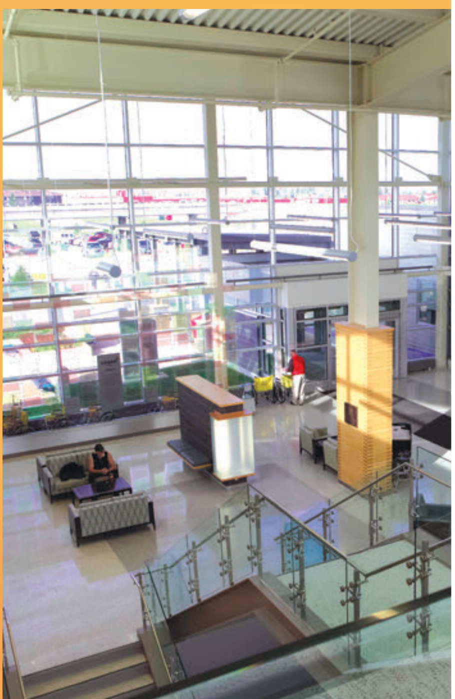
ANNUAL REPORT
2011/2012



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MESSAGE FROM THE CHAIR

The past fiscal year at the Ontario Lottery and Gaming Corporation ("OLG") was highlighted by two significant and correlated events: the hiring of a new President and CEO; and the launch of OLG's modernization initiative.

The search to fill the role of President and CEO was international in scope with many qualified candidates. Rod Phillips stood out with a proven track record of achievement in both the public and private sectors. The Board was proud to appoint Mr. Phillips as OLG's senior-most executive, effective June 10, 2011.

As Chair of the Board's Leadership Development and Compensation Committee, Bill Swirsky was responsible for guiding OLG's executive search. Tom Marinelli served quite capably as Acting CEO while the search was still ongoing. On behalf of the Board of Directors, I would like to acknowledge and thank both Mr. Swirsky and Mr. Marinelli for their leadership during this important time.

Upon his arrival, Mr. Phillips played a key role in seeing OLG's Strategic Business Review through to its completion. The Review, which involved more than a year's worth of analysis, research and consultation, pointed to a business model that's outdated and unsustainable. OLG's lottery network predates current shopping habits and retail options; its gaming facilities aren't optimally located and its infrastructure is in need of improvement.

The Review also pointed to a need for action. Standing still would actually see OLG falling further behind. Gradual but ongoing erosion would be occurring in its annual contribution to the Province. These dollars are predominantly allocated to health care. Clearly the status quo was not an option.

A plan was developed and approved by government to build a 21st century model for lottery and gaming in Ontario. The details of this plan, which are included in the pages of this Annual Report, were presented at a news conference at Queen's Park on March 12, 2012. From the public's perspective, this date will likely come to be viewed as the starting point of OLG's transformation. In truth, work on this modernization initiative had been ongoing throughout the entire fiscal year. This created a unique challenge for OLG, one the agency rose to face. The agency struck a balance between the demands of transformation for the needs of the future and the work and performance required to hit current-year targets and effectively manage daily operations. In the face of tremendous and ongoing change, that's a credit to OLG's many proud and hard-working employees.

Paul V. Godfrey
Chair, Board of Directors

MESSAGE FROM THE PRESIDENT AND CEO

This has been an exceptional year for the Ontario Lottery and Gaming Corporation ("OLG"). We have launched one of the most substantial transformations of a Crown agency in provincial history. At the same time, the organization has continued to perform above target, based on our current model, contributing some $1.9 billion to its shareholder, the Province of Ontario.

Our Slots and Casinos business saw modest revenue growth (up 2.8%) compared to last year, demonstrating an ability to adapt to the challenge of competition from U.S.-based border facilities. Resort Casinos revenue was relatively unchanged (up 0.1%) despite falling visitation from the U.S. and the growth in casino offerings across the border.

The lottery business was challenged (revenue down 1.2%) by mixed performances as record sales for INSTANT, Sports and regional Online lotteries were offset by lower national Online sales as the popular LOTTO MAX had a lower number of high-valued jackpots during the year. There is customer appetite for new products, but because we continue to use our current delivery channels, the customer base is not expanding – growth has been with existing customers instead. Our long-term ability to grow – or even evolve – our whole business remains limited without a change in our approach to doing business.

While our revenue continues to rise, our challenge is to look forward to the long-term sustainability of results for our shareholder. We need to consider the implications of current trends as they will play out over the next five to 10 years and develop a plan that addresses those trends before there is an impact on earnings.

Working under the direction of a professional and highly engaged Board of Directors, a streamlined executive team developed a plan for a modernized OLG. Our plan, approved by government, was announced publicly in March 2012.

The plan focuses on the need to become more customer-focused; expand the regulated private sector engagement in lottery and gaming; and renew OLG's role in the oversight of lottery and gaming.

The launch of the plan was one of the busiest media events in recent OLG history, attracting considerable media attention. It also inspired an increase in our public approval ratings to over 70 per cent – above historical norms. Our efforts to explain the need to transform and modernize the industry increased both awareness and approval of our organization.

As the plan continues to roll out, there is global interest in our modernization initiatives, and at the time of the printing of this report, the procurement process had drawn responses from leading providers across the globe. Naturally, there is considerable interest in the potential of a gaming entertainment complex in the Greater Toronto Area. At the same time, our request to the market for regulated private sector capacity to assume responsibility for the daily operation of lottery terminals, new games and new sales channels, resulted in strong interest from a number of providers.

Throughout the year, the leadership team has been engaged in substantial stakeholder outreach. We have been meeting with municipalities and site holders as well as representatives from related industries to both explain the plan and inspire participation in the opportunity it represents.

As always, and now with renewed vigour, OLG is committed to maintaining a gold standard in Responsible Gambling. OLG seeks to prevent problem gambling from occurring in the first place, and to provide a bridge to assistance for those who need it. We do this by educating players about the facts and myths of the games they play and how to manage their own playing habits.

We've developed a player-focused education campaign, engaging players in a compelling way with Responsible Gambling information. We've made substantive enhancements to our Self-Exclusion Program, including installing facial recognition technology across gaming sites, and offering individuals the option to register for the Program at treatment and debt counsellors across the Province.

Ontario currently allocates two per cent of OLG's slot machine revenue to provincial Responsible Gambling efforts. In fiscal 2012, this amounted to more than $40 million. As part of its March 2012 announcement, the government committed to enhancing its responsible gambling program.

The modernization plan is not dramatically increasing the supply of lottery and gaming offerings. The Ontario gaming market is not saturated – nor are we looking to saturate it. We are bringing games closer to where people live and making lottery products easier for players to buy. This is an adjustment to our existing lottery and gaming businesses. We will move from 27 to up to 29 sites and make lottery tickets more convenient to purchase.

In order to help ensure that the plan is well-executed, we have appointed a new Chief Audit Executive reporting to the Audit and Risk Management Committee. A three-year internal audit plan has been approved by the Committee which involves an audit focus on Modernization transition and implementation.

We continued to make progress on our plans to launch a safe, secure and responsible Internet gaming platform. Internet gambling has been around for more than a decade, through over 2,000 off-shore gambling websites. Almost 500,000 Ontarians have accounts on these sites. These off-shore sites often fail to offer players the tools to control the amount of both money they spend and time they play. Following direction from the government, OLG is working towards offering customers a safe and regulated environment in which to play.

At the same time, the Charitable Gaming Revitalization Program continues apace. The objective of this initiative is to sustain and grow bingo and other charitable gaming revenue in a declining industry, so that charities in Ontario communities have a long-term and viable way to raise funds. To date, more than half the industry (36 charitable gaming centres) has indicated an interest in participating in the revitalization.

In no small measure, this year of change and accomplishment is a credit to the extraordinary dedication and professionalism of OLG employees. Even as the future structure of the organization remains unclear, employees continue to focus their efforts on providing great service to our customers and strong results for our shareholder. On behalf of the leadership team, I want to extend my sincere thanks and appreciation to the entire OLG workforce for their extraordinary commitment.

Rod Phillips
President and Chief Executive Officer

BOARD OF DIRECTORS

Paul Godfrey *(Chair)*
February 18, 2010 – February 17, 2015

Charlotte Burke
September 29, 2010 – September 28, 2012
(resigned April 28, 2012)

Ron Carinci
September 15, 2010 – September 14, 2012

Victoria Chiappetta
September 29, 2010 – September 28, 2012

Shirley Hoy
February 18, 2010 – February 17, 2014

Dale Lastman
February 18, 2010 – February 17, 2012

Jason Melbourne
September 29, 2010 – September 28, 2012

Anthony Melman
February 18, 2010 – February 17, 2014

Thomas O'Brien
February 18, 2010 – February 17, 2014

William Swirsky
February 18, 2010 – February 17, 2014

Jan Westcott
September 15, 2010 – September 14, 2012

Monique Wilberg
September 29, 2010 – September 28, 2012

EXECUTIVE LEADERSHIP TEAM

For the 2012 fiscal year, senior executive members responsible for day-to-day operations were:

Rod Phillips
President and Chief Executive Officer
(effective June 10, 2011)

Preet Dhindsa
Executive Vice President, Chief Administrative Officer and Chief Financial Officer

Walter Fioravanti
Senior Vice President, Legal, Regulatory and Compliance, General Counsel and Corporate Secretary

Larry Flynn
Senior Vice President, Gaming

Thomas Marinelli
Acting Chief Executive Officer
(through June 10, 2011)

Executive Vice President, Chief Transformation Officer and Chief Information Officer
(effective June 10, 2011)

Greg McKenzie
Senior Vice President, Lottery

Beth Webster
Senior Vice President, Marketing, Communications and Stakeholder Relations
(effective September 19, 2011)

David Kurdyla
Acting Chief Information Officer
(through June 10, 2011)

Rob Moore
Senior Vice President, Marketing, Communications and Stakeholder Relations
(through June 30, 2011)

OVERVIEW

Ontario Lottery and Gaming Corporation ("OLG" or the "Corporation") and its contract management companies employ nearly 18,000 people across Ontario. OLG is responsible for 27 gaming sites as well as the sale of lottery products at approximately 9,900 retail locations.

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

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net revenue from lotteries, casinos and slots at racetracks be made available to the Government of Ontario for various purposes, including the provision of health care and the promotion and development of physical fitness, sport, recreation and cultural activities throughout the province. Revenues are also made available to the Ontario Trillium Foundation by the Government for distribution to charitable and not-for-profit organizations every year. The amount directed to the Foundation in fiscal 2012 totalled $120 million.

CORPORATE MISSION

OLG's corporate mission guides employees in their work with customers and stakeholders. In all we do, we are asked to reflect on our purpose, realize our vision and embody clearly identified values.

PURPOSE

Making life better for people across Ontario. We make it possible by generating revenue provincially and economic and social benefits locally.

OLG will soon adopt a new vision statement that clearly articulates the Corporation's renewed vision for the future of lottery and gaming in the Province of Ontario and will be used to focus the organization's transformational efforts.

- Our **vision** is to create excitement and fulfill dreams.
- Our **commitment** is to build trust by delivering gaming responsibly.
- Our **success** is demonstrated by the profit and jobs we generate.
- Our **strength** is our sophisticated understanding of our customers.
- Our **goal** is to be a destination of choice for world-class entertainment.

VALUES

Be Accountable. We accept the responsibility of setting and attaining high standards for ourselves in servicing our customers and acting in the public interest.

Act with Integrity. This means doing the right thing. We will balance what our customers and business partners ask of us with what the people of Ontario expect of us.

Respect our customers, employees, partners and the people of Ontario. Respect starts with listening openly and honestly to the diversity of people and ideas around us.

GOVERNANCE

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999*. Classified as a Government Business Enterprise, OLG has a single shareholder, the Government of Ontario, and for fiscal 2012 reported through its Board of Directors to the Minister of Finance. Members of the Board of Directors and its Chair are appointed by the Lieutenant Governor in Council. Neither the Chair nor members of the Board are full-time, nor are they members of Management.

BOARD MANDATE

The Board of Directors establishes policies for the Corporation and counsels the President and CEO and senior executives, who oversee the Corporation's business operations. The Board's mandate is to direct Management's focus to optimizing the Corporation's overall performance and increasing shareholder value by executing its various responsibilities, which include:

- to establish a well-defined strategic planning process, setting strategic direction
- to approve the annual business plan as well as operating and capital budgets
- to define and assess business risks
- to review the adequacy and effectiveness of internal controls in managing risks
- to appraise the performance of the 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 COMMITTEES

The OLG Board of Directors operates through five permanent working committees.

GOVERNANCE AND NOMINATING COMMITTEE

The Governance and Nominating Committee assists the Board in developing and monitoring governance policies and practices. It helps identify policy areas for review and presents recommendations to the Board for consideration in order that the Board may ensure the Corporation's adherence to the highest standards in corporate governance. The committee also identifies individuals qualified to become directors, consistent with core competencies approved by the Board. Chair of this committee, as of March 31, 2012, is Shirley Hoy.

AUDIT AND RISK MANAGEMENT COMMITTEE

The primary function of the Audit and Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the Corporation's financial statements, internal controls over financial reporting, capital expenditure program and enterprise risk management program as well as compliance systems that have been established. Chair of this committee, as of March 31, 2012, is Thomas O'Brien.

LEADERSHIP DEVELOPMENT AND COMPENSATION COMMITTEE

The Leadership Development and Compensation Committee helps ensure that the Corporation has sufficient organizational strength at the senior management level to achieve its short- and long-term goals. This committee also recommends, for Board approval, the compensation and benefit plans for senior management. Chair of this committee, as of March 31, 2012, is William Swirsky.

SOCIAL RESPONSIBILITY COMMITTEE

The Social Responsibility Committee assists the Board to ensure that the Corporation conducts its business in a socially responsible manner. It inquires into and oversees such areas as responsible gaming, game integrity and Smart Serve food and beverage service. It reviews, in particular, the design and implementation of Internet gaming and other new game offerings, with a particular focus on preventing underage and problem gambling. Chair of this committee, as of March 31, 2012, is Jan Westcott.

BUDGET/FINANCE COMMITTEE

The Budget/Finance Committee assists the Board by inquiring into and overseeing the financial matters of the Corporation. It reviews the budget framework, policies and procedures; oversees and contributes to the development of the annual budget and projections; and reviews financial performance. Chair of this committee, as of March 31, 2012, is Anthony Melman.

The total remuneration paid to the twelve board members in fiscal 2012 was $234,000.

MODERNIZING LOTTERY AND GAMING IN ONTARIO

On March 12, 2012, OLG delivered a report to the Minister of Finance, outlining a proposal to modernize lottery and gaming in Ontario (the "Modernization Plan").

THE REPORT CONTAINED THREE KEY RECOMMENDATIONS

- become more customer-focused
- expand the regulated private sector delivery of lottery and gaming
- renew OLG's role to concentrate on the oversight of lottery and gaming

Entitled *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*, the report is the result of a strategic business review undertaken by OLG over the past year. At the request of the Government of Ontario, OLG examined its lottery distribution system and its land-based gaming facilities. The review also involved comprehensive stakeholder consultations, research and extensive business analysis.

The Modernization Plan will help create 2,300 net new jobs in the gaming industry and about 4,000 new service sector jobs in hotels, restaurants, entertainment centres and retail. It outlines an approach to improve how lottery and gaming are delivered in Ontario while enhancing OLG's gold standard of responsible gambling. Economically, as the Modernization Plan is implemented, it could help launch approximately $3 billion in new private capital investment in the Province and in 2017-2018, provide an additional $1.3 billion in annual net profit to the Province for key public priorities such as health care and education.

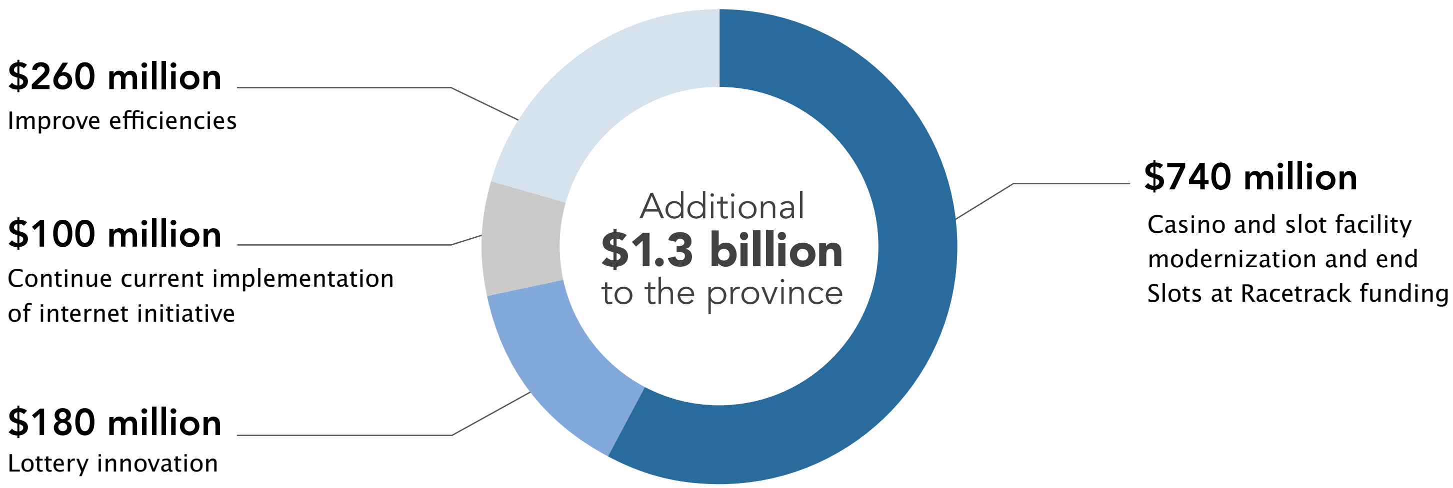
This forecast is based on the following:

- Modernizing and shifting the day-to-day operation and capital development of gaming facilities to the private sector; building new facilities based on customer interest; renegotiating the funding formula for municipalities to allow for a broader game offering; and ending the funding formula for slots at racetracks. It is expected that this will result in an increase of about $740 million in net profit to the Province annually.
- Modernizing and shifting the day-to-day operation of the lottery network to private sector operators; investing in new player technology; allowing the private sector to design lottery games; and expanding the distribution of lottery products through new channels. It is expected that this will result in an increase of about $180 million in net profit to the Province annually.
- Delivering a full range of games - including lottery tickets, interactive casino-style games (i.e. players wager against the house) and peer-to-peer games (e.g. poker) - on the Internet through an online website accessible by computers and other Internet-connected devices. It is expected that this will result in an increase of about $100 million in net profit to the Province annually.
- Improving efficiencies at OLG as it transforms into a smaller organization that is focused on market management and leading in responsible gambling. It is expected that this will result in an increase of about $260 million in net profit to the Province annually.

These initiatives will drive higher revenues by widening the appeal of gaming in Ontario. OLG can generate higher revenues with a broader player base, rather than by increasing the amount that current customers gamble. These initiatives also substantially reduce the amount of public capital invested in gaming sites and lottery infrastructure, and encourage efficiency and innovation.

A transformation of this magnitude of a Crown agency is not without financial cost and identifying and managing risk. At March 31, 2012, OLG's restructuring charges totalled $62.3 million, relating primarily to the closure of three Slots at Racetracks facilities. These costs, primarily consisting of severance, the exit of facilities and properties and the disposal of equipment were allocated to fiscal 2012. The Corporation anticipates that substantially all the remaining restructuring liabilities recognized in fiscal 2012 will be paid in fiscal 2013.

ADDITIONAL NET PROFIT TO THE PROVINCE



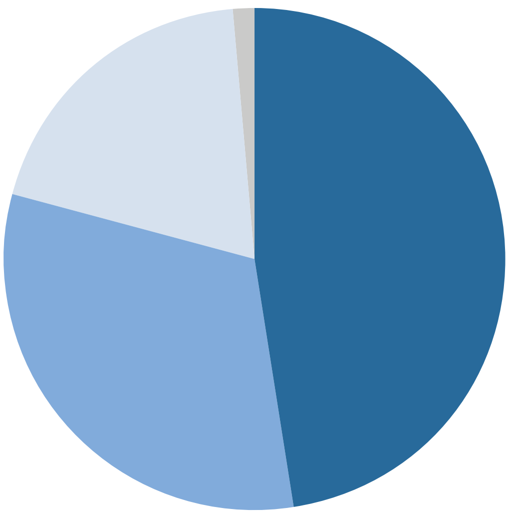
The full report, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*, is available to view or download at olg.ca.

OLG's Modernization announcement gave rise to an increased level of public and media attention. During this period, OLG's confidence and favorability ratings remained strong among Ontario adults*. The public confidence rating in OLG's ability to operate reached 76 per cent in the fourth quarter of the fiscal year, its highest rating in three years. The public's overall favourability rating of OLG measured 69 per cent in the fourth quarter, matching a previous high point achieved in 2008.

**Each month, OLG collects data, using a telephone collection method, from a random sample of 400 adult Ontarians who are aware of OLG. Results of the study provide OLG with a clear, continuous understanding of what Ontarians think of the organization and how it is performing against measures for public trust, public support of the industry, responsible gambling/social responsibility, and player experience.*

SOURCES OF REVENUE

OLG's operations and revenues are organized under four business divisions. Together, these divisions generated $6.7 billion in revenue in fiscal 2012.



REVENUE BY BUSINESS DIVISION

Total Revenue – $6,717 million

Lottery	$3,207 million
Bingo	$80 million
Resort Casinos	$1,304 million
OLG Slots and Casinos	$2,126 million

OLG LOTTERY

OLG operates 16 terminal-based lottery and sports games and offers more than 80 INSTANT lottery products through approximately 9,900 independent retailers across the province.

OLG BINGO

OLG is responsible for the conduct and management of six electronic Bingo (eBingo) Centres – Boardwalk Gaming Centre in Barrie, Boardwalk Gaming Centre in Sudbury, Breakaway Gaming Centre and Paradise Bingo Centre in Windsor, Kawartha Club Bingo in Peterborough and Treasure Chest Bingo in Kingston – all operated by the private sector. OLG also offers a linked Bingo game in select bingo locations across Ontario.

OLG RESORT CASINOS

OLG is responsible for the conduct and management of four Resort Casinos – Caesars Windsor, Casino Rama, Casino Niagara, and Niagara Fallsview Casino Resort. These sites are operated, under contract, by private casino operating companies.

OLG SLOTS AND CASINOS

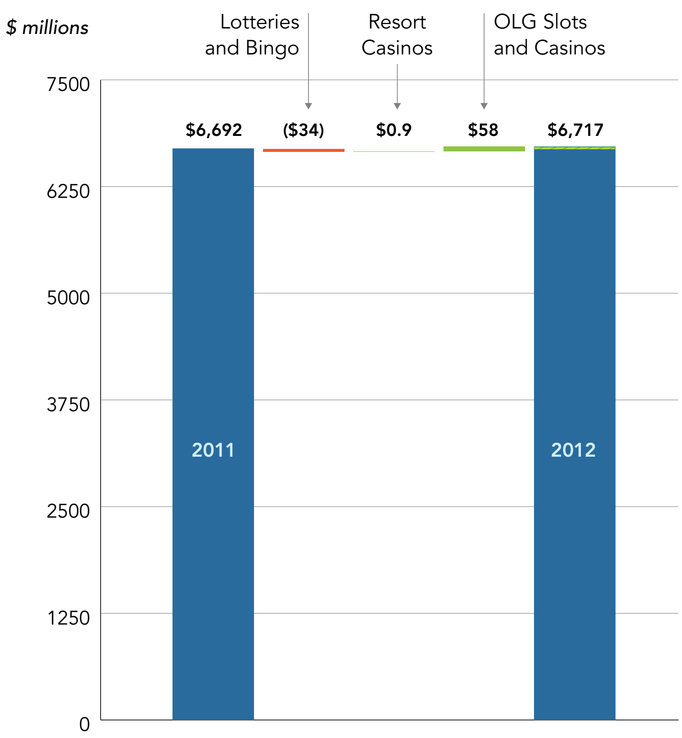
OLG owns and operates five casinos in Ontario. It also owns and maintains authority over the slot machine operation at the Great Blue Heron Charity Casino, an aboriginal casino owned by the Mississaugas of Scugog Island First Nation. OLG also operates 17 slot machine facilities at racetracks across Ontario.

FINANCIAL HIGHLIGHTS

(in thousands of dollars)

For the fiscal year ended March 31	**2012**	2011*
Lottery and Bingo revenue	**$ 3,286,892**	$ 3,320,994
Resort Casinos revenue	**1,303,912**	1,302,988
OLG Slots and Casinos revenue	**2,125,888**	2,067,664
Total OLG revenue	**6,716,692**	6,691,646
Lottery and Bingo prizes	**$ 1,801,112**	$ 1,835,865
Commissions	**661,080**	648,243
Marketing and promotion	**305,226**	306,888
Gaming revenue sharing payment**	**119,352**	–
Payments to the Province of Ontario***	**$ 1,924,284**	$ 2,068,126
Payments to the Government of Canada	**263,992**	227,598

**Amounts have been restated to reflect the adoption of International Financial Reporting Standards ("IFRS").*
***Pursuant to the Gaming Revenue Sharing and Financial Agreement, this amount is equal to 1.7 per cent of the gross revenue, as defined, of the Corporation.*
****Payments to Province of Ontario include win contribution. The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999. The fiscal 2011 win contribution was calculated based on the percentage applied to the previously reported gaming revenue in accordance with Canadian generally accepted accounting principles ("CGAAP").*



(in thousands of dollars)

	2011-2012
	$ Change
Lottery and Bingo revenue	(34,102)
Resort Casinos revenue	924
OLG Slots and Casinos revenue	58,224
Total OLG revenue change	**25,046**

ECONOMIC IMPACT

Since 1975, OLG has generated more than $36 billion for the benefit of the Province of Ontario, all of which is invested by the government to support hospitals, amateur sport, recreational and cultural activities, communities, provincial priority programs such as health care and education, and local and provincial charities and not-for-profit organizations through the Ontario Trillium Foundation.

$ 6.7 BILLION
TOTAL OLG REVENUE

The positive economic impact of OLG goes beyond the annual dividend to government. OLG's purpose is to "make life better for people across Ontario by generating revenue provincially and economic and social benefits locally."

$1.9 BILLION
TOTAL CONTRIBUTION TO THE PROVINCE

$1.7 BILLION
LOTTERY PRIZES PAID TO PLAYERS

$950.6 MILLION
Payroll for 7,800 direct employees* and 10,050 indirect employees** across Ontario

$347.3 MILLION
Funding of Slots at Racetracks program

$264 MILLION
Payments to the Government of Canada

$222.2 MILLION
Commissions paid to lottery retailers

$119.4 MILLION
Distributions to Ontario First Nations***

$112.3 MILLION
Total contributions made to communities hosting OLG gaming facilities, Resort Casino facilities and eBingo locations

$56.2 MILLION
Charitable gaming (bingo) prizes paid to players

**Direct employees are those employed directly by OLG.*
***Indirect employees are those employed by OLG's Resort Casinos and the Great Blue Heron Slot Machine Facility.*
****Pursuant to the Gaming Revenue Sharing and Financial Agreement, this amount is equal to 1.7 per cent of the gross revenue, as defined, of the Corporation.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended March 31, 2012

Canadian securities regulations require public companies to include a discussion of operating results in their annual reports, in addition to annual financial statements. As a Government Business Enterprise ("GBE") of the Province of Ontario, the Ontario Lottery and Gaming Corporation ("OLG" or the "Corporation") is not subject to these regulations. However, this discussion has been included to increase the reader's understanding of the operations of OLG.

The following Management's Discussion and Analysis ("MD&A") of Financial Position and Results of Operations should be read together with the audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements of OLG for the fiscal year ended March 31, 2012. In 2010, the Canadian Institute of Chartered Accountants Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") which requires GBEs to apply such standards effective for years beginning on or after January 1, 2011. The Corporation adopted IFRS April 1, 2011 and was required to use April 1, 2010 as the date of transition to IFRS. Accordingly, the Consolidated Financial Statements are presented in Canadian dollars and have been prepared in accordance with IFRS.

The comparative period amounts in this MD&A and the accompanying Consolidated Financial Statements have been restated to reflect the adoption of IFRS. Refer to Note 30 of the Consolidated Financial Statements for a summary of the differences between the Consolidated Financial Statements previously prepared under Canadian generally accepted accounting principles ("Canadian GAAP") and those under IFRS.

This MD&A provides information for the fiscal year ended March 31, 2012 and is dated June 28, 2012.

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

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

FISCAL 2012 OPERATING RESULTS
EXECUTIVE SUMMARY

The following table contains consolidated statement of comprehensive income data, for the years indicated, as well as consolidated statement of financial position data as at March 31, 2012 and March 31, 2011.

(in thousands of dollars)

As at and for the fiscal year ended March 31	**2012**	2011	**$ Variance**	% Variance
Revenue				
Lottery and bingo	**$ 3,286,892**	$ 3,320,994	**(34,102)**	(1.0)
Resort casinos	**1,303,912**	1,302,988	**924**	0.1
OLG slots and casinos	**2,125,888**	2,067,664	**58,224**	2.8
	6,716,692	6,691,646	**25,046**	0.4
Expenses				
Lottery and bingo	**2,428,469**	2,407,689	**(20,780)**	(0.9)
Resort casinos	**1,400,895**	1,431,919	**31,024**	2.2
OLG slots and casinos	**1,240,164**	1,155,227	**(84,937)**	(7.4)
	5,069,528	4,994,835	**(74,693)**	(1.5)
Income before the undernoted	**1,647,164**	1,696,811	**(49,647)**	(2.9)
Other expenses	**25,111**	469,310	**444,199**	94.6
Net income	**$ 1,622,053**	$ 1,227,501	**394,552**	32.1
Total assets	**$ 2,291,903**	$ 2,318,288	**(26,385)**	(1.1)
Total liabilities	**$ 620,301**	$ 605,066	**(15,235)**	(2.5)
Total long-term liabilities	**$ 138,860**	$ 160,957	**22,097**	13.7
Total equity	**$ 1,671,602**	$ 1,713,222	**(41,620)**	(2.4)
Payments to the Province of Ontario*	**$ 1,924,284**	$ 2,068,126	**(143,842)**	(7.0)
Payments to the Government of Canada	**$ $263,992**	$ $227,598	**(36,394)**	(16.0)
Net Profit to the Province**	**$ 1,879,960**	$ 1,501,570	**378,390**	25.2

**Payments to the Province of Ontario include win contribution. The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility in accordance with the Ontario Lottery and Gaming Corporation Act, 1999. The fiscal 2011 win contribution was calculated based on the percentage applied to the previously reported gaming revenue in accordance with Canadian GAAP.*
***Net Profit to the Province is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments.*

The following table contains consolidated statement of comprehensive income data expressed as a percentage of consolidated revenue for the periods indicated:

	Fiscal 2012	Fiscal 2011	**% Variance**
Revenue			
Lottery and bingo	**48.9%**	49.6%	**(0.7)**
Resort casinos	**19.4%**	19.5%	**(0.1)**
OLG slots and casinos	**31.7%**	30.9%	**0.8**
	100.0%	100.0%	–
Expenses			
Lottery and bingo	**36.2%**	36.0%	**(0.2)**
Resort casinos	**20.9%**	21.4%	**0.5**
OLG Slots and casinos	**18.5%**	17.3%	**(1.2)**
	75.6%	74.7%	**(0.9)**
Income before the undernoted	**24.4%**	25.3%	**(0.9)**
Other expenses	**0.3%**	7.1%	**6.8**
Net income	**24.1%**	18.2%	**5.9**

Consolidated revenue for fiscal 2012 was $6.72 billion, an increase of $25.0 million or 0.4 per cent from $6.69 billion in the previous fiscal year, primarily due to improved results in the OLG Slots and Casinos segment, which was approximately $58.2 million or 2.8 per cent higher than in the previous fiscal year. This increase was partially offset by a decrease in Lottery revenue of $38.0 million or 1.2 per cent, a result of lower online sales. Resort Casino revenue remained relatively consistent with the previous fiscal year, increasing by $0.9 million or 0.1 per cent despite the continued negative pressures experienced from increased border competition, the ongoing impacts of border regulation and a weak U.S. dollar.

The Corporation's net income for fiscal 2012 was $1.62 billion, $394.6 million higher than the previous fiscal year. The increase in net income in fiscal 2012 was primarily driven by the non-cash impairment loss recognized in fiscal 2011. However, the increase was partially offset by an increased expenditure allocated to each reportable operating segment. This relates to a new contractual requirement whereby, commencing fiscal 2012 pursuant to the terms of the Gaming Revenue Sharing and Financial Agreement ("GRSFA"), the Ontario First Nations were entitled to 1.7% of the Corporation's total consolidated gross revenue of the preceding year, as defined.

As at April 1, 2010 and March 31, 2011, Management identified certain events and circumstances which indicated that certain cash-generating units ("CGUs"), the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets, may be impaired and consequently Management performed impairment analyses over those certain CGUs. Under IFRS, the underlying cash flows of CGUs are discounted to determine the recoverable amount, which was not previously required in Step 1 of the impairment test under Canadian GAAP. Based on the impairment test performed in accordance with IFRS, Management determined the Caesars Windsor CGU to be recoverable as at April 1, 2010. During fiscal 2011, due to changes in facts and assumptions during fiscal 2011, projected cash flows decreased resulting primarily from the impact of increased competition from the Ohio casinos. As a result of discounting the underlying cash flows as required by IFRS, the Corporation determined the recoverable amount of the Caesars Windsor CGU to be less than their respective carrying value at March 31, 2011 and recorded a non-cash impairment loss of $493.0 million. Non-cash impairment losses were also recognized for other CGUs, totaling $5.4 million. Accordingly the Corporation recognized a total non-cash impairment loss, as calculated in accordance with IFRS, of $498.4 million at March 31, 2011. At March 31, 2012, Management did not identify any additional impairment loss.

OLG's payment to the Province of Ontario of $1.92 billion, derived from net income, represents the largest contribution of non-tax revenue for the Province and is used by the Government to invest in health care and other priority programs and to support Ontario's elite amateur athletes and charitable and non-profit organizations through the Ontario Trillium Foundation.

A more thorough analysis of these factors is contained in the Results of Operations.

1. RESULTS OF OPERATIONS – OPERATING SEGMENTS

The Corporation has three reportable operating segments, each a distinct revenue-generating business unit that offers different products and services. The segments are Lottery and Bingo, Resort Casinos and OLG Slots and Casinos.

The Lottery and Bingo operating segment is further divided into two separate divisions, the Lottery division and the Bingo division, which are discussed separately below.

A. LOTTERY

Summary data from statement of comprehensive income

(in thousands of dollars)

For the fiscal year	**2012**	2011	**$ Variance**	% Variance
Revenue	**$ 3,206,508**	$ 3,244,548	**(38,040)**	(1.2)
Expenses	**2,329,178**	2,313,181	**(15,997)**	(0.7)
Income before the undernoted	**$ 877,330**	$ 931,367	**(54,037)**	(5.8)
Other expenses	**1,159**	602	**(557)**	(92.5)
Net income	**$ 876,171**	$ 930,765	**(54,594)**	(5.9)

A1. Lottery revenue

Lottery revenue for fiscal 2012 was $3.21 billion, a decrease of $38.0 million or 1.2 per cent from the previous fiscal year, primarily due to lower online sales resulting from a lower number of high-valued Jackpots for LOTTO MAX during the year.

The following table sets forth lottery sales and prize data by type of game:

Lottery Sales and Prize Data by type of Game

Product Groupings	**Number of Games**		**Revenue** *(in millions of dollars)*		**Percentage of Revenue**		**Prizes** *(in millions of dollars)*	
For the fiscal year	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Online	**10**	11	**$ 2,000.4**	$ 2,066.6	**62.4%**	63.7%	**$ 985.8**	$ 1,030.1
Sports	**6**	6	**272.3**	269.1	**8.5%**	8.3%	**162.5**	165.1
INSTANT	**82**	82	**933.8**	908.8	**29.1%**	28.0%	**596.7**	583.3
Totals	**98**	99	**$ 3,206.5**	$ 3,244.5	**100.0%**	100.0%	**$ 1,745.0**	$ 1,778.5

Online games are lotteries that are played by tickets generated on a lottery terminal. These include games such as LOTTO MAX, LOTTO 6/49 and LOTTARIO. Sports games are also played through a lottery terminal; however, these games are played by predicting the outcomes of sporting events or events within a single event (e.g. in baseball, the number of base hits one player achieves versus another). INSTANT games are lotteries that are played by removing the scratch-off layer on the face of the ticket to reveal a series of symbols or numbers to determine if the ticket is a winner.

Sales for INSTANT, Sports and Ontario-only Online products achieved record sales. These increases were offset by reduced national Online sales (i.e. LOTTO MAX and LOTTO 6/49), resulting in an overall decrease of $38.0 million or 1.2 per cent compared to last year. The INSTANT product sales increase of $25.0 million or 2.8 per cent was driven in large part by the success of the national $100 MILLION FORTUNE, CLASSIC BLACK and $100 MILLION JUMBO tickets. Sports product sales increased $3.2 million or 1.2 per cent as a result of offering additional wagering events. Regional Online product sales increased $41.1 million or 7.1 per cent due mainly to the full-year impact of POKER LOTTO. National Online sales were lower than in the prior fiscal year by $107.3 million or 7.2 per cent as a result of lower LOTTO MAX sales driven by lower-valued Jackpots compared to last year.

A2. Lottery net income

Net income from Lottery for fiscal 2012 was $876.2 million, $54.6 million or 5.9 per cent lower than net income in fiscal 2011. This decrease is due mainly to the commencement of the GRSFA, increased payments to the Government of Canada due to the first full year of the Harmonized Sales Tax ("HST") in fiscal 2012 (which is included in Expenses) and lower overall revenue as explained above.

A3. Lottery financial key performance indicators

The Corporation continues to focus on maximizing operational efficiencies and profits and uses financial and other key performance indicators ("KPIs") as useful tools for assessing critical expenses relative to revenue and other underlying drivers of business activity.

Following are the Lottery KPIs for fiscal 2012 compared to fiscal 2011:

For the fiscal year	**2012**	2011
Adjusted EBIDA margin*	**60.9%**	64.5%
Marketing as a percentage of adjusted gaming revenue**	**3.7%**	3.9%
Payroll as a percentage of adjusted total revenue***	**1.8%**	2.2%
Average sales per Jackpot ($ millions)	**$ 8.7**	$ 9.5
Total retailers	**9,887**	9,976
INSTANT ticket sales (millions of tickets)	**277**	272
Average price per INSTANT ticket sold	**$ 3.37**	$ 3.34

**The adjusted EBIDA margin represents earnings before finance costs, amortization and other charges as a percentage of adjusted total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. EBIDA margin is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*
***Marketing as a percentage of adjusted gaming revenue is derived by dividing marketing expenses by adjusted gaming revenue. Adjusted gaming revenue includes revenue from lottery games net of prizes, but excludes all non-gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures. Marketing expenses include promotions, advertising, corporate marketing and marketing-related payroll costs.*
****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

Both marketing and payroll indicators represent key cost drivers of the Corporation that Management uses to evaluate the results of the business division.

The adjusted EBIDA margin for Lottery in fiscal 2012 decreased compared to the previous fiscal year due to the commencement of the GRSFA and increased payments for the full year of HST driving up operating costs. Marketing as a percentage of adjusted gaming revenue decreased marginally in fiscal 2012. Payroll as a percentage of adjusted total revenue was 1.8 per cent, down from 2.2 per cent in fiscal 2011 due to the sales force optimization resulting in a lower headcount.

Average sales per Jackpot decreased due to a lower number of high-valued Jackpots for LOTTO MAX. LOTTO MAX offers Jackpots starting at $10 million, growing to a maximum of $50 million and then creating a series of individual $1 million Jackpots ("MAXMILLIONS") thereafter. In fiscal 2012, LOTTO MAX had 12 Jackpots of $50 million plus MAXMILLIONS compared to 16 Jackpots plus MAXMILLIONS in fiscal 2011. The average number of plus MAXMILLIONS per maximum Jackpot was 10.9 in fiscal 2012 compared to 23.8 in fiscal 2011. Typically, larger Jackpots generate higher sales.

The total number of lottery retailers decreased as OLG reduced the number of off-line retailers (those who sell only INSTANT tickets). The infrastructure in place at off-line retailers can no longer be supported by OLG, therefore ceasing some off-line retailers' ability to continue to sell OLG products as there are limited operational units that remain.

Product enhancements and the introduction of a new variety of games at various price points helped drive the increase in INSTANT ticket sales.

A4. Lottery trends and risks

In accordance with the recommendations contained in OLG's report, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government ("*Modernization Plan") (see page 9), OLG will become more customer-focused in the delivery of Lottery and Gaming; expand the role of the regulated private sector in the delivery of Lottery and Gaming; and renew its role in the oversight of Lottery and Gaming.

Today, Ontarians purchase lottery products through a retail clerk who hands them a paper ticket. OLG has a largely paper-based lottery system in an economy that is increasingly becoming paper-free. In a move to adapt to this change, OLG is developing an Internet gaming ("iGaming") platform with a planned staged rollout commencing in fiscal 2013. When completed, OLG will deliver a full range of games on the Internet through an online site accessible by computers and other Internet-connected devices offering lottery ticket sales, interactive casino-style (against the house) games and peer-to-peer games like poker.

OLG's current terminal technology limits where lottery tickets can be sold and is not suited to adopt current shopping patterns. The majority of Ontario adults under 45 years of age frequently visit supermarkets, big box stores and large retail locations, where OLG products are not conveniently located or currently not offered for sale. As a result, even though 50 per cent of adult Ontarians play the lottery regularly, only 14 per cent of adults under 45 play the lottery at least once a week. OLG's Modernization Plan addresses this demographic challenge by recommending the expansion of lottery retail options to include multi-lane retailers, like supermarkets and big box stores, the Internet and mobile devices, while continuing to support the existing retailer network.

OLG is also continuing to work on broadening its player base to ensure it includes the younger generation of adults as well as new Canadians.

B. BINGO

Summary data from statement of comprehensive income

(in thousands of dollars)

For the fiscal year		**2012**		2011	**$ Variance**	% Variance
Revenue	**$**	**80,384**	$	76,446	**3,938**	5.2
Expenses		**99,291**		94,508	**(4,783)**	(5.1)
Loss before the undernoted	**$**	**(18,907)**	$	(18,062)	**(845)**	(4.7)
Other expenses		**134**		3,916	**3,782**	96.6
Net loss		**(19,041)**		(21,978)	**2,937**	13.4
Add: charity payments		**8,375**		7,143	**1,232**	17.2
Adjusted net loss*	**$**	**(10,666)**	$	(14,835)	**4,169**	28.1

**Adjusted net loss represents net loss before charity payments. OLG makes direct-to-charity contributions to the charity associations at each of the participating 14 bingo halls sharing in their respective location's Linked Bingo and/or eBingo proceeds to help support hundreds of local charity and non-profit groups. Adjusted net loss is not a defined term under IFRS; however it is useful to Management in assessing the performance of the Bingo division and its ability to generate cash flows. Accordingly, this measure should not be considered a substitute or alternative for net loss as determined in accordance with IFRS.*

B1. Bingo revenue

OLG conducts and manages the operations of six electronic bingo sites across Ontario. These sites offer bingo games on handheld or tabletop devices in addition to the classic paper–based play. The enhanced Play on Demand ("POD") games were introduced at four of six locations in fiscal 2012. OLG also offers BIG LINK BINGO, an electronic bingo game that links select bingo halls together for games, thereby allowing for larger Jackpot prizes.

Bingo revenue for fiscal 2012 was $80.4 million, an increase of $3.9 million or 5.2 per cent over the previous fiscal year. This increase was primarily due to a full year of operations at the Paradise Bingo Centre in Windsor. Also contributing to this increase were continued strong POD sales at all sites, particularly the Windsor sites.

B2. Bingo adjusted net loss

Bingo adjusted net loss in fiscal 2012 was $10.7 million, an improvement of $4.2 million or 28.1 per cent as compared to fiscal 2011. The decrease was primarily the result of a non–cash impairment loss (which is included in Other expenses) recognized in fiscal 2011 resulting from the carrying value of bingo division property, plant and equipment exceeding their recoverable amount.

In accordance with revenue sharing agreements, OLG makes payments to charitable associations that rely on funding from bingo gaming, and these payments are included in Expenses. In fiscal 2012, these payments totalled $8.4 million, representing an increase of $1.2 million or 17.2 per cent over fiscal 2011.

B3. Bingo financial key performance indicators

Following are the Bingo financial KPIs for fiscal 2012 compared to fiscal 2011:

For the fiscal year	**2012**	2011
Adjusted EBIDA margin*	**(73.1%)**	(85.3%)
Marketing as a percentage of adjusted gaming revenue**	**5.7%**	12.0%
Payroll as a percentage of adjusted total revenue***	**7.7%**	8.8%

**The adjusted EBIDA margin represents earnings before finance costs, amortization and other charges as a percentage of adjusted total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. EBIDA margin is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

***Marketing expenses include promotions, advertising, corporate marketing and marketing-related payroll costs. These expenses are divided by adjusted gaming revenue. Adjusted gaming revenue includes revenue from bingo games net of prizes, but excludes all non-gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

The negative adjusted EBIDA margin for Bingo in fiscal 2012 improved compared to the previous fiscal year due to the full year operation of the Paradise Bingo Centre in Windsor in fiscal 2012. The decrease in marketing as a percentage of adjusted gaming revenue in fiscal 2012 compared to fiscal 2011 was attributed primarily to increased Bingo revenue. Payroll as a percentage of adjusted total revenue declined in the current fiscal year from the previous fiscal year as revenue increased more significantly than payroll costs.

B4. Bingo trends and risks

The Bingo Revitalization Program was introduced in 2005 to assist in stemming the decline of charitable gaming through the introduction of electronic Bingo ("eBingo"). The eBingo initiative has been successful in slowing the decline in Bingo revenue. eBingo sales have been declining and the number of customers playing bingo games continues to decline at a faster rate. As a result of a shrinking player base and declining revenue, OLG has launched the Bingo Revitalization Program and subsequently the OLG Board of Directors approved the Charitable Gaming Revitalization Program in May 2010.

On March 12, 2012, Finance Minister Dwight Duncan accepted a report from OLG entitled, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government*. In accordance with the recommendations contained in that report (see page 9), OLG will continue its program to revitalize the Charitable Gaming sector through the introduction of new electronic gaming at bingo halls.

The program will transform OLG's Bingo business by expanding eBingo, replacing BIG LINK BINGO with Rapid Draw Bingo and adding Break Open Ticket dispensers and Electronic Shutterboard products into participating sites. These products are designed to enhance the financial health and sustainability of the industry by attracting new players, enhancing current players' experiences and modernizing the overall ambience of the operations. The introduction of enhanced POD Games at four of six eBingo sites has increased overall sales significantly as the industry has been very responsive to these new products. OLG has received commitments from a sufficient number of sites to make the Charitable Gaming operating model sustainable. OLG continues to provide ancillary games to support the sites that choose not to participate in the full complement of eBingo and POD Games. OLG will continue to work with the industry to ensure that new products are introduced to satisfy stakeholders' demands in a timely manner.

C. RESORT CASINOS

Summary data from statement of comprehensive income

(in thousands of dollars)

For the fiscal year	**2012**	2011	**$ Variance**	% Variance
Revenue	**$ 1,303,912**	$ 1,302,988	**924**	0.1
Expenses	**1,400,895**	1,431,919	**31,024**	2.2
Loss before the undernoted	**$ (96,983)**	$ (128,931)	**31,948**	24.8
Other income (expenses)	**18,579**	(478,487)	**497,066**	103.9
Net loss	**(78,404)**	(607,418)	**529,014**	87.1
Add: win contribution	**242,942**	259,110	**(16,168)**	(6.2)
Adjusted net income (loss)*	**$ 164,538**	$ (348,308)	**512,846**	147.2

**Adjusted net income (loss) represents net loss adjusted for the addition back of win contribution. The Corporation remits a win contribution to the Province on Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999. The fiscal 2011 win contribution was calculated based on the percentage applied to the previously reported gaming revenue in accordance with Canadian GAAP. Adjusted net income (loss) is not a defined term under IFRS; however it is useful to Management in assessing the performance of the Resort Casinos business division and its ability to generate cash flows. Accordingly, this measure should not be considered a substitute or alternative for net loss as determined in accordance with IFRS.*

C1. Resort Casinos revenue

OLG is responsible for the conduct and management of four Resort Casinos – Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort. These sites are operated by private casino operating companies pursuant to the terms of their respective operating agreements.

Caesars Windsor is located in the City of Windsor, Ontario, and its day-to-day operations are carried out by Windsor Casino Limited, which is owned equally by Caesars Entertainment Windsor Limited and Hilton Hotels Corporation, in each case through wholly owned subsidiaries.

Casino Rama is located on the Chippewas of Mnjikaning First Nation (Rama First Nation), near Orillia, Ontario, and its day-to-day operations are carried out by CHC Casinos Canada Limited, an indirectly wholly owned subsidiary of CRC Holdings, Inc., an indirect wholly owned subsidiary of Penn National Gaming, Inc.

The Niagara Casinos – Casino Niagara and Niagara Fallsview Casino Resort – are located in the City of Niagara Falls, Ontario, and their day-to-day operation are carried out by Falls Management Group, L.P., the general partner of which is Falls Management Company (owned by Niagara Casinos Group, L.P., Highland Gaming, Inc., Shiplake Gaming Corporation, Olympic V, Inc. and 3048505 Nova Scotia Company) and the sole limited partner of which is Falls Entertainment Corporation.

Total Resort Casino revenue for fiscal 2012 was $1.30 billion, a slight increase of $0.9 million or 0.1 per cent from fiscal 2011. The increase in Niagara Fallsview Resort Casino revenue was offset by the decline in revenue at both Caesars Windsor and Casino Rama.

Ongoing cross-border competition resulted in declining numbers of U.S. visitors to Ontario and increasing numbers of Ontario visitors to the U.S. which continue to negatively impact Caesars Windsor's revenue. The reduced number of U.S. visitors was also attributable to the implementation of passport requirements and a strong Canadian dollar with an average exchange rate of 0.993 in fiscal 2012 compared to an average exchange rate of 1.0168 in fiscal 2011.

The revenue decline at Casino Rama was primarily due to lower slot revenue resulting from decreased volume, however partially offset by higher table games revenue from increased hold.

Despite the challenges facing border sites, Niagara Fallsview Casino Resort experienced increased table and slot revenue.

C2. Resort Casinos adjusted net income

In fiscal 2012, the Resort Casinos experienced an adjusted net income of $164.5 million, an increase of $512.8 million from fiscal 2011 mainly due to the non-cash impairment loss recognized in fiscal 2011 of $493.0 million under IFRS with respect to the Caesars Windsor CGU. Lower operating costs, resulting from reduced personnel costs from efficient staffing management and layoffs at Caesars Windsor and Casino Rama, also attributed to this increase.

At March 31, 2011, Management identified the presence of such indications of impairment as continued poor financial performance of Caesars Windsor and the ongoing cross-border issues discussed above. Accordingly, Management performed impairment analysis on the Caesars Windsor CGU which, under IFRS, requires the underlying cash flows to be discounted to determine the recoverable amount, not previously required in Step 1 of the impairment test under Canadian GAAP. As a result of discounting the underlying cash flows as required by IFRS, the Corporation determined the recoverable amount of the Caesars Windsor CGU to be less than their respective carrying value at March 31, 2011 and recorded a non-cash impairment loss of $493.0 million included in Other expenses. At March 31, 2012, Management did not identify any additional impairment loss.

Pursuant to the terms of the operating agreements for the Resort Casinos, each operator was 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 respective operating agreements. The operator fee (which is included in Expenses) in fiscal 2012 increased by $1.7 million from fiscal 2011 largely reflective of improved net operating margins resulting from decreased expenses, primarily personnel cost reductions at Caesars Windsor and Casino Rama from staffing efficiencies.

C3. Resort Casinos financial key performance indicators

Following are the Resort Casinos financial KPIs for fiscal 2012 compared to fiscal 2011:

For the fiscal year	**2012**	2011
Adjusted EBIDA margin*	**21.1%**	22.8%
Marketing as a percentage of adjusted gaming revenue**	**12.4%**	12.5%
Payroll as a percentage of adjusted total revenue***	**36.7%**	37.5%
Total patrons (in millions)	**15.1**	15.6
Win per patron	**$ 80**	$ 78
Rated U.S. play****		
Caesars Windsor	**41.0%**	44.0%

**The adjusted EBIDA margin represents earnings before finance costs, win contribution, amortization and other charges as a percentage of adjusted total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBIDA by adding back win contribution to ensure comparability of profitability margins across divisions and with other gaming organizations. EBIDA margin is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

***Marketing expenses include promotions, advertising, corporate marketing and marketing-related payroll costs. These expenses are divided by adjusted gaming revenue. Adjusted gaming revenue includes revenue from slot and table gaming operations but excludes all non-gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

Both marketing and payroll indicators represent key cost drivers of the Corporation that Management uses to evaluate the results of the business division.

*****Rated U.S. play represents theoretical win contributed by U.S. carded patrons as a percentage of theoretical win contributed by all carded patrons. Theoretical win is based on probability theory, the intended win according to table games rule of play and slots payout schedule. One benefit of using theoretical win is that it eliminates the impact of hold volatility.*

The adjusted EBIDA margin for Resort Casinos was lower in fiscal 2012 than in the previous fiscal year primarily driven by the commencement of the GRSFA. Marketing as a percentage of adjusted gaming revenue marginally decreased in fiscal 2012. Payroll costs were contained by managing business volumes with fewer employees while maintaining revenue, the effect of which resulted in a lower payroll cost as a percentage of adjusted total revenue.

The total number of patrons decreased to 15.1 million patrons in fiscal 2012 from 15.6 million patrons in fiscal 2011. The win per patron increased to $80 from $78 as patrons were spending more per visit at the Resort Casinos.

The ongoing cross-border issues continue to negatively affect the rated U.S. play at Caesars Windsor, which was measured at 41.0% in fiscal 2012, down from 44.0% in fiscal 2011. Rated U.S. play is not a significant driver of results at the Niagara Casinos and Casino Rama.

C4. Resort Casinos trends and risks

In accordance with the recommendations contained in OLG's report entitled, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government* (see page 9), OLG will continue to leverage regulated private sector involvement in the operations of the Resort Casinos.

Gaming revenue is flattening due to ongoing cross-border competition. When Ontario's casinos first opened, border communities had few gaming options. Now a number of U.S. cities such as Chicago, Detroit, Baltimore, Boston and Buffalo as well as a number of cities in Ohio have casinos or are planning to expand their offerings. Caesars Windsor is most likely to be affected as four Ohio-based casinos as well as slots at seven racetracks are planned to open in fiscal 2013, which will impact the number of U.S. and Canadian visitors to the site.

Similar to a number of OLG Slots and Casinos, three of OLG's Resort Casinos are located near the U.S. border, leaving them sensitive to variances in both inbound and outbound cross-border traffic. For the past several years, a strengthening Canadian dollar, improved and expanded cross-border competition, the implementation of passport requirements and slow economic recovery of U.S. border states have led to declining numbers of U.S. visitors to Ontario and increasing numbers of Ontario visitors to the U.S. In 2002, some 23 million U.S. residents entered Ontario every year. By 2011, the number declined to 7 million U.S. residents – a drop of 70 per cent. OLG addressed this risk by closing three Slots at Racetracks locations situated on the border (OLG Slots at Fort Erie Race Track, OLG Slots at Windsor Raceway and OLG Slots at Hiawatha Horse Park) in April 2012. This is in addition to cost containment, ongoing service and product enhancements, as well as a continued focus on customer service excellence, the cornerstone for maintaining market share in an increasingly competitive market. Despite these mitigation plans, the risk of revenue degradation remains a systemic threat to border markets.

Resort Casinos' table games hold, which is not totally controlled by the operators, was higher in fiscal 2012. Should the table games hold return to historical averages, there will be negative impact on table games revenue assuming the same table games business volume.

Responsible Gambling continues to be a top priority at the Resort Casinos. The establishment of Responsible Gaming Resource Centres, operated by the Responsible Gambling Council, provides responsible gambling information and referral services to local treatment agencies. Future plans include extensions to the comprehensive program elements by introducing initiatives such as incorporating new technology to allow players to set limits on slot machines, requiring operators to adhere to rigorous external standards/controls (e.g. AGCO regulations, "RG Check" from the Responsible Gambling Council) and promoting a new world-leading suite of online responsible gaming tools to help people manage their gambling.

D. OLG SLOTS AND CASINOS

Summary data from statement of comprehensive income

(in thousands of dollars)

For the fiscal year	**2012**	2011	**$ Variance**	% Variance
Revenue	**$ 2,125,888**	$ 2,067,664	**58,224**	2.8
Expenses	**1,240,164**	1,155,227	**(84,937)**	(7.4)
Income before the undernoted	**$ 885,724**	$ 912,437	**(26,713)**	(2.9)
Other (expenses) income	**(42,397)**	13,695	**(56,092)**	(409.6)
Net income	**843,327**	926,132	**(82,805)**	(8.9)
Add: win contribution	**14,965**	14,959	**6**	–
Adjusted net income*	**$ 858,292**	$ 941,091	**(82,799)**	(8.8)

**Adjusted net income represents net income adjusted for the addition back of win contribution. The Corporation remits a win contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the Ontario Lottery and Gaming Corporation Act, 1999. The fiscal 2011 win contribution was calculated based on the percentage applied to the previously reported gaming revenue in accordance with Canadian GAAP. Adjusted net income is not a defined term under IFRS; however, it is useful to Management in assessing the performance of the OLG Slots and Casinos business division and its ability to generate cash flows. Accordingly, this measure should not be considered a substitute or alternative for net income as determined in accordance with IFRS.*

D1. OLG Slots and Casinos revenue

Gaming revenue from OLG Slots and Casinos for fiscal 2012 was $2.11 billion, an increase of $57.2 million from fiscal 2011. The increase in gaming revenue was largely attributable to the OLG Slots at Woodbine Racetrack expansion, greater visitation at OLG Slots at Ajax Downs and strong performance from OLG Casino Brantford following the completion of the re-image project. This was partially offset by the ongoing challenges that the segment faces specifically at its border sites due to U.S. competition, border regulations and a strong Canadian dollar.

In fiscal 2012, commissions for communities hosting OLG Slots and Casinos totalled $77.4 million, an increase of $1.6 million as compared to the prior fiscal year. This increase was attributed to the positive year-over-year revenue results, partially offset by an increase in the number of slot machines which decreased the overall percentage paid to the municipalities as a result of the mechanics of the revenue sharing agreement. Racetrack site holders and the horse racing industry commissions were $347.3 million, included in Expenses, an increase of $9.4 million as compared to the prior fiscal year due to higher gaming revenue.

OLG's recent announcement to modernize lottery and gaming in Ontario will alter the existing commission structures for host municipalities, racetrack site holders and the horse racing industry. Under OLG's Modernization Plan, existing agreements with site holders and the horse racing industry will end and new commission structures for host municipalities will be negotiated. Current commission payments to site holders and the industry will cease at the end of fiscal 2013.

D2. OLG Slots and Casinos adjusted net income

Adjusted net income from OLG Slots and Casinos in fiscal 2012 was $858.3 million, a decrease of $82.8 million or 8.8 per cent from the previous fiscal year due mainly to the commencement of the GRSFA and expenditures relating to OLG's Modernization Plan, which were allocated to the Slots and Casinos division (primarily costs associated with site closures) and recorded in Other expenses. The incremental year-over-year gaming revenue increase discussed above partially offset these expenditures. Additionally, increased payments to the Government of Canada, included in Expenses, resulted from a full year of HST in fiscal 2012.

D3. OLG Slots and Casinos financial key performance indicators

Following are the OLG Slots and Casinos financial KPIs for fiscal 2012 compared to fiscal 2011:

For the fiscal year	**2012**	2011
Adjusted EBIDA margin*	**46.8%**	49.4%
Marketing as a percentage of adjusted gaming revenue**	**4.7%**	4.6%
Payroll as a percentage of adjusted total revenue***	**15.9%**	16.1%
Total patrons (in millions)	**24.3**	23.9
Win per patron	**$ 87**	$ 86

**The adjusted EBIDA margin represents earnings before finance costs, win contribution, amortization and other charges as a percentage of adjusted total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBIDA by adding back win contribution to ensure comparability of profitability margins across divisions and with other gaming organizations. EBIDA margin is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*
***Marketing expenses include promotions, advertising, corporate marketing and marketing related-payroll costs. These expenses are divided by adjusted gaming revenue. Adjusted gaming revenue includes revenue from slot and table gaming operations but excludes all non-gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*
****Payroll as a percentage of adjusted total revenue is derived by dividing payroll and benefit expenses by adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with IFRS. Please refer to Section 3 – Disclosures for non-IFRS measures.*

Both marketing and payroll indicators represent key cost drivers of the Corporation.

The adjusted EBIDA margin for OLG Slots and Casinos was lower in fiscal 2012 than in fiscal 2011 primarily driven by the commencement of the GRSFA in the current fiscal year. Marketing as a percentage of adjusted gaming revenue marginally increased compared to fiscal 2011. Payroll as a percentage of adjusted total revenue for OLG Slots and Casinos decreased in comparison to the previous fiscal year due to revenue increasing at a greater rate than employee costs.

The total number of patrons increased slightly to 24.3 million in fiscal 2012 from 23.9 million patrons in fiscal 2011. The win per patron also increased slightly to $87 as patrons were spending more per visit.

D4. OLG Slots and Casinos trends and risks

In accordance with the recommendations contained in OLG's report, *Modernizing Lottery and Gaming in Ontario: Strategic Business Review / Advice to Government* (see page 9), OLG will become more customer–focused in the delivery of Lottery and Gaming; expand the role of the regulated private sector in the delivery of Lottery and Gaming; and renew its role in the oversight of Lottery and Gaming.

On March 14, 2012 the Corporation announced the closure of three Slots at Racetrack facilities (OLG Slots at Windsor Raceway, OLG Slots at Hiawatha Horse Park and OLG Slots at Fort Erie Race Track) effective April 30, 2012. These closures followed an announcement by the Province of Ontario that funding for the Slots at Racetracks program would end in March 2013. As part of its Modernization Plan, OLG will consider relocating facilities closer to customers where there is an opportunity to better serve those customers. Modernization will help OLG broaden its customer base and make its offering more appealing and more convenient while maintaining a gold standard approach to responsible gambling.

The OLG Slots and Casinos division has continued to focus on product innovation to broaden product appeal and engage more customers in a responsible manner. The division's slot strategy strives for an optimal mix of games on the floor at each site. This includes the denominations available, type of product (spinning reels versus video slots), leased games, electronic table games, slot hold and pricing strategy.

OLG is in the process of replacing its Gaming Management System ("GMS"), which tracks activities on all slot machines at OLG's Slots and Casinos. The GMS is a computerized system that monitors and links slot machines across the gaming floors and across gaming properties. The GMS is a key enabling technology for the operation of the Casino business. The new GMS system also will enable OLG to transition into an enhanced Conduct and Manage role under its Modernization Plan.

As part of OLG's ongoing commitment to responsible gambling, Responsible Gaming Resource Centres were established and opened at all OLG Slots and Casinos locations. These onsite centres, operated by the Responsible Gambling Council, provide responsible gambling information and referral services to local treatment agencies. In the coming years, OLG plans to extend comprehensive program elements by:

- Incorporating new technology that will allow players to set time/money limits on slot machines and on OLG's future Internet gaming product
- Requiring all operators to adhere to rigorous external standards/controls (e.g. AGCO regulations, "RG Check" from the Responsible Gambling Council)
- Promoting a new world-leading suite of online responsible gaming tools to help people manage their gambling
- Providing provincially funded gambling counselling in every community with a gaming site
- Reinforcing responsible gambling training with staff on how to respond to problem gambling red-flag behaviours
- Integrating OLG's efforts with those of independent services (e.g. Responsible Gaming Centres at all gaming sites and off-site Self-Exclusion with counsellors at 20 locations across Ontario)
- Continuing the use of facial recognition technology to support the self-exclusion program.

The Slot Refresh initiative has continued to contribute to revenue growth at OLG gaming facilities. The expansion of OLG Slots at Ajax Downs in 2010 continues to deliver positive growth by way of site visitation that has exceeded expectations. OLG Slots at Woodbine Racetrack has added 468 slot machines to its gaming floor since 2011. OLG is currently completing the refresh of OLG's Slots at Woodbine Racetrack's gaming floor to accommodate a total of 3,000 slots when completed. OLG Casino Brantford has experienced strong results since the completion of its renovation project in the first quarter of this past fiscal year.

2. FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $359.9 million as at March 31, 2012, an increase of $45.3 million from $314.6 million as at March 31, 2011. The majority of the Corporation's cash and cash equivalents were denominated in Canadian dollars at March 31, 2012.

The increase in cash and cash equivalents was primarily due to lower net cash flows used in financing activities partially offset by lower net cash provided by operating activities as set out the following chart:

For the fiscal year
(in millions of dollars)

Net cash flows provided by (used in):		**2012**		2011
Operating activities	**$**	**1,882.8**	$	2,023.7
Financing activities		**(1,691.3)**		(1,904.5)
Investing activities		**(146.2)**		(129.3)
Net increase (decrease) in cash and cash equivalents	**$**	**45.3**	$	(10.1)

Cash provided by operating activities:

Cash flows provided by operating activities for fiscal 2012 totalled $1.88 billion, $140.9 million lower than in the previous fiscal year. The decrease in operating cash flows was primarily a result of the expenditure related to the GRSFA commencing in fiscal 2012.

Cash used in financing activities:
During fiscal 2012, cash flows used in financing activities decreased by $213.2 million to $1.69 billion compared with the previous fiscal year. Included in financing activities are direct payments to the Province of Ontario, which totalled $1.67 billion in fiscal 2012, $127.7 million lower than in the previous fiscal year. These payments represent OLG's net cash flow adjusted for working capital requirements and capital expenditures. Also included in financing activities is the receipt or repayment of funds to the Ontario Financing Authority related to the Caesars Windsor expansion and Energy Centre projects and the renovations at OLG Slots at Ajax Downs and OLG Slots at Woodbine Racetrack.

During fiscal 2012, long-term debt repayments totalled $56.2 million and comprised the following:

- Caesars Windsor loan – $45.7 million
- Ajax Downs loan – $3.9 million
- Woodbine loan – $4.9 million
- Obligations under finance lease – $1.7 million

The Caesars Windsor expansion and Energy Centre projects had an initial loan balance of $226.5 million repayable over five years at an interest rate of 3.2 per cent per annum. The balance as at March 31, 2012 was $79.6 million.

The OLG Slots at Ajax Downs expansion project had an initial loan balance of $18.5 million repayable over five years at an interest rate of 2.4 per cent per annum. The balance as at March 31, 2012 was $10.8 million.

The loan agreement for purposes of financing the renovation and expansion of the Slots at Woodbine Racetrack provided for a non-revolving construction period loan facility consisting of phase A and phase B with an interest rate during construction based on the Province of Ontario's 90-day Treasury Bill rate plus 0.38 per cent. On May 9, 2011, the principal sum of phase A, $31.3 million, was converted to a five-year term loan with an interest rate of 2.931 per cent per annum. Advances received during fiscal 2012 for phase A and phase B totalled $36.3 million. The balance of the Woodbine loan at March 31, 2012 was $41.0 million comprising the phase A term loan and the phase B construction period loan facility.

Cash used in investing activities:
Cash flows used in investing activities, which include capital expenditures, totalled $146.2 million for fiscal 2012, $16.9 million higher than in the previous fiscal year. Capital expenditures for fiscal 2012 were $150.3 million, which largely comprised of upgrades to slot machines, the expansion at OLG Slots at Woodbine Racetrack and renovations at OLG Casino Brantford.

Capital risk management:
The capital structure of the Corporation consists of cash and cash equivalents, long-term debt and equity, comprising retained earnings, contributed surplus and reserves.

The Corporation believes its financial resources, together with future income, are sufficient to meet funding requirements for current financial commitments, future operating and capital expenditures not yet committed, and to provide the necessary financial capacity to meet current and future growth expectations.

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

The Board of Directors is responsible for the oversight of Management including its policies related to financial and risk management issues. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The operating agreements require the Resort Casinos to establish reserve funds. The Corporation was not subject to any externally imposed capital requirements.

The Corporation's financial risk management and financial instruments are disclosed in Note 24 to the Consolidated Financial Statements.

3. DISCLOSURES FOR NON-IFRS MEASURES

RECONCILIATION OF NON-IFRS MEASURES

The adjusted EBIDA represents earnings before finance costs, win contribution, amortization and other charges. Adjusted EBIDA is used to determine the EBIDA margin, which is a common measure in the gaming industry and is useful to Management in assessing the performance of the Corporation's ongoing operations and its ability to generate positive cash flows. OLG adjusts EBIDA by adding back win contribution and other charges to ensure comparability of profitability margins across divisions and with other gaming organizations. Adjusted EBIDA is not a defined term under IFRS. Accordingly, this non-IFRS measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with IFRS.

Adjusted gaming revenue is used as the denominator in the calculation of marketing as a percentage of gaming revenue. Adjusted gaming revenue is not a defined term under IFRS. Accordingly, this non-IFRS measure should not be considered as a substitute or alternative for revenue.

Adjusted total revenue is used as the denominator in the calculation of the adjusted EBIDA margin and payroll as a percentage of adjusted total revenue. Adjusted total revenue is not a defined term under IFRS. Accordingly, this non-IFRS measure should not be considered as a substitute or alternative for revenue.

The following table provides a reconciliation of net income (loss) and revenue, as defined under IFRS, (see Note 28 to the Consolidated Financial Statements) to adjusted EBIDA, adjusted gaming revenue and adjusted total revenue for the fiscal years ended March 31, 2012 and March 31, 2011:

Fiscal Year 2012
(in thousands of dollars)

	Lottery	Bingo	Resort Casinos	OLG Slots and Casinos	Total
Net income (loss) as referenced in Note 28	$ 876,171	$ (19,041)	$ (78,404)	$ 843,327	$ 1,622,053
Amortization	11,744	1,181	110,825	83,359	207,109
Finance costs	1,835	42	4,667	1,237	7,781
Win contribution	–	–	242,942	14,965	257,907
Other charges	703	92	372	61,107	62,274
Adjusted EBIDA	**$ 890,453**	**$ (17,726)**	**$ 280,402**	**$ 1,003,995**	**$ 2,157,124**
Revenue	3,206,508	80,384	1,303,912	2,125,888	6,716,692
Lottery/bingo prizes	(1,744,961)	(56,151)	–	–	(1,801,112)
Non-gaming revenue	–	–	(89,583)	(15,613)	(105,196)
Adjusted Gaming Revenue	**$ 1,461,547**	**$ 24,233**	**$ 1,214,329**	**$ 2,110,275**	**$ 4,810,384**
Non-gaming revenue	–	–	89,583	15,613	105,196
Finance and other income	1,380	–	16,421	18,836	36,637
Foreign exchange gain	–	–	7,197	1,111	8,308
Adjusted Total Revenue	**$ 1,462,927**	**$ 24,233**	**$ 1,327,530**	**$ 2,145,835**	**$ 4,960,525**
Adjusted EBIDA %	**60.9%**	**(73.1%)**	**21.1%**	**46.8%**	**43.5%**

Fiscal Year 2011
(in thousands of dollars)

	Lottery	Bingo	Resort Casinos	OLG Slots and Casinos	Total
Net income (loss) as referenced in Note 28	$ 930,765	$ (21,978)	$ (607,418)	$ 926,132	$ 1,227,501
Amortization	13,755	1,777	148,906	86,682	251,120
Finance costs	2,441	–	8,674	405	11,520
Win contribution	–	–	259,110	14,959	274,069
Other charges	–	3,928	493,000	1,480	498,408
Adjusted EBIDA	**$ 946,961**	**$ (16,273)**	**$ 302,272**	**$ 1,029,658**	**$ 2,262,618**
Revenue	3,244,548	76,446	1,302,988	2,067,664	6,691,646
Lottery/bingo prizes	(1,778,487)	(57,378)	–	–	(1,835,865)
Non-gaming revenue	–	–	(89,754)	(14,637)	(104,391)
Adjusted Gaming Revenue	**$ 1,466,061**	**$ 19,068**	**$ 1,213,234**	**$ 2,053,027**	**$ 4,751,390**
Non-gaming revenue	–	–	89,754	14,637	104,391
Finance and other income	1,839	–	16,256	14,088	32,183
Foreign exchange gain	–	12	6,931	1,492	8,435
Adjusted Total Revenue	**$ 1,467,900**	**$ 19,080**	**$ 1,326,175**	**$ 2,083,244**	**$ 4,896,399**
Adjusted EBIDA %	**64.5%**	**(85.3%)**	**22.8%**	**49.4%**	**46.2%**

FEES PAID TO EXTERNAL AUDITOR

For the fiscal year ended March 31, 2012, the Corporation retained its independent auditor, KPMG LLP, to provide services in the categories and amounts shown in the table below:

(in thousands of dollars)

For the fiscal year	**2012**	2011
Audit Services	**$ 1,595.4**	$ 1,451.1
Audit-Related Services	**102.2**	636.8
Tax Services	**468.7**	234.2
Other Services	**25.0**	197.6
Total of all Services	**$ 2,191.3**	$ 2,519.7

4. ENTERPRISE RISK MANAGEMENT

OLG must manage a wide variety of risks that could significantly impact the achievement of the three key objectives of OLG's Modernization Plan: become more customer-focused; expand the regulated private sector delivery of Lottery and Gaming; and renew OLG's role to concentrate on the oversight of Lottery and Gaming.

APPROACH TO MANAGING RISK

Risk management is the responsibility of every employee in the organization and a formal Enterprise Risk Management ("ERM") function is in place at the Corporation. The ERM umbrella covers risk management, business continuity and crisis management. The ERM function is responsible for the ongoing development and execution of a corporate risk management framework that is aligned with ISO 31000 and requirements set out by the Province. Results of the risk management process are reported to the Audit and Risk Management Committee of the Board on a quarterly basis.

OLG's risk management policy is based on the international standard and framework outlined above and the following philosophy and principles:

Risk management philosophy

It is important to the success of OLG that it assumes the appropriate amount of risk in the pursuit of its business objectives. ERM provides a discipline and structure to help ensure that risk is managed in a considered and responsible manner. Risk awareness is embedded in the corporate culture, and employees must take ownership for managing risk. Incorporating risk management into OLG business practices helps ensure that employees demonstrate the corporate values of accountability, integrity and respect.

This philosophy is supported by the principles that Risk Management:

- Creates and protects value
- Is an integral part of all organizational processes
- Is part of decision-making
- Explicitly addresses uncertainty
- Is systematic, structured and timely
- Is based on the best available information
- Is tailored
- Takes human and cultural factors into account
- Is transparent and inclusive
- Is dynamic, iterative and responsive to change
- Facilitates continual improvement of the organization

Key risks

The following have been identified as key risks currently facing OLG. This risk profile is expected to change as OLG moves further into strategy execution.

Strategic:
Stakeholder relations risk – OLG engages with multiple stakeholders across a variety of business lines.

Operational:
Change readiness and business continuity risk – OLG is transforming an entire industry while needing to maintain core operations. Alternative service delivery models are being pursued to maximize efficiencies and value to the province.

Workforce:
Talent management, leadership, labour relations and internal communications risks – These are inherently higher during a time of change. The ability to retain core talent required for change initiatives and required for the continued success of core operations becomes critical. The ability to manage labour relations during times of change in both service delivery models and workforce composition is critical.

Information Technology and Infrastructure:
Availability risk – The continued availability of core systems is critical for ensuring continued service delivery.

Risk mitigation strategies

OLG has undertaken an ambitious plan to transform its business and to ensure that risks across all of these categories continue to be managed. Risk mitigation has been and continues to be a key consideration as the organization works to ensure core processes remain stable and efficient while significant change initiatives are properly staffed and resourced.

Risk mitigation strategies can be viewed through multiple lenses:

- Entity-wide programs that provide governance over significant processes
  - Transformation Program Office to govern the overall transformation process, including:
    - Communication (both internal and external)
    - Project governance
    - Risk management
    - Change management
    - Strategic procurement
    - Human Resource planning (retention, severance, recruitment and succession planning)
    - Finance (analysis, modelling and planning)
    - Business continuity management
    - Strong links with specific business units and support functions as required
  - Corporate Project Governance
  - Enterprise Risk Management
  - Change Management
  - Consultative processes with the shareholder, stakeholders and legislative bodies
  - Independent Internal Audit practice
  - Business Continuity Management
- Specific projects undertaken to ensure risks are managed
- Controls built into existing processes to ensure risks continue to be managed

5. OVERVIEW OF KEY OLG INITIATIVES

OLG is undertaking to prepare the organization for transformation: to embrace new customers, channels and technology and deliver on its three strategic imperatives:

1. Become more customer-focused
2. Expand regulated private sector delivery of Lottery and Gaming
3. Renew OLG's role in oversight of Lottery and Gaming

The following section provides an overview of some of the key transformation initiatives that are specifically directed towards the achievement of those imperatives:

1. Internet Gaming ("iGaming") Program
2. Charitable Gaming ("cGaming") Revitalization Program
3. Customer Management ("CM") Program
4. Gaming Management System ("GMS") Program
5. Expanded regulated private sector involvement in Gaming
6. Expanded regulated private sector involvement in Lottery

Together, these initiatives will help define OLG's future operating models, spanning the Lottery, Gaming, Internet and Charitable Gaming businesses.

The strategic business review delivered comprehensive stakeholder insight, industry perspective and direction on technology and global developments as well as a clear understanding of OLG's competitiveness when compared to other Canadian jurisdictions. The strategic business review has informed OLG's integrated strategy and highlighted the importance of a cross-business approach, incorporating all lines of business as part of the ongoing revitalization of OLG.

Internet Gaming ("iGaming") Program

In August 2010, OLG announced a mandate from Government to deliver an Internet gaming program. Ontarians will be able to safely play games of skill and chance online, in a regulated environment that deters minors from playing online, incorporates a gold standard in responsible gambling controls and uses best-in-class security to ensure the safety and security of customer accounts and personal information. OLG continues to pursue a rigorous, fair and open procurement process to identify and select world-class private-sector vendors and service providers for iGaming. The vendor selection and registration processes are scheduled to end in July 2012, at which point work will begin towards the anticipated launch of iGaming.

Charitable Gaming ("cGaming") Revitalization Program

The two priority objectives for cGaming are to increase revenue for charities and attract additional players. In 2011, OLG completed the installation of new software and upgraded games at the six electronic Bingo pilot sites. Similar upgrades will be made to 20 bingo halls by the end of fiscal 2013. To help ensure the continued vitality of the sector, OLG will also begin to roll out electronic Break Open Ticket dispensers in fiscal 2013.

Recognizing it would require greater resource and technology flexibility to provide these enhanced products and services, OLG began a competitive process in 2011 to identify a vendor to operate cGaming. By the end of fiscal 2012, OLG was preparing to announce that it would select Canadian Bank Note Company, Limited (CBN) to provide a full range of technology services for the cGaming Revitalization Program, including software development, testing and integration, third party vendor services, system operation, management and maintenance.

Customer Management ("CM") Program

OLG currently supports multiple methods of capturing customer information. Information is stored in many diverse and unconnected IT systems, which can result in out of date and inaccurate customer information. OLG has begun work on an innovative CM program that will assist OLG to maintain complete and accurate customer information regardless of how a customer interacts with OLG. Customer Management will use leading-edge processes and technology to assist in how OLG Lottery and Gaming are delivered to customers. CM will also improve OLG's ability to deliver responsible gambling programs, adhere to Government policy objectives and ensure a consistent and accurate customer experience across OLG's products, channels and services.

Gaming Management System ("GMS") Program

OLG is in the third year of a program to replace the GMS that tracks activities on each of the 12,000 slot machines in OLG's Slots and Casinos. The new GMS will replace an aged system which is no longer meeting the expectations of customers. The new GMS will give OLG an enhanced ability to understand and respond to customer play patterns at all sites.

Expanded regulated private sector involvement in Gaming

OLG needs to engage the regulated private sector in building a new model for gaming in Ontario while maintaining strict control and accountability. In order to provide efficient operations, avoid public expenditure on capital and address demand for land-based gaming, OLG will expand regulated private sector participation in the delivery of casino and gaming products. In fiscal 2013, OLG will begin a competitive and transparent procurement process to select regulated private operators to run existing and new gaming sites. OLG will continue to manage the provincial market and the regulated private sector will streamline operations and, subject to the approval of host municipalities, invest in the expansion of gaming sites.

Expanded regulated private sector involvement in Lottery

Based on defined criteria, customer demand and responsible gambling standards, OLG will engage the regulated private sector in the operation of the lottery terminal network. Further, there will be improved Lottery options and offerings through multi-lane sales at large retail outlets such as supermarkets and big box stores as well as other offerings for Internet and mobile devices. At the same time, OLG will allow for regulated private sector game development to foster innovation and increase responsiveness.

MARKET TRENDS

The gaming industry in North America experienced mixed results in the 2011 calendar year. While continued high levels of unemployment and declining discretionary spend on entertainment led to revenue declines in most markets, others showed modest signs of improvement.

In fiscal 2011, the Canadian lottery market increased by 11.5 per cent to more than $8 billion, fuelled by the success of LOTTO MAX. OLG lottery sales, which account for over 40 per cent of total lottery sales in Canada, is larger than the combined lottery sales of the Atlantic Lottery Corporation, British Columbia Lottery Corporation and Western Canada Lottery Corporation. In contrast, the Canadian casino-style gaming market decreased by 1 per cent to $10.3 billion primarily due to the negative performance in three of the top four Canadian jurisdictions.

The U.S. gaming industry continued to see modest improvement in calendar 2011. Las Vegas, the largest U.S. casino market, experienced gaming revenue surpass 2010 levels by five per cent yet still remains 11 per cent below pre-recession levels. Atlantic City, the second-largest U.S. casino market, has experienced gaming revenue decline steadily from a pre-recession high of $5.2 billion in 2006 to $3.3 billion in 2011. In fact, for the first time in history, Atlantic City's monthly revenue was surpassed by Pennsylvania's monthly revenue in November 2011. Across the top 12 U.S. jurisdictions that host commercial casinos with revenue of $1 billion or more, eight states realized gaming revenue increases in the most recent 12 months: Pennsylvania (which introduced over 900 table games across the state), New York (which increased subsidized free play), Michigan, Iowa, Missouri, Illinois, Louisiana and Nevada.

Gaming industry analysts have predicted overall U.S. gaming revenue will see modest but gradually accelerating growth, and may regain its 2007 level in calendar 2012, fuelled mainly by growth in regional gaming markets.

Another market trend has been the migration of land-based players to the convenience, variety and value of iGaming. Industry analysts estimate the North American iGaming market to be approximately $5 billion, including an estimated $800 million derived from Canadian residents. OLG is currently evaluating responses to a Request for Proposal for the launch of its own Internet-based gaming offering.

6. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of Consolidated Financial Statements requires the Corporation to make estimates, assumptions and judgments that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses. These estimates and assumptions are based on the Corporation's historical experience and are believed by the Corporation to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and are used to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates are used in determining, but are not limited to, the useful lives and residual value of depreciable assets, the recoverability of non-financial assets, provisions, amounts due to the Government of Canada, valuation of financial instruments, employee benefits, lease classification and contingencies. Actual results could differ from these estimates.

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

7. SUPPLEMENTARY DATA

OLG Slots and Casinos gaming revenue by location:

(in millions of dollars) *For the fiscal year*

Facility	2012	2011	$ Change	% Change
OLG Casino Brantford	**$ 112.0**	$ 104.4	**7.6**	7.3
OLG Casino Point Edward	**35.9**	34.8	**1.1**	3.2
OLG Casino Sault Ste. Marie	**28.3**	29.4	**(1.1)**	(3.7)
OLG Casino Thousand Islands	**74.8**	74.3	**0.5**	0.7
OLG Casino Thunder Bay	**50.2**	48.4	**1.8**	3.7
OLG Slots at Ajax Downs	**176.8**	164.5	**12.3**	7.5
OLG Slots at Clinton Raceway	**12.6**	11.8	**0.8**	6.8
OLG Slots at Dresden Raceway	**13.1**	12.6	**0.5**	4.0
OLG Slots at Flamboro Downs	**121.6**	117.9	**3.7**	3.1
OLG Slots at Fort Erie Race Track	**26.3**	28.1	**(1.8)**	(6.4)
OLG Slots at Georgian Downs	**125.6**	123.9	**1.7**	1.4
OLG Slots at Grand River Raceway	**43.5**	42.2	**1.3**	3.1
OLG Slots at Hanover Raceway	**21.9**	21.5	**0.4**	1.9
OLG Slots at Hiawatha Horse Park	**29.1**	28.4	**0.7**	2.5
OLG Slots at Kawartha Downs	**64.7**	64.1	**0.6**	0.9
OLG Slots at Mohawk Raceway	**150.2**	150.0	**0.2**	0.1
OLG Slots at Rideau Carleton Raceway	**139.6**	138.4	**1.2**	0.9
OLG Slots at Sudbury Downs	**49.4**	47.7	**1.7**	3.6
OLG Slots at Western Fair District	**102.2**	98.9	**3.3**	3.3
OLG Slots at Windsor Raceway	**39.1**	39.9	**(0.8)**	(2.0)
OLG Slots at Woodbine Racetrack	**593.3**	575.1	**18.2**	3.2
OLG Slots at Woodstock Raceway	**25.3**	23.8	**1.5**	6.3
OLG Slot Operations at Great Blue Heron Charity Casino*	**74.8**	72.9	**1.9**	2.6
Total OLG Slots and Casinos (including Great Blue Heron Slot Machine Facility)	**$ 2,110.3**	$ 2,053.0	**57.3**	2.8

**The Great Blue Heron Charity Casino is owned by the Mississaugas of Scugog Island First Nation and is operated by Great Blue Heron Gaming Company, which is wholly owned by CAI Ontario Inc. and others. OLG owns and maintains authority over the slot machine facility, which is located within the casino.*

OLG Resort Casinos gaming revenue by location:

(in thousands of dollars) *For the fiscal year*

Facility	2012	2011	$ Variance	% Variance
Caesars Windsor	**$ 227,520**	$ 238,023	**(10,503)**	(4.4)
Casino Rama	**405,257**	407,514	**(2,257)**	(0.6)
Niagara Casinos	**581,552**	567,697	**13,855**	2.4
Total Resort Casinos	**$ 1,214,329**	$ 1,213,234	**1,095**	0.1

KEY ECONOMIC IMPACTS

OLG Resort Casinos

Economic Impact of Operations as of and for the year ended March 31, 2012

Facility	Opening Date	Number of Employees	Annual Payroll *(in thousands of dollars)*	Number of Patrons	Number of Slots	Gaming Tables
Caesars Windsor	May 17, 1994	2,927	$ 154,464	3,671,094	2,323	81
Casino Rama	July 31, 1996	2,804	126,759	3,165,457	2,516	121
Niagara Casinos	December 9, 1996	4,200	205,991	8,285,884	4,619	173
Total Resort Casinos		**9,931**	**$ 487,214**	**15,122,435**	**9,458**	**375**

OLG Casinos

Economic Impact of Operations as of and for the year ended March 31, 2012

Facility	Opening Date	Number of Employees	Annual Payroll	Revenue to Municipality*	Number of Patrons**	Number of Slots	Gaming Tables
			(in thousands of dollars)				
OLG Casino Brantford	Nov 17, 1999	905	$ 40,373	$ 3,444	1,343,543	539	55
OLG Slot Operations at Great Blue Heron Charity Casino	May 3, 2000	***	***	****	1,330,003	533	*****
OLG Casino Point Edward	Apr 18, 2000	418	20,194	1,579	491,706	450	27
OLG Casino Sault Ste. Marie	May 19, 1999	301	14,997	1,395	622,770	432	13
OLG Casino Thousand Islands	Jun 20, 2002	420	18,562	3,320	830,525	492	22
OLG Casino Thunder Bay	Aug 28, 2000	360	17,215	2,482	964,582	450	14
Totals		**2,404**	**$ 111,341**	**$ 12,220**	**5,583,129**	**2,896**	**131**

The Great Blue Heron Charity Casino is owned by the Mississaugas of Scugog Island First Nation and is operated by Great Blue Heron Gaming Company, which is wholly owned by CAI Ontario Inc., and others. OLG owns and maintains authority over the slot machine facility, which is located within the casino.

The Ontario Government receives 20 per cent of gaming revenue and 100 per cent of net profits from the OLG slot operations at Great Blue Heron Charity Casino.

**5 per cent of revenue from slot machines up to 450 machines and 2 per cent of revenue from slots over 450.*
***Great Blue Heron patron figures are based on entire facility.*
****249 employees of Great Blue Heron Gaming Company work in the slot operations. Annual payroll is $13.2 million.*
*****As the host community of the slot machines at Great Blue Heron Charity Casino, the Mississaugas of Scugog Island First Nation receive 5 per cent of the revenues of the OLG slot machine operations, totalling $3.9 million in fiscal 2012.*
******While Great Blue Heron Charity Casino offers table games, OLG management and reporting is limited to the slot operations.*

OLG Slots

Economic Impact of Operations as of and for the year ended March 31, 2012

Facility	Opening Date	Number of Employees	Number of Slots	Number of Patrons	Annual Payroll	Revenue to Tracks*	Revenue to Horse People*	Revenue to Municipality*
					(in thousands of dollars)			
Ajax Downs	Feb 28, 2006	351	800	1,766,888	$ 15,049	$ 18,037	$ 8,000	$ 6,704
Clinton Raceway	Aug 24, 2000	92	123	180,217	4,379	1,296	1,296	655
Dresden Raceway	Apr 18, 2001	89	116	177,463	4,420	1,350	1,350	684
Flamboro Downs	Oct 11, 2000	225	800	1,229,747	10,949	12,422	12,422	4,613
Fort Erie Race Track	Sep 9, 1999	212	407	785,057	11,415	5,631	2,734	1,386
Georgian Downs	Nov 27, 2001	324	1,003	1,309,387	14,521	12,822	12,822	4,325
Grand River Raceway	Dec 4, 2003	168	238	627,217	7,234	4,470	4,470	2,256
Hanover Raceway	Feb 19, 2001	98	131	303,727	4,865	2,251	2,251	1,137
Hiawatha Horse Park	May 8, 1999	140	452	575,874	7,251	2,995	2,995	1,509
Kawartha Downs	Nov 22, 1999	173	450	786,202	8,819	6,627	6,627	3,341
Mohawk Racetrack	Aug 10, 1999	237	875	1,162,326	11,761	15,335	15,335	5,499
Rideau Carleton Raceway	Feb 16, 2000	275	1,250	1,786,980	13,868	14,285	14,285	4,420
Sudbury Downs	Nov 26, 1999	153	390	582,122	7,967	5,071	5,071	2,559
Western Fair District	Sep 28, 1999	335	743	1,232,785	14,425	10,474	10,474	4,103
Windsor Raceway	Dec 16, 1998	204	750	670,703	10,562	4,012	4,012	1,540
Woodbine Racetrack	Mar 27, 2000	801	2,704	5,159,318	35,836	60,452	60,452	15,222
Woodstock Raceway	Jun 20, 2001	89	185	338,565	4,698	2,600	2,600	1,313
Totals		**3,966**	**11,417**	**18,674,578**	**$188,019**	**$180,130**	**$ 167,196**	**$ 61,266**

**Racetrack site holders and the horse racing industry are each entitled to receive a predetermined percentage of revenue from slots, or other amounts as agreed to, as outlined in the siteholder agreement with the corresponding racetrack operator; municipalities receive 5 per cent of revenue from slots up to 450 machines and 2 per cent of revenue from slot machines over 450.*

MANAGEMENT'S RESPONSIBILITY FOR ANNUAL REPORTING

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

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

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

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

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

Rod Phillips
President and Chief Executive Officer

Preet Dhindsa
Executive Vice President, Chief Administrative Officer and Chief Financial Officer

June 28, 2012

AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Ontario Lottery and Gaming Corporation, which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ontario Lottery and Gaming Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada

June 28, 2012

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

As at March 31, 2012, March 31, 2011 and April 1, 2010
(in thousands of dollars)

	Notes	March 31, 2012	March 31, 2011 (Note 30)	April 1, 2010 (Note 30)
Assets				
Current assets				
Cash and cash equivalents	6	$ 359,893	$ 314,572	$ 324,640
Trade and other receivables	7	66,671	69,034	78,239
Prepaid expenses		34,111	29,529	32,478
Inventories	8	26,677	18,354	29,695
Current portion of loans receivable	9	3,584	5,685	6,121
Cash and short-term investments held for First Nations	10	–	8,673	191,696
Total current assets		490,936	445,847	662,869
Non-current assets				
Restricted cash	11	198,072	188,388	199,103
Loans receivable	9	16,595	20,033	25,858
Property, plant and equipment	12	1,584,524	1,662,244	2,269,552
Goodwill		1,776	1,776	1,776
Total non-current assets		1,800,967	1,872,441	2,496,289
Total assets		**$ 2,291,903**	**$ 2,318,288**	**$ 3,159,158**
Liabilities and Equity				
Current liabilities				
Trade and other payables	13	$ 300,980	$ 295,985	$ 304,057
Provisions	14	54,769	8,040	8,115
Due to operators	18	38,110	32,219	37,544
Due to Rama First Nation	19	1,593	1,422	1,577
Due to the Government of Canada	21	15,117	16,054	7,421
Deferred revenues		12,423	25,831	15,807
Due to First Nations	10	–	8,673	191,696
Current portion of long-term debt	23	58,449	55,885	49,313
Total current liabilities		481,441	444,109	615,530
Non-current liabilities				
Long-term debt	23	117,293	139,705	186,077
Employee benefits	25	21,567	21,252	18,694
Total non-current liabilities		138,860	160,957	204,771
Total liabilities		**620,301**	**605,066**	**820,301**
Equity				
Retained earnings		1,483,174	1,521,872	2,146,887
Contributed surplus		62,345	62,345	62,345
Reserves	11	126,083	129,005	129,625
Total equity		1,671,602	1,713,222	2,338,857
Total liabilities and equity		**$ 2,291,903**	**$ 2,318,288**	**$ 3,159,158**

Approved on behalf of the Board

Paul Godfrey
Chair

Thomas O'Brien
Director

Related party transactions (Note 17)
Commitments (Note 26)
Contingencies (Note 27)
Subsequent events (Note 26 and 29)

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

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2012 and 2011
(in thousands of dollars)

	Notes	March 31, 2012	March 31, 2011 (Note 30)
Revenues			
Lottery and bingo	28	$ 3,286,892	$ 3,320,994
Resort casinos	28	1,303,912	1,302,988
OLG slots and casinos	28	2,125,888	2,067,664
		6,716,692	**6,691,646**
Expenses			
Lottery and bingo	28	2,428,469	2,407,689
Resort casinos	28	1,400,895	1,431,919
OLG slots and casinos	28	1,240,164	1,155,227
		5,069,528	**4,994,835**
Income before the undernoted		**1,647,164**	**1,696,811**
Other income		32,848	29,160
Finance income	16	3,789	3,023
Finance costs	16	(7,781)	(11,520)
Foreign exchange gain	24.e	8,307	8,435
Other charges	22	(62,274)	(498,408)
Net income and comprehensive income		**$ 1,622,053**	**$ 1,227,501**

Segmented information (Note 28)

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

Consolidated Statements of Changes in Equity

For the years ended March 31, 2012 and 2011
(in thousands of dollars)

	Retained earnings	Contributed surplus	Capital renewals reserves	Operating reserves	Severance reserves	Total
Balance at April 1, 2010	**$ 2,146,887**	**$ 62,345**	**$ 29,728**	**$ 58,466**	**$ 41,431**	**$ 2,338,857**
Net income and comprehensive income	1,227,501	–	–	–	–	1,227,501
Contributions or distributions						
Transfers from reserves	620	–	(2,761)	(222)	2,363	–
Distributions to First Nations on behalf of the Province of Ontario	(59,079)	–	–	–	–	(59,079)
Payments to the Province of Ontario	(1,794,057)	–	–	–	–	(1,794,057)
Balance at March 31, 2011	**$ 1,521,872**	**$ 62,345**	**$ 26,967**	**$ 58,244**	**$ 43,794**	**$ 1,713,222**
Net income and comprehensive income	1,622,053	–	–	–	–	1,622,053
Contributions or distributions						
Transfers from reserves	2,922	–	(4,983)	(415)	2,476	–
Other contributions	2,704	–	–	–	–	2,704
Payments to the Province of Ontario	(1,666,377)	–	–	–	–	(1,666,377)
Balance at March 31, 2012	**$ 1,483,174**	**$ 62,345**	**$ 21,984**	**$ 57,829**	**$ 46,270**	**$ 1,671,602**

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2012 and 2011
(in thousands of dollars)

	March 31, 2012	March 31, 2011
Cash flows from operating activities		
Net income and comprehensive income	$ 1,622,053	$ 1,227,501
Adjustments to reconcile profit for the period to net cash from operating activities:		
Amortization	207,109	251,120
Loss on disposal of property, plant and equipment	16,464	7,083
Net finance costs	3,992	8,497
Impairment loss on property, plant and equipment	–	498,408
Operating cash flows before change in non-cash working capital	1,849,618	1,992,609
Change in non-cash working capital items:		
Decrease in trade and other receivables	2,363	9,205
(Increase) decrease in prepaid expenses	(4,582)	2,949
(Increase) decrease in inventories	(8,323)	11,341
Increase (decrease) in trade and other payables	4,995	(8,072)
Increase (decrease) in provisions	46,729	(75)
Increase (decrease) in due to operators	5,891	(5,325)
Increase (decrease) in due to Rama First Nation	171	(155)
(Decrease) increase in due to the Government of Canada	(937)	8,633
(Decrease) increase in deferred revenues	(13,408)	10,024
Increase in employee benefits liability	315	2,558
Net cash from operating activities	**$ 1,882,832**	**$ 2,023,692**
Cash flows used in investing activities		
Interest received	3,789	3,023
Issuance of loans receivable	(323)	(477)
Proceeds received on loans receivable	5,862	6,738
Capital expenditures	(150,287)	(153,225)
Proceeds on disposal of property, plant and equipment	4,434	3,922
(Increase) decrease in restricted cash	(9,684)	10,715
Net cash used in investing activities	**$ (146,209)**	**$ (129,304)**
Cash flows used in financing activities		
Interest paid	(7,781)	(11,520)
Increase in long-term debt	36,343	9,513
Repayments of long-term debt	(56,191)	(49,313)
Payments to the Province of Ontario	(1,666,377)	(1,794,057)
Distributions to First Nations on behalf of the Province of Ontario	–	(59,079)
Other contributions	2,704	–
Net cash used in financing activities	**$ (1,691,302)**	**$ (1,904,456)**
Increase (decrease) in cash and cash equivalents	45,321	(10,068)
Cash and cash equivalents, beginning of year	314,572	324,640
Cash and cash equivalents, end of year	**$ 359,893**	**$ 314,572**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2012 and 2011
(tabular amounts in thousands of Canadian dollars)

1. REPORTING ENTITY

The 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 a Crown agency of the Ontario government and is responsible for conducting and managing lottery games, five Casinos and the Great Blue Heron Slot Machine Facility, seventeen slot operations at racetracks and four Resort Casinos (Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview)) in the Province of Ontario.

The Corporation has entered into operating agreements with Windsor Casino Limited, CHC Casinos Canada Limited, Falls Management Group, L.P. and Great Blue Heron Gaming Company for the operation of Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview) and the Great Blue Heron Slot Machine Facility, respectively.

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 500, Toronto, Ontario, M2P 2B8

These consolidated financial statements were authorized for issue by the Board of Directors of the Corporation on June 28, 2012.

2. MODERNIZING LOTTERY AND GAMING IN ONTARIO

On March 12, 2012, Finance Minister Dwight Duncan accepted a report from OLG entitled *Modernizing Lottery and Gaming in Ontario: Strategic Business Revenue / Advice to Government*. This report was the culmination of a comprehensive strategic business review that examined the efficiency of the Corporation's current operations. The final report included three recommendations for how the Corporation could achieve greater sustainability, more Net Profit to the Province and increased economic and social benefits within Ontario communities:

1. Become more customer-focused;
2. Expand regulated private sector delivery of Lottery and Gaming; and
3. Renew OLG's role in oversight of Lottery and Gaming.

The government has given the Corporation approval to move forward with all three of these recommendations. Over the next six years, the Corporation will begin implementing a series of initiatives that will support the modernization of its operations. These initiatives include:

- The launch of a new Internet Gaming business line;
- The revitalization of Charitable Gaming through the introduction of new electronic gaming at bingo halls;
- The introduction of a new, streamlined Customer Management system and business-wide Gaming Management system; and
- The leveraging of private sector expertise in the day-to-day operation of both the lottery network and gaming sites.

As part of the Modernizing Lottery and Gaming in Ontario ("Modernization Plan"), on March 14, 2012, the Corporation announced the closure of three Slots at Racetracks facilities (OLG Slots at Windsor Raceway, OLG Slots at Hiawatha Horse Park and OLG Slots at Fort Erie Race Track) effective April 30, 2012 (see Note 22). These closures followed an announcement by the Province of Ontario that the Slots at Racetracks program would end in March 2013.

The Corporation is currently developing a detailed strategy for executing its modernization initiatives.

3. BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These are the Corporation's first annual consolidated financial statements prepared in accordance with IFRS. The Corporation has applied April 1, 2010 as the date of transition to IFRS (the "Transition Date"). IFRS 1, First-time Adoption of International Financial Reporting Standards (IFRS 1), has been applied and the Corporation's accounting policies are in accordance with IFRS. These accounting policies are disclosed in Note 4 to these consolidated financial statements.

An explanation of how the transition to IFRS has affected the consolidated financial statements is included in Note 30.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities. 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 significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following notes:

- Asset useful lives and residual values (Note 4.l)
- Lease classification (Note 4.o)
- Impairment analysis for recoverability of non-financial assets (Note 12)
- Provisions (Note 14)
- Amounts due to the Government of Canada (Note 21)
- Valuation of financial instruments (Note 24)
- Employee benefits (Note 25)
- Contingencies (Note 27)

4. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently by the Corporation and its wholly owned subsidiary to the consolidated financial statements as at and for the years ended March 31, 2012 and March 31, 2011 presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS.

a. Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary which it controls. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These consolidated financial statements include the financial positions and results of operations of Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (collectively, "Resort Casinos").

The assets, liabilities and operations of the Great Blue Heron Slot Machine Facility are also included in these consolidated financial statements. The operating results are included with the results of the OLG Slots and Casinos. These consolidated financial statements do not include other operations carried out at the Great Blue Heron Charity Casino, which OLG does not own and maintains no authority.

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

The accounting policies of the consolidated group are aligned with the accounting policies of the Corporation.

b. Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the Corporation's functional currency, Canadian dollars, at the exchange rates at that date. Non-monetary assets and liabilities in foreign currencies measured in terms of historical cost are translated at historical exchange rates at the date of the transaction. Transactions in foreign currencies are translated into the Corporation's functional currency using the exchange rates at the date of the transactions. The consolidated statement of comprehensive income items are translated at the rate of exchange in effect at the transaction date. Foreign currency transaction gains and losses are recognized in the consolidated statement of comprehensive income in the period in which they arise. The Corporation does not have any foreign operations.

c. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized for the following major business activities:

Lottery and bingo games are sold to the public by contracted lottery retailers and bingo service providers. Revenue from tickets sold to consumers for lottery games, for which results are determined based on a draw, is recognized when the related draw occurs. Revenue from instant games is recognized when retailers make them available for sale to the public, as indicated by the retailer's activation of tickets. Revenue from sports wagering games and bingo gaming is recognized when the ticket, paper or electronic game is sold to the consumer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Gaming revenue from slot and table game operations is recorded in the consolidated statement of comprehensive income, net of prizes paid, in the same period the game is played. Gaming revenue is net of accruals for the anticipated payouts of progressive jackpots and liabilities under the customer loyalty incentive program.

Non-gaming revenue includes revenue from accommodations, food and beverage, entertainment centre and other services excluding the retail value of accommodations, food and beverage and other goods and services provided to patrons on a complimentary basis.

d. Customer loyalty incentive programs

The Corporation has customer loyalty incentive programs whereby patrons have the choice to receive free or discounted goods and services, and in many cases the right to receive cash. These customer loyalty incentive programs at the Resort Casinos and OLG Slots and Casinos allow customers to earn points based on the volume of play during gaming transactions. These points are recorded as a separate deliverable in the revenue transaction.

If the customer has the right to receive free or discounted goods and services and/or the option of receiving cash, a financial liability is recognized when the points are granted and a corresponding amount equal to the cash value is recorded as a reduction to revenue. The patron's point balance will be forfeited if the patron does not earn additional points over the subsequent six- to 12-month period. If the points expire or are forfeited, the financial liability is derecognized.

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

e. Lottery and bingo prizes

Prize expense for lottery and bingo games is recognized based on the predetermined prize structure for each game in the period revenue is recognized as described below:

- Prize expense for tickets sold to consumers for lottery games, for which results are determined based on a draw, is recognized when the related draw occurs based on actual prize liability.
- Prize expense for instant games is recognized when retailers make them available for sale to the public, as indicated by the retailer's activation of tickets based on prize structure.
- Prize expense for sports wagering games is recognized when the last wagered event occurs based on actual prize liability.
- Prize expense for bingo gaming is recognized when the bingo paper or electronic game is sold to the consumer based on actual prize liability.
- Prize expense for annuity-based top prizes is based on the cost of the annuity purchased by the Corporation from a third party.

Prize expense is adjusted on a monthly basis to reflect amounts actually won and/or unclaimed.

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

f. Commissions and bonuses

Lottery retailers receive a commission of eight per cent on all instant tickets and a commission of five per cent on all online tickets sold. Where a commission has been paid to retailers for ticket sales relating to future draws, the commission amount is recorded as a prepaid expense until the related revenue is recognized. Lottery retailers also receive a three per cent commission on instant ticket redemptions and a commission of two per cent on online ticket redemptions. A $1,000 bonus is paid to any retailer who sells a major prize-winning online ticket, excluding sports and daily games. Commission amounts that are paid to a retailer for selling a major prize are recorded as an expense when the ticket is redeemed.

Bingo service providers receive a commission based on either a percentage of total gaming revenue, plus or minus incentive adjustments for achieving sales, prize payout and cost of goods sold targets or a percentage of total gaming revenue less total prize payout. Municipalities that host the Corporation's bingo halls receive a commission based on either a percentage of total revenue or a percentage of total revenue less total prize payout.

Racetrack site holders and the horse racing industry are each entitled to receive a predetermined percentage of revenue from slots, or other amounts as agreed to, as outlined in the site holder agreement with the corresponding racetrack operator. Municipalities that host an OLG Casino or Slots at Racetracks facility receive five per cent of revenue from slots up to 450 slot machines and two per cent of revenue from slot machines over 450. As the host community of the slot machines at Great Blue Heron Charity Casino, the Mississaugas of Scugog Island First Nation receives five per cent of the revenue from the slot machines.

Commissions and bonuses are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

g. Cash and cash equivalents

Cash and cash equivalents include cash and liquid investments that have a term to maturity at the time of purchase of less than 90 days.

h. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less an allowance for doubtful accounts. Trade and other receivables are due for settlement no more than 30 days from the date of recognition.

Trade and other receivables represent lottery proceeds due from lottery retailers for lottery ticket sales net of commissions and prizes paid by the retailers. Also included are bingo proceeds due from bingo service providers for bingo sales net of commissions and prizes paid and amounts due from patrons of Resort Casinos.

Collectibility of trade receivables is reviewed on an ongoing basis. Accounts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, not including future credit losses, discounted at the original effective interest rate. The amount of the provision is recognized in the consolidated statement of comprehensive income.

i. Inventories

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

Inventories consist of finished goods including slot machine and table game parts, security and surveillance parts, lottery and bingo tickets and paper, food and beverage inventory and retail inventory.

j. Financial instruments

(i) Non-derivative financial assets

The Corporation has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables. The Corporation did not have available-for-sale or held-to-maturity financial assets.

The Corporation initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

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

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

The Corporation classified all cash and cash equivalents, restricted cash and cash and short-term investments held for First Nations as financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of trade and other receivables and loans receivable.

(ii) Non-derivative financial liabilities

The Corporation has the following non-derivative financial liabilities: trade and other payables, due to operators, due to Rama First Nation, due to the Government of Canada, due to First Nations and long-term debt.

The Corporation initially recognizes financial liabilities issued on the date that they originated. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

All other financial liabilities (designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. Any transaction costs that are directly attributable to these financial liabilities are expensed as incurred.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or have expired.

The Corporation has no non-derivative liabilities classified as at fair value through profit or loss.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

k. Restricted cash

Restricted cash consists of cash and liquid investments that have a term to maturity at the time of purchase of less than 90 days. Cash is restricted for the purposes of funding reserves and also includes prize funds on deposit and unused proceeds received from term loans.

I. Property, plant and equipment

(i) Recognition and measurement

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

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

Cost includes an expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and other costs directly attributable to bring the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs on qualifying assets. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other income in profit or loss.

(ii) Subsequent costs

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

(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 profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are amortized over the shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Buildings	10 to 50 years
Furniture, fixtures and equipment	2 to 10 years
Leasehold improvements	Lesser of useful life or term of lease
Lottery gaming assets	5 to 10 years
Casino and racetrack slot operations gaming assets	2 to 10 years
Energy centre assets	15 to 40 years

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

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

Borrowing costs incurred during the construction and development of qualifying property, plant and equipment are capitalized and amortized over the estimated useful life of the associated property, plant and equipment.

m. Goodwill

Acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the exchange date) of assets given and liabilities incurred or assumed. Acquisition-related costs are recognized in the consolidated statement of comprehensive income as incurred.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the "acquisition date"). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. Absent of any triggering factors during the year, the Corporation conducts its goodwill impairment test in the fourth quarter of the year. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Goodwill is measured at cost less accumulated impairment losses and has an indefinite useful life.

n. Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

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

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

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

o. Leased assets

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Corporation's statement of financial position. Operating leases payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

p. Deferred revenues

Funds collected from retailers for lottery games for which results are determined based on a draw, sold in advance of the game draw, are recorded as deferred revenue and recognized as revenue once the related draw occurs.

q. Cash and short-term investments held for First Nations

Cash and short-term investments held for First Nations include cash and liquid investments that have a term to maturity at the time of purchase of less than 90 days.

r. Trade and other payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year which are unpaid. Such liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at their amortized cost using the effective interest method. The amounts are short-term in nature.

s. Provisions

Provisions are liabilities of uncertain timing and amount. A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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

(i) Legal claims

The Corporation recognizes obligations for the settlement of current legal claims against the Corporation. The provision is measured based on the best estimate of the expenditure required to settle the matter. Each claim is individually reviewed for likelihood of settlement and expected settlement amount.

(ii) Restructuring provisions

A provision for restructuring is recognized when the Corporation has a legal or constructive obligation at the reporting date, which results from a detailed and formal restructuring plan approved by the Corporation, and the restructuring either has commenced or has been announced to those affected by it. Restructuring costs include only the direct incremental expenditures arising from the restructuring, which are those that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

(iii) Other provisions

The Corporation recognizes decommissioning obligations for the retirement of certain tangible property, plant and equipment that result from the acquisition, construction, development and/or normal use of the assets. The provision is measured based on the net present value of Management's best estimate of the expenditures that will be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the estimated useful life. The increase to the provision resulting from unwinding the discount is recognized as finance costs.

The provision is measured each period and subsequent changes in the provision are capitalized as part of the cost of the item and amortized prospectively over the remaining life of the item to which the costs relate. A gain or loss may be incurred upon settlement of the liability.

The Corporation recognizes a provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The provision is initially measured based on the net present value of Management's best estimate of the net obligations under the contract. Subsequent changes in the measurement amount are charged to the class of expense to which the contract relates.

t. Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan that requires entities to record their net obligation in respect of the plan and is not a defined contribution plan. The Corporation provides defined benefit pension plans through the

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

(iii) Other long-term employee benefits

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

(iv) Termination benefits

Termination benefits are recognized as an expense when the Corporation is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Corporation has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after 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 is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

u. Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(i) Determining whether an arrangement contains a lease

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

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

v. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. The Corporation ceases to capitalize borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete and suspends capitalization of borrowing costs during extended periods in which the Corporation suspends active development of a qualifying asset.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

w. Finance income and finance costs

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

x. Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's Executive Leadership Team ("ELT"), consisting of the President and CEO and his direct reports, to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the chief operating decision-maker, the Corporation's ELT, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

y. 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.

z. Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective as at March 31, 2012, and have not been applied in preparing these consolidated financial statements.

(i) IAS 1, Presentation of Financial Statements ("IAS 1")

In June 2011, the International Accounting Standards Board ("IASB") amended IAS 1. This amendment requires an entity to separately present the items of other comprehensive income as items that may or may not be reclassified to profit and loss. This amended standard is effective for annual periods beginning on or after July 1, 2012. The Corporation is assessing the impact of this amended standard on its consolidated financial statements.

(ii) IAS 32 and IFRS 7, Offsetting Financial Assets and Liabilities

In December 2011, the IASB published amendments to IAS 32, Financial Instruments – Presentation ("IAS 32") and issued new disclosure requirements in IFRS 7, Financial Instruments – Disclosures ("IFRS 7"). The amendments to IAS 32 provide clarification on when an entity has a legally enforceable right to offset and clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statements of financial position or subject to master netting or similar arrangements. The amendments to IAS 32 are effective for annual reporting periods beginning on or after January 1, 2014. The amendments to IFRS 7 are effective for annual reporting periods beginning on or after January 1, 2013. The Corporation is assessing the impact of this amended standard on its consolidated financial statements.

(iii) IFRS 13, Fair Value Measurement ("IFRS 13")

In May 2011, the IASB issued IFRS 13, which replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for annual reporting periods beginning on or after January 1, 2013. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

(iv) IAS 19, Employee Benefits ("IAS 19")

In June 2011, the IASB amended IAS 19. This amendment eliminated the use of the "corridor" approach and mandates all remeasurement impacts be recognized in other comprehensive income. This amendment also clarifies when an entity should recognize a liability and an expense for termination benefits. This amended standard is effective for annual reporting periods beginning on or after January 1, 2013. The Corporation is assessing the impact of this amended standard on its consolidated financial statements.

(v) IFRS 9, Financial Instruments ("IFRS 9")

In November 2009, the IASB issued IFRS 9 and in October 2010, the IASB published amendments to IFRS 9. IFRS 9, which replaces IAS 39, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. In December 2011, the IASB issued an amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

5. CAPITAL RISK MANAGEMENT

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

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

The Board of Directors is responsible for the oversight of Management including its policies related to financial and risk management issues. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The operating agreements require the Resort Casinos to establish reserve funds. The Corporation is not subject to any externally imposed capital requirements. Refer to Note 24 for further details on the Corporation's financial risk management and financial instruments.

6. CASH AND CASH EQUIVALENTS

	March 31, 2012	March 31, 2011	April 1, 2010
Cash balances	$ 359,893	$ 314,572	$ 323,240
Cash equivalents	–	–	1,400
Cash and cash equivalents	**$ 359,893**	**$ 314,572**	**$ 324,640**

As at March 31, 2012, cash and cash equivalents include bank term deposits amounting to $nil (March 31, 2011 – $nil, April 1, 2010 – $1,400,000) at an interest rate of nil per cent (March 31, 2011 – nil per cent, April 1, 2010 – 0.1 per cent).

The Corporation's exposure to interest rate risk and a sensitivity analysis with respect to foreign currency risk for financial assets and liabilities is disclosed in Note 24.

7. TRADE AND OTHER RECEIVABLES

	March 31, 2012	March 31, 2011	April 1, 2010
Trade receivables	$ 60,466	$ 63,669	$ 72,603
Less: allowance for doubtful accounts	(7,463)	(7,094)	(6,785)
Trade receivables, net	53,003	56,575	65,818
Other	13,668	12,459	12,421
Trade and other receivables	**$ 66,671**	**$ 69,034**	**$ 78,239**

The Corporation's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 24.

8. INVENTORIES

	March 31, 2012	March 31, 2011	April 1, 2010
Slot machine and table game parts	$ 4,961	$ 5,199	$ 4,833
Lottery tickets and paper	14,080	5,307	16,870
Security and surveillance parts	994	1,206	1,487
Food and beverage	3,133	3,153	3,274
Retail	384	434	631
Other	3,125	3,055	2,600
	$ 26,677	**$ 18,354**	**$ 29,695**

Inventories are valued at the lower of cost and net realizable value. Inventory costs, included in expenses, for the year ended March 31, 2012 were $96,504,000 (March 31, 2011 – $98,208,000). During the year ended March 31, 2012, the Corporation recorded inventory write-downs in expenses of $690,000 (March 31, 2011 – $218,000).

9. LOAN RECEIVABLES

	March 31, 2012	March 31, 2011	April 1, 2010
Loans receivable	$ 20,179	$ 25,718	$ 31,979
Less: current portion of loans receivable	(3,584)	(5,685)	(6,121)
Long-term portion of loans receivable	**$ 16,595**	**$ 20,033**	**$ 25,858**

The Corporation has loaned funds to certain racetrack site holders for the purposes of renovating or constructing buildings to accommodate the Corporation's slot machine facilities. Security is provided by mortgages and general security agreements covering the racetrack site holders' assets. The loans bear interest based on the Royal Bank of Canada's prime rate and are repayable over periods ranging from one to fifteen years. The amounts will be repaid under an agreed upon formula by withholding from commissions that would otherwise be payable to the racetrack site holders.

During fiscal 2012, additional funds were advanced to a site holder for development and expansion of its property in the amount of $323,000 (March 31, 2011 – $477,000) and has been included in loans receivable. The Corporation's maximum remaining commitment for future advances as at March 31, 2012 is $1,500,000 (March 31, 2011 – $3,988,000, April 1, 2010 – $4,466,000).

10. CASH AND SHORT-TERM INVESTMENTS HELD FOR FIRST NATIONS

	March 31, 2012	March 31, 2011	April 1, 2010
Segregated bank account	$ –	$ –	$ 175,441
Current distribution due to First Nations	–	8,673	16,255
	$ –	**$ 8,673**	**$ 191,696**

On June 9, 2000, the Corporation, the Ontario First Nations Limited Partnership ("OFNLP"), the Mnjikaning First Nation Limited Partnership ("MFNLP") and the Province of Ontario entered into the Casino Rama Revenue Agreement, which entitled the OFNLP to the net revenues, as defined, from the operation of Casino Rama. Under the Casino Rama Revenue Agreement, the Corporation is required to distribute the net revenues from the operation on a monthly basis.

The Casino Rama Revenue Agreement required that, commencing July 31, 2001, the Corporation retain 35 per cent of the net distributions from Casino Rama (the "35% Share") in a segregated bank account if the Corporation had not received a joint direction from OFNLP and the Chippewas of Rama First Nation, also known as the Chippewas of Mnjikaning First Nation ("Rama First Nation") with respect to a new revenue distribution formula. This matter was the subject of an action brought by Rama First Nation against the Province of Ontario (the "35% Action"). Until the 35% Action was decided by the Courts or, alternatively, Rama First Nation and OFNLP reached an agreement on a new revenue distribution formula, the Corporation was required to retain these funds in the segregated bank account.

On July 8, 2010, the Supreme Court of Canada dismissed the 35% Action brought by Rama First Nation. Since the dismissal of the 35% Action, disputes have arisen between Rama First Nation and OFNLP concerning whether Rama First Nation is entitled to a formula share of the 35% Share (the "Formula Share") on the same basis as all other First Nations in the Ontario Region (the "Formula Share Claim Dispute"). In addition, the Chiefs of Ontario ("COO") and OFNLP provided the Corporation with a copy of a resolution passed on July 21, 2010 and directed that the entire 35% Share be distributed to OFNLP. Subsequently, the Corporation applied for a court order permitting the Corporation to interplead the Formula Share into court (the "Interpleader Application") pending the resolution of the Formula Share Claim Dispute.

On September 17, 2010, the undisputed portion of the 35% Share as agreed to by OFNLP and Rama First Nation, being $178,800,000, was released on consent of all interested parties to OFNLP, with OLG retaining the disputed portion. Between October 2010 and January 2011, on consent of the interested parties, OLG similarly released additional accumulated undisputed amounts to OFNLP, while retaining additional accumulated disputed amounts. On January 31, 2011, the total accumulated disputed Formula Share amount, being $5,432,000, was distributed from this account to OFNLP in connection with an agreement reached by the interested parties and the dismissal of the Interpleader Application, pending final disposition of the Formula Share Claim Dispute. OFNLP provided OLG with a direction to be held in escrow until the Formula Share Claim Dispute is finally resolved. This direction authorizes the payment by OLG of any award to Rama First Nation made in the Formula Share Claim Dispute arbitration directly (if Rama First Nation is ultimately successful in the Formula Share Claim Dispute) from future amounts that would be otherwise payable by OLG to OFNLP under the revenue sharing agreements (i.e. Casino Rama Revenue Agreement/Gaming Revenue Sharing and Financial Agreement).

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation and OFNLP, among others, entered into a Gaming Revenue Sharing and Financial Agreement (the "GRSFA").

On January 26, 2010, the Corporation and Rama First Nation announced that they had entered into an agreement dated July 17, 2009 relating to Casino Rama for the 20-year period commencing August 1, 2011 and relating to possible future development (the "Post-2011 Contract").

The key terms of the Post-2011 Contract and GRSFA are outlined in Note 19.b and 19.e, respectively.

Pursuant to the terms of the GRSFA, OFNLP's entitlement to any share of the net revenues under the Casino Rama Revenue Agreement ceased as of April 1, 2011. Similarly, Rama First Nation's entitlement to any share of the net revenues under the Casino Rama Revenue Agreement ceased as of August 1, 2011 pursuant to the terms of the Post-2011 Contract.

11. RESTRICTED CASH AND RESERVES

Included in restricted cash are the following amounts, which are held in separate bank accounts.

	March 31, 2012	March 31, 2011	April 1, 2010
Reserves (a)			
Capital renewals	$ 21,984	$ 26,967	$ 29,728
Operating	57,829	58,244	58,466
Severance	46,270	43,794	41,431
	126,083	129,005	129,625
Less unrestricted capital renewals and operating (b)	(426)	(6,860)	(5,013)
Funded reserves balance	125,657	122,145	124,612
Prize funds on deposit (c)	39,034	37,598	49,391
Unspent term loan proceeds (d)	33,381	28,645	25,100
	$ 198,072	**$ 188,388**	**$ 199,103**

a. The Corporation has established reserves at the Resort Casinos in accordance with their respective operating agreements, or other terms as otherwise agreed to, for the following purposes:

(i) Capital renewals reserves – For property, plant and equipment additions other than normal repairs, and to satisfy specified obligations in the event that cash flows will be insufficient to meet such obligations;

(ii) Operating reserves – To satisfy specified operating obligations in the event that cash flows will be insufficient to meet such obligations; and

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

b. The Corporation and the Operator of Caesars Windsor have agreed that both the operating and capital renewals reserves at Caesars Windsor, totalling $426,000 at March 31, 2012 (March 31, 2011 – $6,860,000, April 1, 2010 – $5,013,000), although contractually set aside for the above uses, are available to fund current operations, given the continuing negative cash flows at Caesars Windsor.

c. Prize funds on deposit are funds set aside representing the estimate of gross prizes outstanding of $67,783,000 (March 31, 2011 – $67,370,000, April 1, 2010 – $79,274,000) less an estimate for prizes not expected to be claimed by consumers of $28,749,000 (March 31, 2011 – $29,772,000, April 1, 2010 – $29,883,000).

d. Term loan proceeds represent restricted cash used for construction purposes at Caesars Windsor and for the renovation and expansion at Ajax Downs and Woodbine Racetrack.

12. PROPERTY, PLANT AND EQUIPMENT

Cost

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Casino and racetrack slot operations gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2010	$ 137,824	$ 1,847,668	$ 582,468	$ 624,150	$113,733	$ 642,186	$ 48,287	$106,504	$ 4,102,820
Additions and assets put into use	–	35,502	61,367	6,760	4,236	73,939	–	(28,579)	153,225
Disposals and retirements	–	(691)	(45,752)	(3,525)	(19,887)	(91,243)	–	–	(161,098)
Balance at March 31, 2011	**$ 137,824**	**$ 1,882,479**	**$ 598,083**	**$ 627,385**	**$ 98,082**	**$ 624,882**	**$ 48,287**	**$ 77,925**	**$ 4,094,947**
Balance at April 1, 2011	$ 137,824	$ 1,882,479	$ 598,083	$ 627,385	$ 98,082	$ 624,882	$ 48,287	$ 77,925	$ 4,094,947
Additions and assets put into use	–	20,984	55,577	16,289	804	79,105	–	(22,472)	150,287
Disposals and retirements	–	(9,998)	(61,876)	(40,141)	(14,755)	(85,905)	–	(5,724)	(218,399)
Balance at March 31, 2012	**$ 137,824**	**$ 1,893,465**	**$ 591,784**	**$ 603,533**	**$ 84,131**	**$ 618,082**	**$ 48,287**	**$ 49,729**	**$4,026,835**

Accumulated amortization and accumulated impairment losses

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Casino and racetrack slot operations gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2010	$ –	$ 438,201	$ 445,870	$ 426,659	$ 87,055	$ 434,561	$ 922	$ –	$ 1,833,268
Amortization for the period	–	70,449	50,709	28,869	7,959	85,449	7,685	–	251,120
Impairment loss	41,091	414,849	33,789	10	–	8,669	–	–	498,408
Disposals and retirements	–	(228)	(38,127)	(1,499)	(20,120)	(90,119)	–	–	(150,093)
Balance at March 31, 2011	**$ 41,091**	**$ 923,271**	**$ 492,241**	**$ 454,039**	**$ 74,894**	**$ 438,560**	**$ 8,607**	**$ –**	**$ 2,432,703**
Balance at April 1, 2011	$ 41,091	$ 923,271	$ 492,241	$ 454,039	$ 74,894	$ 438,560	$ 8,607	$ –	$ 2,432,703
Amortization for the period	–	39,601	49,362	27,115	6,383	78,839	5,809	–	207,109
Impairment loss	–	–	–	–	–	–	–	–	–
Disposals and retirements	–	(5,153)	(57,969)	(35,949)	(14,772)	(83,658)	–	–	(197,501)
Balance at March 31, 2012	**$ 41,091**	**$ 957,719**	**$ 483,634**	**$ 445,205**	**$ 66,505**	**$ 433,741**	**$ 14,416**	**$ –**	**$ 2,442,311**

Carrying amounts

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Casino and racetrack slot operations gaming assets	Assets under finance lease	Construction in progress and assets not yet in use	Total
Balance at April 1, 2010	$ 137,824	$ 1,409,467	$ 136,598	$ 197,491	$ 26,678	$ 207,625	$ 47,365	$ 106,504	$ 2,269,552
Balance at March 31, 2011	$ 96,733	$ 959,208	$ 105,842	$ 173,346	$ 23,188	$ 186,322	$ 39,680	$ 77,925	$ 1,662,244
Balance at March 31, 2012	$ 96,733	$ 935,746	$ 108,150	$ 158,328	$ 17,626	$ 184,341	$ 33,871	$ 49,729	$ 1,584,524

The Corporation leases items of property, plant and equipment under finance lease agreements. The leases are structured in a manner that significant risks and rewards incidental to ownership of the leased assets have been transferred to OLG. At March 31, 2012, the net carrying amount of leased property, plant and equipment was $33,871,000 (March 31, 2011 – $39,680,000, April 1, 2010 – $47,365,000).

Impairment

Management performed an impairment analysis on the Caesars Windsor CGU on transition to IFRS and at March 31, 2011 as a result of the following impairment indicators:

- Ongoing cross-border competition resulting in declining numbers of U.S. visitors to Ontario and increasing numbers of Ontario visitors to the U.S.;
- Reduced numbers of U.S. visitors resulting from a strong Canadian dollar and the implementation of passport requirements; and
- Continued poor economic and financial performance of Caesars Windsor.

The Corporation estimated the recoverable amount of the CGU using the value in use method, using a discounted cash flow model. Cash flow projections were based on the annual approved budget and Management developed projections thereafter. These cash flows are Management's best estimate of future events taking into account past experience and future economic assumptions. The discount rate of five per cent that was applied to the cash flow projections was derived from Management's consideration of current market assessments and the risks specific to the CGU.

On transition to IFRS, April 1, 2010, Management determined that the recoverable amount of the Caesars Windsor CGU exceeded the carrying value and, therefore, an impairment charge was not required.

At March 31, 2011, Management determined the recoverable amount of the Caesars Windsor CGU was less than its carrying value and, as a result, an impairment loss of $493,000,000 was recognized in other charges in the consolidated statement of comprehensive income. The impairment loss was allocated on a pro rata basis to property, plant and equipment to reduce the carrying value of the CGU at Caesars Windsor. The impairment loss relates to the Resort Casinos operating segment (Note 28).

At March 31, 2011, Management also determined that an impairment loss of $5,408,000 was required to reduce the carrying value of a Slots at Racetracks CGU and a bingo CGU to their recoverable amounts. The loss is included in other charges in the consolidated statement of comprehensive income. The impairment loss relates to the OLG Slots and Casinos and Lottery and Bingo operating segments in Note 28 for $1,480,000 and $3,928,000, respectively.

Management did not identify any further impairment indicators at any of the Corporation's CGUs and, therefore, has not recognized any additional impairment loss at March 31, 2012.

13. TRADE AND OTHER PAYABLES

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables and accruals	$ 82,123	$ 82,909	$ 75,042
Prizes payable	39,035	37,599	49,390
Employee benefits liability	48,031	46,687	52,370
Gaming liability	64,828	55,421	52,363
Commissions payable	32,073	26,072	30,739
Other payables and accruals	34,890	47,297	44,153
Trade and other payables	**$ 300,980**	**$ 295,985**	**$ 304,057**

Prizes payable comprise unclaimed and estimated lottery and bingo prizes.

The accrual for employee benefits includes salaries payable, incentive accruals, long-term service awards, vacation pay accrual and other employee-related liabilities.

Gaming liability comprises progressive jackpots, unredeemed chips, customer loyalty incentive points and other gaming-related payables. Progressive jackpots are measured based on the anticipated payout of the progressive jackpots. Unredeemed chips comprise funds deposited by patrons before gaming play occurs for chips in the patron's possession. Customer loyalty incentive points, earned based on the volume of play and redeemable for complimentary goods and services and/or cash, are recognized as a liability and measured at the amount payable on demand.

Commissions payable comprise payments to bingo service providers, racetrack site holders and the horse racing industry, as well those owing to municipalities that host an OLG Casino or Slots at Racetracks facility.

Other payables and accruals include accrued win-tax, casino customer deposits, security deposits and other.

The Corporation's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 24.

14. PROVISIONS

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

	Legal claims	Restructuring provision	Other provisions	Total
Balance at April 1, 2010	$ 1,916	$ –	$ 6,199	$ 8,115
Increases and additional provisions	2,228	–	755	2,983
Amounts paid	(1,422)	–	(260)	(1,682)
Amounts reversed	(374)	–	(1,002)	(1,376)
Balance at March 31, 2011	**$ 2,348**	**$ –**	**$ 5,692**	**$ 8,040**
Balance at April 1, 2011	$ 2,348	$ –	$ 5,692	$ 8,040
Increases and additional provisions	2,616	46,260	1,310	50,186
Amounts paid	(1,023)	–	(614)	(1,637)
Amounts reversed	(1,242)	–	(578)	(1,820)
Balance at March 31, 2012	**$ 2,699**	**$ 46,260**	**$ 5,810**	**$ 54,769**

Legal claims

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. Estimates, where appropriate, have been included in the consolidated statement of financial position.
The ultimate outcome or actual cost of settlement may vary significantly from the original estimates. Material obligations that have not been recognized as provisions, as the outcome is not probable or the amount cannot be reliably estimated, are disclosed as contingent liabilities, unless the likelihood of outcome is remote (see Note 27).

Restructuring provision

At March 31, 2012, the Corporation recognized $46,260,000 in current provision balances (March 31, 2011 – $nil) associated with restructuring charges as disclosed in Note 22 relating to the expected costs to be incurred resulting from the Corporation's Modernization Plan. It is anticipated that substantially all of the accrued restructuring liabilities will be paid in the year ending March 31, 2013.

The recognition of these restructuring charges requires Management to make certain judgments and estimates regarding the nature, timing and amounts associated with these restructuring plans. Adjustments to the recognized amounts may be required to reflect actual experience or changes in future estimates.

Other provisions

Other provisions include provisions for decommissioning obligations and onerous contracts.

The Corporation recognized a discounted liability associated with decommissioning obligations arising from terms in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms. This 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 Corporation has contracts with various Bingo operators which provide certain commissions be paid on gross revenue resulting in recurring losses. The lower of the cost to fulfill the contracts and the penalty from failure to fulfill them is recognized as a current provision in the period.

15. PERSONNEL EXPENSES

Total personnel expenses, including Resort Casinos and Great Blue Heron Slot Machine Facility, for the year ended March 31, 2012 amounted to $950,562,000 (March 31, 2011 – $946,643,000).

16. FINANCE INCOME AND FINANCE COSTS

	March 31, 2012	March 31, 2011
Interest income on financial assets at fair value through profit and loss and loans and receivables	$ 3,789	$ 3,023
Finance income	**$ 3,789**	**$ 3,023**
Interest on bank overdraft and loans	(3,833)	(4,600)
Interest on obligations under finance lease	(3,846)	(4,479)
Other interest expenses	(102)	(2,441)
Total interest expense for financial liabilities not classified at fair value through profit and loss	(7,781)	(11,520)
Finance costs	**$ (7,781)**	**$ (11,520)**
Net finance costs recognized in net income and comprehensive income	**$ (3,992)**	**$ (8,497)**

17. RELATED PARTIES

The Corporation is related to various other government agencies, ministries and Crown corporations. Related party transactions include loan agreements with the Ontario Financing Authority, as described in Note 23 to the consolidated financial statements as well as Due to operators (Note 18) and Due to Rama First Nation (Note 19).

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

Transactions with key management personnel

Key management personnel compensation

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

Key management personnel compensation comprised the following:

	March 31, 2012	March 31, 2011
Short-term employee benefits	$ 3,552	$ 2,643
Post-employment benefits	213	220
Termination benefits	246	758
	$ 4,011	$ 3,621

Short-term employee benefits include salaries and benefits and other short-term compensation.

Post-employment benefits include employer's portion of pension and other post-retirement benefits.

Termination benefits include compensation related to voluntary and involuntary termination of employment.

18. DUE TO OPERATORS

Under the terms of the development and operating agreements for each of the Resort Casinos and the Great Blue Heron Slot Machine Facility, each operator is entitled to receive an operator's fee calculated as a percentage of gross revenue and as a percentage of net operating margin, both as defined in each of the related development and operating agreements. The operators of the Casinos are as follows: Casino Niagara and Fallsview – Falls Management Group, L.P., the general partner of which is Falls Management Company (owned by Niagara Casino Group, L.P., Highland Gaming, Inc., Shiplake Gaming Corporation, Olympic V, Inc. and 3048505 Nova Scotia Company) and the sole limited partner of which is Falls Entertainment Corporation; Casino Rama – CHC Casinos Canada Limited, an indirectly wholly owned subsidiary of Penn National Gaming, Inc. (Penn); the Great Blue Heron Slot Machine Facility – Great Blue Heron Gaming Company, owned by CAI Ontario Inc. and others; and Caesars Windsor – Windsor Casino Limited (WCL), which is owned equally by Caesars Entertainment Windsor Limited and a wholly owned subsidiary of Hilton Hotels Corporation. As at March 31, 2012, the amount due to operators was $38,110,000 (March 31, 2011 –$32,219,000, April 1, 2010 – $37,544,000).

Casino Rama was previously operated pursuant to a Development and Operating Agreement dated as of March 18, 1996, as amended (the "DOA") between, among others, the Corporation, CHC Casinos Canada Limited (the "Casino Rama Operator"), an indirect wholly owned subsidiary of Penn National Gaming, Inc., and Rama First Nation. The DOA expired on July 31, 2011.

The Corporation and the Casino Rama Operator (along with other Penn-related entities) entered into an interim operating agreement dated as of August 1, 2011 (the "Interim Operating Agreement"), on substantially the same terms and conditions as the DOA. The initial term of the Interim Operating Agreement was eight months and expired on March 31, 2012. Pursuant to the Interim Operating Agreement, the Corporation had one option to extend the term for up to an additional six months. On January 23, 2012, the Corporation exercised this option to extend the term for six months until September 30, 2012.

On January 22, 2010, the Corporation entered into a new operating agreement with Great Blue Heron Gaming Company, owned by CAI Ontario Inc. and others. The agreement commences on the opening of the new casino facility, ends on the earlier of 20 years from the opening and June 28, 2031 and has operating terms substantially similar to those contained in the current development and operating agreement.

Under the terms of the Niagara Falls Permanent Casino Operating Agreement, in a Competitive Environment, as defined, the Operator is entitled to receive additional Operator services fees and an Attractor fee. The Attractor fee is calculated, as defined, to allow for the amortization of the total capital contributions of the Operator to external attractors, including an amphitheatre and a people mover, to a maximum contribution of $30,000,000. As at March 31, 2012, the Operator's fees included an Attractor fee accrual of $5,070,000 (March 31, 2011 – $5,057,000, April 1, 2010 – $5,244,000). The Corporation's remaining commitment as at March 31, 2012 is $14,749,000.

Under the terms of a trademark licence agreement for the rebranding of Caesars Windsor, the Corporation pays a licence fee calculated as a percentage of the revenue and operating results, as defined, of Caesars Windsor. The trademark licence agreement, with a wholly owned indirect subsidiary of Caesars Entertainment Windsor Limited, will terminate on July 31, 2020 or on such earlier date as Caesars Entertainment Windsor Limited or its subsidiary ceases to be the Operator of Caesars Windsor. As at March 31, 2012, the amount due in respect of the trademark licence agreement was $1,953,000 (March 31, 2011 – $959,000, April 1, 2010 – $nil), recorded in Due to operators on the consolidated statement of financial position.

At each of the Resort Casinos, the Operator is the employer of the employees working at that Resort Casino. All payroll and payroll-related costs are charged to the Corporation on a monthly basis and expensed in the Corporation's consolidated statement of comprehensive income and included in amounts disclosed in Note 15.

19. DUE TO RAMA FIRST NATION

a. Casino Rama is located on reserve lands of Rama First Nation under the authority of a 25-year sublease (expiring in March 2021) between the Corporation and Casino Rama Inc., a wholly owned subsidiary of Rama First Nation. The lands are leased by Casino Rama Inc. from Her Majesty the Queen in Right of Canada under a 25-year lease, which expires in March 2021. Annual rent payable under this lease, adjusted for inflation, is paid out of the gross revenue of the Casino Rama complex to Rama First Nation in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen. During the year, $4,728,000 was expensed (March 31, 2011 – $4,583,000).

The terms of various agreements provide for the designation and leasing of Additional Parking Lands, as defined, by Rama First Nation to Casino Rama with an annual rent payable of approximately $1,700,000, adjusted for inflation. While the designation and leases are not yet complete, the lands are permitted and currently in use at Casino Rama. During the year, $2,126,000 was expensed (March 31, 2011 – $2,056,000).

b. Under the terms of the development and operating agreement for Casino Rama, Rama First Nation received an annual fee (the "Rama Allocation"), adjusted for inflation, related to the provision of ongoing operating services.

On January 26, 2010, the Corporation and Rama First Nation announced that they had entered into an agreement dated July 17, 2009 relating to Casino Rama for the 20-year period commencing August 1, 2011 and relating to possible future development. The key terms of the Post-2011 Contract, relevant to the Corporation, are as follows:

(i) The term of the Post-2011 Contract commenced on August 1, 2011 and continues until July 31, 2031, subject to earlier termination or the exercise by the Corporation of two successive options to extend the Post-2011 Contract for successive extension periods of ten years and five years, respectively. The Post-2011 Contract shall terminate on March 14, 2021 if Rama First Nation and the Rama Corporation do not replace the existing surrenders and permits with a new surrender or establish a land management regime on or before December 31, 2015;

(ii) Rama First Nation shall be entitled to receive an annual fee (the "Rama Fee") for each successive twelve-month period commencing August 1, 2011 in an amount equal to the greater of 1.9 per cent of the Gross Revenues of the Complex, as defined, and $5,500,000; and

(iii) The Corporation agrees to contribute $2,000,000 towards the capital cost of a gaming and executive development training centre upon presentation to and acceptance by the Corporation of a detailed Business Plan and Development Concept.

During the year, $7,311,000 was expensed (March 31, 2011 – $5,867,000), of which $1,967,000 relates to the Rama Allocation and $5,344,000 relates to the Rama Fee (March 31, 2011 – $5,867,000 relates to the Rama Allocation). As at March 31, 2012, $676,000 (March 31, 2011 – $492,000, April 1, 2010 – $483,000) was due to Rama First Nation.

Pursuant to the Post-2011 Contract: (a) Rama First Nation and the Province agreed to consent to the dismissal without costs of certain claims against the Province based on an alleged delay in the construction of Casino Rama, and certain claims related to the payment of 20 per cent of Casino Rama revenues asserted in the 35% Action and to make best efforts to obtain the COO's and OFNLP's consents to such dismissal (Note 10); and (b) Rama First Nation and the Province agreed to consent to the dismissal without costs of certain claims and crossclaims asserted by Rama First Nation against the Province in the 20% Action, and to use best efforts to obtain the consents to such dismissal from the COO and OFNLP.

It is the Corporation's understanding that the claims and crossclaims referred to in (a) and (b), above, have not yet been dismissed.

c. On April 30, 2002, an agreement was signed with Rama First Nation pursuant to which the Corporation and the Operator agreed to reimburse Rama First Nation an annual amount equal to 75 per cent of the annual operating budget of the fire department in exchange for fire protection services to the casino complex. This agreement expired on July 31, 2011.

In connection with the terms of the Post-2011 Contract (b), Rama First Nation and the Corporation entered into agreements relating to the provision of fire protection and policing services to the casino complex for a term commencing on August 1, 2011 and terminating on July 31, 2031, unless otherwise extended.

Payments made to Rama First Nation in connection with these emergency services, as well as snow removal, water and sewer amounted to $8,221,000 for the year ended March 31, 2012 (March 31, 2011 – $7,591,000). These payments were included in general and administration expenses as disclosed in Note 28. At March 31, 2012, $917,000 (March 31, 2011 – $930,000, April 1, 2010 – $1,094,000) was due to Rama First Nation.

d. Under the terms of a five-year lease ended July 2011, the Corporation rented office space from a company related to Rama First Nation. Pursuant to the terms of the Post-2011 Contract, a company related to Rama First Nation and the Corporation agreed to enter into a lease for the rental of office space for a term commencing on August 1, 2011 and terminating on July 31, 2014. An amount of $724,000 was expensed in fiscal 2012 (March 31, 2011 – $701,000).

Also, under the terms of an eight-year lease ended July 2011, an annual rental fee, adjusted for inflation, for warehouse space was paid to a company related to Rama First Nation. Pursuant to the terms of the Post-2011 Contract, a company related to Rama First Nation and the Corporation entered into a lease for warehouse space for a term commencing on August 1, 2011 and terminating on March 13, 2021. During the year, $367,000 was expensed (March 31, 2011 – $355,000).

Under the terms of a Letter of Agreement entered into by the Corporation in January 2007 regarding the management and administration of leasehold improvement projects at Casino Rama, Rama First Nation contracts directly with the contractors selected by the Corporation. During the year, $94,000 (March 31, 2011 – $128,000) was paid to Rama First Nation under this Letter of Agreement to pay contractors involved in the acquisition of leasehold improvements.

e. Under the terms of the Casino Rama Revenue Agreement dated June 9, 2000, OFNLP was entitled to the ongoing net revenues, as defined, of Casino Rama, as well as the proceeds from the disposition of the moveable assets, as defined, and remaining undistributed earnings upon the dissolution or winding up of Casino Rama.

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation, the Ontario First Nations (2008) Limited Partnership and OFNLP entered into the GRSFA. Pursuant to the terms of the GRSFA and an Order-in-Council, the Corporation was directed to pay OFNLP, commencing in fiscal year 2012 and in each fiscal year during the remainder thereafter of the 20-year term, an amount equal to 1.7 per cent of the Gross Revenues of the Corporation, as defined ("Gaming Revenue Sharing Payment"). These payments take the place of the ongoing net revenues that OFNLP would otherwise have been entitled to under the Casino Rama Revenue Agreement, entitlement to which ceased as of April 1, 2011 pursuant to the terms of the GRSFA. During the year, $119,352,000 was expensed as Gaming Revenue Sharing Payment as disclosed in Note 28.

In accordance with the terms of the GRSFA, the COO and OFNLP obtained an Order granting them leave to discontinue the litigation related to the 20 per cent win contribution commenced in Ontario Superior Court of Justice (the "20% Action") in its entirety against Her Majesty the Queen in Right of Ontario and against the Corporation. The COO and OFNLP delivered and filed a Notice of Discontinuance dated February 25, 2008 discontinuing without costs the 20% Action in its entirety as against Her Majesty the Queen in Right of Ontario and as against the Corporation.

20. WIN CONTRIBUTION

The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility in accordance with the *Ontario Lottery and Gaming Corporation Act, 1999*, which amounts to $257,907,000 for the year ended March 31, 2012. The fiscal 2011 win contribution, which amounted to $274,069,000, was calculated based on the percentage applied to the previously reported gaming revenue in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

21. DUE TO THE GOVERNMENT OF CANADA

As at March 31, 2012, the amount due to the Government of Canada was $15,117,000 (March 31, 2011 – $16,054,000, April 1, 2010 – $7,421,000).

a. Payments on behalf of the Province of Ontario

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

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

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

The net tax attributable to non-gaming activities is calculated similar to 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 as disclosed in Note 28.

The net tax attributable to gaming activities results in a 10 per cent tax burden on most taxable gaming expenditures incurred by the Corporation for the period up to June 30, 2010 and a 26 per cent tax burden thereafter following the implementation of HST legislation in Ontario.

22. OTHER CHARGES

	March 31, 2012	March 31, 2011
Restructuring (a)	$ 62,274	$ –
Impairment charge (b)	–	498,408
	$ 62,274	**$ 498,408**

a. Restructuring

The Corporation's restructuring charges for the year ended March 31, 2012 were $62,274,000, primarily comprising severance and facility exit costs and property, plant and equipment disposals relating to the closure of three Slots at Racetracks facilities. The provision for restructuring charges is disclosed in Note 14.

b. Impairment charge

The Corporation recognized an impairment loss for the year ended March 31, 2012 of $nil (March 31, 2011 – $498,408,000) (see Note 12).

23. LONG-TERM DEBT

	March 31, 2012	March 31, 2011	April 1, 2010
Caesars Windsor loan (a)	$ 79,580	$ 125,318	$ 169,607
Ajax Downs loan (b)	10,769	14,697	18,233
Woodbine loan (c)	40,957	9,513	–
Obligation under finance lease (d)	44,436	46,062	47,550
	175,742	**195,590**	**235,390**
Less current portion	(58,449)	(55,885)	(49,313)
	$ 117,293	**$ 139,705**	**$ 186,077**

a. Caesars Windsor loan

In November 2008, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of Caesars Windsor and for financing the construction of the Windsor Clean Energy Centre (the "Energy Centre"). The Energy Centre was constructed to provide electricity, heating and cooling to the expanded Caesars Windsor facilities. The initial loan balance of $226,483,000 plus interest is repayable over five years in equal monthly payments of $4,092,206. The loan bears interest at a rate of 3.2 per cent per annum and is unsecured.

b. Ajax Downs loan

In June 2009, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of the slots facility at Ajax Downs. The initial loan balance of $18,524,000 plus interest is repayable over five years in equal monthly payments of $327,941. The loan bears interest at a rate of 2.4 per cent per annum and is unsecured.

c. Woodbine loan

In October 2010, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of the slots facility at Woodbine Racetrack (the "Project"). The loan agreement provides a non-revolving construction period loan facility to a maximum of $92,800,000 consisting of phase A and phase B of the Project of $35,445,000 and $57,355,000, respectively.

The interest charged during construction is determined based on the Province of Ontario's 90-day Treasury Bill rate plus 0.38 per cent.

Phase A construction was completed during the year and the related construction loan facility was converted to a term loan in May 2011. The initial loan balance on conversion was $31,269,000, consisting of advances during the year of $21,756,000 (including capitalized interest during construction of $24,000) and $9,513,000 during the prior year. The term loan is repayable over five years in equal monthly payments of $560,904. The loan bears interest at a rate of 2.931 per cent per annum and is unsecured. The Phase A loan balance at March 31, 2012 was $26,370,000.

Advances received for phase B during the year were $14,587,000 (including capitalized interest of $87,000) and $nil during the prior year.

d. Obligation under finance lease

Effective March 2010, the Corporation entered into an amending agreement for an additional 15-year lease term with Maple Leaf Entertainment Inc., Canadian Niagara Hotels Inc., 1032514 Ontario Limited and Greenberg International Inc., to lease the facility which houses Casino Niagara and to license the adjacent parking facilities. The agreement extends the term of the original lease and licence agreements by an additional term of 15 years from March 10, 2010 to expire on March 9, 2025. This agreement is considered to be a finance lease for accounting purposes and has a calculated implicit interest rate of 8.2 per cent.

e. Payments over the next five years and thereafter

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

March 31	**Long-term debt**	**Obligation under finance lease**		**Total**
	Repayments	**Principal**	**Interest**	
2013	$ 56,678	$ 1,771	$ 3,729	$ 62,178
2014	45,113	1,928	3,572	50,613
2015	12,798	2,112	3,400	18,310
2016	9,508	2,496	3,204	15,208
2017	4,119	2,717	2,983	9,819
Thereafter	3,090	33,412	12,860	49,362
	$ 131,306	**$ 44,436**	**$ 29,748**	**$ 205,490**

On March 25, 2008, the Province of Ontario introduced a bill which, if passed, would amend the *Ontario Lottery and Gaming Corporation Act, 1999*, to require the Corporation to finance certain of its 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 bill will come into force on a future date to be determined; however, the Corporation has operated under the spirit of the proposed legislation since April 1, 2008.

24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a. Overview

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

b. Risk management framework

The Board of Directors, through its Audit and Risk Management Committee ("ARMC"), provides oversight with respect to the identification and management of risk along with adherence to internal risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

The Corporation's 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 training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The ARMC oversees how Management monitors compliance with the Corporation's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation. The ARMC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARMC.

c. Credit risk

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations with 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, loans receivable and liquid investments.

Trade and other receivables and loans receivable

Trade and other receivables include credit provided to retailers of lottery products, bingo service providers and patrons of Resort Casinos. Loans receivable consist of loans to racetrack operators. The Corporation performs ongoing credit evaluations of retailers, bingo service providers, patrons and racetrack operators and maintains reserves for potential credit losses on both accounts receivable and loans receivable balances. The carrying amount of these financial assets represents the maximum credit exposure.

The amounts disclosed in the consolidated statement of financial position are net of allowances for doubtful accounts, which consist of a specific provision that relates to individually significant exposures, estimated by Management based on prior experience and its assessment of the current economic environment. The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses but historically has not experienced any significant losses. As at March 31, 2012, the Corporation had an allowance for doubtful accounts of $7,463,000 (March 31, 2011 – $7,094,000, April 1, 2010 – $6,785,000), which represented approximately 7.9 per cent (March 31, 2011 – 7.0 per cent, April 1, 2010 – 5.8 per cent) of the Corporation's consolidated accounts receivable and loans receivable. The Corporation believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Corporation limits its exposure to credit risk by investing only in short-term debt securities with high credit ratings and minimal market risk. The Corporation has a formal policy in place for short-term investments which provides direction for Management to minimize risk. All investments held by the Corporation are low-risk and have a term to maturity of less than 90 days, and as a result, the risk is considered minimal.

d. Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without jeopardizing the Corporation's revenue commitment to the Province of Ontario.

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

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

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

March 31, 2012	Carrying amount	Contractual cash flows	< 1 year	1 – 2 years	2 – 5 years	> 5 years
Trade and other payables	$ 300,980	$ 300,980	$ 300,980	$ –	$ –	$ –
Due to operators	38,110	38,110	38,110	–	–	–
Due to Rama First Nation	1,593	1,593	1,593	–	–	–
Due to the Government of Canada	15,117	15,117	15,117	–	–	–
Long-term debt, including obligation under finance lease	175,742	175,742	58,449	47,041	33,750	36,502
	$ 531,542	**$ 531,542**	**$ 414,249**	**$ 47,041**	**$ 33,750**	**$ 36,502**

March 31, 2011	Carrying amount	Contractual cash flows	< 1 year	1 – 2 years	2 – 5 years	> 5 years
Trade and other payables	$ 295,985	$ 295,985	$ 295,985	$ –	$ –	$ –
Due to operators	32,219	32,219	32,219	–	–	–
Due to Rama First Nation	1,422	1,422	1,422	–	–	–
Due to the Government of Canada	16,054	16,054	16,054	–	–	–
Due to First Nations	8,673	8,673	8,673			
Long-term debt, including obligation under finance lease	195,590	195,590	55,885	57,330	46,246	36,129
	$ 549,943	**$ 549,943**	**$ 410,238**	**$ 57,330**	**$ 46,246**	**$ 36,129**

e. Market risk

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

(i) Interest rate risk

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

The Corporation is subject to interest rate risk on its cash and cash equivalents, including short-term investments with maturity dates of less than 90 days, loans receivable and long-term debt.

Loans receivable consist of loans to racetrack operators and interest earned on these loans is tied to changes in the prime interest rate. The interest rate risk is limited to the interest earned on the assets and the underlying value of the asset is not at risk due to fluctuations in interest rates.

Long-term debt currently consists of three loan agreements entered into with the Ontario Financing Authority and an obligation under finance lease. The obligation under finance lease (refer to Note 23.d), and the term loan agreements have a fixed interest rate for the entire term and are currently subject to limited interest rate risk.

At March 31, 2012, the Corporation had cash and cash equivalents of $359,893,000 (March 31, 2011 – $314,572,000, April 1, 2010 – $324,640,000) and loans receivable of $20,179,000 (March 31, 2011 – $25,718,000, April 1, 2010 – $31,979,000). The impact of fluctuations in interest rates is not significant and, accordingly, a sensitivity analysis of the impact of fluctuations in interest rates on net income has not been provided.

(ii) Foreign currency risk

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

The majority of the Corporation's suppliers and patrons are based in Canada and, therefore, transact in Canadian dollars (CAD). Some suppliers and patrons are based outside of Canada. The suppliers located outside of Canada typically transact in USD. The Corporation's border properties attract U.S. players who are required to exchange their USD for CAD prior to play. The Corporation exchanges USD using the daily market exchange rate, and utilizes both a 'buy' and 'sell' rate. The Corporation holds USD cash and bank accounts for the purposes of transacting in USD with patrons, as well as paying its U.S.-based suppliers. The balances held in USD are closely monitored to ensure future USD requirements are met. As a result, there is some exposure to foreign currency fluctuations and the Corporation's foreign exchange gain for the year ended March 31, 2012 was $8,307,000 (March 31, 2011 – $8,435,000).

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

The Corporation's exposure to currency risk, based on the carrying amounts, is as follows:

USD	**March 31, 2012**	**March 31, 2011**	**April 1, 2010**
Cash and cash equivalents	$ 19,792	$ 22,631	$ 16,030
Trade and other payables	(3,175)	(4,780)	(5,781)
Net exposure	**$ 16,617**	**$ 17,851**	**$ 10,249**

All USD balances are shown in CAD equivalents.

Sensitivity analysis

A 10 per cent increase in the value of the USD at March 31, 2012 would have increased net income by $1,662,000. A 10 percent decrease in the value of the USD at March 31, 2012 would have had the equal but opposite effect. This analysis assumes that all other variables, including interest rates, remain constant.

(iii) Other market price risk

The Corporation offers sports-based lottery products in the marketplace. The Corporation manages risks associated with these products by setting odds for each event within a short time frame before the actual event, by establishing sales liability thresholds by sport, by providing credit management controls, by posting conditions and prize structure statements on www.OLG.ca and by limiting the aggregate amount of prizes that may be won on any given day for all sports-based products. The Corporation also has the authority to suppress sales of any game at any time when liability risk is a concern.

f. Fair values measurement

Financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- **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. as prices) or indirectly (i.e. derived from prices); and
- **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 (unobservable inputs).

The Corporation has determined the fair value of its financial instruments as follows:

The Corporation's financial instruments carried at fair value on the consolidated statement of financial position, which consist of cash and cash equivalents, restricted cash, cash and short-term investments held for First Nations, are valued using quoted market prices, which is included in Level 1.

The carrying amounts in the consolidated statement of financial position of trade and other payables, due to operators, due to Rama First Nation, due to the Government of Canada and due to First Nations approximate fair values because of the short-term nature of these financial instruments or because they are receivable/payable on demand.

Loans receivable and trade and other receivables are carried at amortized cost using the effective interest method. The carrying value of loans receivable approximates the fair value as the rates utilized in the effective interest calculations reflect market prime rates. The loans receivable is included in Level 2 since their fair market value measurements are based on observable inputs.

The fair value of the Corporation's long-term debt, excluding the obligation under the finance lease, is not determinable given its related party nature and there is no observable market for the Corporation's long-term debt. The obligation under finance lease is included in Level 2 since its fair market value measurement is based on observable market data other than quoted prices.

There were no financial statement categories in Level 3 (valuation techniques using non-observable data) for the period ended March 31, 2012 and prior periods March 31, 2011 and April 1, 2010.

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.

25. EMPLOYEE BENEFITS

a. Defined contribution plans

The operators of the Resort Casinos and the Great Blue Heron Slot Machine Facility have created defined contribution pension plans for their employees. The pension expense for the period ended March 31, 2012 amounted to $20,494,000 (March 31, 2011 – $20,946,000).

b. Other post-employment benefit plans

The Corporation provides pension benefits for all its permanent employees and to non-permanent employees who elect to participate through the PSPF and the OPSEU Pension Fund, which are sole sponsored defined benefit pension plans established by the Province of Ontario. The Province controls all entities included in the PSPF and OPSEU Pension Plans. The Corporation classified these plans as state plans whereby there is no contractual agreement or stated policy for charging the net defined benefit cost of the plans to the Corporation. As such, the Corporation accounts for these post-employment benefits as defined contribution plans and has recorded no additional liability for the plan deficit. The annual contributions made by the Corporation are recorded as an expense in the consolidated statement of comprehensive income. The Corporation's contribution and pension expense during the year was $21,033,000 (March 31, 2011 – $20,624,000).

c. Other long-term employee benefits

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

The WSIB accrual at March 31, 2012 was $23,700,000 (March 31, 2011 – $23,354,000, April 1, 2010 – $20,320,000), of which $21,567,000 (March 31, 2011 – $21,252,000, April 1, 2010 – $18,694,000) is included in employee benefits liability and $2,133,000 (March 31, 2011 – $2,102,000 April 1, 2010 – $1,626,000) is included in trade and other payables. The accrued benefit costs are based on actuarial assumptions.

The operators of the Resort Casinos and the Great Blue Heron Slot Machine Facility are Schedule 1 employers under the Act and are not subject to the financial reporting requirements of self-insured employers.

d. Short-term employee benefits

Short-term employee benefits include salaries payable, incentive accruals, vacation accruals, severance accruals and other employee-related payables which have been recorded in trade and other payables (Note 13).

26. COMMITMENTS

a. Obligations under operating leases

The Corporation has entered into several operating leases for property and equipment. The future minimum lease payments are approximately, as follows:

	March 31, 2012
No later than 1 year	$ 10,849
Later than 1 year and not later than 5 years	33,675
Later than 5 years	34,417
	$ 78,941

b. HST on lease commitments

The Corporation and the Resort Casinos have entered into several agreements to lease property, plant and equipment from the Corporation's subsidiary and other external parties. The non-recoverable HST and the additional imputed tax on the gaming-related assets payable to the Federal Government, as described in Note 21.b, on the future lease payments are approximately, as follows:

2013	$ 41,451
2014	36,867
2015	29,424
2016	22,398
2017	17,306
	147,446
Thereafter	267,431
	$ 414,877

c. Suppliers

The Corporation has computer hardware maintenance agreements with future payments as at March 31, 2012 of approximately:

2013	$	16,938
2014		9,736
2015		2,674
2016		99
2017		–
	$	**29,447**

d. Caesars Windsor

In connection with the terms of an agreement between Caesars Windsor and the City of Windsor (the "City"), the Corporation agreed to provide the City with compensatory payments over 20 years with payments commencing May 1, 1998 of $2,600,000 per annum for the first ten years and $3,000,000 per annum for the last ten years.

In fiscal 2012, the Corporation transferred cash of $62,000,000 to Caesars Windsor for their working capital requirements. The Corporation has committed to transfer up to $85,000,000 to Caesars Windsor in fiscal 2013 for working capital.

e. Niagara Fallsview Casino Resort

In connection with the terms of an agreement between Fallsview and the City of Niagara Falls (the "City"), the Corporation agreed to provide the City with compensatory payments commencing December 7, 2000 in the amount of $2,600,000 per annum for the first ten years, $3,000,000 per annum for the next ten years and $3,000,000 per annum thereafter, for as long as Fallsview does not cease operations, adjusted for Consumer Price Index as defined in the agreement.

f. OLG Slots and Casinos

The Corporation was committed to the establishment of an additional Slots at Racetracks operation at March 31, 2012; however, the Corporation subsequently terminated the site holder agreement on April 27, 2012.

In connection with the terms of an amending agreement and an assignment, consent and acknowledgement agreement between the Corporation and a site holder at one of the Slots at Racetracks facilities, the Corporation agreed to provide the site holder with payments commencing December 31, 2009 in the amount of $5,600,000 per annum for three years in lieu of a predetermined percentage of revenue from slots. This relates to one of the slot facilities that the Corporation closed on April 30, 2012.

In connection with the terms of an amending agreement between the Corporation and a Slots at Racetracks site holder, the Corporation agreed to amend the horse racing industry payment during the five-year period commencing January 1, 2011 to a predetermined amount of $8,000,000 per annum in lieu of a predetermined percentage of revenue from slots at the site. This amending agreement relates to one of the Slots at Racetracks facilities in respect of which the Corporation terminated the site holder agreement effective March 31, 2013. The Corporation has made no formal commitment to make payments subsequent to March 31, 2013.

On April 30, 2012, the Corporation closed three Slots at Racetracks facilities. The Corporation has offered to make certain payments to these facilities in respect of the period from May 1, 2012 to March 31, 2013 which have been recorded in provisions (Note 14). For these facilities, and the 14 Slots at Racetracks facilities in respect of which the Corporation terminated the site holder agreement effective March 31, 2013, the Corporation has made no formal commitment to make payments subsequent to March 31, 2013.

g. Mississaugas of Scugog Island First Nation ("MSIFN")

In fiscal 2010, the Corporation and the MSIFN entered into a conditional agreement to construct a new casino facility to replace the existing tent structure, on MSIFN reserve lands, at an estimated total cost of $165,000,000. On February 18, 2009, the Corporation's Board of Directors approved the expenditure of $83,800,000 as the Corporation's share of the project costs. The approval was conditional on MSIFN's obtaining a commitment for financing for its portion of the project costs of $81,200,000. The agreements to construct and operate the new facility are subject to a number of conditions precedent that are all required to be met by an agreed-upon date (currently, July 31, 2012).

Under the terms of the development and operating agreement, the MSIFN receives an amount equal to five per cent of the gross revenue of the Great Blue Heron Slot Machine Facility in consideration for provision of the lands used for the Slot Machine Facility. During the year, $3,870,000 (March 31, 2011 – $3,755,000) was paid to the MSIFN.

27. CONTINGENCIES

a. The Corporation has signed six Bingo Centre Service Provider Agreements (the "Service Providers") for Bingo Revitalization Project pilot site operations in Barrie, Peterborough, Kingston, Sudbury and two in Windsor. The contracts provide that, in the event of notification of termination of the Bingo Revitalization Project pilot by the Corporation, or if the Service Providers and the Corporation mutually agree to not renew or extend the Agreements, the Corporation will be required to pay the Service Providers an amount not to exceed $4,998,000 in respect of the Service Providers' capital investments in the Bingo Centres. No events have taken place to indicate that the pilot sites will not continue, and as such, no amounts have been accrued in the consolidated statement of financial position at March 31, 2012.

b. On June 10, 2008, the Corporation was served with a statement of claim related to a class action for general damages and punitive damages totalling $3,500,000,000. The statement of claim alleges that the Corporation was negligent in its duty of care to prohibit self-excluded patrons from gaming at the Corporation's gaming sites. In a decision released on March 15, 2010, the plaintiff's motion was dismissed and denied certification. Procedures related to this action are ongoing. On April 14, 2010, the plaintiff filed on appeal of the decision. The appeal was dismissed by Divisional Court on December 2, 2011. The plaintiff filed its Leave to Appeal to the Court of Appeal on March 12, 2012. The Corporation will continue to defend itself through the appeals process. The outcome is undeterminable at this time and no amounts have been accrued in the consolidated statement of financial position.

c. On May 20, 2009, the Corporation was served with a statement of claim related to a class action for general damages and punitive damages for an amount yet to be determined. The statement of claim alleges that the Corporation was in breach of contract by not discontinuing the sales of certain instant lottery game tickets once the top prizes were won. The action is at a very early stage, as no action has taken place since May 2009 and no class has been certified by the Courts. The Corporation intends to vigorously defend itself. The outcome is undeterminable at this time and no amounts have been accrued in the consolidated statement of financial position.

d. On September 28, 2009, the Corporation was served with a statement of claim from Buttcon Construction Limited and Buttcon Energy Inc. (collectively "Buttcon") related to the operation and ownership of the Windsor Energy Centre. The claim was for general damages and punitive or exemplary damages totalling $177,000,000 plus prejudgment interest and costs. Buttcon alleges amongst other things, breach of contract, breach of duty of good faith, deceit, misrepresentation, unlawful interference with legitimate business expectancy, loss of opportunity and damage to business reputation. On November 10, 2009, the Corporation served and filed its statement of defence and counterclaim, in which the Corporation denies the allegations in the Buttcon statement of claim and counterclaims for damages in the amount of $56,000,000 for breach of the operation and maintenance, improper management of the construction project, neglect and failure to return the Corporation's property. On November 16, 2009, common documentary production and discoveries were ordered regarding the claims made by Buttcon and River Oaks, as discussed in paragraph 27.e below. Both claims are currently in the discovery phase. The Corporation intends to continue to defend itself. The outcome is undeterminable as at March 31, 2012 and no amounts have been accrued in the consolidated statement of financial position.

e. On October 17, 2008, the Corporation was served with a statement of claim from the Windsor Energy Centre L.P. ("River Oaks") related to the operation and ownership of the Windsor Energy Centre. The claim was for general and punitive damages totalling $80,500,000 plus interest and costs. River Oaks alleges amongst other things, breach of contract, misrepresentation and loss of opportunity. On February 20, 2009, the Corporation served and filed its statement of defence, in which the Corporation denies the allegations in the River Oaks statement of claim. On November 16, 2009, common documentary production and discoveries were ordered regarding the claims made by River Oaks and Buttcon, as discussed above. Both claims are currently in the discovery phase. The Corporation intends to continue to defend itself. The outcome is undeterminable as at March 31, 2012 and no amounts have been accrued in the consolidated statement of financial position.

f. The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on its consolidated statement of financial position. Estimates, where appropriate, have been included in the consolidated statement of financial position (see Note 14); however, additional settlements, if any, concerning these contingencies will be accounted for as a charge to the consolidated statement of comprehensive income in the period in which the settlement occurs.

28. OPERATING SEGMENTS

The Corporation has three reportable segments, as described below, which are the Corporation's strategic business units. The strategic business units are distinct revenue-generating business units that offer different products and services and are managed separately because they require different technologies and marketing strategies. The chief operating decision-maker, which is the Corporation's ELT, reviews internal management reports on a monthly basis for each of the strategic business units. The following summary describes the operations in each reportable segment:

- Lottery and bingo derives its revenue from the sale of lottery and bingo products, which includes online, instant and sports products.
- Resort Casinos are full-service casinos that offer patrons a variety of amenities, in addition to slot and table games, including accommodations, entertainment and food and beverage services.
- The OLG Slots and Casinos are scaled-down gaming facilities. The Casinos offer slot and table games, as well as food and beverage services. The Slots at Racetracks are located at racetrack sites and include only slot games; however, some locations offer food and beverage services.

March 31, 2012	**Lottery and Bingo**	**Resort Casinos**	**OLG Slots and Casinos**	**Total**
Revenues				
Lottery and bingo	$ 3,286,892	$ –	$ –	$ 3,286,892
Gaming (slots and tables)	–	1,214,329	2,110,275	3,324,604
Non-gaming	–	89,583	15,613	105,196
	$ 3,286,892	**$ 1,303,912**	**$ 2,125,888**	**$ 6,716,692**
Expenses				
Non-gaming	$ –	$ 228,526	$ 38,838	$ 267,364
Gaming and lottery operations	110,793	258,148	296,159	665,100
Lottery and bingo prizes	1,801,112	–	–	1,801,112
Commissions	236,381	–	424,699	661,080
Marketing and promotion	55,243	150,825	99,158	305,226
Operators' fees	–	62,705	4,013	66,718
Amortization	12,925	110,825	83,359	207,109
General and administration	48,612	100,670	78,598	227,880
Facilities	8,929	136,250	81,509	226,688
Gaming Revenue Sharing Payment (Note 19.e)	55,260	25,565	38,527	119,352
Win contribution (Note 20)	–	242,942	14,965	257,907
Payments to the Government of Canada (Note 21)	99,214	84,439	80,339	263,992
	$ 2,428,469	**$ 1,400,895**	**$ 1,240,164**	**$ 5,069,528**
Segment profit (loss) before the undernoted	**858,423**	**(96,983)**	**885,724**	**1,647,164**
Other income	1,380	14,042	17,426	32,848
Finance income (Note 16)	–	2,379	1,410	3,789
Finance costs (Note 16)	(1,877)	(4,667)	(1,237)	(7,781)
Foreign exchange (loss) gain (Note 24.e)	(1)	7,197	1,111	8,307
Other charges (Note 22)	(795)	(372)	(61,107)	(62,274)
Segment profit (loss)	**$ 857,130**	**$ (78,404)**	**$ 843,327**	**$ 1,622,053**

	Lottery and Bingo	**Resort Casinos**	**OLG Slots and Casinos**	**Total**
Capital expenditures	$ 3,152	$ 63,476	$ 83,659	$ 150,287

March 31, 2011	Lottery and Bingo	Resort Casinos	OLG Slots and Casinos	Total
Revenues				
Lottery and bingo	$ 3,320,994	$ –	$ –	$ 3,320,994
Gaming (slots and tables)	–	1,213,234	2,053,027	3,266,261
Non-gaming	–	89,754	14,637	104,391
	$ 3,320,994	**$ 1,302,988**	**$ 2,067,664**	**$ 6,691,646**
Expenses				
Non-gaming	$ –	$ 232,293	$ 36,784	$ 269,077
Gaming and lottery operations	118,228	263,520	282,314	664,062
Lottery and bingo prizes	1,835,865	–	–	1,835,865
Commissions	234,526	–	413,717	648,243
Marketing and promotion	59,446	151,978	95,464	306,888
Operators' fees	–	60,962	3,934	64,896
Amortization	15,532	148,906	86,682	251,120
General and administration	52,042	102,828	73,622	228,492
Facilities	9,022	135,016	80,487	224,525
Win contribution (Note 20)	–	259,110	14,959	274,069
Payments to the Government of Canada (Note 21)	83,028	77,306	67,264	227,598
	$ 2,407,689	**$ 1,431,919**	**$ 1,155,227**	**$ 4,994,835**
Segment profit (loss) before the undernoted	**913,305**	**(128,931)**	**912,437**	**1,696,811**
Other income	1,839	14,735	12,586	29,160
Finance income (Note 16)	–	1,521	1,502	3,023
Finance costs (Note 16)	(2,441)	(8,674)	(405)	(11,520)
Foreign exchange (loss) gain (Note 24.e)	12	6,931	1,492	8,435
Other charges (Note 22)	(3,928)	(493,000)	(1,480)	(498,408)
Segment profit (loss)	**$ 908,787**	**$ (607,418)**	**$ 926,132**	**$ 1,227,501**

	Lottery and Bingo	Resort Casinos	OLG Slots and Casinos	Total
Capital expenditures	$ 8,394	$ 57,411	$ 87,420	$ 153,225

29. SUBSEQUENT EVENTS

On June 6, 2012, WCL, the operator of Caesars Windsor, became a wholly owned subsidiary of Caesars Entertainment Windsor Limited.

30. EXPLANATION OF TRANSITION TO IFRS

The accounting policies set out in Note 4 have been applied in preparing the consolidated financial statements for the year ended March 31, 2011 and the consolidated statement of financial position at April 1, 2010 (the Corporation's date of transition).

In preparing its opening IFRS consolidated statement of financial position, the Corporation has adjusted amounts reported previously in the consolidated statement of financial position prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS as at March 31, 2011 and April 1, 2010 has affected the Corporation's consolidated financial position and consolidated total comprehensive income as at March 31, 2011 is set out in the following tables and the notes that accompany the tables. The transition to IFRS has had no impact on the Corporation's consolidated statement of cash flows.

Reconciliation of equity April 1, 2010

	Foot note	Canadian GAAP	Effect of transition to IFRS April 1, 2010	IFRS
Assets				
Current assets				
Cash and cash equivalents		$ 324,640	$ –	$ 324,640
Trade and other receivables		78,239	–	78,239
Prepaid expenses		32,478	–	32,478
Inventories		29,695	–	29,695
Current portion of loans receivable		6,121	–	6,121
Cash and short-term investments held for First Nations		191,696	–	191,696
Total current assets		662,869	–	662,869
Non-current assets				
Restricted cash		199,103	–	199,103
Loans receivable		25,858	–	25,858
Property, plant and equipment	(a)	2,492,286	(222,734)	2,269,552
Goodwill		1,776	–	1,776
Total non-current assets		2,719,023	(222,734)	2,496,289
Total assets		**$ 3,381,892**	**$ (222,734)**	**$ 3,159,158**
Liabilities and Equity				
Current liabilities				
Trade and other payables	(b)	$ 321,817	$ (17,760)	$ 304,057
Provisions	(c)	–	8,115	8,115
Due to operators		37,544	–	37,544
Due to Rama First Nation		1,577	–	1,577
Due to the Government of Canada		7,421	–	7,421
Deferred revenues		15,807	–	15,807
Due to First Nations		191,696	–	191,696
Current portion of long-term debt		49,313	–	49,313
Total current liabilities		625,175	(9,645)	615,530
Non-current liabilities				
Long-term debt		186,077	–	186,077
Employee benefits		18,694	–	18,694
Asset retirement obligations	(c)	1,535	(1,535)	–
Total non-current liabilities		206,306	(1,535)	204,771
Total liabilities		**831,481**	**(11,180)**	**820,301**
Equity				
Retained earnings	(a)(b)(c)	2,358,441	(211,554)	2,146,887
Contributed surplus		62,345	–	62,345
Reserves		129,625	–	129,625
Total equity		2,550,411	(211,554)	2,338,857
Total liabilities and equity		**$ 3,381,892**	**$ (222,734)**	**$ 3,159,158**

Reconciliation of equity March 31, 2011

	Foot note		Canadian GAAP		Effect of transition to IFRS March 31, 2011		IFRS
Assets							
Current assets							
Cash and cash equivalents		$	314,572	$	–	$	314,572
Trade and other receivables			69,034		–		69,034
Prepaid expenses			29,529		–		29,529
Inventories			18,354		–		18,354
Current portion of loans receivable			5,685		–		5,685
Cash and short-term investments held for First Nations			8,673		–		8,673
Total current assets			445,847		–		445,847
Non-current assets							
Restricted cash			188,388		–		188,388
Loans receivable			20,033		–		20,033
Property, plant and equipment	(a)		2,402,841		(740,597)		1,662,244
Goodwill			1,776		–		1,776
Total non-current assets			2,613,038		(740,597)		1,872,441
Total assets		**$**	**3,058,885**	**$**	**(740,597)**	**$**	**2,318,288**
Liabilities and Equity							
Current liabilities							
Trade and other payables	(b)	$	319,685	$	(23,700)	$	295,985
Provisions	(c)		–		8,040		8,040
Due to operators			32,219		–		32,219
Due to Rama First Nation			1,422		–		1,422
Due to the Government of Canada			16,054		–		16,054
Deferred revenues			25,831		–		25,831
Due to First Nations			8,673		–		8,673
Current portion of long-term debt			55,885		–		55,885
Total current liabilities			459,769		(15,660)		444,109
Non-current liabilities							
Long-term debt			139,705		–		139,705
Employee benefits			21,252		–		21,252
Asset retirement obligations	(c)		1,553		(1,553)		–
Total non-current liabilities			162,510		(1,553)		160,957
Total liabilities			**622,279**		**(17,213)**		**605,066**
Equity							
Retained earnings	(a)(b)(c)		2,245,256		(723,384)		1,521,872
Contributed surplus			62,345		–		62,345
Reserves			129,005		–		129,005
Total equity			2,436,606		(723,384)		1,713,222
Total liabilities and equity		**$**	**3,058,885**	**$**	**(740,597)**	**$**	**2,318,288**

Reconciliation of comprehensive income for the year ended March 31, 2011

For the year ended March 31, 2011

	Foot note	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues				
Lottery and bingo	(d)	$ 3,320,994	$ –	$ 3,320,994
Resort casinos	(d)	1,300,308	2,680	1,302,988
OLG slots and casinos		2,064,498	3,166	2,067,664
		$ 6,685,800	**$ 5,846**	**$ 6,691,646**
Expenses				
Lottery and bingo	(f)	2,408,590	(901)	2,407,689
Resort casinos	(e,f,g)	1,408,098	23,821	1,431,919
OLG slots and casinos	(e,f,g)	1,153,834	1,393	1,155,227
		$ 4,970,522	**$ 24,313**	**$ 4,994,835**
Income before the undernoted		**1,715,278**	**(18,467)**	**1,696,811**
Other income		$ 29,160	$ –	$ 29,160
Finance income		3,023	–	3,023
Finance costs	(h)	(11,157)	(363)	(11,520)
Foreign exchange gain		8,435	–	8,435
Other charges	(i)	(5,408)	(493,000)	(498,408)
Net income and comprehensive income		**$ 1,739,331**	**$ (511,830)**	**$ 1,227,501**

NOTES TO THE RECONCILIATION

a. Property, plant and equipment

In accordance with IFRS, each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is amortized separately. The Corporation performed a thorough review of its capital assets to identify the components of capital assets and assess the impact of componentization. The componentization of property, plant and equipment resulted in a $247,234,000 increase in accumulated amortization at March 31, 2011 (April 1, 2010 – $222,734,000 increase in accumulated amortization and a decrease of retained earnings at the date of transition).

Under IFRS, an impairment loss is recognized if an asset's (CGU's) carrying amount exceeds its recoverable amount, determined as the greater of fair value less costs to sell and value in use based on the net present value of future cash flows. At March 31, 2011, Caesars Windsor's CGU was reduced to its recoverable amount based on the value in use (see Note 12) which resulted in a $493,000,000 reduction to the carrying value under IFRS.

Under IFRS, an entity must suspend capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset. An amount of $363,000 relating to capitalized borrowing costs previously recorded under Canadian GAAP has been expensed which resulted in a reduction to property, plant and equipment (April 1, 2010 – $nil).

The net impact of these adjustments is a reduction to property, plant and equipment of $740,597,000 for the year ended March 31, 2011 (April 1, 2010 – $222,734,000).

b. Trade and other payables

In accordance with IFRS, liabilities related to incentive programs where the customer has the right to receive cash are recognized at fair value, which is the amount due on demand. Under Canadian GAAP, an estimated redemption rate was utilized to measure the liability and corresponding revenue. Accordingly, an increase to trade and other payables was recognized of $2,819,000 (April 1, 2010 – $2,863,000) under IFRS.

In addition, $3,575,000 (April 1, 2010 – $2,787,000) was reclassified from trade and other payables to provisions.

Furthermore, the base amounts of progressive jackpots are not recorded as a liability and a reduction to gaming revenue under IFRS; therefore, the derecognition of the liability resulted in a reduction to trade and other payables of $22,944,000 (April 1, 2010 – $17,836,000) at March 31, 2011.

The net impact of these adjustments is a reduction to trade and other payables of $23,700,000 for the year ended March 31, 2011 (April 1, 2010 – $17,760,000).

c. Provisions

In accordance with IFRS, a provision is a liability of uncertain timing or amount. The Corporation performed a review of trade and other payables and reclassified those items which met the definition of a provision. An amount of $3,575,000 (April 1, 2010 – $2,787,000) was reclassified from trade and other payables.

In addition, legal provisions of $514,000 (April 1, 2010 – $495,000) were recognized for additional recognition and measurement differences under IFRS.

Under IFRS, provisions for loss-making executory contracts (onerous contracts) are recognized, resulting in an additional provision in respect of certain of the Corporation's eBingo contracts. Such provisions were not recognized under Canadian GAAP. As such, the Corporation recognized a provision for an onerous contract provision of $2,398,000 (April 1, 2010 – $3,298,000 with a corresponding reduction in retained earnings).

Asset retirement obligations of $1,553,000 (April 1, 2010 – $1,535,000) recorded in other liabilities under Canadian GAAP have been reclassified to provisions under IFRS.

The net impact of these adjustments is an increase to provisions of $8,040,000 for the year ended March 31, 2011 (April 1, 2010 – $8,115,000).

d. Revenue

In accordance with IFRS, liabilities related to incentive programs that provide patrons with a cash redemption alternative are measured at fair value, which is the amount due on demand. Under Canadian GAAP, an estimated redemption rate was utilized to measure the liability and corresponding revenue. These differences increased gaming revenue for the year ended March 31, 2011 in the amount of $44,000. In addition, $160,000 related to incentive programs, previously recognized as a reduction to expenses under Canadian GAAP, has been reclassified to increase revenue for the year ended March 31, 2011.

The base amounts of progressive jackpots are not recorded as a liability in accordance with IFRS; therefore, the derecognition of the liability correspondingly increased gaming revenue in the amount of $5,642,000 for the year ended March 31, 2011.

The net impact of these adjustments is an increase in revenues of $5,846,000 for the year ended March 31, 2011.

e. Expenses – amortization

In accordance with IFRS, each component of property, plant and equipment with a cost that is significant in relation to the total cost of the item is to be amortized separately. The componentization of property, plant and equipment resulted in a $24,500,000 increase in amortization for the year ended March 31, 2011.

f. Expenses – changes in provisions and other accrued expenses

During the year ended March 31, 2011, the following changes relating to legal, insurance and onerous provisions and other accrued expenses were recorded:

- Decrease in legal provisions of $153,000;
- Increase in insurance provisions of $174,000;
- Reduction to the onerous contract provision of $900,000; and
- Increase in other accrued expenses as a result of other IFRS adjustments of $532,000.

The net impact of these adjustments is a reduction to expenses of $347,000 for the year ended March 31, 2011.

g. Expenses – incentive programs

An amount of $160,000 related to incentive programs, previously recognized as a reduction to expenses under Canadian GAAP, has been reclassified as an increase to revenue for the year ended March 31, 2011 under IFRS.

h. Finance costs

Under IFRS, an entity must suspend capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset. An amount of $363,000 related to borrowing costs previously capitalized under Canadian GAAP has been recorded as finance costs for the year ended March 31, 2011 under IFRS.

i. Other charges – impairment

Under IFRS, an impairment loss is recognized if an asset's (CGU's) carrying amount exceeds its recoverable amount, determined as the greater of fair value less costs to sell and value in use based on the net present value of future cash flows. At March 31, 2011, Caesars Windsor's CGU was reduced to its recoverable amount based on its value in use (Note 12), which resulted in a $493,000,000 reduction to the carrying value under IFRS.

IFRS 1, Exemptions from retrospective application

IFRS 1, First–time Adoption of International Financial Reporting Standards, sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Corporation has applied the following exemptions to its opening statement of financial position dated April 1, 2010:

(a) IAS 23 – Borrowing costs ("IAS 23")

In accordance with IFRS 1, the Corporation has elected to prospectively apply IAS 23 effective April 1, 2010.

(b) IAS 16 – Property, Plant and Equipment

The Corporation has elected to measure the cost of property, plant and equipment at cost as described in Note 12 and (a) above. The Corporation is not electing to utilize the fair value or deemed cost approach available under IFRS 1 transitional elections.

(c) International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 1 – Changes in existing decommissioning, restoration and similar liabilities

In accordance with IFRS 1, the Corporation has elected to evaluate its Asset Retirement Obligations under IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

(d) IFRIC Interpretation 4 – Determining whether an arrangement contains a lease ("IFRIC 4")

In accordance with IFRS 1, the Corporation has elected not to reassess whether an arrangement contains a lease under IFRIC 4 for contracts that were assessed under previous Canadian GAAP. Arrangements entered into before the effective date of Emerging Issues Committee ("EIC") 150 that have not substantially been assessed under EIC 150, were assessed under IFRIC 4, and no additional leases were identified.

(e) IFRS 3 – Business Combinations ("IFRS 3")

In accordance with IFRS 1, the Corporation has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

(f) Estimates

In accordance with IFRS 1, the Corporation's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Corporation's IFRS estimates as of April 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

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