

NOVA SCOTIA GAMING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012

Management Responsibilities for Financial Reporting

These consolidated financial statements are the responsibility of the management of Nova Scotia Gaming Corporation ("NSGC"). They have been approved by its Board of Directors.

Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards. The financial information contained in the Report to Stakeholders is consistent with the data presented in the consolidated financial statements.

The gaming activities of NSGC are undertaken by operators acting on its behalf. These gaming activities are audited by independent auditors. The Corporation relies on the audit opinions of these independent auditors. The responsibility of the Auditor General of Nova Scotia is to express an independent opinion on whether the consolidated financial statements of NSGC are stated fairly, in accordance with International Financial Reporting Standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

NSGC maintains books of accounts and systems of financial and management control, which provide reasonable assurance that accurate financial information is available, that assets are protected, and that resources are managed efficiently.

The Board of Directors oversees audit activities through its audit committee. The committee reviews matters related to accounting, auditing and internal control systems, and the consolidated financial statements and audit reports of the auditors of the Corporation and its operators.

Certification for the year ended March 31, 2012

We have evaluated the effectiveness of NSGC's disclosure controls and procedures as of the end of the year covered by the 2011-12 Consolidated Financial Statements. Except as discussed in the following two paragraphs, we conclude that such disclosure controls and procedures are effective to ensure that the information required to be disclosed is accumulated and communicated to management, including the Acting President & Chief Executive Officer and the Director, Finance.

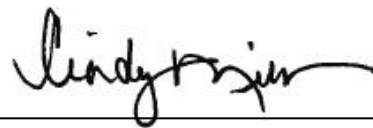
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation ("GCGC"). NSGC has contracted GCGC to operate the Halifax and Sydney casinos and certain balances, including revenues, associated with those businesses are included in the consolidated financial statements.

NSGC's evaluation did not include disclosure controls and procedures nor internal controls over financial reporting performed by the Atlantic Lottery Corporation Inc. ("ALC"), and therefore is not intended to identify and report any deficiencies in internal control that might exist at ALC. NSGC has contracted ALC to operate the Video and Ticket Lottery businesses and the revenue, expenses, assets and liabilities associated with those businesses are included in the consolidated financial statements.

During the period beginning on April 1, 2011 and ended on March 31, 2012, NSGC has not made any changes in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.



Robert MacKinnon, CA
Acting President & CEO



Cindy Mills, CMA
Director, Finance



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the Nova Scotia Gaming Corporation:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Nova Scotia Gaming Corporation, which comprise the consolidated statement of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010, and the consolidated statements of net and comprehensive income, retained earnings (deficit) 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 Responsibilities for the Consolidated Financial Statements

Management is responsible for the preparation and fair representation 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.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards required that I 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 the auditor's 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, the auditor considers internal control relevant to the Corporation'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 Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Jacques R. Lapointe, CA
Auditor General

June 15, 2012
Halifax, Nova Scotia

NOVA SCOTIA GAMING CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN THOUSANDS)

	March 31, <u>2012</u>	March 31, <u>2011</u>	April 1, <u>2010</u>
ASSETS			
Current assets			
Cash and cash equivalents (Note 4)	\$ 7,655	\$ 22,680	\$ 12,023
Cash – restricted (Note 5)	6,317	5,214	4,496
Trade and other receivables (Note 6)	1,293	1,557	1,611
Other assets (Note 7)	2,987	1,010	3,638
Inventories (Note 8)	2,296	2,134	1,631
	<u>20,548</u>	<u>32,595</u>	<u>23,399</u>
Non-current assets			
Property, plant and equipment (Note 9)	73,426	71,242	80,376
Intangible assets (Note 10)	6,807	10,078	12,287
Cash - casino capital replacement reserve (Note 11)	860	178	337
Investment in Interprovincial Lottery Corporation (Note 22)	1	1	1
	<u>81,094</u>	<u>81,499</u>	<u>93,001</u>
	\$ 101,642	\$ 114,094	\$ 116,400
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness (Note 4)	\$ 711	\$ 498	\$ 442
Trade and other payables (Note 12)	15,390	14,606	16,508
Deferred revenue and recovery (Note 13)	986	13,232	1,241
Provisions (Note 14)	6,317	5,214	4,496
Due to Atlantic Gaming Equipment Limited (Note 15)	6,778	7,618	9,681
Other liabilities (Note 16)	1,231	815	908
Due to Province of Nova Scotia	55,553	57,106	65,232
	<u>86,966</u>	<u>99,089</u>	<u>98,508</u>
Non-current liabilities			
Due to Atlantic Gaming Equipment Limited (Note 15)	9,715	8,484	11,105
Investment in Atlantic Lottery Corporation Inc. (Note 3)	11,829	13,462	16,750
	<u>108,510</u>	<u>121,035</u>	<u>126,363</u>
Equity			
Casino capital replacement reserve (Note 11)	6,389	5,088	5,281
Retained deficit	(13,257)	(12,029)	(15,244)
	<u>\$ 101,642</u>	<u>\$ 114,094</u>	<u>\$ 116,400</u>

See accompanying notes to the financial statements

Approved on behalf of the Board,



Gordon D. Gillis, BA, LLB
Chair

NOVA SCOTIA GAMING CORPORATION

CONSOLIDATED STATEMENT OF NET AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2012	2011
Revenue (Note 17)	\$ 427,356	\$ 439,402
Cost of sales	272,585	291,959
Gross profit	154,771	147,443
Amortization	(8,374)	(8,671)
Finance costs (Note 18)	(882)	(739)
Other expenses (Note 19)	(12,204)	(11,898)
Interest and other income	4,412	3,585
Net and comprehensive income before Win tax	137,723	129,720
Win tax (Note 3.15.2)	15,061	15,108
Net and comprehensive income	\$ 152,784	\$ 144,828

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2012	2011
Balance, beginning of year	\$ (12,029)	\$ (15,244)
Net and comprehensive income	152,784	144,828
Payment to Province	(152,784)	(144,828)
Change in investment in Atlantic Lottery Corporation Inc.	(1,228)	3,215
Balance, end of year	\$ (13,257)	\$ (12,029)

See accompanying notes to the financial statements

NOVA SCOTIA GAMING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2012	2011
OPERATING		
Net and comprehensive income	\$ 152,784	\$ 144,828
Allocation of income to Province	(152,784)	(144,828)
Amortization	11,819	8,671
Loss on disposal of property, plant and equipment	46	7,890
Changes in non-cash working capital balances		
Trade and other receivables	264	54
Other assets	(1,977)	2,628
Inventories	(162)	(503)
Trade and other payables	784	(1,902)
Deferred revenue and recovery	(12,246)	11,991
Other liabilities	416	(93)
Due to Province of Nova Scotia	(1,553)	(8,126)
	<u>(2,609)</u>	<u>20,610</u>
FINANCING		
Increase (decrease) in due to Atlantic Gaming Equipment Limited	391	(4,684)
INVESTING		
Purchases of capital assets	(10,778)	(5,218)
Change in investment of Atlantic Lottery Corporation Inc.	(2,861)	(73)
Increase (decrease) in Casino Capital Replacement Reserve, net of cash	619	(34)
	<u>(13,020)</u>	<u>(5,325)</u>
Net (decrease) increase in cash and cash equivalents	(15,238)	10,601
Cash and cash equivalents, beginning of year	22,182	11,581
Cash and cash equivalents, end of year	\$ 6,944	\$ 22,182

See accompanying notes to the financial statements

1. Reporting entity

Nova Scotia Gaming Corporation (“the Corporation”) was incorporated on February 15, 1995, by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The address of its registered office and principal place of business is 5th Floor Summit Place, 1601 Lower Water Street, Halifax, Nova Scotia, Canada. The consolidated financial statements comprise those of the individual entity, Nova Scotia Gaming Corporation (“the Corporation”), its subsidiaries and its interest in associates and jointly controlled entities (collectively referred to as “the Corporation”).

The principal activities of the Corporation are to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province of Nova Scotia.

The Corporation is exempt from income tax under Section 149 of the *Income Tax Act*.

2. Basis of presentation

A. Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”). In applying IFRS for the first time, the Corporation has applied IFRS 1 First-time Adoption of International Financial Reporting Standards.

The preparation of the consolidated financial statements in accordance with IFRS resulted in changes to certain accounting policies as compared with the 2011 audited annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). However, 2011 comparative information in these consolidated financial statements have been restated to comply with IFRS.

An opening balance sheet at April 1, 2010, was also prepared for the purposes of the transition to IFRS, as required by IFRS 1. The impact of the transition from previous Canadian GAAP to IFRS is explained in note 28.

B. Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets at the time of acquisition.

C. Function and presentation currency

The Corporation’s presentation and functional currency is Canadian dollars. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

D. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Corporation’s accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and when such amounts are not readily apparent. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements concerning the future that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognized in financial statements are contained in the various notes to the statements and include:

- Estimates of gaming revenue (see note 3.3);
- Valuation of casino award credits (see note 3.3); and,
- Useful lives of property, plant and equipment (see note 3.7).

NOVA SCOTIA GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are contained in the various notes to the statements and are discussed below:

- Impairment of property, plant and equipment (see note 3.8); and,
- Estimates of employee benefits cost (see note 3.6).

3. Significant accounting policies

The accounting policies followed by the Corporation are summarized as follows:

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation, and entities controlled by the Corporation from the date that control commences until the date whereby control ceases.

Control is achieved where the Corporation has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The entities controlled by the Corporation are as follows:

	Description	Basis of consolidation
Nova Scotia Gaming Equipment Limited	Wholly owned subsidiary	Consolidation
Casino Nova Scotia	An entity being land and buildings located in Halifax and Sydney, Nova Scotia operating as a casino	Consolidation

Nova Scotia Gaming Equipment Limited

Nova Scotia Gaming Equipment Limited is the Corporation's 100%-owned subsidiary and is fully consolidated in these statements.

Casino Nova Scotia

Casino Nova Scotia is the entity created as a result of the May 31, 1995, Operating Contract between the Corporation and Metropolitan Entertainment Corporation, then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015. On July 1, 2005, the Corporation amended and restated the Operating Contract with Metropolitan Entertainment Corporation (now a partnership between 6364942 Canada Inc. and 6364951 Canada Inc.) to operate casinos in Halifax and Sydney for a period expiring on July 1, 2015, renewable until July 1, 2025, at the Operator's option. Casino Nova Scotia is fully consolidated as the Operating Contract provides the Corporation with the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

All intra-Corporation transactions, balances, income and expenses are eliminated in full on consolidation.

3.2 Interests in joint ventures

Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement.

Jointly controlled entities

Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. An entities investment would include goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Corporation's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control

commences until the date that significant influence or joint control ceases. When the Corporation's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Corporation controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Corporation incurs and its share of the income that it earns from the joint operation.

Atlantic Lottery Corporation Inc.

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region. The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland and Labrador, New Brunswick Lotteries and Gaming Corporation and Prince Edward Island Lotteries Commission own 25% of the Atlantic Lottery Corporation Inc. The Corporation's interest in the Atlantic Lottery Corporation Inc. is accounted for as a jointly controlled entity (equity method).

The Corporation entered into an Agency Agreement with Atlantic Lottery Corporation Inc. in 2000, whereby revenues are required to be kept in a separate account and not co-mingled with those of the other provinces, costs are to be deducted from its account, and assets acquired or liabilities incurred by Atlantic Lottery Corporation Inc. exclusively for the operation of lotteries in Nova Scotia are the Corporation's. Under the Agreement, Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation. The operations covered within the Agency Agreement are accounted for as a jointly controlled operation (the assets and liabilities have been included on the Corporation's consolidated statement of financial position and the balance recorded as due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited).

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

3.3.1 Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Corporation; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

This applies to:

- Lottery ticket revenues;
- Instant ticket game sales; and,
- Food and beverage sales.

Sales of goods that result in award credits for customers under Casino Nova Scotia's Player's Club rewards program are accounted for as multiple-element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could also be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction, but is deferred and recognized as revenue when the award credits are redeemed and Casino Nova Scotia's obligations have been fulfilled.

3.3.2 Casino gaming revenue

Casino gaming revenues are recognized in accordance with industry practice, as the net win from gaming activities, which is the difference between amounts wagered and amounts paid.

3.3.3 Video lottery revenue

Video lottery revenues are recognized at the time of play and are recorded net of credits paid out.

3.3.4 Interest income

Interest income is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.4 Operating Leases

Operating leases are leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items.

3.4.1 The Corporation as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the related lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

3.4.2 The Corporation as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.5 Foreign currencies

Transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise.

3.6 Employee benefit costs

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognized in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognized in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Corporation in respect of services provided by employees up to the reporting date.

3.6.1 Defined contribution plans

Contributions to defined contribution plans are expensed when employees have rendered service entitling them to the contributions.

3.6.2 Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognized in full in profit or loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The defined benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan. The liability for employees of the Atlantic Lottery Corporation Inc. consolidated in the Corporation's statements is accounted for as per defined benefit plans outlined above.

Multi-employer defined benefit plans for which insufficient information was able to be obtained by the Corporation are accounted for as defined contribution plans. All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Plan, a multi-employer plan for which insufficient information is able to be obtained and is therefore accounted for as a defined contribution plan.

3.7 Property, plant and equipment

Property plant and equipment, including buildings and leasehold improvements held for use in the supply of goods, services or administrative purposes are carried at cost, less subsequent depreciation and impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Corporation's accounting policy outlined below. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use. Construction in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

The cost of replacing 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 costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is provided to write off the cost of items of property, plant and equipment other than land over their estimated useful lives and after taking into account their estimated residual value, using both the straight-line method and diminishing value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year in which the item is derecognized.

Depreciation of the Corporation's head office property, plant and equipment ("PP&E") is charged based on the diminishing balance method of depreciation. The following annual rates are used in the calculation of depreciation:

Computer equipment	30%
Furniture and equipment	20%

Depreciation of the Corporation's Halifax and Sydney casinos, and lottery businesses' property, plant and equipment is charged based on the straight line method of depreciation. Leasehold improvements are amortized over the remaining lease term, including one renewal period. The following annual rates are used in the calculation of depreciation:

Casino assets	2.5% - 20%
Lottery assets	4% - 33%

3.8 Impairment of long-lived assets

At each reporting date, the Corporation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.9 Intangible assets

3.9.1 Intangible assets acquired separately

Acquired intangible assets are primarily software, patents and licenses on technologies. Intangible assets acquired separately are carried at cost less accumulated amortizations and impairment losses. Amortization is charged to the consolidated statement of operations on a straight-line basis over their estimated useful lives as follows:

Software	3 - 10 years
Other intangibles	3 - 5 years

The Corporation only has intangible assets acquired with a finite useful life. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis. The amortization expense on intangible assets with finite lives is recognized in the statement of operations in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of operations when the asset is derecognized.

3.9.2 Intangible assets internally generated – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Development costs relating primarily to the development of new gaming or lottery software are recognized as an intangible asset when the Corporation can demonstrate that all conditions required by IAS 38 are met.

The amount initially recognized for internally generated intangible assets is the sum of the acquisition and manufacturing costs that can be directly attributed to the development process as well as a reasonable portion of the development-related fixed costs. If the internally generated intangible asset does not meet the conditions of IAS 38, the development expenditure is recognized in profit or loss in the period in which it was incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. Amortization of the asset begins when the development is complete and the asset is available for use. It is amortized over the period of expected future benefit on a straight-line basis. The current useful lives applied are:

Gaming or lottery software	5 - 15 years
Other intangibles	5 - 7 years

During the period of development, the intangible asset is tested for impairment annually.

3.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on an average cost basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.11 Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12 Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Corporation's financial assets are classified into the following categories:

	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost

3.12.1 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.12.2 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are also assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3.12.3 Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

3.12.4 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.13 Financial liabilities

The Corporation's financial liabilities are classified into the following categories:

	Classification	Measurement
Bank indebtedness	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Liabilities for unclaimed prizes	Other financial liabilities	Amortized cost
Due to Atlantic Gaming Equipment Limited	Other financial liabilities	Amortized cost
Other liabilities	Other financial liabilities	Amortized cost
Due to Province of Nova Scotia	Other financial liabilities	Amortized cost

3.13.1 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method.

3.13.2 Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take greater than nine months to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.15 Taxes

3.15.1 Sales tax

As a prescribed registrant for HST, the Corporation makes HST remittances to the Government of Canada pursuant to the *Games of Chance Regulations* of the *Excise Tax Act* ("the Regulations"). The Corporation's net tax for a reporting period is comprised of net tax attributable to both gaming and non-gaming activities. Imputed tax on gaming expense is calculated according to a formula set out in the Regulations resulting in the direct payment of additional HST at the applicable statutory rate. The net tax attributable to non-gaming activities is calculated similar to any other HST registrant.

3.15.2 Win tax

As part of the *Casino Regulations*, made under Section 127 of the *Gaming Control Act*, section thirty-one prescribes that the Corporation is required to make payment to the Province daily, an amount equal to twenty percent of casino gaming revenue, otherwise known as win tax. This amount can be found as an expense to the casino line of business and is added back to derive the total Payment to Province.

3.16 Accounting standards issued but not yet effective

A number of new standards, interpretations and amendments to existing standards are not yet effective as at March 31, 2012, and have not been applied in preparing these consolidated statements. The Corporation has included standards and interpretations issued that it reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Corporation has not chosen to early apply these revised standards and is currently assessing the impact these standards will have on the consolidated financial statements in the following periods:

- IFRS 7, *Financial Instruments: Disclosures*, effective for annual periods beginning on or after July 1, 2011. This standard requires increased disclosure for the transfer of financial assets, particularly where there is a disproportionate amount of transactions that take place at the end of a reporting period.
- IFRS 9, *Financial Instruments*, effective for annual periods on or after January 1, 2015. This standard is the first of the IASB's three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. It requires classification and measurement of financial assets and financial liabilities in either the amortized cost or the fair value category.
- IFRS 10, *Consolidated Financial Statements*, effective for annual periods on or after January 1, 2013. IFRS 10 replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements* and SIC-12, *Consolidation – Special Purpose Entities*, with the introduction of a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities).

Under IFRS 10, control is based on whether an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

- IFRS 11, *Joint Arrangements*, effective for annual periods on or after January 1, 2013. IFRS 11, introduces new accounting requirements for joint arrangements, and replaces IAS 31, *Interests in Joint Ventures*. IFRS 11 removes the option to apply the proportional consolidation method when accounting for jointly controlled entities and eliminates the concept of jointly controlled assets. IFRS 11 now only differentiates between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.
- IFRS 12, *Disclosure of Involvement with Other Entities*, effective for annual periods on or after January 1, 2013. IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to provide financial statement users with information to evaluate the basis of control, any restrictions on consolidated assets and

liabilities and, risk exposures arising from involvement with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

- IAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Corporation does not present separate financial statements.

The requirements relating to separate financial statements in IAS 27 are unchanged in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10. IAS 28, *Investments in Associates and Joint Ventures*, is amended to conform to changes in IFRS 10, IFRS 11 and IFRS 12.

- Each of the above standards, IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28, have an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards noted above are also early applied. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of IFRS 12 (and thereby each of the other four standards).
- IFRS 13, *Fair Value Measurement*, effective for annual periods beginning on or after January 1, 2013. IFRS 13 establishes a single framework for measuring fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.
- IAS 19, *Employee Benefits* (amended). The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording of the standard. The Corporation is currently assessing the full impact of this amendment.

4. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Cash and bank balances	\$ 7,655	\$ 22,680	\$ 12,023
Bank indebtedness	(711)	(498)	(442)
	<u>\$ 6,944</u>	<u>\$ 22,182</u>	<u>\$ 11,581</u>

Under the Amended and Restated Casino Operating Contract, total casino revenues are the Corporation's revenue and the casino bank accounts and Capital Reserve accounts (CRA) are owned by the Corporation. The Corporation included \$2,800 in cash from the casino accounts on the consolidated balance sheet at March 31, 2012, (March 31, 2011 - \$2,600; April 1, 2010 - \$2,600).

5. Cash – restricted and unclaimed prizes

Unclaimed prizes from regional lottery games are retained in a prize fund for twelve months from the announced beginning date of the draw and Sports games are retained in a prize fund for 744 days from the date of purchase of the ticket. Unclaimed prizes remaining after the respective periods are transferred to a special prize fund and are recorded as a reduction to prize expense and/or used for prizes in subsequent draws. Prizes of national lottery games are funded by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

All unclaimed prizes from Scratch 'N Win lottery games are retained in a prize fund for thirty-six months from the date of launch of the game. Unclaimed prizes remaining after the thirty-six month claiming period are transferred to a special prize fund and are recorded as a reduction to prize expense and/or used for prizes in subsequent draws. Although Scratch 'N Win prizes do not expire for accounting purposes, thirty-six months from the date of launch of the game was selected as historically there have been minimal validations after this period. Unclaimed prizes of national games are administered by the Interprovincial Lottery Corporation.

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6. Trade and other receivables

	March 31, 2012	March 31, 2011	April 1, 2010
Due from operator	\$ 1,293	\$ 1,557	\$ 1,611
	<u>\$ 1,293</u>	<u>\$ 1,557</u>	<u>\$ 1,611</u>

6.1 Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

6.2 Due from Operators

	March 31, 2012	March 31, 2011	April 1, 2010
ALC (i)	\$ 279	\$ 916	\$ 396
MEG	1,014	641	1,215
	<u>\$ 1,293</u>	<u>\$ 1,557</u>	<u>\$ 1,611</u>

(i) Amounts due from ALC include deferred revenue of \$279 (March 31, 2011: \$916, April 1, 2010: \$396).

7. Other assets

	March 31, 2012	March 31, 2011	April 1, 2010
Prepayments	\$ 2,979	\$ 971	\$ 3,620
Deferred charges (i)	8	39	18
	<u>\$ 2,987</u>	<u>\$ 1,010</u>	<u>\$ 3,638</u>

(i) Deferred charges are prepaid commissions to lottery retailers from the sale of tickets, where the draw date is after March 31.

8. Inventories

	March 31, 2012	March 31, 2011	April 1, 2010
Food, beverage and merchandise - casinos	\$ 155	\$ 160	\$ 134
Lottery tickets	2,141	1,974	1,497
	<u>\$ 2,296</u>	<u>\$ 2,134</u>	<u>\$ 1,631</u>

The cost of inventories recognized as an expense includes \$240 (2011 - \$506) in respect of write-downs of inventory to net realisable value, and was included in ticket printing and costs.

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9. Property, plant and equipment

	Land	Buildings & Leasehold	Automobile	Operational Equipment	Lottery Gaming Equipment	Casino Gaming Equipment	Casino Buildings	Total
Cost								
Balance at April 1, 2010	\$ 10,025	\$ 614	\$ 815	\$ 2,067	\$ 63,942	\$ 64,937	\$ 74,761	\$ 217,161
Additions	-	-	-	9	1,117	1,652	503	3,281
Disposals	-	-	-	(732)	(3,419)	(19,565)	(3,008)	(26,724)
Transfers	-	-	-	(1)	475	-	-	474
Balance at March 31, 2011	\$ 10,025	\$ 614	\$ 815	\$ 1,343	\$ 62,115	\$ 47,024	\$ 72,256	\$ 194,192
Additions	-	34	471	234	1,198	3,420	345	5,702
Disposals	-	(48)	(112)	(175)	(11,994)	-	(500)	(12,829)
Transfers	-	-	-	7	4,859	-	-	4,866
Balance at March 31, 2012	\$ 10,025	\$ 600	\$ 1,174	\$ 1,409	\$ 56,178	\$ 50,444	\$ 72,101	\$ 191,931
Accumulated depreciation and impairment								
Balance at April 1, 2010	\$ -	\$ 579	\$ 307	\$ 773	\$ 54,287	\$ 56,167	\$ 24,672	\$ 136,785
Disposals	-	-	-	(60)	(3,034)	(19,565)	(3,008)	(25,667)
Depreciation expense	-	19	140	157	4,539	4,307	2,670	11,832
Balance at March 31, 2011	\$ -	\$ 598	\$ 447	\$ 870	\$ 55,792	\$ 40,909	\$ 24,334	\$ 122,950
Disposals	-	(35)	(80)	(133)	(12,036)	-	(500)	(12,784)
Depreciation expense	-	11	126	148	2,650	3,233	2,171	8,339
Balance at March 31, 2012	\$ -	\$ 574	\$ 493	\$ 885	\$ 46,406	\$ 44,142	\$ 26,005	\$ 118,505
Net book value								
At April 1, 2010	\$ 10,025	\$ 35	\$ 508	\$ 1,294	\$ 9,655	\$ 8,770	\$ 50,089	\$ 80,376
At March 31, 2011	\$ 10,025	\$ 16	\$ 368	\$ 473	\$ 6,323	\$ 6,115	\$ 47,922	\$ 71,242
At March 31, 2012	\$ 10,025	\$ 26	\$ 681	\$ 524	\$ 9,772	\$ 6,302	\$ 46,096	\$ 73,426

During the year, the Corporation carried out a review of the recoverable amount of assets. This review lead to no indicators of impairment or reversals of impairment identified (2011 - \$0).

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10. Intangible assets

	Software Licenses	Gaming Software	Not Ready for Use	Total
Cost				
Balance at April 1, 2010	\$ 828	\$ 4,595	\$ 9,479	\$ 14,902
Additions	265	970	211	1,446
Disposals	(239)	-	-	(239)
Transfers	9,706	-	(9,690)	16
Balance at March 31, 2011	\$ 10,560	\$ 5,565	\$ -	\$ 16,125
Additions	5	-	193	198
Transfers	12	-	-	12
Balance at March 31, 2012	\$ 10,577	\$ 5,565	\$ 193	\$ 16,335
Accumulated depreciation and impairment				
Balance at April 1, 2010	\$ 252	\$ 2,363	\$ -	\$ 2,615
Disposals	(11)	-	-	(11)
Depreciation expense	1,919	1,524	-	3,443
Balance at March 31, 2011	\$ 2,160	\$ 3,887	\$ -	\$ 6,047
Depreciation expense	2,368	1,113	-	3,481
Balance at March 31, 2012	\$ 4,528	\$ 5,000	\$ -	\$ 9,528
Net book value				
At April 1, 2010	\$ 576	\$ 2,232	\$ 9,479	\$ 12,287
At March 31, 2011	\$ 8,400	\$ 1,678	\$ -	\$ 10,078
At March 31, 2012	\$ 6,049	\$ 565	\$ 193	\$ 6,807

During the year, the Corporation carried out a review of the recoverable amount of assets. This review led to no indicators of impairment or reversals of impairment identified (2011 - \$0).

11. Reserves

11.1 Casino capital replacement reserve

The casino capital replacement reserve is intended to provide for replacement of casino capital assets. From April 1, 2011 to March 31, 2012, it was based on the greater of 5% of total revenues of the casinos or \$5,135. Cash has been segregated on the consolidated balance sheet in the amount of \$860 (March 31, 2011 - \$178; April 1, 2010 - \$337) for this purpose.

	March 31, 2012	March 31, 2011	April 1, 2010
Cash balance, beginning of year	\$ 178	\$ 337	\$ 1,164
Funding	5,135	5,057	5,000
Interest	5	3	2
Proceeds from sale of capital assets	11	-	6
Capital asset purchases	-	-	-
Reimbursements to MEG for entertainment	(244)	(282)	(289)
Reimbursements to MEG for capital asset purchases	(3,166)	(3,635)	(3,903)
Interest paid on balance owing to MEG for capital asset purchases	(69)	(140)	(842)
HST related to capital asset purchases and reimbursements	(990)	(1,162)	(801)
Capital assets purchased by MEG	-	-	-
Cash balance, end of year	860	178	337
Add: cumulative capital asset purchases	46,874	43,108	40,953
Less: accumulated amortization	(40,405)	(36,907)	(32,102)
Add (Less): HST payable	3	(46)	(56)
Less: capital assets purchased by MEG	(943)	(1,245)	(3,851)
Balance, end of year	\$ 6,389	\$ 5,088	\$ 5,281

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12. Trade and other payables

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables	\$ 1,770	\$ 1,220	\$ 1,785
Harmonized Sales Tax	812	795	412
Due to Gambling Awareness Nova Scotia (i)	45	46	49
Due to Operators	12,763	12,545	14,262
	<u>\$ 15,390</u>	<u>\$ 14,606</u>	<u>\$ 16,508</u>

- (i) Video Lottery retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute one per cent of their Video Lottery commission to Gambling Awareness Nova Scotia. The Corporation has agreed to contribute an amount equal to all contributions made by the Video Lottery retailers.

12.1 Due to Operators

	March 31, 2012	March 31, 2011	April 1, 2010
ALC	\$ 5,989	\$ 3,798	\$ 5,902
MEG	6,774	8,747	8,360
	<u>\$ 12,763</u>	<u>\$ 12,545</u>	<u>\$ 14,262</u>

13. Deferred revenue and recovery

	March 31, 2012	March 31, 2011	April 1, 2010
Lottery tickets (i)	\$ 279	\$ 916	\$ 396
Input tax credit recovery (ii)	-	11,577	-
Casino award credits (see note 3.3.1)	707	739	845
	<u>\$ 986</u>	<u>\$ 13,232</u>	<u>\$ 1,241</u>

- (i) The deferred revenue for lottery tickets arises in respect of receipts for lottery tickets sold prior to March 31 for draws held subsequent to that date (see note 3).
- (ii) A Harmonized Sales Tax ("HST") Input Tax Credit ("ITC") arose as a result of the transfer of casino assets to Nova Scotia Gaming Equipment Limited (the Corporation's wholly owned subsidiary) in July 2010. The ITC was subject to policy review by the Canada Revenue Agency, which was not complete at March 31, 2011, and the amount was recorded as a deferred recovery on the March 31, 2011, financial statements of the Corporation. The Canada Revenue Agency communicated to the Corporation through the Corporation's tax advisor that it accepted the basis under which the ITC was submitted and the ITC was recognized in the operating results of the Corporation for the fiscal year ended March 31, 2012.

14. Provisions

	March 31, 2012	March 31, 2011	April 1, 2010
Unclaimed prizes			
Current prizes	\$ 6,327	\$ 5,041	\$ 4,230
Special prize fund (i)	(10)	156	153
Linked Bingo provision	-	17	113
Balance, end of year	<u>\$ 6,317</u>	<u>\$ 5,214</u>	<u>\$ 4,496</u>
(i) Special prize fund			
Balance, beginning of year	\$ 156	\$ 153	\$ (89)
Unclaimed prizes expired during the year	1,185	377	1,302
Prize payouts	(1,351)	(374)	(1,060)
Balance, end of year	<u>\$ (10)</u>	<u>\$ 156</u>	<u>\$ 153</u>

Unclaimed prizes

A provision is recognized for prizes not yet claimed on lottery games. The provisions are measured by using the expected value approach multiplying the average statistical probability for all tickets to result in a future payout with the number of currently sold tickets minus all winner payments already made at the reporting date. See note 5.

15. Due to Atlantic Gaming Equipment Limited

	March 31, 2012	March 31, 2011	April 1, 2010
<i>Unsecured – at amortized cost</i>			
Loans from:			
Atlantic Gaming Equipment Limited (i)	\$ 16,493	\$ 16,102	\$ 20,786
Current	\$ 6,778	\$ 7,618	\$ 9,681
Non-current	9,715	8,484	11,105
	<u>\$ 16,493</u>	<u>\$ 16,102</u>	<u>\$ 20,786</u>

(i) This liability represents the Corporation's portion of Atlantic Lottery Corporation Inc. ("ALC") debt used in the acquisition of property, plant and equipment operated on behalf of the Corporation. All amounts are payable by ALC and are due on or before August 2016. The debt is based on variable interest rates ranging from 2.58% to 5.13%. The aggregate maturity of long-term debt for the year subsequent to March 31, 2012, is approximately as follows: 2013 - \$5,143; 2014 - \$5,263; 2015 - \$5,387; 2016 - \$2,741. Included in interest expense is \$663 (2011 - \$57) relating to long-term debt.

16. Other liabilities

	March 31, 2012	March 31, 2011	April 1, 2010
Outstanding chips	\$ 168	\$ 154	\$ 136
Progressive jackpot liabilities	1,063	661	772
	<u>\$ 1,231</u>	<u>\$ 815</u>	<u>\$ 908</u>

17. Revenue

An analysis of the Corporation's revenue for the year (excluding interest income) is as follows:

	March 31, 2012	March 31, 2011
Casinos (i)	\$ 82,861	\$ 83,304
Ticket Lottery	207,295	216,119
Video Lottery	137,200	139,979
	<u>\$ 427,356</u>	<u>\$ 439,402</u>

(i) Casinos revenue is comprised of gaming revenue \$75,304 (2011 - \$75,540) and food, beverage, and other revenue.

18. Finance costs

	March 31, 2012	March 31, 2011
Interest on bank overdrafts and loans	\$ 882	\$ 739

19. Other expenses

	March 31, 2012	March 31, 2011
Distributions to community programs (i)	\$ 5,495	\$ 5,325
Responsible gambling programs	6,709	6,573
	<u>\$ 12,204</u>	<u>\$ 11,898</u>

(i) Included in distributions to community programs are the following expenses:

19.1 Harness racing

The Corporation annually contributes to the Nova Scotia Harness Racing industry amounts as directed by Government. The Government of Nova Scotia approved a contribution of \$1,000 in 2012 (2011 - \$1,000) to support the harness racing industry in Nova Scotia. The 2013 approved budget includes \$1,000 to support the harness racing industry in Nova Scotia.

19.2 Special payments and bonus commissions

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	March 31, 2012	March 31, 2011
The Department of Communities, Culture and Heritage (in support of the Cultural Federation of Nova Scotia)	\$ 50	\$ 50
The Department of Agriculture (in support of the Exhibition Association of Nova Scotia)	50	50
The Department of Health and Wellness (in support of Sport Nova Scotia)	100	100
	<u>\$200</u>	<u>\$200</u>

These payments are special funds under the Provincial *Finance Act* established by the Minister of Finance under Section 14(1) of the *Atlantic Lottery Regulations* as made under the *Gaming Control Act*.

Additionally, as part of its 2005 Gaming Strategy, the Government of Nova Scotia approved a contribution of \$3,000 to the Department of Health and Wellness in 2012 (2011 - \$3,000) to fund problem gambling treatment.

19.3 Charitable sector support

The Corporation managed the delivery of a program called SuperStar Bingo, which was delivered by participating charities across the province. Charities were paid a commission. Profits, if any, were paid out to the participating charities; otherwise, NSGC absorbed the excess of costs over revenues. In 2012, the net loss was \$213 (2011 - \$28). This program was discontinued on September 18, 2011.

20. Financial instruments

20.1 Capital risk management

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged from 2011.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and bank balances) and equity of the Corporation (comprising capital replacement reserves as disclosed in note 11).

The Corporation is not subject to any externally imposed capital requirements.

The Corporation's objectives are to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk levels. The Corporation manages its capital structure in light of changes in economic conditions and the risk characteristics of the Corporation's operations. The Corporation's major capital allocation decisions include a comparison of whether the expected financial returns from those investments exceed its estimated weighted average cost of capital.

20.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

20.3 Financial risk management

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. The Corporation's overall risk management program recognizes the nature of these risks and seeks to minimize potential adverse effects on the Corporation's financial performance.

20.4 Interest rate risk management

Interest rate risk is the risk that the value of the Corporation's assets and liabilities will fluctuate due to changes in market interest rates. The Corporation has interest bearing debt which is subject to interest rate variations in the market.

The Corporation's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

20.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. In the normal course of business, the Corporation is subject to credit risk from trade debtors in the gaming and lotteries industry, and transactions with their operators. The Corporation has a credit policy which has been issued to manage this exposure to credit risk. As part of this policy, limits on exposures with counter parties have been set and approved by the Board of Directors and are monitored on a regular basis. The Corporation does not have any significant concentrations of credit risk. Trade debtors are monitored closely for compliance with terms of trade. The Corporation does not expect the non-performance of any obligations at balance date. The maximum credit risk is the carrying values of accounts receivables, bank accounts and short-term deposits.

20.6 Liquidity risk management

Liquidity risk represents the Corporation's ability to meet its contractual obligations. The Corporation evaluates its liquidity requirements on an ongoing basis by monitoring its capital structure, regularly monitoring forecast and actual cash flows and managing the maturity profiles of financial assets and financial liabilities. In general, the Corporation generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

20.7 Quantitative disclosures

Liquidity and interest risk tables

The following table details the Corporation's exposure to interest rate and liquidity risk.

	Weighted average effective interest rate	Variable interest	Fixed maturity %	Non-interest bearing	Total
As at March 31, 2012					
Financial assets					
Cash and cash equivalents		\$ -	\$ -	\$ 7,655	\$ 7,655
Cash restricted		-	-	6,317	6,317
Trade and other receivables		-	-	1,293	1,293
Other financial assets		-	-	2,987	2,987
		\$ -	\$ -	\$ 18,252	\$ 18,252
Financial liabilities					
Bank indebtedness		\$ -	\$ -	\$ 711	\$ 711
Trade and other payables		-	-	15,390	15,390
Liabilities for unclaimed prizes		-	-	6,317	6,317
Due to Atlantic Gaming Equipment	2.58%-5.13%	-	-	16,493	16,493
Other liabilities		-	-	1,231	1,231
Due to Province of Nova Scotia		-	-	55,553	55,553
		\$ -	\$ -	\$ 95,695	\$ 95,695

An analysis of the contractual maturity dates is as follows:

	Variable interest	Fixed maturity	Non-interest bearing	Total
As at March 31, 2012				
Financial assets				
Less than 1 year	\$ -	\$ -	\$ 18,252	\$ 18,252
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-
5 years	-	-	-	-
	\$ -	\$ -	\$ 18,252	\$ 18,252

21. Employee benefits

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Plan, a multi-employer plan. The plan is funded by equal employee and employer contributions. The employer accounts for the plan on a deferred contribution basis with contributions included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the Public Service Superannuation Plan.

The total expense recognized in the income statement of \$136 (2011 - \$146) represents contributions payable to these plans by the Corporation at rates specified in the rules of the plans. As at March 31, 2012, contributions of \$7 (2011 - \$7) due in respect of the 2012 (2011) reporting period had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

22. Related party transactions

The immediate parent and ultimate controlling party of Nova Scotia Gaming Corporation is the Province of Nova Scotia. Balances and transactions between the Corporation and its subsidiaries that are related parties of the Corporation have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

22.1 Compensation of key management personnel

	March 31, 2012	March 31, 2011
Short-term benefits	\$ 506	\$ 678
Post-employment benefits	44	58
	<u>\$ 550</u>	<u>\$ 736</u>

Key management is considered to be comprised of members of the Board of Directors, the Corporation's Chief Executive Officer and the Corporation's Vice Presidents.

22.2 Compensation to persons over \$100

In accordance with the *Public Sector Compensation Disclosure Act*, the Corporation is required, commencing March 31, 2012, to disclose the amount of compensation as described in the *Act*. During the fiscal year ending March 31, 2012, the following individuals who received compensation of \$100 or above were:

Stephen MacDonald *	\$151
Robert MacKinnon	\$143
Robyn McIsaac	\$109

* Former Acting President and CEO, no longer with the Corporation.

22.3 Other related party transactions

Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976, under the *Canada Business Corporations Act*. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Lotto Max, Millionaire Life, various national instant games). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

23. Commitments

23.1 The Corporation as lessee

23.1.1 Operating lease arrangements

Commitments for minimum lease payments in relation to non-cancellable operating leases for premises and outsourcing of infrastructure, application and project services are as follows:

	March 31, 2012	March 31, 2011
Not later than 1 year	\$ 7,025	\$ 7,348
Later than 1 year and not later than 5 years	23,415	24,115
	<u>\$ 30,440</u>	<u>\$ 31,463</u>

The Corporation has entered into an operating lease for rental of office space occupied by its head office. The lease commenced October 2011 and expires on December 2014.

Included in the Corporation's commitments is the Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for their premises. The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for premises is approximately \$5.1 million over the next five years.

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Also included in the Corporation's commitments is the Corporation's share of the Atlantic Lottery Corporation Inc.'s aggregate payment of long-term lease payable for infrastructure, application and project services contract through a seven-year outsourcing agreement with CGI, with the option of three one-year renewable terms. The Corporation's share of the Atlantic Lottery Corporation Inc.'s aggregate payment of long-term lease payable for each of the five years subsequent to March 31, 2012, is as follows: 2013 - \$5,699; 2014 - \$5,424; 2015 - \$4,855; 2016 - \$4,537 and 2017 - \$4,479.

23.1.2 Payments recognized as an expense

	March 31, 2012	March 31, 2011
Minimum lease payments	\$ 8,856	\$ 7,420

23.1.3 Capital lease arrangements

Commitments for minimum lease payments in relation to non-cancellable capital leases are as follows:

	March 31, 2012	March 31, 2011
Not later than 1 year	\$ -	\$ -
Later than 1 year and not later than 5 years	1,758	2,511
Later than 5 years	469	-
	2,227	2,511
Current portion of long-term lease	860	752
	\$ 1,367	\$ 1,759

The aggregate payment of long-term lease payable for each of the five years subsequent to March 31, 2012, are approximately as follows: 2013 - \$860; 2014 - \$891; 2015 - \$217; 2016 - \$92 and 2017 - \$96.

Included in interest expense is \$92 (2011 - \$65) related to software under capital lease.

Included in the Corporation's commitments is the Corporation's share of the Atlantic Lottery Corporation Inc.'s aggregate payment of long-term capital lease payable for the purchase of non-gaming information technology assets contracted as part of a seven-year outsourcing agreement with CGI, with the option of three one-year renewable terms.

24. Contingencies

From time to time the Corporation is 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, however additional settlements, if any, concerning these contingencies will be accounted for as a charge to the consolidated statement of net and comprehensive income in the period in which the settlement occurs.

The Corporation has been made aware of a statement of claim filed from Safe Gaming System Inc., alleging a patent infringement related to the Corporation's responsible gaming device known as the *My-Play System*. The claim is at a very early stage and the Corporation intends to vigorously defend itself. The outcome is undeterminable at this time and no amounts have been accrued in these consolidated financial statements.

25. Events after the reporting period

On May 7, 2012, the Minister responsible for Part I of the *Gaming Control Act* entered Bill 81 in the Nova Scotia legislature. This Bill includes amendments related to changes to the name of the Corporation to the *Nova Scotia Provincial Lotteries and Casino Corporation*, termination of appointments of the members of the existing Board of Directors and outlines composition of the new Board of Directors to include the Deputy Minister responsible for Part I of the *Gaming Control Act* as Chair, the Deputy Minister of Finance, the Deputy Minister of Health and Wellness, or a person designated by the Deputy Minister of Health and Wellness, a public servant appointed by the Minister responsible for Part I of the *Gaming Control Act* and not more than three persons appointed by Governor in Council. These changes will come into effect upon proclamation of the relevant sections of the Bill, expected after approval of these consolidated financial statements.

26. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on June 15, 2012.

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27. Segmented Statement of Operations

27.1 Casino Nova Scotia

	2012	2011
REVENUE		
Casino revenue	\$75,304	\$75,540
Beverage, food and other revenue	7,557	7,764
	<u>82,861</u>	<u>83,304</u>
EXPENSES		
Lease and amortization	1,905	2,171
Capital Replacement Reserve	5,135	5,057
Operating Expenses	59	-
Harmonized Sales Tax (Note 13)	(8,276)	5,129
Operator fee	43,934	44,223
Win tax	15,061	15,108
	<u>57,818</u>	<u>71,688</u>
Net income	25,043	11,616
Win tax	15,061	15,108
Payment to Province	\$40,104	\$26,724

27.2 Lotteries

	Ticket	Video	Total 2012	Total 2011
REVENUE				
Ticket lottery sales	\$207,295	\$ -	\$207,295	\$216,119
Prize expense	117,471	-	117,471	121,133
Net ticket lottery sales	89,824	-	89,824	94,986
Net video lottery sales	-	137,200	137,200	139,979
Total net sales	<u>89,824</u>	<u>137,200</u>	<u>227,024</u>	<u>234,965</u>
Retailer commissions	13,830	24,929	38,759	39,827
Ticket costs	3,875	1,383	5,258	6,641
	<u>17,705</u>	<u>26,312</u>	<u>44,017</u>	<u>46,468</u>
Gross profit	72,119	110,888	183,007	188,497
EXPENSES				
Operating expenses				
Salaries and benefits	8,622	4,805	13,427	13,787
Training and development	245	134	379	464
Meetings and travel	448	257	705	714
Employee services	157	81	238	257
Costs of premises	977	600	1,577	1,542
Fleet expense	178	172	350	298
Consumable supplies	45	17	62	106
Terminal maintenance	128	117	245	282
Equipment and maintenance	701	335	1,036	2,278
Telecommunications	1,603	618	2,221	2,181
Outsourced services	7,201	3,032	10,233	8,769
Marketing	4,192	1,055	5,247	4,921
Social responsibility/Communications	514	311	825	701
Retailer training and support	933	36	969	1,547
Financial services	357	114	471	1,991
Lease and amortization	4,005	5,849	9,854	6,998
Total operating expenses	<u>30,306</u>	<u>17,533</u>	<u>47,839</u>	<u>46,836</u>
Operating profit	41,813	93,355	135,168	141,661
Interest expense	(474)	(408)	(882)	(739)
Other income	3	4,244	4,247	3,471
Profit before other distributions	41,342	97,191	138,533	144,393
Other distributions	5,495	5,647	11,142	11,408
Net income	\$ 35,847	\$ 91,544	\$127,391	\$132,985

28. Explanation of transition to IFRS

The Corporation's consolidated financial statements for the year ending March 31, 2012, are the Corporation's first set of annual financial statements that comply with IFRS, as issued by the IASB, including the application of IFRS I.

IFRS I requires that comparative information be provided, therefore the Corporation has applied IFRS as of April 1, 2010. IFRS required first time adoptees to retrospectively apply all IFRS that will be in effect at its March 31, 2012, reporting date. IFRS I provides for certain optional and certain mandatory exceptions to first-time adopters. The Corporation has applied certain of these exemptions to its opening statement of financial position dated April 1, 2010, as described below:

Elected exemptions from full retrospective application.

Borrowing Costs - The Corporation will apply the requirements of IAS 23; Borrowing Costs to capitalize borrowing costs on qualifying assets effective April 1, 2010.

In addition to the elected exemptions of the Corporation, the Corporation's jointly controlled entity, Atlantic Lottery Corporation Inc., elected the fresh start approach to record unamortized actuarial gains to recognize all unamortized actuarial gains (losses) for both pension and other post-employment benefit plans at transition, resulting in a significant adjustment to the Corporation.

Mandatory exemptions to retrospective application.

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Corporation under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

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28.1 Reconciliation of Opening Consolidated Statement of Financial Position at April 1, 2010

	Notes	Canadian GAAP March 31, 2010	Effect on Transition to IFRS	IFRS April 1, 2010
Assets				
<i>Current assets</i>				
Cash and cash equivalents	a	\$ 8,556	\$ 3,467	\$ 12,023
Cash - restricted		4,496	-	4,496
Trade and other receivables	a, c	-	1,611	1,611
Prepaid expenses	a, b	3,304	316	3,620
Inventory	a	1,497	134	1,631
Total current assets		17,853		23,381
<i>Non-current assets</i>				
Property, plant and equipment	b	90,901	1,762	92,663
Cash - casino capital replacement reserve		337	-	337
Deferred charges		18	-	18
Investment in Atlantic Lottery Corporation Inc.	c	1	(1)	-
Investment in Interprovincial Lottery Corporation		1	-	1
Total non-current assets		91,258		93,019
Total assets		\$ 109,111		\$ 116,400
Equity and liabilities				
<i>Current liabilities</i>				
Bank indebtedness		\$ 442	\$ -	\$ 442
Trade and other payables	a, b, c, d	2,246	14,262	16,508
Deferred revenue	d	396	845	1,241
Liabilities for unclaimed prizes		4,496	-	4,496
Due to operators	c	10,232	(10,232)	-
Due to Atlantic Gaming Equipment Limited		9,681	-	9,681
Other liabilities	a	-	908	908
Due to Province of Nova Scotia		65,232	-	65,232
		92,725		98,508
<i>Non-current liabilities</i>				
Due to Atlantic Gaming Equipment Limited		11,105	-	11,105
Investment in Atlantic Lottery Corporation Inc.	b, c	-	16,750	16,750
Total liabilities		103,830		126,363
<i>Equity</i>				
Casino capital replacement reserve		5,281	-	5,281
Retained deficit	b	-	(15,244)	(15,244)
Total equity		5,281		(9,963)
Total equity and liabilities		\$ 109,111		\$ 116,400

Notes to the reconciliation of Canadian GAAP to IFRS

[a] In accordance with IFRS, the Corporation is required to consolidate Casino Nova Scotia (IAS 27). Under Canadian GAAP, the Corporation accounted for its interests in Casino Nova Scotia's capital assets directly. The remaining assets and liabilities of Casino Nova Scotia were accounted for within a due to operators account. Under IFRS the Corporation has reallocated amounts previously disclosed as due to operators into its gross components. Therefore, on consolidation of Casino Nova Scotia under IFRS, the following amounts have been reclassified:

	<u>April 1, 2010</u>
Consolidated Statement of Financial Position (in thousands)	
Increase in cash and cash equivalents	3,467
Increase in trade and other receivables	1,097
Increase in prepaid expenses	169
Increase in inventory	134
Increase in trade and other payables	(6,979)
Increase in other liabilities	(908)
Decrease in due to operators (included in trade and other payables)	3,020

[b] As part of Atlantic Lottery Corporation Inc.'s adoption of IFRS at the transition date of April 1, 2010, the following amounts were recognized as applicable to the Corporation and therefore required to be consolidated into the Corporation's opening IFRS balance sheet at April 1, 2010.

The impact arising from Atlantic Lottery Corporation Inc.'s IFRS transition at April 1, 2010, is summarized as follows:

	<u>April 1, 2010</u>
Consolidated Statement of Financial Position (in thousands)	
Increase in prepaid expenses	147
Increase in property, plant and equipment	1,762
Increase in trade and other payables	(58)
Decrease in investment in Atlantic Lottery Corporation Inc.	(17,095)
Decrease in retained earnings	15,244

The above changes decreased (increased) retained earnings as follows (in thousands):

	<u>April 1, 2010</u>
Re-allocation prepaid expenses (i)	(147)
Re-allocation trade and other payables (ii)	(256)
Employee benefits (iii)	17,824
Decommissioning (ii)	314
Changes in property, plant and equipment (iv)	(2,491)
Decrease in retained earnings	<u>15,244</u>

- (i) Prepaid expenses
This increase is due to the movement of long-term support and maintenance agreements to prepaid expenses that were originally included in property, plant and equipment.
- (ii) Trade and other payables
Recognition of decommissioning costs related to gaming terminals as well as derecognition of year-end accruals to reflect actual spend.
- (iii) Employee future benefits
Option:
The Corporation chose to recognize all unamortized actuarial gains (losses) for both pension and other post-employment benefits plans at transition.

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Required:

The Corporation recognized the following adjustments:

- Unamortized transitional obligations for the change from a defined contribution to a defined benefit plan;
- Deferred past service costs for other post-employee benefits,
- Recognition of pension liability due to deficit funding status, and
- Accrual for sick leave.

(iv) Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and accumulated impairment losses.

The adjustment is related to amortization over a different period and derecognition of assets that no longer met the recognition criteria.

[c] The Corporation has reallocated amounts previously disclosed as due to operators into their gross components.

The impact arising from the change is summarized as follows:

	<u>April 1, 2010</u>
Consolidated Statement of Financial Position (in thousands)	
Due to Casino Nova Scotia	\$ 118
Due to Atlantic Lottery Corporation Inc.	396
Increase in trade and other receivables	<u>\$ 514</u>
Due to Casino Nova Scotia	\$ 5,246
Due to Atlantic Lottery Corporation Inc.	5,844
Increase in trade and other payables	<u>\$ 11,090</u>
Increase in investment in Atlantic Lottery Corporation Inc.	<u>\$ 344</u>
Due to Casino Nova Scotia	\$ 5,128
Due to Atlantic Lottery Corporation Inc.	5,104
Decrease in due to operators	<u>\$ 10,232</u>

[d] In accordance with IFRIC 13, casino revenue associated with awards credits in Casino Nova Scotia's Player's Club reward program are disclosed in deferred revenue on the financial statements, the amounts were previously included in trade and other payables, as outlined in 3.3.1 of the notes to the financial statements (April 1, 2010 - \$845).

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28.2 Reconciliation of Consolidated Financial Position at March 31, 2011

	Notes	Canadian GAAP March 31, 2011	Effect on Transition to IFRS	IFRS March 31, 2011
Assets				
<i>Current assets</i>				
Cash and cash equivalents	a	\$ 16,301	\$ 6,379	\$ 22,680
Cash - restricted		5,214	-	5,214
Trade and other receivables	a, c	-	1,557	1,557
Prepaid expenses	a, b	787	184	971
Inventory	a	1,974	160	2,134
Total current assets		24,276		32,556
<i>Non-current assets</i>				
Property, plant and equipment	b	80,746	574	81,320
Cash - casino capital replacement reserve		178	-	178
Deferred charges		39	-	39
Investment in Atlantic Lottery Corporation Inc.	c	1	(1)	-
Investment in Interprovincial Lottery Corporation		1	-	1
Total non-current assets		80,965		81,538
Total assets		\$ 105,241		\$ 114,094
Equity and liabilities				
<i>Current liabilities</i>				
Bank indebtedness		\$ 498	\$ -	\$ 498
Trade and other payables	a, b, c, d	2,062	12,544	14,606
Deferred revenue	d	12,493	739	13,232
Liabilities for unclaimed prizes		5,214	-	5,214
Due to operators	c	7,540	(7,540)	-
Due to Atlantic Gaming Equipment Limited		7,618	-	7,618
Other liabilities	a	-	815	815
Due to Province of Nova Scotia		57,106		57,106
		92,531		99,089
<i>Non-current liabilities</i>				
Due to Atlantic Gaming Equipment Limited		7,622	862	8,484
Investment in Atlantic Lottery Corporation Inc.	b, c	-	13,462	13,462
Total liabilities		100,153		121,035
<i>Equity</i>				
Casino capital replacement reserve		5,088	-	5,088
Retained deficit	b	-	(12,029)	(12,029)
Total equity		5,088		(6,941)
Total equity and liabilities		\$ 105,241		\$ 114,094

Notes to the reconciliation of Canadian GAAP to IFRS

[a] In accordance with IFRS, the Corporation is required to consolidate Casino Nova Scotia (IAS 27). Under Canadian GAAP, the Corporation accounted for its interests in Casino Nova Scotia's capital assets directly. The remaining assets and liabilities of Casino Nova Scotia were accounted for within a due to operators account. Under IFRS the Corporation has reallocated amounts previously disclosed as due to operators into its gross components. Therefore, on consolidation of Casino Nova Scotia under IFRS, the following amounts have been reclassified:

	March 31, 2011
Consolidated Statement of Financial Position (in thousands)	
Increase in cash and cash equivalents	6,379
Increase in trade and other receivables	520
Increase in prepaid expenses	184
Increase in inventory	160
Increase in trade and other payables	(4,743)
Increase in other liabilities	(815)
Increase in due to operators (included in trade and other payables)	(1,685)

[b] As part of Atlantic Lottery Corporation Inc.'s adoption of IFRS at the transition date of April 1, 2010, the following amounts were recognized as applicable to the Corporation and therefore required to be consolidated into the Corporation's IFRS balance sheet at March 31, 2011.

The impact arising from Atlantic Lottery Corporation Inc.'s IFRS transition at March 31, 2011, is summarized as follows:

	March 31, 2011
Consolidated Statement of Financial Position (in thousands)	
Increase in property, plant and equipment	574
Decrease in due to operators (included in trade and other payables)	288
Increase in due to Atlantic Gaming Equipment Limited	(862)
Decrease in investment in Atlantic Lottery Corporation Inc.	(12,029)
Decrease in retained earnings	12,029

The above changes decreased (increased) retained earnings as follows (in thousands):

	March 31, 2011
Trade and other payables (i)	(288)
Due to Atlantic Gaming Equipment Limited (ii)	862
Employee benefits (iii)	13,154
Accumulated other comprehensive income (iv)	1,455
Changes in property, plant and equipment (v)	(574)
Change in investment in Atlantic Lottery Corporation Inc. (vi)	(2,580)
Decrease in retained earnings	12,029

- (i) Trade and other payables
Recognition of decommissioning costs related to gaming terminals as well as derecognition of year-end accruals to reflect actual spend.
- (ii) Due to Atlantic Gaming Equipment Limited
This increase is due to the increase in net book value of assets purchased by Atlantic Gaming Equipment Limited due to the adjustment in property, plant and equipment.
- (iii) Employee future benefits
Option:
The Corporation chose to recognize all unamortized actuarial gains (losses) for both pension and other post-employment benefits plans at transition.

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Required:

The Corporation recognized the following adjustments:

- Unamortized transitional obligations for the change from a defined contribution to a defined benefit plan,
 - Deferred past service costs for other post-employee benefits,
 - Recognition of pension liability due to deficit funding status, and
 - Accrual for sick leave.
- (iv) Accumulated other comprehensive income
Accumulated other comprehensive income as it relates to unrealized variations in market value on derivative financial instruments.
- (v) Property, plant and equipment
Property, plant and equipment are stated at cost net of depreciation and accumulated impairment losses. The adjustment is related to amortization over a different period and derecognition of assets that no longer met the recognition criteria.
- (vi) Investment in Atlantic Lottery Corporation Inc.
Decommissioning, changes in net book value and derecognition of property, plant and equipment.

[c] The Corporation has reallocated amounts previously disclosed as due to operators into their gross components.

The impact arising from the change is summarized as follows:

	<u>March 31, 2011</u>
Consolidated Statement of Financial Position (in thousands)	
Due to Casino Nova Scotia	\$ 121
Due to Atlantic Lottery Corporation Inc.	916
Increase in trade and other receivables	<u>\$ 1,037</u>
Due to Casino Nova Scotia	\$ 3,057
Due to Atlantic Lottery Corporation Inc.	4,086
Increase in trade and other payables	<u>\$ 7,143</u>
Decrease in investment in Atlantic Lottery Corporation Inc.	<u>\$ 1,434</u>
Due to Casino Nova Scotia	\$ 2,936
Due to Atlantic Lottery Corporation Inc.	4,604
Decrease in due to operators	<u>\$ 7,540</u>

[d] In accordance with IFRIC 13, casino revenue associated with awards credits in Casino Nova Scotia's Player's Club reward program are disclosed in deferred revenue on the financial statements, the amounts were previously included in trade and other payables, as outlined in 3.3.1 of the notes to the financial statements (March 31, 2011 - \$739).

28.3 Reconciliation of Consolidated Statement of Net and Comprehensive Income for the year ended March 31, 2011

		Canadian GAAP March 31, 2011	Effect on Transition to IFRS	IFRS March 31, 2011
Revenue				
Casinos		83,304	-	83,304
Ticket lottery		216,119	-	216,119
Video lottery		139,979	-	139,979
		<u>439,402</u>		<u>439,402</u>
Cost of sales	a	<u>293,120</u>	(1,161)	<u>291,959</u>
Gross profit		146,282		147,443
Amortization	a	(10,723)	2,052	(8,671)
Finance costs	a	(743)	4	(739)
Other expenses		(11,898)		(11,898)
Interest and other revenue	a	<u>3,548</u>	37	<u>3,585</u>
Net income		126,466		129,720
Win tax		<u>15,108</u>	-	<u>15,108</u>
Payment to the Province		<u>141,574</u>		<u>144,828</u>

Notes to the reconciliation of Canadian GAAP to IFRS

[a] As part of Atlantic Lottery Corporation Inc.'s adoption of IFRS at the transition date of April 1, 2010, the following amounts were recognized as applicable to the Corporation and therefore required to be consolidated into the Corporation's IFRS statement of comprehensive income at March 31, 2011.

The impact arising from Atlantic Lottery Corporation Inc.'s IFRS transition at March 31, 2011, is summarized as follows:

	March 31, 2011
Consolidated Statement of Net and Comprehensive Income (in thousands)	
Decrease in cost of sales	1,161
Decrease in amortization	2,052
Decrease in finance costs	4
Increase in investment revenue	37
Increase in net income	(3,254)

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The above changes increased (decreased) net income as follows (in thousands):

	March 31, 2011
Salaries and benefits (i)	1,203
Amortization (ii)	2,052
Lease of software (iii)	(2)
Interest on capital projects (iv)	7
Gain/loss on disposal of assets (v)	36
Change in taxes (vi)	(42)
<i>Increase in net income</i>	<u>3,254</u>

(i) Salaries and benefits

This decrease is due to adjustments made to reflect actuarial valuations and year-end adjustments for employee future benefits.

(ii) Amortization

This decrease is due to changes in property, plant and equipment from adjustments related to amortization over a different period and derecognition of assets that no longer met the recognition criteria.

(iii) Software lease

Additional lease expense for software on machines was required to be recognized.

(iv) Interest

Interest on projects starting after April 1, 2010, which was previously expensed, was capitalized.

(v) Gain/loss on disposal of assets

This increase in other income was due to a net gain in variances in disposal of assets.

(vi) Taxes

Changes in lease and depreciation of assets resulted in a decrease of related tax expense.