(in millions of Canadian dollars)

6. Restricted cash

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

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

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

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

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

7. Trade and other receivables

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

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

8. Inventories

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

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

(in millions of Canadian dollars)

9. Property, plant and equipment

Cost

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

(in millions of Canadian dollars)

9. Property, plant and equipment (continued)

Accumulated amortization and accumulated impairment losses

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

Carrying amounts

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

(in millions of Canadian dollars)

10. Leases

a. As a lessee

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

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

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

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

i) Right-of-use assets

Cost

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

Accumulated amortization

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

(in millions of Canadian dollars)

10. Leases (continued)

a. As a lessee (continued)

i) Right-of-use assets (continued)

Carrying amount

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

ii) Lease liabilities

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

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

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

(in millions of Canadian dollars)

10. Leases (continued)

a. As a lessee (continued)

iii) Amounts recognized in profit and loss

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

iv) Amounts recognized in the Consolidated Statements of Cash Flows

		2021		**2020**
Total cash outflow for leases	$	34	$	32

b. As a lessor

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

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

i) Operating leases

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

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

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

(in millions of Canadian dollars)

10. Leases (continued)

b. As a lessor (continued)

i) Operating leases (continued)

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

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

ii) Finance lease

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

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

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

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

(in millions of Canadian dollars)

11. Trade and other payables

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

Prizes payable are unclaimed and estimated lottery prizes.

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

Gaming liability includes progressive jackpots, customer loyalty incentive points and other gaming-related payables. Progressive jackpots, which are offered at gaming facilities operated by a Service Provider or, an operator, are measured based on the anticipated payout of the progressive jackpots. Customer loyalty incentive points that are earned based on the volume of play and redeemable for complimentary goods and services and/or cash are recognized as a liability and measured at the amount payable on demand.

Commissions payable includes amounts payable to municipalities and First Nations that host a Land-based Gaming facility or a cGaming Centre.

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

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

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

12. Provisions

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

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

Legal claims

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

(in millions of Canadian dollars)

12. Provisions (continued)

Other provisions

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

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

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

13. Finance income and Finance costs

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

14. Related parties

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

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

(in millions of Canadian dollars)

14. Related parties (continued)

Transactions with key management personnel

Key management personnel compensation

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

Key management personnel compensation includes:

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

15. Due to / from operator and Service Providers

Due from Service Providers

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

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

Due to operator and Service Providers

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

a. Due to operator

Caesars Windsor

Under the terms of the operating agreement for Caesars Windsor, the operator is entitled to receive an operator's fee calculated as a percentage of Gross Revenue and as a percentage of Net Operating Margin, both as defined in the related operating agreement.

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

a. Due to operator (continued)

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

At Caesars Windsor, the operator's subsidiary is the employer of the employees working at that facility. All payroll and payroll-related costs are charged to the Corporation monthly and expensed in the Corporation's Consolidated Statements of Comprehensive Income.

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

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

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

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

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

c. Due from cGaming Service Providers

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

16. Win contribution

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

17. Due to Government of Canada

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

a. Payments on behalf of the Province of Ontario

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

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

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

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

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

(in millions of Canadian dollars)

18. Revenue

a. Disaggregation of revenue

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

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

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

(in millions of Canadian dollars)

18. Revenue (continued)

b. Contract liabilities

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

(i) Niagara and GTA Gaming Bundle contract liabilities

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

(ii) Deferred lease revenue

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

19. Long-term debt

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

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

a. Gaming Management System loan

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

(in millions of Canadian dollars)

19. Long-term debt (continued)

b. Lottery Terminals loan

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

c. OFA Loan Agreement

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

d. Payments over the next five years and thereafter

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

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

20. Commissions and fees

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

a. Lottery

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

(in millions of Canadian dollars)

20. Commissions and fees (continued)

b. Service Provider fees

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

c. Operator fees

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

d. Other

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

21. Stakeholder payments

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

a. Municipal commissions

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

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

b. Other

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

22. General operating, administration and other

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

a. General and administration

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

23. Financial risk management and financial instruments

a. Overview

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

b. Risk management framework

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

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

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

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

23. Financial risk management and financial instruments (continued)

c. Credit risk

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

Trade and other receivables

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

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

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

Due from Service Providers

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

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

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

(in millions of Canadian dollars)

23. Financial risk management and financial instruments (continued)

c. Credit risk (continued)

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

Finance lease receivable

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

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

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

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

d. Liquidity risk

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

The Corporation manages its liquidity risk by performing regular reviews of net income and cash flows from operations and continuously monitoring the forecast against future liquidity needs.

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

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

The undiscounted contractual maturities of financial liabilities are as follows:

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

(in millions of Canadian dollars)

23. Financial risk management and financial instruments (continued)

d. Liquidity risk (continued)

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

e. Market risk

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

(i) Interest rate risk

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

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

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

At March 31, 2021, the Corporation had cash of $443 million (March 31, 2020 – $160 million). The impact of fluctuations in interest rates is not significant and, accordingly, a sensitivity analysis of the impact of fluctuations in interest rates on net income has not been provided.

(ii) Other market price risk

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

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

23. Financial risk management and financial instruments (continued)

f. Fair values measurement

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

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

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

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

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

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

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

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

24. Employee benefits

a. Defined contribution plans

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

b. Other post-employment benefit plans

The Corporation provides pension benefits for all its permanent employees and for non-permanent employees who elect to participate through the PSPF. Contribution rates are set by the *Public Service Pension Act*, whereby the Corporation matches all regular contributions made by the member. The annual contributions made by the Corporation are recorded as an expense in the Consolidated Statements of Comprehensive Income. The Corporation’s contribution and pension expense for fiscal 2020–21 was $11 million (fiscal 2019–20 – $11 million).

c. Other long-term employee benefits

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

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

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

(in millions of Canadian dollars)

25. Commitments

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

a. HST on lease commitments

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

b. Suppliers

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

c. Ontario First Nations (2008) Limited Partnership

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

25. Commitments (continued)

d. Horse Racing Funding Agreement

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

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

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

26. Contingencies

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

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

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 2020-2021 de la Societé des loteries et des jeux de l'Ontario.
Il est disponible en composant le 1-800-387-0098.