



**2022–23 ANNUAL REPORT  
ONTARIO LOTTERY AND GAMING CORPORATION**

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## **LAND ACKNOWLEDGEMENT**

OLG acknowledges that we live, work and conduct gaming on the traditional lands and Treaty territories of many First Nations across the province.

Our Toronto offices are hosted on the traditional territories of the Mississaugas of the Credit, the Anishinaabeg, the Haudenosaunee, and the Wendat. We also acknowledge that our Head Office located in Sault Ste. Marie is hosted in the Robinson-Huron Treaty Territory and the land is the traditional territory of the Anishinaabeg, specifically the Garden River and Batchewana First Nation, as well as the Métis. Today, Sault Ste. Marie is home to many Indigenous peoples.

These are the Indigenous peoples who lived on this land for thousands of years before us. OLG recognizes that simply acknowledging the land on which we stand is only one small gesture in the challenging work to advance the principles of Truth and Reconciliation. We are called upon to act as agents of justice, peace, and harmony in the workplace and beyond. Let us rise to the responsibility of this work by fostering open dialogue, respect and connection among all peoples on this great land to address the ongoing legacy of colonization.

## MESSAGE FROM THE CHAIR OF THE BOARD

The Ontario Lottery and Gaming (OLG) Corporation has always contributed to a better, stronger Ontario. Since 1975, OLG has proudly provided more than \$59 billion to the people and communities of this great province.

The Board of Directors is proud to see OLG deliver on its purpose to generate revenue for the province, invest in our communities to create a positive impact and uphold the highest standards of responsible gambling in everything we do, while acting in the best interests of Ontario. We are also pleased by OLG's financial achievements during fiscal 2022-23, despite the ongoing recovery from the impacts of the COVID-19 pandemic. Notably, OLG achieved record returns to the Province of Ontario.

Under the leadership of President and CEO Duncan Hannay, the Game ON strategic plan has been driving new growth by leveraging OLG's core assets, its key partnerships and advancing new business opportunities. Game ON has enabled OLG to invest strategically to expand its digital offering exponentially while taking full advantage of its broad customer reach and unparalleled footprint across retail lottery. At the same time, the plan ensures that Land-based Gaming not only recovers from the pandemic but reaches new heights of success — with continued job-creating investments in Ontario communities.

As a board, we are committed to supporting the management team as it executes our strategy and pursues our objectives. At the same time, we are focused on providing the strong corporate governance that Ontarians expect of OLG — which is fundamental to our success and the long-term interests of the people of Ontario, and our shareholder, the Government of Ontario.

We support the ongoing investments OLG is making in its award-winning and globally recognized PlaySmart program. In fiscal 2022-23, we were pleased to approve the organization's second Responsible Gambling (RG) plan, which will invest annually in RG across all lines of business, including programming, marketing and education, compliance, research, and the operation of PlaySmart Centres located in 30 casinos and 37 cGaming centres. These investments will help ensure that PlaySmart continues to receive national and international recognition and accreditation while maintaining OLG's industry leadership position in player health support and harm reduction measures.

OLG greatly values its long-standing relationships with Indigenous communities. In fiscal 2022-23, through the Gaming Revenue Sharing and Financial Agreement, we provided \$123 million to the Ontario First Nations Limited Partnership (OFNLP) to disburse to 132 First Nations in Ontario to support health and education, plus cultural, community, and economic development. In addition, two First Nations communities benefit directly as hosts of gaming sites — the Mississaugas of Scugog Island First Nation, which hosts Great Blue Heron Casino, and Rama First Nation, which hosts Casino Rama.

But we also understand that our relationships with our Indigenous partners are not just contractual or financial. That's why we are pleased to say OLG is taking steps to further its ongoing commitment to developing and building trust with Indigenous communities — by extending our understanding and fostering more active and transparent dialogue.

We know the contribution OLG makes to the people and communities of Ontario would not be possible without the strong team of employees who work hard every day to deliver on the organization's purpose. On behalf of the entire board, I would like to thank all OLG employees for their dedication and commitment and for their role in building a better Ontario.

With the continued contribution of employees and the steps we are taking to move the organization forward, OLG is well-positioned for even greater success in the future — and the board looks forward to guiding the management team as it unlocks even more value for the people and communities of Ontario.

A handwritten signature in black ink, appearing to read 'J Warren', with a long, sweeping flourish extending to the right.

Jim Warren  
Chair

## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

I am pleased to present OLG's 2022–23 Annual Report, which highlights a year of continued change for our organization, successful execution of our Game ON strategic plan and record-setting results.

OLG's core purpose is to give back to the people of Ontario. Our business was built around making life better for Ontarians by returning every dollar of profit to the Province to support government priorities.

Despite our ongoing recovery from the COVID-19 pandemic, our business delivered \$2.5 billion in Net Profit to the Province (NPP) in fiscal 2022-23 — our highest ever annual NPP, exceeding our pre-pandemic fiscal 2019-20 NPP of \$2.3 billion.

In addition, we continued to deliver millions of dollars more through revenue sharing with Ontario First Nations, our gaming host communities and to Ontario charities, as well as through our support of the horse racing industry and our many sponsorships.

We care for Ontario, and we want to ensure our contributions can continue. That's why we launched our multi-year Game ON strategy in 2021. As our strategic roadmap, Game ON has helped position our organization as an entertainment leader by creating value-led partnerships and placing the customer at the centre of everything we do. We have become much more agile, bringing best-in-class products and experiences to more touchpoints and channels.

We continue to drive growth in digital gaming by building on our strengths. We offer customers an expansive experience that includes casino gaming, live table games, sports betting and the only option for online lottery play, all of which feature the full integration of our industry-leading PlaySmart responsible gambling program. And, we're achieving all of this in an increasingly competitive market.

OLG began the fiscal year as the only legal online gaming option in the province. On April 4, 2022, Ontario's digital gaming market opened to other operators who are licensed by the AGCO and meet its standards for online gaming. By the end of the fiscal year, there were 44 regulated online gaming operators in the province. OLG is uniquely positioned to compete in this emerging digital market. We lead with a higher purpose and continue to deliver an unmatched, integrated and secure entertainment experience.

During fiscal 2022-23, OLG's digital gaming proceeds increased by 31 per cent and monthly average player counts rose by 22 per cent, as we continued to improve our products and improve the overall customer experience. At the same time, we remained committed to strengthening our core business channels in Retail Lottery and Land-based Gaming.

We are replenishing our popular lottery product portfolio and ambitiously extending our reach into new distribution channels, which includes taking steps to bring self-serve lottery technologies to retail locations to help us meet evolving consumer demand and behavioral shifts.

Working with our Land-based Gaming casino service providers, we are ensuring the long-term vibrancy and excitement of casino gaming in Ontario. This year, we were pleased to join our service provider, Gateway Casinos & Entertainment Limited, to celebrate the grand opening of two new casinos — in North Bay and Wasaga Beach — the sixth and seventh new casinos to open in Ontario since 2017. We were also proud to celebrate the grand opening of OLG Stage at Fallsview Casino,

which is operated by Mohegan Gaming & Entertainment and represents a \$130 million private sector capital investment in Niagara Falls.

OLG's Charitable Gaming program is also helping to make life better for Ontarians by supporting local organizations that are providing important services in communities across the province. In fiscal 2022-23, the cGaming program achieved its highest proceeds and NPP on record, with 2,200 participating charities receiving a record total of \$80 million — part of the \$425 million distributed through the program since fiscal 2005-06.

As we work with our partners to move our lines of business forward, social responsibility and responsible gambling will remain cornerstone values for OLG and keys to our future success. We will continue to take steps to strengthen our anti-money laundering program, working closely with casino operators, the regulator and law enforcement. We will also continue to advance our globally recognized PlaySmart program — which supports customers in making informed choices and positive play, while also providing assistance to adult Ontarians dealing with problem gambling.

We are also committed to advancing the principles of Truth and Reconciliation to support collaborative relationships with our Indigenous partners. In fiscal 2022-23, meaningful progress was made on improving relationships, including developing a new roadmap called the OLG Reconcili-Action Strategy. We are committed to establishing productive relationships with Indigenous communities in Ontario that are built on respect, dialogue, and collaboration.

I must point out that we could not do what we do without the dedication of all OLGers. Our employees are ambassadors of OLG's Truths, and together we have a shared commitment to Ontario. It's because of our team that OLG was once again selected for Forbes' prestigious list of Canada's Best Employers. This year, OLG moved up 12 spots in the ranks, placing in the top 15 per cent on the list of companies recognized in 2023.

On behalf of all OLGers, I am extremely proud of what our organization achieved in fiscal 2022-23. And this is just the beginning of our efforts to deliver on our promise to Ontarians. In the coming years, OLG will continue to "Play for Ontario" as we collaborate with partners across our business — including Indigenous communities, municipalities, retailers, our digital partners and gaming site operators. Together, we will take our business to the next level and provide a responsible gaming entertainment experience that will keep giving back to the people of Ontario for generations to come.



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.

We live by five Truths, which are an articulation of what we stand for and how we act:

- 1. We Care for Ontario.** We're here to do good. We help build communities, create jobs and support our partners. One hundred per cent of our profits are reinvested in Ontario. Giving back is at the heart of all we do. This defines us. Motivates us. Inspires us.
- 2. We Play as One Team.** We play. We share. We challenge. We respect, support and value each other and our partners. Only together can we compete and win.
- 3. We are Player Obsessed.** Knowing our players allows us to deliver the excitement they crave, in a safe and responsible way. That's what keeps them coming back. Their loyalty makes our business stronger and our ability to give back even greater.
- 4. We Dream Big & Champion Change.** We think big, move fast and welcome change. We are bold, curious, open and always taking our game to the next level.
- 5. We Celebrate Our Differences.** We all bring value to the team. And our different perspectives, backgrounds and orientations make OLG a great place to work. Together we are more creative, innovative and inclusive.

OLG conducts and manages the sale of lottery games (including national and regional Lotto, INSTANT and sports) and Land-based Gaming (Casino Gaming and Charitable Gaming) in the Province of Ontario, as well as our digital gaming platform (OLG.ca and the OLG/PROLINE Apps for iOS and Android). We are also contributing to Ontario's horse racing industry.

In fiscal 2022–23, OLG's financial reporting was organized under three lines of business:

**Lottery (Retail)** – OLG operates terminal-based lottery and sports games and offers INSTANT lottery products through approximately 9,800 retailers across the province.

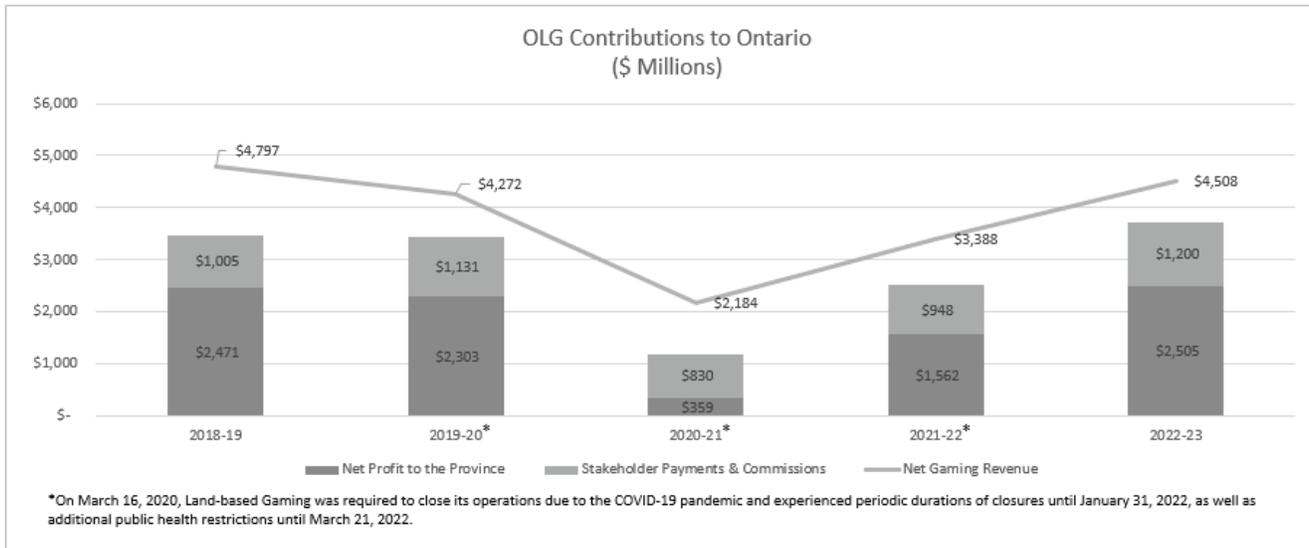
**Land-based Gaming (Casino Gaming and Charitable Gaming)** – OLG is responsible for conducting and managing gaming at 30 Casino Gaming facilities and 37 Charitable Gaming Centres across Ontario. The Land-based Gaming line of business is also responsible for OLG's key relationship with the horse racing industry.

**Digital Gaming** – OLG operates iCasino, iLottery and iSports through its digital gaming platform. The platform offers slots and table games (including Live Casino), sports betting with PROLINE+, as well as sales of nine Lotto games (including LOTTO MAX and the new LOTTO 6/49).

## OLG'S BENEFIT TO THE PROVINCE OF ONTARIO

Since 1975, OLG has generated approximately \$59 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's operations contributed to the economy in many ways in fiscal 2022–23<sup>1</sup>, some of which are highlighted below.



Stakeholder payments and commissions in fiscal 2022-23 (included in chart above):

- **\$330 million** in commissions to lottery retailers across the province
- **\$123 million** to Ontario First Nations through the Gaming Revenue Sharing and Financial Agreement, based on the Corporation's prior fiscal year's Gross Revenues
- **\$116 million** in direct funding to Ontario's horse racing industry through the Amended and Restated Funding Agreement for Live Horse Racing
- **\$161 million** to municipalities and Ontario First Nations for hosting Land-based Casino Gaming facilities and Charitable Gaming Centres<sup>2</sup>
- **\$390 million** in payments to the Government of Canada for GST/HST and for not participating in the sale of lottery tickets
- **\$80 million** in Charitable Gaming proceeds distributed to participating local charities

<sup>1</sup>Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

<sup>2</sup> Host municipalities also receive financial benefit from property tax revenue; development fees and other payments; and the creation of jobs.

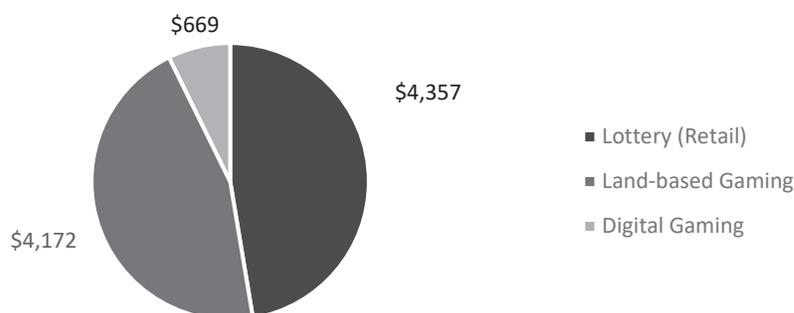
## FINANCIAL HIGHLIGHTS<sup>1</sup>

OLG's Lottery, Land-based Gaming and Digital Gaming lines of business collectively achieved record-setting proceeds<sup>2</sup> in fiscal 2022-23, exceeding \$9 billion. Compared to fiscal 2021-22, total proceeds increased \$2.1 billion or 29 per cent primarily due to the continued growth of the Digital business and the recovery made by both Land-based Casino Gaming and Charitable Gaming from COVID-19 pandemic impacts. Land-based Casino Gaming and Charitable Gaming together achieved record proceeds in fiscal 2022-23 totaling \$4.2 billion, \$2.0 billion over the prior year. Digital Gaming proceeds increased by \$158 million over the prior year to \$669 million in fiscal 2022-23, setting another record and demonstrating strong growth within a new, highly competitive environment. Lottery retail proceeds were \$4.4 billion, a decrease of \$112 million from the prior year primarily due to the large number of high-valued LOTTO MAX jackpots in fiscal 2021-22, including June 2021 when LOTTO MAX reached a record \$140 million in top prizing.

OLG ended the fiscal year with record Net Profit to the Province<sup>3</sup> of \$2.5 billion, \$943 million or 60 per cent higher than fiscal 2021-22.

### Proceeds by Line of Business

(in millions of dollars)



(in millions of dollars)  
for the fiscal year ended March 31

2022-23

2021-22

#### Proceeds

Lottery (Retail)	\$4,357	\$4,469
Land-based Gaming	\$4,172	\$2,163
Digital Gaming	\$669	\$511
<b>Total OLG Proceeds</b>	<b>\$9,198</b>	<b>\$7,143</b>
<b>Net Profit to the Province</b>	<b>\$2,505</b>	<b>\$1,562</b>

<sup>1</sup> Numbers have been rounded or truncated for ease of readability. Consequently, certain charts or tables may not add or cross-tabulate.

<sup>2</sup> Proceeds is a non-IFRS measure which the Corporation considers to be a key measure of performance that is most reflective of its product offerings and its relationships with third parties.

<sup>3</sup> NPP is a non-IFRS measure which the Corporation considers to be most reflective of its financial performance and uses it for setting targets for the Corporation.

Proceeds for each line of business are defined as follows:

Lottery (Retail):

- Sales from retail Lottery products (including regional and national LOTTO, INSTANT and Sports) before the deduction of prizes.

Land-based Gaming (Casino Gaming and Charitable Gaming):

- Net win before the deduction of service provider fees.

Digital Gaming:

- Net win from casino-style games (iCasino) and digital Sports products (iSports) purchased on OLG's digital platform; and
- Sales from Lottery products purchased on OLG's digital platform (iLottery) before the deduction of prizes.

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

## ONTARIO GAMING MARKET

OLG continues to develop an Ontario gaming market that offers both traditional gaming products and new entertainment experiences to ensure we meet and exceed the expectations of our current and future customers.

Our core Lottery business continues to be a driver of growth and brand equity across the province. We are replenishing our popular lottery product portfolio and ambitiously extending our reach into new distribution channels. For example, in fiscal 2022-23, we introduced \$100 ULTIMATE, a unique INSTANT game that offered OLG's best odds ever to become a millionaire, and we took steps to bring self-serve lottery technologies to retail locations to help us meet evolving consumer demand.

In Land-based Casino Gaming, we are working with our partners to advance ambitious development plans that will support the long-term vibrancy and excitement of the casino experience in Ontario for years to come. Over the past seven years, service providers have invested approximately \$2 billion in private sector capital investment across the province. Since 2017, these investments have led to the development and opening of seven new casinos, one planned casino resort development and additional gaming expansions and non-gaming amenities. OLG's Charitable Gaming program is helping to make life better for Ontarians by supporting charities that provide important services in their communities. In fiscal 2022-23, the program achieved its highest proceeds and NPP on record, while delivering \$80 million to 2,200 participating charities.

We are growing our Digital Gaming business and improving speed-to-market across all digital categories — to introduce new products and experiences for customers. In fiscal 2022–23, OLG became the first Canadian gaming provider to introduce Direct Pay, a secure and intuitive way to buy lottery products online with Visa and Mastercard, without having to first deposit funds into an e-wallet or pay cash advance fees. We also introduced a new sports betting app, extended our partnership with Maple Leaf Sports & Entertainment (MLSE) and announced new partnerships with major sports leagues to create new excitement and opportunities for sports fans.

The competitive landscape of Ontario's gaming market continues to evolve. The legalization of single event sports wagering and the opening of Ontario's online gaming market to additional gaming operators continues to attract interest from around the world. As of March 31, 2023, there were 44 other digital gaming providers operating in the province, that are licensed by the AGCO and meet its standards for online gaming.

OLG is well positioned to compete in a changing market with unique product offerings, best in brand entertainment and state-of-the-art responsible gambling supports. Our Game ON strategy, which launched in fiscal 2021–22, is helping us build on our competitive advantage and trusted brand so we can continue to deliver an unmatched, integrated and secure entertainment experience.

At OLG, we 'Play for Ontario'. We will never stop pursuing our purpose-driven mission to reinvest in Ontario, build strong communities and create value for our partners including charities, Indigenous communities and horse racing.

## DELIVERING ON OUR MANDATE

Through our operations, OLG is helping to make Ontario stronger by providing revenue to Ontario to support government priorities. This is our mandate as a crown agency.

We report to our shareholder, the Government of Ontario, through the Minister of Finance, who provides direction to OLG through our 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 2022–23 fiscal year outlined by the Minister in his mandate letter to OLG included:

1. Working with the government, public health officials, service providers and the Alcohol and Gaming Commission of Ontario to ensure the health and safety of its customers and staff of land-based gaming facilities remains paramount, especially in the context of COVID-19.
2. Consulting with service providers and other stakeholders, other provincial gaming crown corporations and the Interprovincial Lottery Corporation to develop strategies for the provincial gaming sector in the COVID-19 environment.
3. Continuing to support the government's priorities for internet gaming, as outlined in the 2021 Ontario Budget, Ontario's Action Plan: Protecting People's Health and Our Economy.
4. Continuing to develop initiatives that support competitiveness and increase revenue generation, including OLG's Integrated Strategic Plan, expanding digital offerings, and evaluating opportunities for new lottery initiatives, while working with the Ministry to ensure policy and approval coordination and alignment with government Priorities.
5. Continuing to help the horse racing industry build a more sustainable future for the rural businesses, jobs and communities that depend on it. This should be accomplished through financial support provided by the Long-Term Funding Agreement.
6. Improving customer-focused approaches across all business lines while ensuring private sector service providers adhere to responsible gambling standards, social responsibility programs and respect for customer privacy remains strong.
7. Working towards resuming of business levels within current provincial restrictions, with a view to maximizing revenue streams and minimizing risks to the operations.
8. Continuing to work towards completing action plans to respond to Treasury Board Secretariat's internal audit recommendations to improve operations, enhance accountability and revenue delivered to the Province of Ontario.
9. Proceeding with OLG's land-based gaming modernization including work pertaining to the Windsor Casino.
10. Continue working with government to support relationships with First Nations partners, including the Ontario First Nations Limited Partnership, to improve information-sharing and continued good-faith discussions on revenue sharing and other priorities.
11. Identifying efficiencies within OLG's workforce that reflect your new role within a modernized gaming framework in Ontario.
12. Continuing to work with the Alcohol and Gaming Commission of Ontario to review each agency's respective roles and responsibilities in oversight of service providers to increase efficiencies and avoid unnecessary duplication.

## “GAME ON” PLAN

OLG contributes to a better Ontario by delivering great entertainment experiences for our customers — that is our purpose.

Guided by our purpose, OLG launched a multi-year strategic plan in April 2021 called Game ON — which signaled an exciting new chapter for OLG and a bold transformation that is a game changer for our business.

Through the Game ON strategy, OLG has placed the customer at the centre of everything we do, and is consistently delivering best-in-class products and experiences across more touchpoints and channels. The plan is seeing us leverage our unprecedented scale and reach across Ontario, offering our customers the most diverse and integrated array of entertainment experiences imaginable.

As part of the plan, we are building a winning culture by investing in and empowering our people and developing our team, while also attracting top talent where there is need. And, we’re expanding the depth and breadth of our partnerships to unlock ever more value in Land-based Gaming, Lottery retail and across our growing Digital Gaming business.

As OLG moves forward with our Game ON plan, we are guided by three aspirations designed to help us solidify our position as the entertainment leader in Ontario:

1. To be a customer-obsessed gaming market leader in Canada with a globally admired digital entertainment platform and dominant multi-channel brand that is a center of excellence for product and technology innovation.
2. To be a top employer with a winning culture. This includes being an organization with an agile, delivery-focused, fun and accountable workforce, a competitive mindset, and an ability to attract and retain top talent.
3. To be an exemplary partner known for value creation that is distinguished by a proven record of delivery for our shareholder, stakeholders and business partners.

To realize our aspirations, OLG has identified five strategic priorities for our business.

## “GAME ON” — STRATEGIC PRIORITIES

**Priority 1:** *Build a fun, inclusive and performance-driven culture that is a destination for top talent by upskilling and reskilling talent to prepare for our future, attracting and retaining the best talent, and enabling new ways of working to drive our strategy.*

Every element of our Game ON strategy depends on our people. We want our employees to have the space to be themselves and empower them to use their imaginations and skills to benefit the people and the Province of Ontario. We are committed to building a culture of inclusion where employee differences are valued and celebrated.

In January 2023, OLG conducted its third Equity, Diversity & Inclusion (EDI) employee census, which helps us better understand the makeup of OLG and how employees experience OLG’s culture, programs and policies. The organization saw an 11 per cent improvement in its inclusion score compared to 2021, which placed OLG well above industry benchmarks. In addition, in 2022, Diversio — a company whose mission is to help employers be more inclusive — rated OLG as one of the Top 20 Most Innovative Diversity, Equity, and Inclusion businesses.

As part of our EDI efforts, OLG is committed to fostering an accessible and inclusive environment. An important part of this effort are our Employee Resource Groups (ERGs) that bring together people who share a common identity, characteristics, or set of interests. In July 2022, OLG launched its sixth resource group, Réseau français d’OLG, which connects Francophones and Francophiles at OLG interested in French language and cultures of la Francophonie. The five other ERGs are: OLG Women’s Network; OLG Pride Network; OLG Mental Wellness Network; OLG Cultural Diversity Network; and OLG Disability and Inclusion Network.

In fall 2022, OLG implemented organizational changes that reduced the size of OLG’s executive suite to simplify our operating model while enhancing governance, team agility and overall performance. We also made changes to the way we work during the fiscal year by embracing new collaborative activity-based office designs to support a hybrid work model.

At OLG, we care for Ontario. Our employees are proud to know the work they do contributes to a better Ontario and makes a real difference in people’s lives. This pride was on display when OLG released its inaugural Impact Report: *Where Play Meets Purpose* in November 2022. The comprehensive document unpacks the meaningful actions OLG has taken over three years to deliver on our promise to Ontarians. It is a celebration of our contributions, our diversity, and our leadership as a provider of safe and responsible gambling entertainment that, at its core, cares for Ontario.

Giving back is the common thread that binds OLGers. For the best and brightest Ontarians looking for purpose in their work, OLG is a top employer of choice. The steps we have taken, and will continue to take, to build a winning culture are helping to make OLG a great place to work — and we are encouraged that many of our employees agree. In January 2023, OLG was once again selected for Forbes’ prestigious list of Canada’s Best Employers, moving up 12 spots since 2022 and placing in the top 15 per cent on the list of companies recognized in 2023. In February 2023, OLG conducted its annual Employee Engagement Pulse Survey, which saw our employee engagement score reach 84 per cent, up four per cent from the 2022 survey. Most respondents said they feel proud of the work they do and know their contributions matter to the success of OLG.

**Priority 2:** *Drive share growth in digital gaming and accelerate speed to market by relentlessly acquiring and onboarding digital customers and deploying digital product offerings that resonate with them.*

The preferences and needs of our digital customers are evolving faster than ever and we are focused on improving our digital products and platforms to meet and exceed these needs. We continue to implement new ways of working to increase agility and our speed to market, while delivering new value to our customers and partners — which has helped us to grow our digital business. In fiscal 2022-23, digital gaming proceeds increased by 31 per cent and monthly average player counts rose by 22 per cent. In addition, Net Profit to the Province from OLG's digital business reached a new high of \$302 million.

Throughout the fiscal year, OLG launched several new digital gaming initiatives and products to expand the exciting selection of digital entertainment, including the addition of Live Game Show Games on OLG.ca. In August 2022, OLG launched a new sports betting app that combines the current bet building functionality for in-store purchases with direct online wagering into one integrated app to create an exclusive new betting experience for Ontario sports fans. The app is designed for both retail and online players and is the first of its kind to be introduced to the Ontario gaming market. Players can place and pay for live bets in real-time on PROLINE+ or choose to build bets and generate a barcode on the app, which can be used to purchase PROLINE tickets at nearly 10,000 retail locations across the province. We also expanded our iSports offerings and provided more selection for players by introducing PROPS and, in October 2022, we launched POOLS on PROLINE+.

In July 2022, OLG was the first Canadian gaming provider to introduce Direct Pay, a secure and intuitive way to buy lottery products online. Direct Pay allows players with a valid OLG.ca account to purchase single tickets and lottery subscriptions for LOTTO MAX, the new LOTTO 6/49, Daily Grand, Ontario 49, Daily Keno, Pick-2, Pick-3, Pick-4, and Encore on OLG's website, as well as single tickets on the OLG app. Players can buy tickets directly with Visa and Mastercard, without having to first deposit funds into an e-wallet or pay cash advance fees.

In fiscal 2022–23, we were pleased to announce new partnerships, including with major sports leagues, to help OLG create new excitement and opportunities for sports fans. In January 2023, OLG also announced a multi-year extension to our partnership with Maple Leaf Sports & Entertainment (MLSE) to help get fans closer to the sports they love through unique experiences.

And, in September 2022, OLG was proud to partner with MLB to memorialize and celebrate the 1934 Chatham Coloured All-Stars — the first all-Black team to win an Ontario Baseball Association Championship. The team's memory is brought back to life through baseball's most popular video game, *MLB The Show 22*. The project is part of an ongoing effort by OLG and MLB to draw attention to the important story of these baseball legends and allow their memory to live on through the next generation of the global baseball community.

**Priority 3: Re-open Land-based Gaming operations and identify new opportunities for growth by meeting new/expanded casino opening dates and advocating for our charity and horseracing stakeholders.**

In partnership with our Land-based Casino Gaming service providers, OLG remains committed to developing and sustaining the long-term vibrancy and excitement of casino gaming in Ontario. By the end of fiscal 2022-23, our Land-based Gaming modernization had resulted in approximately \$2 billion in capital infrastructure investments by the private sector, including seven new casinos that are generating new revenue and new jobs for host communities.

Two new casinos celebrated grand openings in fiscal 2022-23 — Cascades Casino North Bay in April 2022 and Casino Wasaga Beach in February 2023. Both sites are providing significant local benefits and enhancing the casino experience in Ontario. The casino in North Bay represents a \$41 million capital investment and 200 new local jobs, while the \$34 million casino in Wasaga Beach has created 140 new jobs for the community. In addition, at fiscal year-end, the City of North Bay and Town of Wasaga Beach have received \$1.6 million and \$439,000, respectively in Municipality Contribution Agreement payments from OLG since the casinos opened in their communities. In addition, in January 2023, a new 275-room hotel opened as part of the Pickering Casino Resort.

In March 2023, a new entertainment centre in Niagara Falls also celebrated its grand opening with a performance by singer-songwriter, Billy Joel. OLG Stage at Fallsview Casino represents a \$130 million private sector capital investment and is the crown jewel of entertainment for the city. It is an essential amenity in a competitive, tourism-driven centre like Niagara Falls and with state-of-the-art sound and lighting systems, along with fantastic views from every one of the 5,000 seats, audience members can enjoy a truly immersive entertainment experience.

At the end of the fiscal year, OLG was preparing to launch a Request for Pre-Qualification (RFPQ) for the Windsor casino — the first stage in a procurement process to select a service provider to handle the day-to-day gaming operations at the site. The RFPQ process allows OLG to assess proponents based on their previous experience and pre-qualify those that will proceed to Request for Proposal (RFP) phase of the procurement. The RFPQ was subsequently released on April 5, 2023. The Windsor casino is the final site to go through OLG's Land-based Gaming procurement process. OLG has previously selected and transitioned operations to service providers in eight other Gaming Bundles — and service providers are investing significant capital in communities across the province.

In the fall of 2022, OLG's casino service providers began introducing sportsbooks at select casinos across the province, in compliance with provincial regulations. Sportsbooks in casinos offer a diverse and integrated entertainment experience for players, give our service providers a stake in the sports gaming market, and bring more jobs and economic benefits to host communities. In addition, like all OLG products, the profits that OLG generates through casino sportsbooks will be reinvested into provincial priorities to improve the quality of life for all Ontarians.

OLG is proud of the work we are doing with our partners to build a strong and sustainable horse racing industry across Ontario's 15 racetracks and three racing breeds. The horse racing industry continued to demonstrate resiliency in fiscal 2022-23 by welcoming fans back to racetracks across Ontario for a full calendar of racing for the first time since the start of the pandemic.

Horse racing contributes approximately \$1.9 billion in GDP to Ontario's economy while supporting 23,000 full-time equivalent jobs, many in rural communities. We remain committed to supporting the industry with annual funding, which in turn supports jobs in horse racing and breeding. In fiscal 2022-23, OLG provided \$116 million to the industry through the Long-term Funding Agreement.

OLG's cGaming program achieved its highest record of proceeds and NPP in fiscal 2022-23, while distributing a record \$80 million in charitable contributions to 2,200 participating charities. Since 2005-06, \$425 million has gone to Ontario charities through our cGaming program.

**Priority 4:** *Remove barriers to expand lottery distribution and products, and aggressively leverage it as a competitive advantage by enhancing our lottery presence and products.*

Our lottery offering is core to our business, and we continue to grow and enhance our retail lottery offering and presence by expanding our retail footprint and adding new products.

We introduced a number of new and exciting products to our lottery offerings in fiscal 2022-23, including \$10 Mystery Multiplier Instant and \$30 Jumbo Cash, which both launched in May 2022. In September 2022, OLG along with our Interprovincial Lottery Corporation partners, introduced the new LOTTO 6/49, featuring a GOLD BALL draw, that offers players a chance to win two multi-million dollar jackpots every Wednesday and Saturday, for the same \$3 per play.

In October 2022, OLG expanded the high value offerings in our INSTANT portfolio by launching \$100 ULTIMATE. The game offered OLG's best odds ever to become a millionaire — with an approximately 1 in 25,000 chance of winning the top prize. Players could not only scratch for a chance to win an instant prize, but each ticket was also eligible to win one of 40 \$1 million top prizes that were drawn on New Year's Eve (December 31, 2022).

This past fiscal year, OLG also established unique partnerships to promote LOTTO MAX, particularly to younger adult Ontarians, by teaming up with an Ontario apparel brand on our Dream Drop campaign and collaborating with an artisanal ice cream shop to create one-of-a-kind Dream Bars, which came with a scannable LOTTO MAX free play code. In addition, 100 per cent of proceeds from both campaigns went to support community-based programs.

In addition to new product offerings, OLG also took steps to enhance its technology in fiscal 2022-23. In September 2022, OLG announced its intention to begin rolling out self-serve lottery terminals in retail locations, with approximately 1,400 machines expected to be installed in 2024. Our vibrant network of retailer owners plays a major role in helping OLG raise awareness and drive sales of our lottery games, which in turn helps us generate revenue that benefits the Province and communities across Ontario. In April 2022, OLG was pleased to announce an extension to our "Support Local" initiative, which returned all profits from the activation and sale of \$3 INSTANT CROSSWORD and \$3 INSTANT BINGO to retailers.

At the end of fiscal 2022-23, OLG was completing work on a multi-year lottery strategy that aims at capturing growth opportunities for lottery by engaging new and under-served segments, capitalizing on emerging technological trends in the marketplace and delivering market-leading products and experiences.

**Priority 5:** *Obsess over understanding our customers across all products and channels — and how they integrate to enhance our ability to retain customers, increase cross-game play among existing customers and provide a best-in-class customer experience that contributes to revenue growth.*

Customer obsession is guiding OLG towards a deeper understanding of our customers across products and channels. We are investing in business intelligence, performance management and predictive analytics to gain a better understanding of the customer, so that we can rapidly interpret and respond to customers and their emerging likes and dislikes.

In all lines of business, OLG has prioritized putting the customer first. We have been evolving our products and ways of working to align to customer demands in a changing economic landscape.

Throughout fiscal 2022-23, we advanced and strengthened our data and analytics capabilities, including the use of customer predictive models that can provide insight into customer behavior and enhance the experience. We also took steps to automate and streamline our digital reporting, to ensure business areas have access to the data they need to understand how customers are responding to our efforts to serve them better.

Our new iCasino game recommendation engine is one example of how we are using advanced predictive modeling to personalize the experience for the customer. Launched in June 2022, the engine displays casino games selected for each individual customer based on their prior digital casino play activity.

Knowing our players allows us to deliver the excitement they crave, in a safe and responsible way.

In fiscal 2022-23, we made significant improvements in understanding our customers, this includes setting the foundations for our Voice of Customer (VoC) platform to gather quality data that help inform our decisions. We established our overall Customer Satisfaction Score (CSAT) and launched fifteen new listening posts to understand customer satisfaction across the enterprise, including digital products, retail products, our retailer network, and operations.

Through these surveys, we listened to our customers and took steps to improve their experience with OLG. For example, this past year, one key piece of feedback we received from customers was that they wanted us to shorten wait times and improve communication in the prize claim experience. OLG acted quickly by streamlining the prize claim intake process and setting expectations upfront for customers. We also launched a fully digital online lottery prize claim process for prizes under \$10,000, while reducing the in-person claims experience by approximately two hours and improving Prize Centre operational efficiencies.

## **OLG'S ONGOING COMMITMENT TO RESPONSIBLE GAMBLING**

OLG has been developing and implementing Responsible Gambling (RG) policies and programs for more than 25 years. What started as a compliance-based RG program in our casinos in the early 1990s has evolved into a comprehensive and integrated program that focuses on prevention and empowers players to make informed choices.

We have remained focused on engaging players and promoting harm prevention and reduction efforts across all our offerings and products — and our commitment to making player health a top priority will always be a cornerstone of our business. In fiscal 2022-23, OLG directed \$22 million to our Responsible Gambling program and resources, including PlaySmart Centres, education and technology, program delivery, staff training, and self-exclusion including capital costs for facial recognition systems.

Our award-winning and globally-recognized PlaySmart program is available across all lines of business, including in all casinos and Charitable Gaming Centres, in lottery and at OLG.ca. It helps players build knowledge, understand the risks, and engage in positive play habits with customized tools such as budget setting and self-assessment tests.

We also use in-depth analytics to generate insights into the impact of our products and services on Ontarians and gauge players' risks, enabling us to customize our communications to them. In addition, our Self-Exclusion Program has been available since 1994 at Ontario casinos and Charitable Gaming Centres, offering players the chance to voluntarily and confidentially take a break from gambling for a self-selected period of time.

In September 2022, we introduced My PlayBreak, a re-launched program with improvements that make self-exclusion more user friendly. It has a greater selection of term lengths to choose from — as well as optional check-in calls from Responsible Gambling Council staff who can assist with referrals to community-based treatment and counselling services. The program also includes a new Return to Play process that offers clear steps for self-exclusion renewals or return to play — and we made a key change to our policies related to term breach violations. OLG no longer adds time to self-exclusion terms for breach violations. Instead, we focus on opportunities to educate, inform and refer individuals to treatment.

At OLG, we take a collaborative approach to RG. Our program is co-designed and co-delivered with a range of independent expert groups, including the Centre for Addiction and Mental Health, the Responsible Gambling Council, and the Gambling Research Exchange of Ontario. We also partner with local treatment providers to help players easily access community services when needed. We are proud of the recognition our PlaySmart program continues to receive. OLG has been certified by the World Lottery Association (WLA) at the highest level (level 4) since 2010 and has twice been awarded best overall RG program by the WLA. We also earned a three-year re-accreditation status from the Responsible Gambling Council for OLG.ca in February 2022. As well, in 2022, OLG was the first Canadian jurisdiction to receive the endorsement of the North American State and Provincial Lotteries (NASPL) and the National Council on Problem Gambling (NCPG) under their responsible gambling verification program.

We will continue to improve our program through emerging research and best practices — because we value our players' overall well-being and want them to play in an informed and responsible way.

## **OLG'S COMMITMENT TO INDIGENOUS COMMUNITIES IN ONTARIO**

OLG is focused on building strong, successful relationships with Indigenous communities across Ontario.

We value our relationship with the Ontario First Nation Limited Partnership (OFNLP) and understand the importance of sharing gaming revenues to advance the economic well-being of First Nation communities. OLG shares 1.7 per cent of the Corporation's annual Gross Revenues as defined in the Gaming Revenue Sharing and Financial Agreement (GRSFA) to OFNLP, who then distributes it to 132 First Nations in Ontario. In fiscal 2022–23, OLG shared \$123 million, part of the \$1.5 billion OLG has shared since fiscal 2011-12, when payments under the GRSFA began. This payment is based on the Corporation's Gross Revenues in the previous fiscal year. These funds are shared with First Nations to support education, health, social, culture and economic development to advance community development.

We are also proud of the partnerships we have with two First Nations communities that host gaming sites — the Mississaugas of Scugog Island First Nation (MSIFN), which hosts Great Blue Heron Casino, and Rama First Nation (RFN), which hosts Casino Rama. These communities benefit directly from revenue sharing and lease payments related to the gaming sites they host — as well as from direct and indirect economic development, including the creation of jobs.

However, we know that our commitment must go beyond financial contributions alone — and that cultivating and strengthening relationships with Indigenous communities is vital to our business success. We also recognize that, as in any relationship, trust is earned over time through our actions.

In fiscal 2022–23, we made meaningful progress on working to improve relationships with our First Nation partners. We've developed a roadmap called the OLG Reconcili-Action Strategy to advance the principles of Truth and Reconciliation as we endeavor to reset relations with Indigenous communities.

The strategy is just one of the important initial steps we've taken in the work to rebuild our relationships with First Nations based upon respect — but we know there is much more work to be done. We are committed to continuing to work together with Indigenous communities in Ontario as we move along the path of reconciliation.

## 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 reports 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 oversee the development of an appropriate risk management framework and plan
- 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 2022–23.

### **Jim Warren, Chair**

(December 21, 2021 to December 20, 2024)

Jim Warren has 25 years of progressive leadership experience in the gaming, lottery, corporate affairs, and political arena.

Mr. Warren has worked for some of the world's largest gaming companies, as well as Canada's top decision-makers. He has served as Vice President of Strategic Partnerships at OLG, Executive Director to the Premier of Ontario, Deputy Chief of Staff and Director of Communications for the Mayor of the City of Toronto, and Director of Corporate Communications at Magna International Inc.

In 2008, Mr. Warren founded Riseley Gaming Inc., a company formed to build and operate casino-related investments. From 2008 to 2015, he was a board member and co-owner of Sonco New Brunswick, which developed, constructed, financed, and operated a \$95 million gaming and entertainment complex.

Currently, Mr. Warren is President and CEO of Riseley Strategies Inc., a consulting firm he founded in 2008. Riseley Strategies specializes in strategic communications, crisis management, stakeholder management, and business development.

### **Gail Beggs, Vice-Chair**

(Vice-Chair – November 1, 2021 to December 11, 2023; Director – May 17, 2013 to November 19, 2019; December 12, 2019 to December 11, 2023)

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.

### **Karen Gordon**

(March 30, 2022 to March 29, 2025)

Karen Gordon is the principal of Gordon Strategy and has more than two decades' experience advising leading law firms and their corporate clients, employers, emergency services organizations, as well as sports leagues and clubs.

She provides deep, strategically targeted communications expertise in practice areas, encompassing corporate litigation, employment and labour relations, and crisis and incident management. Widely recognized for her communications knowledge, she appears regularly on radio and television as an expert commentator.

Ms. Gordon serves as president of Ken Gordon Holdings, an Ottawa-based family office focusing on real estate development and investment. She is also the chair of the board at Trafalgar Castle School and is a long-time volunteer with the Greater Toronto Hockey League.

**Vikram Khurana**

(January 17, 2020 to January 16, 2026)

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

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.

**Tom Marinelli**

(March 10, 2022 to March 9, 2025)

Tom Marinelli is a familiar face to many at OLG; over his 23-year career with the corporation he held a number of positions, including President and Chief Executive Officer (twice), Chief Transformation Officer, Chief Information Officer, and Chief Technology Officer. Before OLG, Mr. Marinelli held management and technical positions in the steel, military, and pharmaceutical industries.

After retiring from OLG in 2015, he started his own company, Habtom Consulting Inc., and as President, leverages his deep experience in gaming to consult and advise companies and associations across the industry.

Mr. Marinelli is a graduate of the University of Waterloo's Systems Design Engineering Program and maintains his professional engineer (P.Eng.) license.

**Lori O'Neill**

(February 12, 2014 to June 30, 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.

**Robert Poirier**

(March 30, 2022 to March 29, 2025)

As the CEO of a boutique advisory firm, Robert Poirier guides clients through complex strategies, including collaborative infrastructure development and digital transformation. He provides governance to the public sector as chair of the Metrolinx Real Estate Committee responsible for transit-oriented communities and chair of the Resource Productivity and Recovery Authority, responsible for Ontario's transition to a circular economy.

He previously served as chair of the Toronto Port Authority, a federal agency consisting of the Ports of Toronto and Billy Bishop Toronto City Airport, where he was responsible for critical and concurrent infrastructure development, community and environmental sustainability projects that helped make Billy Bishop one of the most successful urban airports in North America.

As a Senior Advisor to members of the federal Senate Committee on Banking, Trade and Commerce from 1992 to 1999, Mr. Poirier was involved in regulation and corporate governance practices of institutional investors and crown institutions. He holds an ICD.D designation from the Institute of Corporate Directors.

### **Jennifer Roedding**

(March 10, 2022 to March 9, 2025)

Jennifer Roedding is an accomplished leader, consultant and coach who has built a career helping businesses transform and grow. For more than 25 years she has helped organizations succeed – first rising to the executive table at a national firm and now, as the president of her own company — Roedding Associates Management Consultants Inc. Ms. Roedding also serves as the Executive in Residence, Sustainability Integration at the University of Waterloo’s School of Accounting and Finance and School of the Environment, Enterprise and Development.

Ms. Roedding’s well-rounded and wide-reaching experience includes her position as Board Vice and (former) Finance Committee Chair for an international biotech and contract research organization, Alimentiv, where she also sits as a member of the Executive Committee. She also sits on the Council for the Chartered Professional Accountants of Ontario, as well as its Governance Committee.

Ms. Roedding holds a Master of Accounting (Management, Business Administration) from the University of Waterloo — she is a Chartered Accountant, Chartered Professional Accountant, and holds the Institute of Corporate Directors’ Designation (ICD.D) from Rotman School of Management (Toronto). In addition, she holds a Global ESG Competent Boards Designation (GCB.D) and a Climate Competent Board Designation (CCB.D).

### **Orlando M. Rosa**

(December 11, 2013 to December 10, 2018; January 31, 2019 to January 30, 2023)

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.

### **Steve Williams**

(May 27, 2015 to May 26, 2019; May 30, 2019 to May 29, 2025)

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

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

The total remuneration made to OLG’s Board of Directors in fiscal 2022–23 was \$343,324.

<b>Director</b>	<b>Remuneration</b>
Jim Warren (Chair)	\$146,700
Gail Beggs (Vice-Chair)	\$34,225
Karen Gordon	\$19,839
Vikram Khurana	\$17,000
Tom Marinelli	\$25,163
Lori O’Neill	\$14,044
Robert Poirier	\$18,489
Jennifer Roedding	\$34,088
Orlando M. Rosa	\$15,564
Steve Williams	\$13,600
Shelly Rae (term ended in fiscal 2021-22)	\$4,612
<b>Total:</b>	<b>\$343,324</b>

## **BOARD COMMITTEES**

As of March 31, 2023, the OLG Board of Directors operated through four working committees.

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit and Risk Management Committee reviews OLG's financial statements, accounting policies and reporting procedures, and assists the Board of Directors in fulfilling its oversight responsibilities for OLG's financial statements and internal management results; internal control systems (ex. financial reporting); enterprise Risk Management program; compliance systems; and policies and procedures. The Chair of this committee, as of March 31, 2023, is Jennifer Roedding.

### **GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Governance and Corporate Social Responsibility Committee assists the Board of Directors in developing policies and practices that ensure OLG meets the highest standards of conduct and social responsibility. Committee activities include identifying areas of policy for review; presenting recommendations to the board; and overseeing areas such as Responsible Gambling, game integrity, and the integration of social responsibility and Environmental, Social and Governance (ESG) best practices. The Chair of this committee, as of March 31, 2023, is Gail Beggs.

### **PEOPLE, CULTURE AND COMPENSATION COMMITTEE**

The People, Culture and Compensation Committee acts in an advisory capacity to assist the board with its responsibilities related to compensation and to help ensure that the Corporation has an effective organizational structure and capabilities in place. It also helps ensure that OLG complies with applicable employment laws and directives, while promoting health and safety and a strong corporate culture. The Chair of this committee, as of March 31, 2023, is Karen Gordon.

### **TRANSFORMATION AND TECHNOLOGY COMMITTEE**

The Transformation and Technology Committee assists the board in overseeing information technology and major business transformation endeavours. This includes the development and review of the Corporation's strategic plans, and the implementation of associated information technology, as well as the review of plans and programs aimed at achieving OLG's mission, vision, and strategic direction. The Chair of this committee, as of March 31, 2023, is Vikram Khurana.

## **EXECUTIVE COMMITTEE**

As of March 31, 2023, senior executives responsible for day-to-day operations were:

**Duncan Hannay**, President and Chief Executive Officer

**Alexandra Aguzzi**, Senior Vice President, Brand, Communications and Sustainability

**Pinder Basi**, Chief Financial and Risk Officer

**Hestie Benn**, Vice President, Internal Audit

**Nancy Kennedy**, Chief Lottery & Customer Officer

**David Pridmore**, Chief Gaming Officer

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

**Esther Zdolec**, Senior Vice President, People and Culture

# Management's Discussion and Analysis

For the fiscal year ended March 31, 2023

## 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, 2023.

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 conform to the current year's presentation. To reflect line of business profitability more accurately, certain stakeholder payments were reclassified from Corporate Services to the applicable revenue generating line of business. Stakeholder payments made pursuant to the Amended and Restated Funding Agreement for Live Horse Racing were reclassified to Land-based Gaming, and Stakeholder payments made pursuant to the Gaming Revenue Sharing and Financial Agreement (GRSFA) were reclassified to each revenue-generating line of business. Under the terms of the GRSFA, OLG pays OFNLP an amount equal to 1.7 per cent of the prior year's Gross Revenues, as defined in the agreement.

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 20, 2023.

### 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 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; changes in government policy; the outcome of litigations; the competitive environment; and the timing and scale of potential capital investments.

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:

Lottery (Retail):

- Sales from retail Lottery products (including regional and national LOTTO, INSTANT and Sports) before the deduction of prizes.

Land-based Gaming (Casino Gaming and Charitable Gaming):

- Net win before the deduction of service provider fees.

Digital Gaming:

- Net win from casino-style games (iCasino) and digital Sports products (iSports) purchased on OLG's digital platform, and
- Sales from Lottery products purchased on OLG's digital platform (iLottery) before the deduction of prizes.

Lottery prizes, which are recorded as a reduction of proceeds from lottery and gaming, represent prizing for retail Lottery products and for Lottery products (excluding iSports products) purchased on OLG's digital gaming platform.

Service provider fees, which are recorded as a reduction of gaming revenue to arrive at net gaming revenue, represent fees paid to, or on behalf of, Charitable Gaming and Casino Gaming service providers.

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

**Net Income before the undernoted** represents net income before the deduction of win contribution and/or 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. 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*.

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

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.

**Reconciliations to Revenue and Net Income (Loss) by Line of Business**  
(in \$ millions)

	2022-23					2021-22 <sup>1</sup>				
	Lottery	Digital	Land-based Gaming	Corporate Services	Consolidated	Lottery	Digital	Land-based Gaming	Corporate Services	Consolidated
<b>Proceeds bridged to Revenue</b>										
<b>Proceeds from Lottery and Gaming</b>	\$ 4,357	\$ 669	\$ 4,172	\$ -	\$ 9,198	\$ 4,469	\$ 511	\$ 2,163	\$ -	\$ 7,143
Less: Lottery prizes	(2,500)	(108)	-	-	(2,608)	(2,547)	(84)	-	-	(2,631)
Gaming revenue	1,857	561	4,172	-	6,590	1,922	427	2,163	-	4,512
Less: Service provider fees	-	-	(2,082)	-	(2,082)	-	-	(1,124)	-	(1,124)
Net gaming revenue	1,857	561	2,090	-	4,508	1,922	427	1,039	-	3,388
Lease revenue	-	-	117	-	117	-	-	92	-	92
Non-gaming revenue	-	-	36	-	36	-	-	5	-	5
<b>Revenue</b>	<b>\$ 1,857</b>	<b>\$ 561</b>	<b>\$ 2,243</b>	<b>\$ -</b>	<b>\$ 4,661</b>	<b>\$ 1,922</b>	<b>\$ 427</b>	<b>\$ 1,136</b>	<b>\$ -</b>	<b>\$ 3,485</b>
<b>NPP bridged to Net Income</b>										
<b>Net Profit (Loss) to Province</b>	\$ 1,088	\$ 302	\$ 1,366	\$ (251)	\$ 2,505	\$ 1,195	\$ 217	\$ 404	\$ (254)	\$ 1,562
Less: Win contribution	-	-	(207)	-	(207)	-	-	(107)	-	(107)
<b>Net Income (Loss)</b>	<b>\$ 1,088</b>	<b>\$ 302</b>	<b>\$ 1,159</b>	<b>\$ (251)</b>	<b>\$ 2,298</b>	<b>\$ 1,195</b>	<b>\$ 217</b>	<b>\$ 297</b>	<b>\$ (254)</b>	<b>\$ 1,455</b>

<sup>1</sup> Certain comparative stakeholder payments in this MD&A have been reclassified, where necessary, to conform to the current year's presentation. For fiscal 2021-22, Stakeholder payments of \$ 119 million made pursuant to the Amended and Restated Funding Agreement for Live Horse Racing have been reclassified from Corporate Services to Land-based Gaming, and Stakeholder payments of \$ 81 million made pursuant to the GRSFA have been reclassified from Corporate Services to each revenue generating line of business.

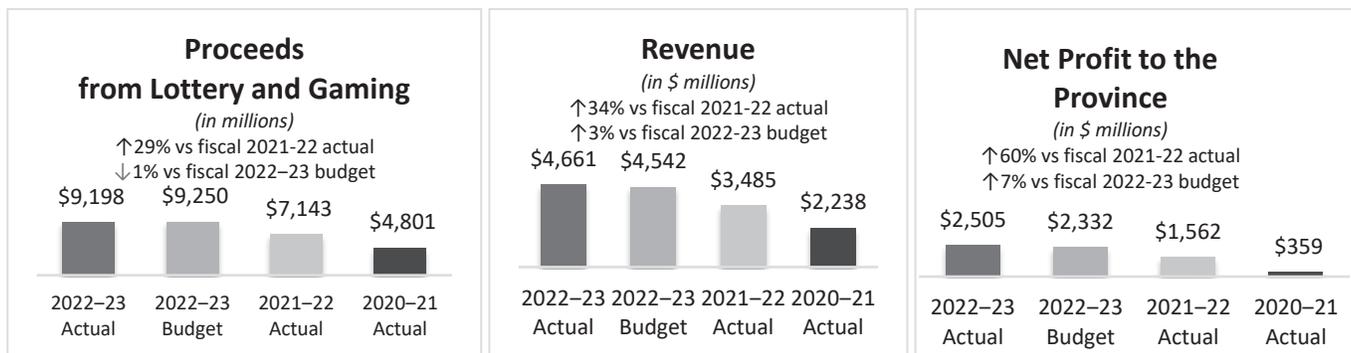
## 2. Executive Summary

OLG achieved record-setting proceeds and NPP in fiscal 2022-23, with proceeds exceeding \$9 billion for the first time ever. OLG's NPP of \$2.5 billion was the highest ever and exceeded budget by 7 per cent. This was due to the continued growth of the Digital business and the recovery of both Land-based Casino Gaming and Charitable Gaming from the effects of the COVID-19 pandemic.

Land-based Casino Gaming and Charitable Gaming rebounded significantly from the pandemic and achieved record proceeds in fiscal 2022-23, as casinos and Charitable Gaming Centres were open throughout the fiscal year, unlike fiscal 2021-22 which saw intermittent closures and public health restrictions.

Digital Gaming proceeds set another record in fiscal 2022-23, demonstrating strong growth within a new and highly competitive gaming market in Ontario.

Lottery proceeds trailed budget and prior year with prior year proceeds bolstered by a record-breaking LOTTO MAX draw in the first quarter of fiscal 2021-22 (which included \$140 million in top prizing) and strong sales during COVID-19 pandemic closures and restrictions, which limited other entertainment options for many Ontarians.



### Fiscal 2022–23 results compared to prior year:

#### Proceeds from Lottery and Gaming

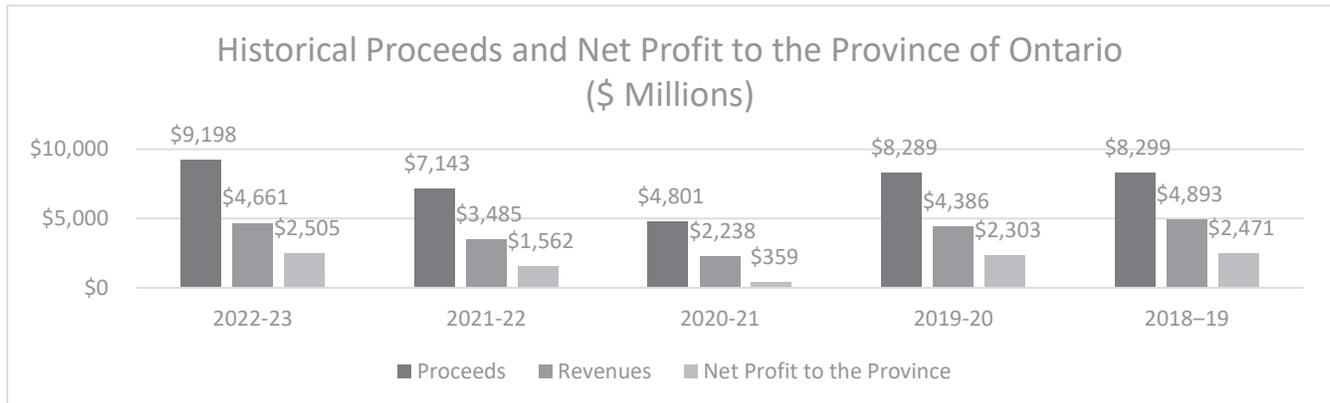
OLG's proceeds from Lottery and Gaming were \$9.2 billion, an increase of \$2.1 billion or 29 per cent compared to the prior year. Land-based Gaming contributed significantly to the increase as casinos were open for the entire fiscal year and Digital Gaming proceeds, once again, saw significant growth in fiscal 2022-23. Lottery retail proceeds were below prior year primarily due to a large number of high-valued LOTTO MAX jackpots in fiscal 2021-22, including June 2021 when LOTTO MAX reached a record breaking \$140 million in top prizing.

#### Revenues

Total revenues include net gaming revenue, lease revenue and non-gaming revenue. Net gaming revenue represents total proceeds less prizes and service provider fees. For fiscal 2022-23, total revenues were \$4.7 billion, an increase of \$1.2 billion or 34 per cent compared to the prior year, primarily due to the Land-based Gaming recovery.

## NPP

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



OLG consolidated NPP was \$2.5 billion, an increase of \$943 million or 60 per cent compared to the prior year, in line with higher proceeds, primarily due to the strong Land-based Gaming recovery following closures and capacity restrictions in fiscal 2021-22.

Fiscal 2022–23 results compared to budget:

### Proceeds from Lottery and Gaming

OLG proceeds fell short of budget by \$52 million (less than 1 per cent). Land-based Gaming and Digital Gaming proceeds exceeded budget by \$52 million or 1 per cent and \$56 million or 9 per cent, respectively. Lottery proceeds fell short of budget by \$160 million or 4 per cent due, in part, to sales of INSTANT products returning to pre-pandemic levels. Budgeted lottery proceeds were built off of results achieved during the pandemic which reached record levels as consumers had limited other entertainment options, particularly during pandemic closures and restrictions.

### Revenues

For fiscal 2022-23, revenues exceeded budget by \$119 million or 3 per cent due to favourable Land-based Gaming and Digital results, while lottery revenue trailed budget as noted above.

### NPP

NPP exceeded budget by \$173 million or 7 per cent. All lines of business contributed to the favourable variance to budget. Based on their strong performance, Land-based Gaming and Digital exceeded NPP budget by \$78 million or 6 per cent and \$65 million or 27 per cent, respectively. Lottery exceeded NPP budget by \$4 million, despite lower proceeds, with a shift in sales mix from lower margin products towards games with higher margins reducing the impact of lower proceeds.

### 3. Results of Operations – Lines of Business

#### A. Lottery (Retail)

##### Highlights:

- Lottery retail proceeds and NPP were \$4.4 billion and \$1.1 billion, respectively.
- Lottery retail prizes provided to OLG's valued customers totaled \$2.5 billion.
- National Lotto launched the new LOTTO 6/49, featuring a GOLD BALL draw, in September 2022. The new LOTTO 6/49 offers players a chance to win two multi-million dollar jackpots every week.
- A number of new INSTANT ticket products were introduced, including the launch of OLG's first \$100 INSTANT ticket in October 2022.
- Fiscal 2022-23 was the first full year of the new PROLINE at retail locations, which offers improved sports betting products with more markets and betting options.
- Commenced work to bring self-serve lottery technologies to retail locations in fiscal 2023-24 to help meet evolving customer demand.

##### Summary data from Statement of Comprehensive Income – Lottery (Retail)

	For the fiscal year			
	(in millions of dollars)			
	2022-23	2021-22 <sup>1</sup>	\$ Variance	% Variance
<b>Proceeds</b>	\$ 4,357	\$ 4,469	(112)	(3)
Less: Lottery prizes	(2,500)	(2,547)	47	2
<b>Revenue</b>	<b>1,857</b>	1,922	<b>(65)</b>	(3)
<b>Expenses before Stakeholder payments</b>	<b>567</b>	537	<b>(30)</b>	(6)
<b>Net income before the undernoted</b>	<b>1,290</b>	1,385	<b>(95)</b>	(7)
Less: Stakeholder payments	(202)	(190)	12	6
<b>Net income</b>	<b>1,088</b>	1,195	<b>(107)</b>	(9)
<b>Net Profit to the Province</b>	<b>\$ 1,088</b>	\$ 1,195	<b>(107)</b>	(9)

<sup>1</sup> Certain comparative Stakeholder payments in this MD&A have been reclassified, where necessary, to conform to the current year's presentation. For fiscal 2021-22, a share of Stakeholder payments made pursuant to the GRSFA have been reclassified to Lottery (Retail) from Corporate Services.

## A.1. Year over year financial results

### Proceeds

Lottery retail proceeds for fiscal 2022-23 were \$4.4 billion, a decrease of \$112 million or 2 per cent from the prior year primarily due to lower proceeds for draw-based games.

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	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	
Lotto (national and regional)	15	16	\$ 2,490	\$ 2,602	57%	58%	\$ 1,241	\$ 1,296
INSTANT	96	100	\$ 1,574	\$ 1,574	36%	35%	\$ 1,057	\$ 1,053
Sports <sup>1</sup>	2	3	\$ 293	\$ 293	7%	7%	\$ 202	\$ 198
<b>Totals</b>	<b>113</b>	<b>119</b>	<b>\$ 4,357</b>	<b>\$ 4,469</b>	<b>100%</b>	<b>100%</b>	<b>\$ 2,500</b>	<b>\$ 2,547</b>

<sup>1</sup> In fiscal 2022-23, Point Spread was included in the new PROLINE at retail locations, previously it was viewed as a separate game.

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

- Proceeds for national Lotto games decreased \$56 million from the prior year, primarily due to LOTTO MAX reaching a record breaking \$140 million in top prizing in June 2021.
- Proceeds for regional Lotto games (e.g., ENCORE, LOTTARIO and ONTARIO 49) decreased \$56 million from prior year due to declines in Daily Games, Watch & Win games and lower LOTTARIO jackpots.
- INSTANT games proceeds were consistent with the prior year. During the current fiscal year, OLG introduced a \$30 VARIETY game, a \$20 Holiday Gift Pack and the \$100 ULTIMATE ticket.
- While fiscal 2022-23 was the first full year for the new PROLINE at retail locations, proceeds for retail Sports remained consistent with the prior year, as the complete suite of Sports PROPS offerings were not available during the fiscal year.

### Revenue

Revenue decreased by \$65 million or 3 per cent compared to prior year, primarily due to the lower proceeds, as described previously, partially offset by the reduction in associated prizing. In addition, in fiscal 2021-22, OLG received a \$22 million national Lotto prize reserve refund from the Interprovincial Lottery Corporation (ILC).

### NPP

NPP was \$1.1 billion, a decrease of \$107 million or 9 per cent compared to the prior year. The main reason for this decrease was the flow through impact of lower proceeds combined with benefits realized, in the prior year, of lottery prize and marketing recoveries. NPP in fiscal 2021-22 was also favourably impacted by the above noted prize reserve refund.

## A.2. Fiscal 2022–23 results compared to budget

### Proceeds

Proceeds trailed budget by \$160 million or 4 per cent primarily driven by INSTANT and Sports, offset by higher national Lotto proceeds.

OLG is addressing the shortfall compared to budget by introducing new regional event and INSTANT games, reintroducing the full suite of Sports PROPS offerings and bringing self-serve lottery technologies to retail locations to help meet evolving customer demand.

## Revenue

Revenue trailed budget by \$16 million, due to the same factors that contributed to the decrease in proceeds compared to budget, as described above, partially offset by the decrease in prizes due to a change in sales mix.

OLG is addressing the shortfall compared to budget as discussed above in proceeds.

## NPP

NPP exceeded budget by \$4 million primarily due to lower variable costs associated with the lower proceeds, lower project costs related to the introduction of the new LOTTO 6/49, lower regulatory fees and higher interest income on funds held by the ILC.

### **A.3. Lottery trends and risks**

Lottery faces a number of risks:

- A reliance on a core player base that is shrinking in size and growing in age.
- Changes in consumer trends and expectations, including a movement away from traditional retail channels.
- The ability of OLG's aging lottery platform to support current business needs and capitalize on new opportunities.

To mitigate these risks, OLG will implement a three-year Lottery strategy to capitalize on emerging market trends and target newer and less active player segments, as well as create unique customer experiences. This strategy is a continuation of the Game ON plan and aligns with the strategic pillars identified within. It will help OLG to:

- Understand and disseminate insights to define less active player segments and grow player participation for the future.
- Identify target customer preferences to devise actionable retention and acquisition strategies.
- Encourage testing of new ideas and improve speed to market to drive innovation across growth levers.
- Devise and develop new products and experiences designed to attract new customers to the category and foster omni-channel growth.
- Enhance front-line services to drive increased personalization in service delivery.
- Leverage its new lottery terminals to enable new product offerings and stronger account management in the retail channel.
- Advance lottery technology to better align with business needs, innovations, product priorities and emerging trends and optimize resourcing plans to meet project timelines.

## **B. Land-based Gaming**

Land-based Gaming represents Casino Gaming, Charitable Gaming and Horseracing.

Casino Gaming includes 29 Casino Gaming facilities operated by service providers under OLG's modernization model and one Casino Gaming facility operated by an operator under the former operating model. OLG is responsible for conducting and managing all 30 facilities.

Charitable Gaming comprises 37 Charitable Gaming Centres, which are operated by service providers. OLG is also responsible for conducting and managing Charitable Gaming Centres.

The Corporation continues to support the horseracing industry in Ontario through a 19-year funding agreement signed on April 1, 2019. This agreement ensures that OLG will continue to provide financial support for purses, operations, breeding programs and capital improvements at racetracks.

### ***Highlights:***

- Land-based Gaming saw material year-over-year growth in proceeds, gaming revenue and NPP as the impacts of the pandemic eased. Most notably, there were no site closures or vaccine passport and masking requirements during the fiscal year, and land border restrictions were also lifted.
- Casino Gaming proceeds neared pre-covid levels at \$3.8 billion, or \$1.8 billion above prior year.
- Charitable Gaming achieved a record year with proceeds of \$331 million and NPP of \$21 million.
- Playtime Casino Wasaga Beach launched in November 2022 and new non-gaming amenities launched at Pickering Casino Resort throughout the fourth quarter of fiscal 2022-23, including an entertainment centre, a hotel, and food and beverage amenities.
- OLG Stage at Fallsview Casino launched with a grand opening showcasing Billy Joel on February 25, 2023.
- OLG and its casino service providers successfully launched retail sportsbook operations at 13 casino sites across the province.

## Summary data from Statement of Comprehensive Income – Land-based Gaming<sup>1</sup>

For the fiscal year  
(in millions of dollars)

	2022-23	2021–22 <sup>2</sup>	\$ Variance	% Variance
<b>Proceeds</b>	\$ 4,172	\$ 2,163	2,009	93
Less: Service provider fees	(2,082)	(1,124)	(958)	(85)
<b>Net gaming revenue</b>	<b>2,090</b>	1,039	<b>1,051</b>	101
<b>Lease revenue</b>	<b>117</b>	92	<b>25</b>	27
<b>Non-gaming revenue</b>	<b>36</b>	5	<b>31</b>	620
<b>Revenue</b>	<b>2,243</b>	1,136	<b>1,107</b>	97
<b>Expenses before Stakeholder payments/Win contribution</b>	<b>286</b>	376	<b>90</b>	24
<b>Net income before the undernoted</b>	<b>1,957</b>	760	<b>1,197</b>	158
Less: Stakeholder payments/Win contribution	(798)	(463)	335	72
<b>Net income</b>	<b>1,159</b>	297	<b>862</b>	290
Add: Win contribution	207	107	100	93
<b>Net Profit to the Province</b>	<b>\$ 1,366</b>	\$ 404	<b>962</b>	238

<sup>1</sup> Land-based Gaming includes Casino Gaming, Charitable Gaming and Horse Racing costs.

<sup>2</sup> Certain comparative Stakeholder payments in this MD&A have been reclassified, where necessary, to conform to the current year's presentation. For fiscal 2021-22, Stakeholder payments made pursuant to the Amended and Restated Funding Agreement for Live Horse Racing have been reclassified to Land-based Gaming from Corporate Services, and a share of Stakeholder payments made pursuant to the GRSFA have been reclassified to Land-based Gaming from Corporate Services.

## B1. Casino Gaming

### Summary data from Statement of Comprehensive Income – Casino Gaming

For the fiscal year  
(in millions of dollars)

	2022-23	2021–22 <sup>1</sup>	\$ Variance	% Variance
<b>Proceeds<sup>2</sup></b>	\$ 3,841	\$ 2,018	1,823	90
Less: Service provider fees	(1,882)	(1,026)	(856)	(83)
<b>Net gaming revenue</b>	<b>1,959</b>	992	<b>967</b>	97
<b>Lease revenue</b>	<b>117</b>	92	<b>25</b>	27
<b>Non-gaming revenue</b>	<b>36</b>	5	<b>31</b>	620
<b>Revenue</b>	<b>2,112</b>	1,089	<b>1,023</b>	94
<b>Expenses before Stakeholder payments/Win contribution</b>	<b>280</b>	367	<b>87</b>	24
<b>Net income before the undernoted</b>	<b>1,832</b>	722	<b>1,110</b>	154
Less: Stakeholder payments/Win contribution	(535)	(292)	243	83
<b>Net income</b>	<b>1,297</b>	430	<b>867</b>	202
Add: Win contribution	207	107	100	93
<b>Net Profit to the Province</b>	<b>\$ 1,504</b>	\$ 537	<b>967</b>	180

<sup>1</sup> Certain comparative expense figures in this MD&A have been reclassified, where necessary, to conform to the current year's presentation.

<sup>2</sup> Province wide payouts at land-based casinos were 91.7% for slots and 78.6% for live table games in fiscal 2022-23 (fiscal 2021-22 - 91.9% and 78.7%, respectively). The payout metric for live table games is calculated using table games hold, a metric consistently used for live table games across the gaming industry. This metric does not account for all wagers placed on live table games; however, it provides the percentage of all gaming chips purchased by customers that are retained by the casino.

## **B1.1. Year over year financial results**

### Proceeds

Total Casino Gaming proceeds for fiscal 2022–23 were \$3.8 billion, an increase of \$1.8 billion compared to fiscal 2021–22, as casinos were open for the entire year and operated under fewer constraints compared to the prior year. In fiscal 2021–22, casinos were mandated to be closed for a total of 130 days, and when operating were subject to mask mandates, vaccine passport requirements, and land border restrictions. In addition, fiscal 2022-23 saw a full year of operations for casinos in Pickering and North Bay, as well as the launch of Playtime Casino Wasaga Beach in November 2022 and new non-gaming amenities launched in the fourth quarter at Pickering Casino Resort.

### Revenue

Revenue for Casino Gaming includes net gaming revenue, lease revenue and non-gaming revenue. Net gaming revenue represents total proceeds less and service provider fees.

Net gaming revenue for service provider-operated sites includes net win generated at the facility, as well as the net win from Caesars Windsor, which is run by an operator under the former operating model. OLG recognizes net gaming revenue after the deduction of service provider fees. OLG does not recognize non-gaming revenue generated at service provider-operated sites.

Revenue for fiscal 2022–23 was \$2.1 billion, an increase of \$1 billion compared to the prior year. The increase primarily resulted from casinos being open for the entire fiscal year and operating under fewer restrictions compared to the prior year, as described previously.

### NPP

NPP for fiscal 2022–23 was \$1.5 billion, an increase of \$967 million compared to the prior year. The increase was driven by the significant increase in proceeds as described above.

Expenses totaled \$280 million, a decrease of \$87 million compared to the prior year, primarily due to \$153 million of Casino Gaming service provider fees being presented as expenses while sites were closed in fiscal 2021-22. Excluding these Casino Gaming service provider fees in fiscal 2021-22, Casino Gaming expenses increased \$65 million from prior year driven primarily by operating costs at Caesars Windsor, which were higher as a result of the site operating for the entire fiscal 2022-23.

## **B1.2. Fiscal 2022–23 results compared to budget**

### Proceeds

Proceeds for fiscal 2022–23 fell short of budget by \$39 million or 1 per cent primarily due to the delay in the Great Canadian Casino Resort Toronto launch (at Woodbine) from the fourth quarter of fiscal 2022-23 to fiscal 2023-24; the delay was caused primarily by supply chain and labour challenges experienced

by the developing service provider. This was partially offset by a stronger than expected recovery of Casino Gaming in the first quarter of the fiscal year, due to the lifting of most COVID-19 restrictions in March 2022, compared to OLG's budget which assumed a slow and gradual recovery of proceeds throughout the fiscal year.

OLG is addressing the shortfall compared to budget by maintaining close alignment with Casino Gaming service providers, understanding major development milestones and associated risks, and communicating expectations.

### Revenue

Revenue exceeded budget by \$26 million or 1 per cent. The shortfall in proceeds was offset by lower service provider fees paid in the year and higher non-gaming revenue earned at Caesars Windsor as amenities opened earlier than anticipated and cash sales were higher than anticipated in the budget.

### NPP

NPP for fiscal 2022–23 exceeded budget by \$52 million or 4 per cent. The increase over budget was driven primarily by better-than-expected NPP compared to budget at Caesars Windsor and unbudgeted HST recoveries.

### **B1.4. Casino Gaming – Other key performance indicators**

The following are additional Casino Gaming key performance indicators for fiscal 2022-23 compared to prior fiscal years:

<b>For the Fiscal Year</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
Total patrons (in millions)	<b>25.1</b>	10.2	0.5	38.9
Net win per Patron <sup>1</sup>	<b>\$153</b>	\$198	\$ 222	\$100
Total number of slots <sup>2</sup>	<b>26,463</b>	27,222	N/A	25,150
Total number of tables <sup>2</sup>	<b>768</b>	692	N/A	800
Service providers capital investment (in millions) <sup>3</sup>	<b>\$374</b>	\$333	\$243	\$532

<sup>1</sup> Net win per patron is derived by dividing proceeds before the deduction of Service Provider fees (net win) by the number of patrons.

<sup>2</sup> 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.

<sup>3</sup> Represents approximated capital spend information obtained from Service Providers' reports. These amounts are not included in the Corporation's Consolidated Financial Statements.

Patron visits were up significantly in fiscal 2022–23 due to casino closures in the prior year. However, net win per patron was down from the prior year as the increase in total patrons outpaced the growth in net win.

Casino 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. Service providers' capital investment in 2022–23 was \$374 million.

#### **B1.4. Casino Gaming trends and risks**

Prominent risks to Casino Gaming include:

- Site closures or restricted operations associated with pandemics, labour disruptions, extreme weather, and other external events.
- Potential changes in Casino Gaming consumer behaviour resulting from increased competition for entertainment spend, demographic changes, macro-economic factors, and lingering pandemic-related impacts.
- Delays and/or material changes in scope related to service provider development projects, which are key to growing Casino Gaming revenue.
- Reliance on the private sector to generate incremental revenue, which can be influenced by many factors, some outside the control of service providers.
- Service provider challenges recruiting and retaining a qualified, multiskilled and flexible workforce, currently being experienced across the hospitality sector.

To mitigate these risks, OLG is:

- Continuing with its Game ON strategy, which prioritizes the pursuit of new opportunities for growth and innovation for the benefit of Ontario.
- Focusing on enabling service providers to deliver entertainment options and solutions in an increasingly competitive ecosystem.
- Integrating its Land-based Gaming and Digital businesses under a single Gaming division to drive synergies and develop partnerships across the channels.
- Managing COSAs for all modernized gaming bundles to ensure service providers can execute on growth opportunities. Maintaining close alignment with our valued partners and service providers to help support them as they manage and grow their business.
- Continuing to focus on strong governance, augmented by enhanced performance dashboards to ensure ongoing monitoring of private sector partners.
- Working collaboratively with service providers to continuously streamline processes and enable efficient and effective execution of operational responsibilities.

## B2. Charitable Gaming

### Summary data from Statement of Comprehensive Income – Charitable Gaming

	For the fiscal year (in millions of dollars)			
	2022-23	2021-22	\$ Variance	% Variance
<b>Proceeds</b>	\$ 331	\$ 145	186	128
Less: Service provider fees	(200)	(98)	(102)	(104)
<b>Revenue</b>	131	47	84	179
<b>Expenses before Stakeholder payments</b>	3	3	-	-
<b>Net income before the undernoted</b>	128	44	84	191
Less: Stakeholder payments	(107)	(48)	59	123
<b>Net income (loss)</b>	21	(4)	25	625
<b>Net Profit (Loss) to the Province</b>	\$ 21	\$ (4)	25	625

### B2.1. Year over year financial results

#### Proceeds

Charitable Gaming achieved record proceeds of \$331 million, an increase of \$186 million or 128 per cent over prior year. The increase was a result of the Charitable Gaming Centres being open for the entire fiscal year compared to temporary closures and constraints in the prior year (site closures in April to mid-July and in January of fiscal 2021-22).

Charitable Gaming service providers continued to grow their business, increasing the number of electronic products and refreshing game themes in existing categories of games. In addition, Charitable Gaming service providers improved the efficiency of the session bingo products by optimizing session bingo program scheduling and prize structures. This enabled a strong recovery of the Charitable Gaming business when sites were permitted to open.

#### Revenue

Revenue for Charitable Gaming includes net gaming revenue generated at charitable gaming sites operated by Charitable Gaming service providers, in accordance with the Charitable Gaming Centre Service Providers Agreements. OLG recognizes net gaming revenue after the deduction of service provider fees which are comprised primarily of a variable fee (calculated as a percentage of gaming revenue) and other fees paid or payable to, or on behalf of, service providers. Charitable Gaming revenue was \$131 million, an increase of 179 per cent compared to the prior year, driven by an increase in proceeds, for the reasons discussed above and an increase in associated service provider fees.

#### NPP

In fiscal 2022–23, Charitable Gaming achieved a record NPP of \$21 million, an increase of \$25 million from a net loss to the province of \$4 million in fiscal 2021–22. The increase was mainly due to the flow through of higher revenue, partially offset by increased charity payments and municipal commissions, a function of increased proceeds, and increased HST on higher service provider fees.

## **B2.2. Fiscal 2022–23 results compared to budget**

### Proceeds

Charitable Gaming proceeds exceeded budget by \$91 million, primarily due to higher-than-planned return of session players, improved session product performance driven by scheduling and prize structures aligned to customer demand and continued growth in electronic game customers.

### Revenue

Charitable Gaming revenue exceeded budget by \$46 million, mainly due to higher proceeds and associated service provider fees.

### NPP

Charitable Gaming NPP was \$21 million in fiscal 2022–23, an increase of \$21 million compared to budget. The improvement was mainly attributed to higher proceeds, partially offset by increased charity payments, municipality commissions and service provider fees associated with the increased proceeds. Also contributing to the improvement were lower-than-expected gaming management system related expenses, with some costs being deferred to next fiscal year because of project delays and a lower regulatory fee.

## **B2.3. Charity payments**

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 \$80 million in fiscal 2022–23, an increase of \$45 million from prior year, primarily due to higher proceeds.

Since its launch in fiscal 2005-06, the Charitable Gaming Program has raised over \$425 million for local charities (as of March 31, 2023).

## **B2.4. Charitable Gaming trends and risks**

With all 37 Charitable Gaming Centres operating under the revitalized business model, Charitable Gaming service providers have greater flexibility to grow their businesses through facility upgrades, electronic product expansion, customer service improvements, and increased marketing, which has raised player awareness of the Charitable Gaming Centres in the market.

Prominent risks to Charitable Gaming include:

- Site closures or restricted operations associated with pandemics, extreme weather, and other external events.
- Potential changes in Charitable Gaming consumer behaviour resulting from increased competition for entertainment spend, demographic changes, macro-economic factors, and lingering pandemic-related impacts.
- Delays and/or material changes in scope related to service provider capital projects, which are key to maintaining the Charitable Gaming revenue.
- Significant or unanticipated cannibalization of Charitable Gaming from expansion in Casino Gaming.

To mitigate these risks, OLG is:

- Working collaboratively with service providers to introduce an expanded product portfolio and enhance the charitable gaming experience for customers.
- Supporting the service providers in implementing the new Bingo Management and Gaming Management Systems to improve efficiency and enhance customer services.
- Continuing an overall market management role to proactively manage future opportunities and risk in the Charitable Gaming industry as the market evolves.

### B3. Horse Racing and other expenses

Horse racing and other expenses includes Stakeholder payments to the horse racing industry related to the Amended and Restated Funding Agreement for Live Horse Racing which commenced in fiscal 2019-20, as well as expenses associated with providing advice and support to the industry. Other expenses also includes a portion of Stakeholder payments to the Ontario First Nations pursuant to the Gaming Revenue Sharing and Financial Agreement (GRSFA).

**Summary data from Statement of Comprehensive Income – Horseracing and Other**  
**For the fiscal year**  
(in millions of dollars)

	<b>2022-23</b>	2021-22 <sup>1</sup>	<b>\$ Variance</b>	% Variance
<b>Horse Racing and other expenses</b>	<b>\$ 159</b>	\$ 129	<b>30</b>	23

<sup>1</sup> Certain comparative Stakeholder payments in this MD&A have been reclassified, where necessary, to conform to the current year's presentation. For fiscal 2021-22, Stakeholder payments made pursuant to the Amended and Restated Funding Agreement for Live Horse Racing have been reclassified to Horseracing and other expenses from Corporate Services, and a share of Stakeholder payments made pursuant to the GRSFA have been reclassified to Horseracing and other expenses from Corporate Services.

#### **B3.1. Year over year financial results**

Horse racing and other expenses were \$159 million, an increase of \$30 million compared to the prior year primarily due to higher GRSFA payments in fiscal 2022-23 as the payments in the current period are based on prior year Gross Revenues. GRSFA payments in fiscal 2021-22, based on Gross Revenues from the prior year, were lower because of COVID-related casino and charitable gaming closures and capacity restrictions in fiscal 2020-21.

#### **B3.2. Fiscal 2022–23 results compared to budget**

Horse racing and other expenses were below budget by \$5 million mainly because budgeted GRSFA payments did not anticipate the COVID-related casino and charitable gaming closures in January of fiscal 2021-22.

## C. Digital Gaming

### Highlights:

- Digital Gaming generated record proceeds and NPP of \$669 million and \$302 million, respectively, in fiscal 2022-23.
- Monthly average player count rose by 22 per cent in fiscal 2022-23 compared to prior year.
- iCasino activated seven new game libraries, introduced the Live Game Show category, launched 100+ new games, and launched game recommender.
- A Digital Affiliate Program was launched, onboarding 17 Digital Affiliate Companies with postings on 23 websites.
- Direct Pay launched in July 2022 for iLottery, allowing customers to pay directly with credit cards without incurring cash advance fees.
- The new LOTTO 6/49, featuring a GOLD BALL draw, launched in September 2022, providing digital players with the new product offering at the same time as Retail players.
- Launched a new sports betting app in August 2022, introduced PROPS to provide more selection for players and, in October 2022, launched POOLS on PROLINE+.
- Established new strategic partnerships with major sports leagues and extended our partnership with Maple Leaf Sports & Entertainment (MLSE) to promote PROLINE+ and OLG to increase brand awareness.

### Summary data from Statement of Comprehensive Income – Digital Gaming

	For the fiscal year (in millions of dollars)			
	2022-23	2021-22 <sup>1</sup>	\$ Variance	% Variance
<b>Proceeds<sup>2</sup></b>	<b>\$ 669</b>	<b>\$ 511</b>	<b>158</b>	31
Less: Lottery prizes	(108)	(84)	(24)	(29)
<b>Revenue</b>	<b>561</b>	<b>427</b>	<b>134</b>	31
<b>Expenses before Stakeholder payments</b>	<b>218</b>	<b>175</b>	<b>(43)</b>	(25)
<b>Net income before the undernoted</b>	<b>343</b>	<b>252</b>	<b>91</b>	36
Less: Stakeholder payments	(41)	(35)	6	17
<b>Net income</b>	<b>302</b>	<b>217</b>	<b>85</b>	39
<b>Net Profit to the Province</b>	<b>\$ 302</b>	<b>\$ 217</b>	<b>85</b>	39

<sup>1</sup> Certain comparative Stakeholder payments in this MD&A have been reclassified, where necessary, to conform to the current year's presentation. For fiscal 2021-22, a share of Stakeholder payments made pursuant to the GRSFA have been reclassified to Digital from Corporate Services.

<sup>2</sup> Province wide payouts in iCasino were 95.2% for slots and 97.6% for table games in fiscal 2022-23 (fiscal 2021-22 - 95.4% and 97.5%, respectively).

### C1. Year over year financial results

#### Proceeds

Digital Gaming proceeds in fiscal 2022–23 were \$669 million, \$158 million or 31 per cent higher than the prior year. These results are driven by higher spend per player, resulting from the launch of several new iCasino products and an improved customer experience, as well as the strong performance of LOTTO MAX and the launch of Direct Pay in iLottery.

## Revenue

Digital revenue increased to \$561 million in fiscal 2022–23, an increase of 31 per cent compared to the prior year for reasons consistent with the discussion above.

## NPP

NPP for fiscal 2022–23 was \$302 million, an increase of \$85 million or 39 per cent compared to the prior year. The year-over-year increase is directly tied to higher proceeds, partially offset by higher spend in marketing related to new strategic partnerships, higher personnel costs to support digital gaming initiatives, increased commissions and fees paid to iCasino service providers and increased HST on higher taxable expenses.

### **C2. Fiscal 2022–23 results compared to budget**

#### Proceeds

Digital Gaming proceeds for the fiscal year exceeded budget by \$56 million primarily due to higher-than-expected average player spend, as well as higher player counts overall in iCasino.

#### Revenue

Digital revenue exceeded budget by \$63 million compared to prior year for the same reasons as discussed above.

#### NPP

NPP exceeded budget by \$65 million or 27 per cent primarily due to the flow through of the proceeds and revenue and lower regulatory fees, partially offset by higher marketing spend related to new strategic partnerships to increase brand awareness in the competitive market, and increased commissions and fees paid to iCasino service providers associated with the increased proceeds.

### **C3. Digital Gaming trends and risks**

Prominent risks to Digital Gaming include:

- Increased competition for existing and new customers in Ontario’s open online gaming market, with many competitors operating in multiple jurisdictions across North America and around the world.
- Continued evolution of regulatory standards, which may impact resource allocation and revenue-focused initiatives.

To mitigate these risks, OLG is continuing with its Game ON strategy to help grow market share. This includes:

- Offering a wide range of iCasino games, iLottery products and iSports products, working closely with current and prospective vendors to constantly evaluate product mix and constantly evolving to respond to customer expectations.
- Managing the portfolio of products based on ongoing analysis of customer trends, while introducing new game providers to deliver competitive experiences to customers with a constant focus on new game categories, like live casino, that have mass appeal and ensuring we have all the major game suppliers live in Ontario on board.

- Implementing customer acquisition and retention strategies.
- Improving the customer experience through targeted and segmented player programs and a more responsive website that adapts to mobile, tablet and desktop applications, and new types of promotions.
- Differentiating OLG.ca from the competition by providing an omni-channel gaming experience with the full integration of our world-leading PlaySmart RG program, while building on the significant brand recognition and trust OLG has among Ontarians as the only gaming provider that reinvests 100 per cent of its profits back into Ontario.
- Maintaining regular communication with regulatory bodies to provide input on proposed regulatory changes and being prepared to operationalize with minimal disruption.

## D. 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 three lines of business.

Corporate Services expenses are related to Brand, Communications and Sustainability; Executive Offices; Finance, Risk and Enterprise Analytics; Governance, Legal and Compliance; People and Culture; Internal Audit; and Enterprise Technology. These enabling functions provide the Corporation with expertise in core information technology systems support and development; financial management; analytics and insights related to line of business revenue; administration and operations; commercial business management and procurement; project management services; legal, risk, audit and compliance; 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 payments to the Government of Canada.

### Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2022-23	2021-22 <sup>1</sup>	\$ Variance	% Variance
Corporate Services Expenses	251	254	3	1

<sup>1</sup> Certain comparative Stakeholder payments in this MD&A have been reclassified, where necessary, to conform to the current year's presentation. For fiscal 2021-22, Stakeholder payments made pursuant to the Amended and Restated Funding Agreement for Live Horse Racing have been reclassified from Corporate Services to Land-based Gaming, and Stakeholder payments made pursuant to the GRSFA have been reclassified from Corporate Services to each applicable revenue generating line of business.

#### D1. Year over year financial results

Corporate Services expenses were \$251 million, a decrease of \$3 million compared to the prior year primarily due to higher interest income, partially offset by increased PlaySmart Centres fees (prior year included site closures/restrictions), payroll costs and marketing and promotion costs to support the launch of OLG Stage at Fallsview Casino.

#### D2. Fiscal 2022-23 results compared to budget

Corporate Services expenses were below budget by \$26 million primarily due to higher interest income and lower amortization costs, a result of the timing of corporate capital projects.

## 4. Financial Condition

### *Liquidity and capital resources*

For the fiscal year  
(in millions of dollars)

Cash flows (used in) provided by:	2022-23	2021-22	\$ Variance	% Variance
Operating activities	\$ 2,329	\$ 1,617	712	44
Investing activities	(29)	(37)	8	22
Financing activities	(2,409)	(1,689)	(720)	(43)
(Decrease) in cash	\$ (109)	\$ (109)	-	-

#### Cash provided by operating activities:

Cash flows provided by operating activities increased primarily due to the recovery of Land-based Gaming following the closures and capacity restrictions in fiscal 2021-22 and record Digital results.

#### Cash used in investing activities:

Cash flows used in investing activities in fiscal 2022–23 is primarily due to technology capital expenditures in the year. In fiscal 2021–22, cash flows used in investing activities was mainly due to the purchase of new lottery terminals and other technology capital expenditures.

#### Cash used in financing activities:

Cash flows used in financing activities increased over prior year primarily due to increased payments to the Province of Ontario in fiscal 2022–23, which were \$2.4 billion compared to \$1.7 billion in fiscal 2021-22, due to the recovery of Land-based Gaming and record Digital results.

### ***Capital risk management***

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

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

The Corporation's objectives in managing capital are to ensure sufficient resources are available to fund future 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 21 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 enables healthy risk-taking as we deliver on our mandate and strategy. Our risk management framework and process support strategy development and execution. Risks are identified, assessed, and monitored. To ensure the success of our strategy, we prioritize and mitigate key risks that require management focus:

### *Demand for Gaming Products*

OLG's long-range projections are based on informed assumptions about trends in customer behaviour. There is a risk that these assumptions will not materialize as anticipated because of changes in the environment, including increasing competition in the digital gaming market, potential new non-OLG lottery gaming schemes at retail, inflationary pressure and other economic factors affecting discretionary spending, and long-term impacts of the pandemic on customer preferences.

To address these risks, OLG:

- Manages the portfolio of products based on ongoing analysis of customer trends and introduces new games providers to deliver competitive experiences
- Implements customer acquisition and retention strategies
- Monitors and manages performance against targets

### *Private Sector Engagement*

OLG is increasingly reliant on third parties to deliver and support critical growth initiatives in our Game ON strategy. Partnering with third parties comes with the inherent risk that they do not deliver as expected. This is why OLG continues to mature our third-party management programs to address this risk and ensure performance expectations are met.

In particular, the performance of Land-based Gaming service providers can materially impact OLG. During the pandemic recovery period and into fiscal 2024, casinos continue to address opportunities and challenges in the operating environment to meet revenue growth targets and non-financial obligations. This includes challenges presented by the economy, changing customer preferences for gaming products and staffing challenges, all common within the entertainment and hospitality industry.

Our Game ON strategy prioritizes working with private sector partners with a focus on:

- Post-pandemic recovery of land-based gaming sites and advancement of development plans that create long-term growth of casinos, creating jobs across the province and increasing the benefit to host communities
- Delivering exceptional customer experiences and new products through our technology providers that support OLG's Digital and Lottery businesses

## ***People & Culture***

To acquire and retain the talent and leadership to support the achievement of OLG's priorities, our Game ON strategy focuses on creating an environment where employees are engaged and invested in the health of our organization. This includes:

- Continuing to build a more inclusive and diverse environment
- Embracing a hybrid work model and adapting workspace to be more flexible with how and where employees work
- Implementing agile ways of working to increase agility and speed to market

## ***Compliance & Social Responsibility***

OLG operates in a highly-regulated environment. As the gaming environment changes, laws, regulations and government policies will evolve. There may also be changes to customer gambling behaviour as we expand our reach and deliver new offerings to customers through the implementation of our strategy.

A focus on compliance is crucial as we implement our strategy. Maintaining the trust of our customers, partners and shareholder throughout these changes is also critical. OLG has programs in place that:

- Maintain compliance with laws, regulations and policies including anti-money laundering and privacy
- Continue to enhance measures to detect, disrupt and prevent money laundering
- Dedicate resources to research and monitor gambling behaviour and deliver best-in-class RG policies, programs and tools that enable healthy play
- Support the design of products and services, and the maintenance of operating controls to achieve a high standard of integrity including those in the lottery prize claim process so that the right prize is paid to the right person

## ***Technology***

Everything we do relies on technology. As we expand our offerings, we must ensure that access to systems and/or information is not compromised and ensure that our systems can continue to sustain and enable growth of the core business. Managing these areas of risk is part of OLG's day-to-day operations including:

- Protecting against cyber threats by maintaining both a mature cyber security program and incident management program to prevent, detect, respond and recover from cyber incidents.
- Setting expectations and monitoring private sector partner performance to maintain an adequate level of security.
- Assessing and updating legacy technologies.

## 6. Significant Accounting Policies and Use of Estimates and Judgments

To conform with International Financial Reporting Standards (IFRS), the preparation of the 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
- Provisions
- Contingencies

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
- Revenue and contract liabilities
- Valuation of financial instruments including credit risk for expected credit losses
- Employee benefits

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 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, 2022 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 Vice President, Internal Audit, responsible for Internal Audit, reports functionally to the Audit and Risk Management Committee and administratively to the President and Chief Executive Officer.

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 and Risk Officer

*June 20, 2023*



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## INDEPENDENT AUDITOR'S 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, 2023 and March 31, 2022
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2023 and March 31, 2022, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



### ***Other Information***

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

- the information included in Management's Discussion and Analysis.
- the information, other than the financial statements and the auditor's report thereon, included in the document "OLG Annual Report 2022-23".

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 2022-23 as at the date of this auditor's 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 auditor's 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.



### ***Auditor's 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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.



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- 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*

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Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 20, 2023

**Ontario Lottery and Gaming Corporation**  
**Consolidated Statements of Financial Position**  
As at March 31, 2023 and 2022  
(in millions of Canadian dollars)

	Notes	2023	2022
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 225	\$ 334
Restricted cash	5	113	122
Trade and other receivables	6	130	152
Due from service providers	13	22	35
Prepaid expenses		20	21
Inventories	7	35	35
<b>Total current assets</b>		<b>545</b>	<b>699</b>
<b>Non-current assets</b>			
Restricted cash	5	74	72
Property, plant and equipment	8	776	793
Right-of-use assets	9	221	228
Finance lease receivable	9	148	154
Other asset	9	69	69
<b>Total non-current assets</b>		<b>1,288</b>	<b>1,316</b>
<b>Total assets</b>		<b>\$ 1,833</b>	<b>\$ 2,015</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade and other payables	10	\$ 384	\$ 376
Provisions	11	31	51
Due to operator and service providers	13	92	139
Due to the Government of Canada	15	42	40
Current portion of contract liabilities	16	62	68
Current portion of lease liabilities	9	21	19
Current portion of long-term debt	17	11	15
<b>Total current liabilities</b>		<b>643</b>	<b>708</b>
<b>Non-current liabilities</b>			
Contract liabilities	16	132	155
Lease liabilities	9	382	392
Due to operator and service providers	13	74	72
Long-term debt	17	31	40
Employee benefits	22	9	10
<b>Total non-current liabilities</b>		<b>628</b>	<b>669</b>
<b>Total liabilities</b>		<b>1,271</b>	<b>1,377</b>
<b>Equity</b>			
Retained earnings		500	576
Contributed surplus		62	62
<b>Total equity</b>		<b>562</b>	<b>638</b>
<b>Total liabilities and equity</b>		<b>\$ 1,833</b>	<b>\$ 2,015</b>

Commitments (Note 13 and 23)  
Contingencies (Note 24)  
Subsequent events (Note 13)

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

Approved on behalf of the Board

  
Jim Warren, Chair

  
Jennifer Roedding, Director

**Ontario Lottery and Gaming Corporation**  
**Consolidated Statements of Comprehensive Income**  
For the years ended March 31, 2023 and 2022  
(in millions of Canadian dollars)

	Notes	2023	2022 Re-presented (Note 3.c and 16.i)
Proceeds from Lottery and Gaming		\$ 9,198	\$ 7,143
Less: Lottery prizes		(2,608)	(2,631)
Gaming revenue		6,590	4,512
Less: Service Provider fees		(2,082)	(1,124)
Net gaming revenue		4,508	3,388
Lease revenue	9	117	92
Non-gaming revenue		36	5
<b>Revenue</b>	16	4,661	3,485
<b>Expenses (income)</b>			
Stakeholder payments	19	865	610
Commissions and fees	18	467	592
Personnel		304	243
Win contribution	14	207	107
Marketing and promotion		168	146
Amortization	8,9	77	76
Systems maintenance		77	54
General operating, administration and other	20	68	70
Ticket printing, distribution and testing		63	58
Facilities		50	49
Food, beverage and other purchases		16	3
Finance costs		15	16
Regulatory fees		5	17
Finance income		(19)	(11)
		2,363	2,030
<b>Net income and comprehensive income</b>		\$ 2,298	\$ 1,455

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, 2023 and 2022  
(in millions of Canadian dollars)

	Notes	Retained earnings	Contributed surplus	Reserves	Total
<b>Balance at March 31, 2021</b>		\$ 746	\$ 62	\$ 35	\$ 843
Net income and comprehensive income		1,455	-	-	1,455
Transfers (from) reserves		35	-	(35)	-
Payments to the Province of Ontario	12	(1,660)	-	-	(1,660)
<b>Balance at March 31, 2022</b>		\$ 576	\$ 62	\$ -	\$ 638
Net income and comprehensive income		2,298	-	-	2,298
Payments to the Province of Ontario	12	(2,374)	-	-	(2,374)
<b>Balance at March 31, 2023</b>		\$ 500	\$ 62	\$ -	\$ 562

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, 2023 and 2022  
(in millions of Canadian dollars)

	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Net income and comprehensive income		\$ 2,298	\$ 1,455
Adjustments to reconcile profit for the period to net cash from operating activities:			
Amortization of property, plant and equipment and right-of-use assets	8,9	77	76
Net finance (income) costs		(4)	5
Other long-term employee benefits	22.iii	(1)	(2)
Other	9	-	1
Operating cash flows before change in non-cash working capital and restricted cash		2,370	1,535
Changes in non-cash working capital and restricted cash:			
Decrease (increase) in restricted cash		7	(52)
Decrease (increase) in trade and other receivables		22	(55)
(Increase) in other asset		-	(20)
Decrease in due from service providers		16	9
Decrease (increase) in prepaid expenses		1	(4)
(Increase) in inventories		-	(2)
Increase in trade and other payables		11	46
(Decrease) increase in provisions		(20)	8
(Decrease) increase in due to operator and service providers		(47)	136
Increase in due to the Government of Canada		2	22
(Decrease) in contract liabilities		(33)	(6)
<b>Net cash from operating activities</b>		<b>2,329</b>	<b>1,617</b>
<b>Cash flows (used in) from investing activities</b>			
Interest received		14	5
Capital expenditures	8	(43)	(42)
<b>Net cash (used in) investing activities</b>		<b>(29)</b>	<b>(37)</b>
<b>Cash flows (used in) from financing activities</b>			
Interest paid		(9)	(9)
Proceeds from long-term debt	17	2	4
Repayments of long-term debt	17	(15)	(12)
Payment of lease liabilities	9	(13)	(12)
Payments to the Province of Ontario		(2,374)	(1,660)
<b>Net cash (used in) financing activities</b>		<b>(2,409)</b>	<b>(1,689)</b>
(Decrease) in cash		(109)	(109)
Cash, beginning of year		334	443
<b>Cash, end of year</b>		<b>\$ 225</b>	<b>\$ 334</b>
<i>Supplemental disclosure relating to non-cash investing activities:</i>			
Acquisition of property, plant and equipment not yet paid for		\$ 2	\$ 1

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

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
(in millions of Canadian dollars)

### 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 (including national and regional Lotto, INSTANT and sports),
- Digital Gaming (on OLG.ca and OLG app), and
- Land-based Gaming (comprising Casino Gaming and Charitable Gaming).

The Corporation is also directly funding and helping to support the horse racing industry in Ontario (Note 23.d).

The Corporation is one of the regional marketing organizations for national lottery games who all collectively participate in the Interprovincial Lottery Corporation.

The Corporation has an operating agreement with Caesars Entertainment Windsor Limited (CEWL) for the operation of casino, hotel, entertainment and food and beverage facilities at Caesars Windsor. The Corporation consolidates the financial position and results of these operations in the consolidated financial statements. The Corporation does not consolidate the financial position and results of operations of CEWL.

The Corporation entered into Casino Operating and Services Agreements (COSAs) with certain Land-based Casino Gaming service providers (Note 13.b) and Charitable Gaming Centre Service Providers Agreements (CGCSPAs) with Charitable Gaming 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. OLG continues to conduct and manage Land-based Gaming sites while the service providers assume control of the day-to-day operations.

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 20, 2023.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
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### 2. Basis of preparation

#### a. Temporary business interruption

In fiscal 2022–23, the casino gaming facilities and Charitable Gaming Centres were open for the entire period. In fiscal 2021–22, the casino gaming facilities and Charitable Gaming Centres were closed to the public for intermittent periods throughout the year.

The COVID-19 pandemic significantly impacted the Corporation's Land-based Gaming operations and as a result its financial performance in fiscal 2021–22.

During the fiscal 2021–22 closure periods, the Corporation managed its liquidity risk through cost and vendor management, reprioritization of certain initiatives and by forecasting and assessing cash flow requirements on an ongoing basis.

#### b. Statement of compliance

These consolidated financial statements include the accounts of the Corporation including Caesars Windsor, and the wholly owned subsidiary, Ontario Gaming Assets Corporation (OGAC), and have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

#### c. Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments classified as financial liabilities through profit and loss that are measured at fair value (Note 21.a.ii).

#### d. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The Canadian dollar is the Corporation's functional currency and the currency of the primary economic environment in which the Corporation operates.

#### e. Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Consolidation (Note 3.a)
- Leases (Note 9)
- Provisions (Note 11)
- Revenue (Note 16)
- Contingencies (Note 24)

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
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### 2. Basis of preparation (continued)

#### e. Use of estimates and judgments (continued)

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

- Property, plant and equipment – impairment, useful lives and residual values (Note 8)
- Lease liabilities, right-of-use assets and finance lease receivable (Note 9)
- Provisions (Note 11)
- Revenue and contract liabilities (Note 16)
- Valuation of financial instruments including credit risk for expected credit losses (Note 21)
- Employee benefits (Note 22)

#### f. Adoption of new accounting standards

Accounting standards, interpretations and amendments effective for accounting years beginning on April 1, 2022 did not materially affect the Corporation's consolidated financial statements.

### 3. 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, 2023 and March 31, 2022.

#### a. Basis of consolidation

The consolidated financial statements include the accounts of the Corporation, OGAC and Caesars Windsor. The Corporation does not control any of the Land-based Casino Gaming or Charitable Gaming service providers and therefore does not consolidate their respective financial position and results. 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. 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.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
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### 3. Significant accounting policies (continued)

#### c. Consolidated statements of comprehensive Income presentation

In fiscal 2022–23, the Corporation changed the presentation of the consolidated statements of comprehensive income for the current and comparative periods to provide additional information on the supplemental components that form net gaming revenue.

Proceeds from Lottery and Gaming represents:

Lottery (Retail):

- Sales from retail Lottery products (including regional and national LOTTO, INSTANT and Sports) before the deduction of prizes.

Land-based Gaming (Casino Gaming and Charitable Gaming):

- Net win before the deduction of service provider fees.

Digital Gaming:

- Net win from casino-style games and digital Sports (iSports) products purchased on OLG's digital gaming platform, and
- Sales from Lottery products purchased on OLG's digital gaming (iLottery) platform before the deduction of prizes.

Lottery prizes, which are recorded as a reduction of proceeds from lottery and gaming, represent prizing for retail Lottery products and for Lottery products (excluding iSports products) purchased on OLG's digital gaming platform.

Service provider fees, which are recorded as a reduction of gaming revenue to arrive at net gaming revenue, represents fees paid to, or on behalf of, Charitable Gaming service providers under the terms of the respective CGCSPAs, or Casino Gaming service providers under the terms of the respective COSAs. Also included in service provider fees are other adjustments, which primarily comprise:

- Reclassification of amounts to lease revenue, to reflect fair value consideration to the lease component of the arrangement (Note 16.a.iii), and
- Recognition of amounts related to advanced consideration received from certain bundles (Note 16.b.ii)

#### d. Accounting standards issued but not yet effective

A number of new amendments to standards take effect in future fiscal reporting periods beginning on or after January 1, 2023. Earlier application is permitted; however, the Corporation has not early adopted the amended standards in preparing these consolidated financial statements.

- Amendment to IAS 1, *Presentation of Financial Statements* – Requires entities to disclose material accounting policies, rather than their significant accounting policies. In addition, the amendment also clarifies the classification of liabilities as current or non-current 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.

**Ontario Lottery and Gaming Corporation**  
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**3. Significant accounting policies (continued)**

**d. Accounting standards issued but not yet effective (continued)**

- Amendment to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of accounting estimates added and other clarification improvements to distinguish changes in accounting estimates versus changes in accounting policies.

The Corporation does not expect the amendments to have a material impact on the consolidated financial statements.

**e. Other significant accounting policies**

Note	Topic
7	Inventories
8	Property, plant and equipment
9	Leases
11	Provisions
16	Revenue
21	Financial risk management & financial instruments
22	Employee benefits
24	Contingencies

**4. Capital risk management**

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

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

The Corporation's objectives in managing capital are to ensure sufficient resources are available to fund future 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 21 for further details on the Corporation's financial risk management and financial instruments.

**Ontario Lottery and Gaming Corporation**  
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**5. Restricted cash**

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

	<b>2023</b>	<b>2022</b>
Current		
Prize funds on deposit (a)	\$ 91	\$ 102
Other (b)	22	20
	\$ 113	\$ 122
Non-current		
Cash held in escrow (c)	74	72
	\$ 74	\$ 72
<b>Restricted cash</b>	<b>\$ 187</b>	<b>\$ 194</b>

- a. Prize funds on deposit are funds set aside for the estimated gross prizes outstanding of \$132 million (2022 – \$139 million) less an estimate for prizes not expected to be claimed by customers of \$41 million (2022 – \$37 million).
- b. Other restricted cash represents 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. Cash held in escrow are funds held in accordance with escrow agreements, with a corresponding liability recognized (Note 13.b). The funds are not available for use and can only be released to the Corporation or the Land-based Gaming Casino service provider under certain circumstances pursuant to the agreements.

**6. Trade and other receivables**

	<b>2023</b>	<b>2022</b>
Trade receivables	\$ 93	\$ 117
Other receivables	37	35
<b>Trade and other receivables</b>	<b>\$ 130</b>	<b>\$ 152</b>

The Corporation's accounting policy and exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 21.

**7. Inventories**

**a. Accounting policy**

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

**b. Explanatory information**

Inventory costs included in expenses for the year ended March 31, 2023 were \$79 million (March 31, 2022 – \$60 million).

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**8. Property, plant and equipment**

**a. Accounting policy**

**i. Recognition and measurement**

Major capital purchases that have a useful life beyond one year are measured at cost less accumulated amortization and accumulated impairment losses.

Cost includes expenditures that are 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.

**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.

The estimated useful lives are as follows:

<b>Assets</b>	<b>Rate</b>
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

**Ontario Lottery and Gaming Corporation**  
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**8. Property, plant and equipment (continued)**

**iii. Amortization (continued)**

Land assets are carried at cost, less any recognized impairment losses and are not amortized.

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.

**iv. Impairment**

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 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.

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**8. Property, plant and equipment (continued)**

**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
<b>Balance at April 1, 2021</b>	\$ 130	\$ 1,800	\$ 345	\$ 25	\$ 167	\$ 93	\$ 33	\$ 2,593
Additions and assets put into use	-	11	30	-	8	6	(18)	37
Disposals and retirements	-	-	(1)	-	(89)	(3)	-	(93)
<b>Balance at March 31, 2022</b>	\$ 130	\$ 1,811	\$ 374	\$ 25	\$ 86	\$ 96	\$ 15	\$ 2,537
<b>Balance at April 1, 2022</b>	\$ 130	\$ 1,811	\$ 374	\$ 25	\$ 86	\$ 96	\$ 15	\$ 2,537
Additions and assets put into use	-	5	21	-	4	6	8	44
Disposals and retirements	-	-	(138)	-	-	(9)	-	(147)
<b>Balance at March 31, 2023</b>	\$ 130	\$ 1,816	\$ 257	\$ 25	\$ 90	\$ 93	\$ 23	\$ 2,434

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
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**8. 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
<b>Balance at April 1, 2021</b>	\$ 41	\$ 1,219	\$ 306	\$ 20	\$ 110	\$ 81	\$ -	\$ 1,777
Amortization for the period	-	27	16	1	10	6	-	60
Disposal and retirements	-	-	(1)	-	(89)	(3)	-	(93)
<b>Balance at March 31, 2022</b>	\$ 41	\$ 1,246	\$ 321	\$ 21	\$ 31	\$ 84	\$ -	\$ 1,744
<b>Balance at April 1, 2022</b>	\$ 41	\$ 1,246	\$ 321	\$ 21	\$ 31	\$ 84	\$ -	\$ 1,744
Amortization for the period	-	27	16	1	11	6	-	61
Disposal and retirements	-	-	(138)	-	-	(9)	-	(147)
<b>Balance at March 31, 2023</b>	\$ 41	\$ 1,273	\$ 199	\$ 22	\$ 42	\$ 81	\$ -	\$ 1,658

**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
<b>Balance at March 31, 2022</b>	\$ 89	\$ 565	\$ 53	\$ 4	\$ 55	\$ 12	\$ 15	\$ 793
<b>Balance at March 31, 2023</b>	\$ 89	\$ 543	\$ 58	\$ 3	\$ 48	\$ 12	\$ 23	\$ 776

Assets subject to operating lease agreements where OLG is the lessor or sub-lessor include land of \$63 million (March 31, 2022 - \$63 million) and buildings with a net book value of \$355 million (March 31, 2022 - \$372 million).

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
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### 9. Leases

#### a. Accounting policy

##### i. As a lessee

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

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

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

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

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

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

Lease liabilities are subsequently measured at amortized cost and are remeasured when there is a change in future lease payments arising from a change in an index or rate or if there is a change in assessment of whether the Corporation 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.

**Ontario Lottery and Gaming Corporation**  
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**9. Leases (continued)**

**ii. As a lessor (continued)**

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.

**b. Explanatory information**

**i. As a lessee**

The Corporation leases land and property (office facilities, prize centre retail space, warehouses and a casino complex) under long-term leases. 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.

**Right-of-use assets**

<b>Cost</b>	<b>2023</b>		<b>2022</b>	
Balance at April 1	\$	293	\$	294
Modifications		9		(1)
<b>Balance at March 31</b>	\$	<b>302</b>	\$	<b>293</b>

<b>Accumulated amortization</b>	<b>2023</b>		<b>2022</b>	
Balance at April 1	\$	65	\$	49
Amortization for the year		16		16
<b>Balance at March 31</b>	\$	<b>81</b>	\$	<b>65</b>

<b>Carrying amount</b>	<b>2023</b>		<b>2022</b>	
<b>Balance at March 31</b>	\$	<b>221</b>	\$	<b>228</b>

**Ontario Lottery and Gaming Corporation**  
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**9. Leases (continued)**

**i. As a lessee (continued)**

**Lease liabilities**

	<b>2023</b>	<b>2022</b>
Balance at April 1	\$ 411	\$ 423
Interest expense	12	12
Variable lease payment adjustments	12	6
Interest payments	(12)	(12)
Principal payments	(20)	(18)
<b>Balance at March 31</b>	<b>\$ 403</b>	<b>\$ 411</b>
Current	\$ 21	\$ 19
Non-current	382	392
	<b>\$ 403</b>	<b>\$ 411</b>

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

<b>As at March 31</b>	
2024	\$ 32
2025	33
2026	31
2027	30
2028	30
Thereafter	356
<b>Total undiscounted lease liabilities</b>	<b>\$ 512</b>
Less: Imputed interest on leases	(109)
<b>Total discounted lease</b>	<b>\$ 403</b>

**Amounts recognized in the consolidated statements of cash flows**

	<b>2023</b>	<b>2022</b>
<b>Total cash outflow for leases</b>	<b>\$ 31</b>	<b>\$ 34</b>

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**9. Leases (continued)**

**ii. As a lessor**

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

	<b>2023</b>	<b>2022</b>
<b>Finance lease</b>		
Finance income on the finance lease receivable	\$ 4	\$ 4
<b>Operating lease</b>		
Lease revenue from fixed lease payments	\$ 42	\$ 41
Lease revenue from variable lease payments	75	51
<b>Total operating lease revenue</b>	<b>\$ 117</b>	<b>\$ 92</b>

**Operating leases**

The Corporation leases or subleases casino complex properties and land in long-term lease arrangements to Land-based Casino Gaming service providers as operating leases. The lease payments typically comprise fixed and variable payments over the term.

For a certain land and building lease, a Land-based Casino Gaming service provider prepaid \$61 million for use of the land and building. The Land-based Casino 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 Casino Gaming service provider the then fair value of the land and building. The prepayment represents a portion of deferred lease revenue (Note 16.b.ii) and an estimate of the fair value of the Corporation's obligation related to the put option held by the Land-based Casino Gaming service provider (Note 13.b).

For leases where rent payments have been deferred to future periods, the Corporation recognized the deferrals as an other asset of \$69 million (March 31, 2022 – \$69 million) in the consolidated statements of financial position.

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

<b>As at March 31</b>	
2024	\$ 41
2025	41
2026	41
2027	41
2028	41
Thereafter	562
	<b>\$ 767</b>

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**9. Leases (continued)**

**Finance lease**

The Corporation subleases a parking lot and an entertainment centre in long-term lease arrangements to Land-based Casino Gaming service providers as finance leases. The lease payments comprise 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.

<b>As at March 31</b>	
2024	\$ 10
2025	11
2026	11
2027	11
2028	12
Thereafter	143
<b>Total undiscounted lease payments receivable</b>	<b>\$ 198</b>
Unearned finance income	(36)
<b>Finance lease receivable, gross</b>	<b>\$ 162</b>
Less: expected credit losses	(7)
<b>Finance lease receivable</b>	<b>\$ 155</b>
Current finance lease receivable (presented within other receivables)	\$ 7
Non-current finance lease receivable	\$ 148

The Corporation's accounting policy and exposure to credit risks and impairment losses related to finance lease receivable is disclosed in Note 21.

**10. Trade and other payables**

	<b>2023</b>	<b>2022</b>
Trade payables and accruals	\$ 108	\$ 105
Unclaimed and estimated lottery prizes payable	91	102
Progressive jackpot liability	66	61
Short-term employee benefits	33	34
Commissions payable	37	27
Customer deposits	22	19
Other payables and accruals	27	28
<b>Trade and other payables</b>	<b>\$ 384</b>	<b>\$ 376</b>

The Corporation's accounting policy and exposure to liquidity risks related to trade and other payables is disclosed in Note 21.

**Ontario Lottery and Gaming Corporation**  
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**11. Provisions**

**a. Accounting policy**

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

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

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

**b. Explanatory information**

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

	<b>Legal claims</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance at April 1, 2022</b>	\$ 28	\$ 23	\$ 51
Increases and additional provisions	8	-	8
Amounts paid	(7)	-	(7)
Amounts reversed	(3)	(18)	(21)
<b>Balance at March 31, 2023</b>	\$ 26	\$ 5	\$ 31

**Legal claims**

The ultimate outcome of legal proceedings (including potential settlements and awards) depends on several factors and may vary significantly from original estimates. Legal proceedings for which no provision has been recognized (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 (Note 24), unless the likelihood of the outcome is remote or if such disclosure would seriously prejudice a pending litigation or dispute.

**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, 2023 is \$2 million (2022 - \$2 million).

The HST provision relating to refunds received in previous fiscal years in the amount of \$18 million (2022 - \$18 million) was reversed into stakeholder payments within the consolidated statements of comprehensive income in fiscal 2022-23 as the provisions were no longer under review with the Canada Revenue Agency (CRA).

**Ontario Lottery and Gaming Corporation**  
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**12. Related parties**

The Corporation is related to various other government agencies, ministries and Crown corporations. The related party and the associated transaction include:

- Province of Ontario (paid to OFA) - payments to Province of \$2,374 million in fiscal 2022-23 (fiscal 2021-22 - \$1,660 million) within the consolidated statements of changes in equity;
- Ontario Infrastructure and Lands Corporation - office facility lease with lease payments of \$5 million in fiscal 2022-23 recognized within Facility Costs in the consolidated statements of comprehensive income (fiscal 2021-22 - \$5 million);
- Province of Ontario (paid to OFA) - win contribution (Note 14);
- OFA - loan agreements (Note 17);
- Ontario Pension Board - post-employment benefit plans (Note 22.b.ii);
- Workplace Safety and Insurance Board (WSIB) - other long-term employee benefits (Note 22.b.iii);
- Alcohol and Gaming Commission of Ontario - fees of \$5 million in fiscal 2022-23 recognized within Regulatory Fees (fiscal 2021-22 - \$17 million), and fees of \$2 million in fiscal 2022-23 within Service Provider fees (fiscal 2021-22 - \$1 million) in the consolidated statements of comprehensive income and
- Other related parties - total transactions of \$5 million in fiscal 2022-23 (fiscal 2021-22 - \$5 million).

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

**Transactions with key management personnel**

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 for fiscal 2022-23 includes short-term employee benefits, post-employment benefits and directors' fees totaling \$6 million (fiscal 2021-22 - \$4 million).

**13. Due to / from operator and service providers**

**Due from service providers**

	<b>2023</b>	<b>2022</b>
Due from Land-based Casino Gaming service providers (b)	\$ 20	\$ 34
Due from Charitable Gaming service providers (c)	4	4
Less: expected credit losses	(2)	(3)
<b>Due from service providers</b>	<b>\$ 22</b>	<b>\$ 35</b>

The Corporation's accounting policy and exposure to credit risks and impairment losses related to due from service providers is disclosed in Note 21.

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**13. Due to / from operator and service providers (continued)**

**Due to operator and service providers**

	<b>2023</b>	<b>2022</b>
Current		
Due to operator (a)	\$ 18	\$ 14
Due to Land-based Casino Gaming service providers (b)	74	125
	<u>92</u>	<u>139</u>
Non-current		
Due to Land-based Casino Gaming service providers (b)	74	72
<b>Due to operator and service providers</b>	<b>\$ 166</b>	<b>\$ 211</b>

The Corporation's accounting policy and exposure to liquidity risks related to due to operator and service providers is disclosed in Note 21.

**a. Due to operator**

**i. 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.

The Corporation and CEWL have an Additional Services and Extension Agreement (ASEA) which extended the term of the operating agreement relating to Caesars Windsor. The Extension Term, as defined, commenced on August 1, 2020 and ends August 1, 2025. 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.

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 Casino Gaming service providers**

Under the terms of the COSAs, each service provider is entitled to receive service provider fees' primarily comprising a fixed fee, a variable fee and an amount for permitted capital expenditures. The current amount due to Land-based Casino Gaming service providers represents the accrued service provider fees. Also included is an estimate of the amount due to the West GTA Gaming Bundle service provider in the event the service provider terminates a lease agreement early or at expiry.

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**13. Due to / from operator and service providers (continued)**

**b. Due to / from Land-based Casino Gaming service providers (continued)**

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 Land-based Casino Gaming service providers are subject to interest. Where amounts receivable from Land-based Casino 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.

The non-current amount due to Land-based Casino Gaming service providers represents cash held in escrow (Note 5) in accordance with escrow agreements that are repayable at the end of the agreements unless certain conditions are met.

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**13. Due to / from operator and service providers (continued)**

**b. Due to / from Land-based Casino Gaming service providers (continued)**

The chart below outlines the Land-based Casino gaming bundles:

Bundle	Sites	Service provider	COSA effective date	COSA expiration date
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 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	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 Casino Rama Wasaga Beach	Gateway	July 18, 2018	July 31, 2041
Niagara	Casino Niagara Fallsview	MGE Niagara Entertainment Inc. (MGE)	June 11, 2019	March 31, 2040
Windsor**	Caesars Windsor	TBD	TBD	TBD

\* Not yet constructed as of March 31, 2023.

\*\* Subsequent Event - Request for Pre-Qualification for Caesars Windsor, which is the first stage in the procurement process, was released on April 5, 2023 and closed on May 25, 2023.

**c. Due from Charitable Gaming service providers**

As at March 31, 2023, 37 Charitable Gaming Centres across Ontario are operated by Charitable Gaming service providers. Under the terms of the CGCSPAs, which are set to expire on March 31, 2030, each Charitable Gaming service provider is entitled to Service provider fees primarily comprising a variable fee (calculated as a percentage of gaming revenue). The amount due from Charitable Gaming service providers represents amounts owed to the Corporation.

# Ontario Lottery and Gaming Corporation

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### 14. 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 \$207 million for fiscal 2022–23 (fiscal 2021–22 – \$107 million). The Corporation retains the responsibility to remit the contribution once a site is operated by a Land-based Casino Gaming service provider.

### 15. Due to Government of Canada

As at March 31, 2023, the amount due to the Government of Canada was \$42 million (March 31, 2022 – \$40 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. The Corporation's accounting policy and exposure to liquidity risks related to due to Government of Canada is disclosed in Note 21.

The amounts paid to the Government of Canada include:

#### 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. The amount is recorded in stakeholder payments in the consolidated statements of comprehensive income (Note 19).

#### 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 19).

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

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
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### 16. Revenue

#### a. Accounting policy

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). For administered games, the Corporation can more definitively determine its return on a sales transaction, whereas under IFRS 9 there is greater uncertainty. Significant judgment is needed to determine whether gaming transactions are within the scope of IFRS 9 or IFRS 15.

#### i. Gaming revenue and Net gaming revenue

Under IFRS 15:

Revenue from lottery tickets for which results are determined based on a draw 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's digital gaming platform.

INSTANT lottery games revenue 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.

OLG recognizes net gaming revenue generated at Charitable Gaming Centres operated by Charitable Gaming service providers, in the same period the games are played. Net gaming revenue is determined after the deduction of service providers' fees, primarily comprising a variable fee (calculated as a percentage of gaming revenue).

OLG recognizes net gaming revenue generated at Land-based Casino Gaming sites operated by Land-based Casino Gaming service providers, in the same period the games are played. Net gaming revenue is determined after the deduction of service providers' fees, primarily comprising a fixed fee, a variable fee (calculated as a percentage of gaming revenue) and an amount for the permitted capital expenditures, as defined. During the periods in which the Land-based Casino Gaming sites were temporarily closed in fiscal 2021-22, nil gaming revenue was recognized.

Under IFRS 9:

For any lottery, sports betting and casino game offerings (Caesars Windsor and digital casino) which fall under the scope of IFRS 9, revenue is recognized in the same period the related draw occurs, event is settled or game is played. Revenue represents the difference between the amounts earned through lottery and sports ticket sales or gaming wagers less prize payouts, net of any changes in accrued jackpot liabilities, fair value remeasurements of unsettled sports betting positions and liabilities under customer loyalty incentive programs.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
(in millions of Canadian dollars)

### 16. Revenue (continued)

#### ii. Non-gaming revenue

Under IFRS 15, revenue earned from accommodations, food and beverage, entertainment and other services is recognized in the period it is earned. OLG does not recognize non-gaming revenue generated at sites operated by Land-based Casino Gaming and Charitable Gaming service providers.

#### iii. Lease revenue

Under IFRS 15, the Corporation leases certain properties in exchange for fixed and variable lease payments, as applicable, pursuant to lease agreements, including property tax and operating cost reimbursements under certain leases. The fixed and variable payments are recognized in lease revenue as they are earned. In addition to these payments, an adjustment is made for certain leases with service providers in accordance with IFRS 15, to reallocate net gaming revenue to lease revenue with the objective of recognizing a fair market value lease payment. A reallocation adjustment was not recognized when sites were temporarily closed in fiscal 2021-22 as no net gaming revenue was generated at the respective lease properties.

#### iv. Other items in revenue

##### Customer loyalty incentive programs

For programs that allow customers to earn points based on the volume of play during gaming or through purchases of non-gaming amenities, these points are recognized as a separate deliverable in the revenue transaction.

For programs that provide customers the right to receive cash, a financial liability is recognized when the points are granted and a corresponding amount equal to the cash value is recognized as a reduction to revenue. When the points are redeemed, expire or are forfeited, the financial liability is derecognized.

For programs that provide customers the right to receive free or discounted goods and services and/or free play, a financial liability is recognized when the points are awarded and a corresponding amount equal to the fair value is recognized as a reduction to revenue. The revenue is deferred until the points are redeemed, expire or are forfeited; at which time the financial liability is derecognized.

##### Complimentary items and cash incentives

When complimentary goods and services or free play/tickets are provided to customers not in conjunction with a gaming transaction, the Corporation does not recognize revenue from the complimentary goods and services or free tickets.

When a player is awarded a cash incentive, a financial liability is recognized when the incentive is granted and a corresponding amount equal to the cash value is recognized as a reduction to revenue. When the cash incentive is redeemed, expires or is forfeited, the financial liability is derecognized.

**Ontario Lottery and Gaming Corporation**  
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**16. Revenue (continued)**

**Contract liabilities**

Funds collected for unsettled sports betting positions and lottery games for which results are determined based on the outcome of an event or a draw, and for which tickets are sold in advance of the event or draw, are recorded as contract liabilities representing the portion of gaming revenue to be recognized once the related draw occurs or event is settled 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 Casino Gaming service providers which is recognized on a straight-line basis over the duration of the respective COSA.

**b. Explanatory information**

**i. Disaggregation of revenue**

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

2023	Lottery		Land-based Gaming		Digital Gaming		Total
			Casino Gaming	Charitable Gaming	iLottery	iCasino/iSports	
Proceeds from Lottery and Gaming	\$ 4,357	\$ 3,841	\$ 331	\$ 218	\$ 451	\$ 9,198	
Less: Lottery prizes	(2,500)	-	-	(108)	-	(2,608)	
Gaming revenue	\$ 1,857	\$ 3,841	\$ 331	\$ 110	\$ 451	\$ 6,590	
Less: Service Provider fees	-	(1,882)	(200)	-	-	(2,082)	
Net gaming revenue	\$ 1,857	\$ 1,959	\$ 131	\$ 110	\$ 451	\$ 4,508	
Lease revenue	-	117	-	-	-	117	
Non-gaming revenue	-	36	-	-	-	36	
Revenue	\$ 1,857	\$ 2,112	\$ 131	\$ 110	\$ 451	\$ 4,661	
Revenue from administered games / other transactions in exchange for a defined good or service						3,811	
Revenue from wagered games						850	
<b>Revenue</b>						<b>\$ 4,661</b>	

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**16. Revenue (continued)**

**i. Disaggregation of revenue (continued)**

2022 (Re-presented)	Lottery		Land-based Gaming		Digital Gaming		Total	
			Casino Gaming	Charitable Gaming	iLottery	iCasino/iSports		
Proceeds from Lottery and Gaming	\$	4,469	\$	2,018	\$	171	\$	7,143
Less: Lottery prizes		(2,547)		-		(84)		(2,631)
Gaming revenue	\$	1,922	\$	2,018	\$	87	\$	4,512
Less: Service Provider fees		-		(1,026)		-		(1,124)
Net gaming revenue	\$	1,922	\$	992	\$	87	\$	3,388
Lease revenue		-		92		-		92
Non-gaming revenue		-		5		-		5
Revenue	\$	1,922	\$	1,089	\$	87	\$	3,485
Revenue from administered games / other transactions in exchange for a defined good or service								2,868
Revenue from wagered games								617
<b>Revenue</b>							\$	<b>3,485</b>

**ii. Contract liabilities**

	2023	2022
Gaming Bundle contract liabilities (a)	\$ 155	\$ 179
Deferred lease revenue (b)	19	19
Deferred lottery and sports revenue	8	11
Expected prize payout	8	11
Gift cards	4	3
	194	223
Less: current portion	(62)	(68)
<b>Contract liabilities</b>	\$ 132	\$ 155

The amount of \$36 million included in contract liabilities at March 31, 2022 has been recognized as revenue in fiscal 2022-23 (fiscal 2021-22 - \$21 million).

**a. Niagara and GTA gaming bundle contract liabilities**

These liabilities represent consideration received in advance from the Niagara and GTA gaming bundle service providers. No revenue from these contract liabilities was recognized during the temporary closures in fiscal 2021-22.

**b. 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.

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**17. Long-term debt**

The Corporation's accounting policy and exposure to liquidity risks related to long-term debt is disclosed in Note 21.

	<b>2023</b>	<b>2022</b>
Gaming management system loan (a)	\$ -	\$ 4
Lottery terminals loan (b)	40	51
Self-serve lottery terminals loan (d)	2	-
	42	55
Less: current portion	(11)	(15)
<b>Long-term debt</b>	<b>\$ 31</b>	<b>\$ 40</b>

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.

Interest expense from long-term debt included in finance cost for the year ended March 31, 2023 was \$1 million (March 31, 2022 – \$1 million).

**a. Gaming management system loan**

The gaming management system loan, which commenced in fiscal 2017–18, was repaid within fiscal 2022-23.

**b. Lottery terminals loan**

In February 2018, the Corporation entered into a loan agreement with the OFA, involving two facilities, to finance the replacement and expansion of the lottery terminal network and the implementation of an enhanced communications network. During fiscal 2021-22, the Corporation drew \$4 million bringing the total cumulative loan balance on facility one to \$56 million inclusive of interest. Facility one was repaid with facility two on April 30, 2021. The facility two loan is repayable over five years in average semi-annual payments of \$6 million. The loan bears interest and fees of 1.641 per cent per annum and is unsecured.

**c. OFA loan agreement**

On May 6, 2020, 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. At March 31, 2022, the loan balance was nil and the OFA loan agreement expired on May 6, 2022.

**d. Self-serve lottery terminals loan**

On May 3, 2022, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to \$56 million to finance the purchase and installation of self-serve lottery terminals. During fiscal 2022-23, the Corporation drew \$2 million on facility one, bringing the total cumulative loan balance to \$2 million inclusive of interest. Facility one is repayable, inclusive of interest accrued, at the earlier of the project completion date or December 31, 2025. Facility one bears interest equal to the three-month Ontario Treasury Bill Rate plus 0.533 percent per annum compounded quarterly.

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**17. Long-term debt (continued)**

**e. Payments over the next five years**

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

<b>As at March 31</b>	<b>Principal payments</b>	
2024	\$	11
2025		11
2026		12
2027		6
2028		1
Thereafter		1
	\$	42

**18. Commissions and fees**

	<b>2023</b>	<b>2022</b>
Lottery retailer commissions (a)	\$ 330	\$ 333
Service provider fees (b)	-	153
Operator fees (c)	129	99
Other (d)	8	7
<b>Commissions and fees</b>	<b>\$ 467</b>	<b>\$ 592</b>

**a. Lottery retailer commissions**

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

**b. Service provider fees**

Service provider fees consist of fees paid to Land-based Casino Gaming service providers and Charitable Gaming service providers during the period the Casino Gaming facilities and Charitable Gaming Centres were temporarily closed in fiscal 2021-22. 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 include fees paid to the operator of Caesars Windsor and to lottery and digital service providers.

**d. Other**

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

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**19. Stakeholder payments**

	Notes	2023	2022
Payments to the Government of Canada	15	\$ 390	\$ 284
Gaming revenue sharing payment to OFNLP	23.c	123	81
Municipal commissions (a)		152	87
Horse racing funding	23.d	116	119
Other (b)		84	39
<b>Stakeholder payments</b>		<b>\$ 865</b>	<b>\$ 610</b>

**a. Municipal commissions**

Municipalities that host a Land-based Casino Gaming facility receive a percentage of Electronic Games Revenue, Live Table Games Revenue and Sportsbook 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.

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.

**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.

**20. General operating, administration and other**

	2023	2022
General and administration (a)	\$ 76	\$ 83
ATM fees	(4)	(1)
Miscellaneous income	(4)	(12)
<b>General operating, administration and other</b>	<b>\$ 68</b>	<b>\$ 70</b>

**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.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

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### 21. Financial risk management and financial instruments

#### a. Accounting policy

##### i. Financial assets

The Corporation initially recognizes financial assets on the trade date, which is the date the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value plus any directly attributable transaction costs or the transaction price. Subsequently, their measurement depends on the category in which they are classified.

On initial recognition, a financial asset is classified as and subsequently measured at amortized cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI) depending on the business model for managing the financial assets and the contractual terms of the cash flows.

The Corporation's financial assets classified as and subsequently measured at amortized cost are comprised of cash, restricted cash, trade and other receivables, due from service providers and finance lease receivable. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method, less any allowance for expected losses.

The Corporation does not have FVTPL or FVOCI financial assets.

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.

##### ii. Financial liabilities

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

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

The Corporation's non-derivative financial liabilities measured at amortized cost are comprised of trade and other payables, due to operator and service providers, due to Government of Canada, long-term debt and lease liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss.

The Corporation's derivative financial liabilities measured at FVTPL include any current contract liabilities arising from wagering transactions as well as the liability relating to the Brantford lease arrangement (Note 16.b.ii). Subsequent to initial recognition, these financial liabilities are measured at fair value. Net gains or losses, including any interest expense, are recognized in profit or loss.

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.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
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### 21. Financial risk management and financial instruments (continued)

#### iii. Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position 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.

#### iv. Impairment of financial assets

At each reporting date, the Corporation assesses financial assets carried at amortized cost under an expected credit loss model (ECL). ECLs are a probability-weighted estimate of credit losses based on the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows the Corporation expects to receive, discounted at the effective interest rate of the financial asset.

The Corporation measures loss allowances at an amount equal to lifetime ECL, which are losses that result from all possible default events over the expected life of the financial asset. For trade receivables, receivables due from service providers and finance lease receivable, the Corporation uses historic actual credit losses adjusted for the current economic environment and forecasts of future conditions. The ECL is recorded in general operating, administration and other in the consolidated statements of comprehensive income.

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.

### b. Explanatory information

#### i. 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.

#### ii. 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, management, and monitoring of risks that could impact the achievement of financial and non-financial objectives.

The Board of Directors considers enterprise risks and risk appetite in board deliberations including strategic planning, budget reviews and approvals for material transactions. The Board of Directors, through its Audit and Risk Management Committee (ARMC), provides oversight, direction, and support for the Enterprise Risk Management Program. 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.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

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### 21. Financial risk management and financial instruments (continued)

#### ii. Risk management framework (continued)

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 strong control environment in which all employees understand their roles and obligations.

#### iii. 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. The gross trade and other receivables, due from service providers and finance lease receivable represents the Corporation's maximum exposure to credit risk, however, this risk is mitigated by letters of credit or escrow funds held with service providers, as discussed below.

##### Trade and other receivables

Trade and other receivables primarily include credit provided to retailers of lottery products and are due for settlement no more than 40 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. Historically, the Corporation has not experienced any significant losses in trade and other receivables.

The amounts disclosed in the consolidated statements of financial position for trade and other receivables are net of expected credit losses. As at March 31, 2023 and March 31, 2022, 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

Amounts due from Land-based Casino Gaming service providers relate primarily to the calculation and the timing of settlement of service provider fees and are expected to be settled, within 120 days after year-end. Historically, the Corporation has not experienced any losses from amounts due from service providers. Pursuant to the COSAs, each Land-based Casino Gaming service provider has provided the Corporation with a letter of credit or escrow fund. The amount of each letter of credit or escrow fund is in excess of the amounts due to the Corporation at March 31, 2023.

As at March 31, 2023, the gross amount due from service providers was \$24 million (March 31, 2022 - \$38 million) primarily due from one Land-based Casino Gaming service provider (March 31, 2022 - two Land-based Casino Gaming service providers) which represents 84 per cent (March 31, 2022 - 89 per cent) of the gross amount due from service providers.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2023 and 2022  
(in millions of Canadian dollars)

**21. Financial risk management and financial instruments (continued)**

**iii. Credit risk (continued)**

As at March 31, 2023, the Corporation had a provision for expected credit losses of \$2 million (March 31, 2022 - \$3 million), related to the outstanding amounts due from service providers. 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, 2023, the gross amount of finance lease receivables was \$162 million (March 31, 2022 - \$165 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, 2023, the Corporation had a provision for expected credit losses of \$7 million (March 31, 2022 - \$5 million), related to the finance lease receivables. The Corporation believes that the provision for expected credit losses is sufficient to reflect the related credit risk.

**iv. 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.

The undiscounted contractual maturities of financial liabilities are as follows:

<b>2023</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt;1 year</b>	<b>1 - 2 years</b>	<b>3 - 5 years</b>	<b>&gt; 5 years</b>
Lease liabilities (Note 9)	\$ 403	\$ 512	\$ 32	\$ 33	\$ 91	\$ 356
Trade and other payables (Note 10)	384	384	384	-	-	-
Due to operator and service providers (Note 13)	166	166	92	-	-	74
Due to Government of Canada (Note 15)	42	42	42	-	-	-
Long-term debt (Note 17)	42	44	12	12	19	1
	<b>\$ 1,037</b>	<b>\$ 1,148</b>	<b>\$ 562</b>	<b>\$ 45</b>	<b>\$ 110</b>	<b>\$ 431</b>

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
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**21. Financial risk management and financial instruments (continued)**

**iv. Liquidity risk (continued)**

<b>2022</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt;1 year</b>	<b>1 - 2 years</b>	<b>3 - 5 years</b>	<b>&gt; 5 years</b>
Lease liabilities (Note 9)	\$ 411	\$ 530	\$ 31	\$ 31	\$ 91	\$ 377
Trade and other payables (Note 10)	376	376	376	-	-	-
Due to operator and service providers (Note 13)	211	211	139	-	-	72
Due to Government of Canada (Note 15)	40	40	40	-	-	-
Long-term debt (Note 17)	55	57	15	12	30	-
	<b>\$ 1,093</b>	<b>\$ 1,214</b>	<b>\$ 601</b>	<b>\$ 43</b>	<b>\$ 121</b>	<b>\$ 449</b>

**v. 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.

**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, 2023, 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, 2023, the Corporation had unrestricted cash of \$225 million (March 31, 2022 – \$334 million), current restricted cash of \$113 million (March 31, 2022 – \$122 million) and non-current restricted cash of \$74 million (March 31, 2022 – \$72 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.

**vi. Fair values measurement**

The carrying values of cash, restricted cash and trade and other receivables approximate fair value because of the short-term nature of these financial instruments or because amounts are held in escrow accounts. 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, current due to operator and service providers, due to the Government of Canada and certain current derivative contract liabilities approximate fair values because of the short-term nature of these financial instruments or because they are payable on demand.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
(in millions of Canadian dollars)

### 21. Financial risk management and financial instruments (continued)

#### vi. Fair values measurement (continued)

Lease liabilities are carried at amortized cost using the effective interest method which approximates fair value. Non-current due to operator and service providers approximates fair value because the amounts due are held in escrow accounts. 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.

Financial instruments measured subsequent to initial recognition at fair value are 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 9.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.

The Corporation's derivative financial liabilities representing wagering transactions of certain lottery draw based games that are set to take place in the future and unsettled sports betting positions involves level 3 (valuation techniques using non-observable data) inputs.

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.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
(in millions of Canadian dollars)

### 22. Employee benefits

#### a. Accounting policy

##### 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 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.

##### 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 has defined benefit plans classified 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. The annual contribution made by the Corporation are recorded as an employee benefit expense in the consolidated statements of comprehensive income.

##### iii. Other long-term 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.

##### 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.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
(in millions of Canadian dollars)

### 22. Employee benefits (continued)

#### b. Explanatory information

##### i. Defined contribution plans

The operator of Caesars Windsor has created defined contribution pension plans for its employees. The pension expense for Caesars Windsor defined contribution plans for fiscal 2022–23 amounted to \$7 million (fiscal 2021–22 – \$4 million).

##### ii. Other post-employment benefit plans

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.

Contribution rate for the PSPF are set by the *Public Service Pension Act*, whereby the Corporation matches all regular contributions made by the member. The Corporation's contribution and pension expense for fiscal 2022–23 was \$11 million (fiscal 2021–22 – \$10 million).

##### iii. 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 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, 2023 was \$10 million (March 31, 2022 – \$12 million), of which \$9 million (March 31, 2022 – \$10 million) was included in non-current employee benefits liability and \$1 million (March 31, 2022 – \$2 million) was included in trade and other payables (Note 10). The accrued benefit costs are based on actuarial assumptions.

The operator of Caesars Windsor is a Schedule 1 employer under the Act and is not subject to the financial reporting requirements of self-insured employers.

**Ontario Lottery and Gaming Corporation**  
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**23. Commitments**

	HST on lease commitments (a)	Suppliers (b)	Total
2024	\$ 14	\$ 101	\$ 115
2025	10	17	27
2026	9	8	17
2027	8	4	12
2028	6	4	10
	47	134	181
Thereafter	76	37	113
	\$ 123	\$ 171	\$ 294

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

**b. Suppliers**

The Corporation has computer hardware and software maintenance, utility service, marketing, lottery and digital gaming services and ticket printing arrangements with future payments as at March 31, 2023. 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 for revenues generated in fiscal 2010–11 and in each fiscal year thereafter for the remaining initial 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 2022–23, \$123 million was expensed (fiscal 2021–22 – \$81 million) as Monthly Revenue Share Payments to OFNLP.

**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.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2023 and 2022  
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### 23. Commitments (continued)

#### d. Horse Racing Funding Agreement (continued)

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. In addition, the three-year transition funding, which was set to expire on March 31, 2021, was amended to continue to the end of the first term of the agreement, March 31, 2026.

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

### 24. 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 makes significant judgements in determination of the probability of loss when assessing contingent liabilities. The Corporation believes either the probability of an outflow of resources is not determinable or it is not probable that the ultimate resolution of any of these proceedings and claims, individually or in total, will have a material adverse effect on the Corporation's business, financial results, or financial condition. The Corporation recognizes a provision for legal proceedings (including potential settlements and awards) during the period when the ultimate outcome becomes probable and if such amount is estimable (Note 11). Changes in the Corporation's assessment regarding the probability or estimate in a particular case is evaluated each period-end. Changes, if any, concerning these contingencies will be accounted for as a charge in the consolidated statements of comprehensive income.



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