CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

Management Responsibilities for Financial Reporting

These draft 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 Summary of Results 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 Grant Thornton 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.

Robert MacKinnon, CPA, CA
President & CEO

Cindy Mills, CPA, CMA
Acting Vice-President – Finance & Strategy

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Independent auditor's report

To the Board of Directors of the Nova Scotia Gaming Corporation

Opinion

We have audited the consolidated financial statements of the Nova Scotia Gaming Corporation ("the Corporation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of net and comprehensive income, consolidated statements of changes in equity and consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Nova Scotia Gaming Corporation as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters – Restated corresponding figures due to adjustment to prior period consolidated financial statements and adoption of new accounting policies

We draw attention to Note 28 of the consolidated financial statements, which explain that certain corresponding information presented for the year ended March 31, 2018 and as at April 1, 2017 (which has been derived from the consolidated statement of financial position as at March 31, 2017) has been restated to correct a prior period adjustment and as a result of a retroactive adoption of new accounting policies. Our opinion is not modified in respect of these matters.

The consolidated financial statements for the years ended March 31, 2018 and March 31, 2017 (not presented herein but from which the consolidated statement of financial position as at April 1, 2017 has been derived), excluding the adjustments that were applied to restate certain corresponding figures were audited by another auditor who expressed an unmodified opinion on those financial statements on June 22, 2018 and June 22, 2017 respectively.

As part of our audit of the financial statements for the year ended March 31, 2019, we audited the adjustments that were applied to restate certain corresponding figures presented for the year ended March 31, 2018 and as at April 1, 2017. In our opinion, such adjustments were appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain corresponding figures, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended March 31, 2018, for the year ended March 31, 2017 (not presented herein) and as at April 1, 2017. Accordingly, we do not express an opinion or other form of assurance on those consolidated financial statements taken as a whole.

Emphasis of Matter – Ongoing matter with the Canada Revenue Agency

We draw attention to Note 11 to the consolidated financial statements, which describes an ongoing matter between the Corporation and the Canada Revenue Agency with respect to Harmonized Sales Tax on revenues from video lottery machines operating on First Nation reserves in Nova Scotia. The Corporation has remitted the assessed amount of $29,600,000 for the period from June 1, 2009 to October 31, 2013, and has self-assessed and remitted monthly amounts totaling $39,720,000 from November 1, 2013 to March 31, 2019. The total amount of $69,320,000 has been remitted on a without prejudice basis. Our opinion is not qualified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Grant Thornton LLP

Halifax, Canada
June 26, 2019

Chartered Professional Accountants
Licensed Public Accountants

NOVA SCOTIA GAMING CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(IN THOUSANDS)

As at	March 31, 2019	March 31, 2018 Restated (note 28)	April 1, 2017 Restated (note 28)
ASSETS			
Current assets			
Cash and cash equivalents *(Note 4)*	$ 8,375	$ 7,276	$ 6,346
Cash – restricted *(Note 5)*	4,859	5,453	5,523
Cash – casino capital replacement reserve *(Note 10)*	8,454	6,522	10,548
Trade and other receivables *(Note 6)*	9,794	9,186	9,266
Prepaids	321	245	234
Inventories *(Note 7)*	2,937	2,048	2,260
	34,740	30,730	34,177
Non-current assets			
Property, plant and equipment *(Note 8)*	65,627	73,389	75,974
Intangible assets *(Note 9)*	1,597	2,275	3,224
Disputed HST assessments *(Note 11)*	69,320	61,483	53,473
Investment in Atlantic Lottery Corporation Inc. *(Note 12)*	3,404	4,741	3,899
Investment in Interprovincial Lottery Corporation	1	1	1
	139,949	141,889	136,571
	$ 174,689	**$ 172,619**	**$ 170,748**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables *(Note 13)*	$ 20,014	$ 19,748	$ 16,601
Deferred revenue	544	433	521
Liabilities for unclaimed prizes *(Note 14)*	4,859	5,453	5,523
Due to Atlantic Gaming Equipment Limited *(Note 15)*	6,297	6,970	6,885
Other liabilities *(Note 16)*	1,339	1,274	1,098
Due to Province of Nova Scotia	112,840	104,648	101,166
	145,893	138,526	131,794
Non-current liabilities			
Due to Atlantic Gaming Equipment Limited *(Note 15)*	7,482	12,376	18,826
Other long-term liabilities	255	253	254
	7,737	12,629	19,080
Equity			
Casino capital replacement reserve *(Note 10)*	17,655	16,723	15,975
Accumulated other comprehensive income	3,404	4,741	3,899
	21,059	21,464	19,874
	$ 174,689	**$ 172,619**	**$ 170,748**

Commitments (Note 23)
Contingencies (Note 24)

See accompanying notes to the financial statements

Approved on behalf of the Board,

Byron Rafuse
Chair

NOVA SCOTIA GAMING CORPORATION
CONSOLIDATED STATEMENT OF NET AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2019	2018 Restated (note 28)
Revenue *(Note 17)*	$ 322,906	$ 318,328
Cost of sales *(Note 27)*	152,161	151,594
Gross profit	170,745	166,734
Expenses		
Depreciation and amortization	(8,595)	(8,779)
Finance costs *(Note 18)*	(887)	(1,072)
Other expenses *(Note 19)*	(16,271)	(15,895)
Profit before the following	144,992	140,988
Share of overhead costs from equity method investee	(15,236)	(14,078)
Share of special pension payments from equity method investee	(4,764)	(4,764)
Interest and other income	4,670	4,548
Net income before Win tax	**129,662**	**126,694**
Win tax *(Note 3.14.2)*	**15,585**	**15,443**
Net income	**$ 145,247**	**$ 142,137**
Other comprehensive income		
Share of other comprehensive income (loss) of equity method investee	(1,337)	842
Net and comprehensive income	**$ 143,910**	**$ 142,978**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	Retained earnings	Accumulated other comprehensive income (loss)	Casino capital replacement reserve	Total
Balance at April 1, 2017 Restated (note 28)	$ -	$ 3,899	$ 15,975	$ 19,874
Net profit	142,137	-	-	142,137
Other comprehensive income (loss)	-	842	-	842
Contributions or distributions				
Change in reserve	-	-	748	748
Profit to the Province	(142,137	-	-	(142,137)
Balance at March 31, 2018 Restated (note 28)	**$ -**	**$ 4,741**	**$ 16,723**	**$ 21,464**
Net profit	145,247	-	-	145,247
Other comprehensive income (loss)	-	(1,337)	-	(1,337)
Contributions or distributions				
Change in reserve	-	-	932	932
Profit to the Province	(145,247)	-	-	(145,247)
Balance at March 31, 2019	**$ -**	**$ 3,404**	**$ 17,655**	**$ 21,059**

See accompanying notes to the financial statements

NOVA SCOTIA GAMING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2019	2018 Restated (note 28)
OPERATING		
Net income	$ 145,247	$ 142,137
Special pension payments to Atlantic Lottery Corporation Inc.	4,764	4,764
Overhead costs from equity method investee	15,236	14,078
Depreciation and amortization	8,595	8,779
Loss on disposal of property, plant and equipment	107	12
Net transfers of property, plant and equipment	(1,021)	(243)
Changes in non-cash working capital balances		
Disputed HST assessments	(7,837)	(8,010)
Trade and other receivables	(608)	80
Other assets	(76)	(11)
Inventories	(889)	212
Trade and other payables	266	3,147
Deferred revenue	111	(88)
Other liabilities	65	176
	163,960	165,033
FINANCING		
Distribution of profit to the Province	(145,247)	(142,137)
Due to Province of Nova Scotia	8,192	3,482
Repayment of Due to Atlantic Gaming Equipment Limited	(5,567)	(6,365)
	(142,622)	(145,020)
INVESTING		
Purchases of capital assets	(3,251)	(9,065)
Contributions to equity method investee	(20,000)	(18,842)
Decrease in Casino Capital Replacement Reserve, net of cash	3,012	8,824
	(20,239)	(19,083)
Net increase in cash and cash equivalents	**1,099**	**930**
Cash and cash equivalents, beginning of year	**7,276**	**6,346**
Cash and cash equivalents, end of year	**$ 8,375**	**$ 7,276**

See accompanying notes to the financial statements

1. Reporting entity

The Nova Scotia Gaming Corporation was incorporated on February 15, 1995, by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The *Gaming Control Act* was amended on November 13, 2012, whereby the name of the Corporation was changed to Nova Scotia Provincial Lotteries and Casino Corporation. Effective April 18, 2018, the name of the Corporation was changed to Nova Scotia Gaming Corporation. The address of its registered office and principal place of business is Suite 501 Summit Place, 1601 Lower Water Street, Halifax, Nova Scotia, Canada. The consolidated financial statements comprise those of the individual entity, Nova Scotia Gaming Corporation, its subsidiaries and its interest in associates and jointly controlled entities (collectively referred to as “the Corporation”).

The principal activities of Nova Scotia Gaming Corporation is to develop, undertake, organize, conduct and manage casinos, other lottery schemes and related businesses 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”).

B. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, 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. Functional 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, liabilities, income and expenses 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 and assumptions 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 the consolidated financial statements are contained in the various notes to the statements as follows:

- accounting for arrangements with Atlantic Lottery Corporation (see note 3.2 and 3.2).
- estimates of gaming revenue (see note 3.3);
- valuation of casino award credits (see note 3.3.1);
- useful lives of property, plant and equipment (see note 3.7);
- impairment of property, plant and equipment (see note 3.8);
- estimates of employee benefits cost (see note 3.6); and
- estimate of disputed HST assessments (see note 11).

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.

The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The entities controlled by the Corporation are as follows:

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 Amended and Restated Operating Contract with Metropolitan Entertainment Group (referred to as "MEG"), (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, 2025. Casino Nova Scotia is fully consolidated as the Corporation is the party with the authority to operate casinos in Nova Scotia under the *Criminal Code* (Canada) and *Gaming Control Act* (Nova Scotia), and the Amended and Restated Operating Contract provides the Corporation with the authority to set annual operating and capital budgets and to stipulate or review and/or approve other aspects of the casino operations.

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

3.2 Accounting for arrangements with Investees

Atlantic Lottery Corporation Inc. ("ÀLC")

Deemed separate entity ("silo")

The Corporation entered into an Agency Agreement with ALC 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 this account, and assets acquired or liabilities incurred by ALC exclusively for the operation of lotteries in Nova Scotia are paid through this account and are the Corporation's. Under the Agency Agreement, ALC cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation.

The Corporation`s Agency Agreement with ALC results in the creation of a deemed separate entity or silo within ALC related to the Corporations ticket lotteries and video lotteries in Nova Scotia. A deemed separate entity arises when the specific assets of the investee are the only source of payment for specific liabilities of, or specified other interests in, the investee; parties other than those with the specified liability do not have rights or obligations related to the specified assets; none of the returns from the specified assets can be used by the remaining investee, and; none of the liabilities of the deemed separate entity are payable from the assets of the remaining investees. The Corporation consolidates its share of the silo assets, liabilities, revenue and expenses as applicable.

Investment in an associate

In 1976, ALC was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region. ALC 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 ALC.

The Corporation accounts for its 25% interest in ALC after accounting for the silo as described above as an investment in associate which is accounted for using the equity method. The carrying amount of the investment in associate is increased or decreased to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The carrying amount is also increased by the Corporation`s contributions to the associate and decreased for distributions from the associate. The investment in associate is impaired when its carrying amount exceeds its recoverable amount. The net investment in an associate is impaired and impairment losses are recorded if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment and that loss event has an impact on the estimated future cash flows from the net investment that can be reliably estimated. Impairment losses are permitted to be reversed. If an indication of impairment exists, the Corporation will estimate the recoverable amount of the investment and will record an impairment loss to the extent the carrying amount exceeds the recoverable amount.

Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation ("ILC") 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, Daily Grand, Lotto Max, 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.

The Corporation's share of revenue and ticket printing costs for nation-wide lottery games is recognized in revenue and cost of sales, respectively in accordance with the recognition of revenue. The Corporation's share of ILC's interest income less operating expenses is included in the Corporation's consolidated statement of net and comprehensive income.

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and free tickets. Revenue is earned through various distribution channels.

The Corporation's revenue recognition policies are as follows:

Income from major product lines includes both revenue transactions and transactions that are accounted for, and meet the definition of gains or losses under IFRS 9 *Financial Instruments*.

Transactions in which the Corporation and player are wagering against a specific outcome of an event are accounted for as gains or losses under IFRS 9, *Financial Instruments*.

Transactions in which the Corporation administers a game amongst players are accounted for as revenue under IFRS 15, *Revenue from Contracts with Customers*. In these games the Corporation recognizes the portion of the wagers retained, and not distributed as prizes, as revenue from operating the game.

Transactions in which the Corporation administers a game amongst players and may earn variable commission are accounted for under both IFRS 9 and IFRS 15. In these games the variable commission exposes the Corporation to a gain or loss depending on the actual amount of the payout versus the expected prize percentage, initially recorded as a financial liability.

3.3.1 Casino revenue

Revenue from slot machines, table games and food, beverage and other at the Corporation's casinos are recognized net of amounts recognized as financial liabilities under customer loyalty programs in the same period in which the games are played and services provided.

Liabilities under customer loyalty programs are reported as deferred revenue due to their potential to be discharged through redemption of award credits that are accounted for as gain and losses under IFRS 9.

3.3.2 Net ticket revenue

Revenue from lottery draw-based games and the corresponding direct expenses are recognized at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue with a corresponding financial liability for the portion to be paid as prizes.

Gains on unclaimed prizes are recognized as revenue when they legally expire.

Revenue for all lottery instant games is recognized at the time of activation, which determines the transfer of legal ownership to the retailer. Instant ticket game prizes are recorded as a financial liability at the theoretical prize payout for that game concurrently with the recognition of revenue.

In addition to cash prizes, the Corporation also awards free tickets on both lottery and instant tickets. The value ascribed to these prizes is equal to the sale price.

Revenue from sports betting is recognized in the period in which the bets settle. Receipt for bets that are received before March 31 for events that occur subsequent to that date are recorded as deferred revenue with a corresponding financial liability for the portion to be paid as prizes.

Revenue from interactive games is recognized at the time of play with the corresponding direct expense.

3.3.3 Video lottery revenue

Revenue from video lottery and the corresponding direct expense are recognized at the time of play.

3.3.4 Interest income

Interest income is recognized when it is probably 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 principle 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 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.

3.7 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 policies described 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 expenditures that are 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 statement of net and comprehensive income in the year in which the item is derecognized.

Depreciation of the Corporation's head office property, plant and equipment 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. Depreciation of casino assets and casino building and leasehold improvements purchased through the casino capital replacement reserve is expensed through the reserve on the consolidated statement of financial position. 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	3% - 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. A cash-generating unit is the smallest identifiable group of assets that generates inflows that are independent of the cash inflows from other assets or group of assets.

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 pre-tax 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 amortization and impairment losses. Amortization is charged to the consolidated statement of net and comprehensive income on a straight-line basis over the assets' estimated useful lives as follows:

Computer software and licenses	3 - 15 years
Gaming software	3 - 7 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 consolidated statement of net and comprehensive income 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 consolidated statement of net and comprehensive income when the asset is derecognized.

3.9.2 Intangible assets internally generated – research and development expenditure

Expenditures on research activities are recognized as expenses 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:

Computer software and licenses	3 - 15 years
Gaming software	3 - 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 expenditures 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.

The Corporation records a provision for the fair value of asset decommissioning in the year during which it is incurred and can be reasonably estimated. This provision is associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Corporation also records a corresponding asset that is amortized over the life of the asset.

3.12 Financial instruments

3.12.1 Recognition and derecognition

All financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial asset or liability.

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.

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.

3.12.2 Classification

The Corporation classifies its financial assets into the following specified categories after initial recognition: subsequently measured at: fair value through profit or loss ("FVTPL"); amortized cost; or fair value through other comprehensive income ("FVTOCI"). The classification for financial assets depends on the Corporation's business model, management of the financial asset and the contractual terms of the cash flows.

Financial assets are classified as amortized cost only if both the following criteria are met:

- the financial asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Corporation designates a financial liability at fair value through profit or loss. Financial liabilities are subsequently measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

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

<table>
<tr><th>Financial instrument</th><th>Classification</th><th>Measurement</th></tr>
<tr><td>Cash and cash equivalents</td><td>Amortized cost</td><td rowspan="8">Initial: Fair value
Subsequent: Amortized cost</td></tr>
<tr><td>Trade and other receivables</td><td>Amortized cost</td></tr>
<tr><td>Disputed HST assessment</td><td>Amortized cost</td></tr>
<tr><td>Trade and other payables</td><td>Amortized cost</td></tr>
<tr><td>Liabilities for unclaimed prizes</td><td>Amortized cost</td></tr>
<tr><td>Due to Atlantic Gaming Equipment Limited</td><td>Amortized cost</td></tr>
<tr><td>Other liabilities</td><td>Amortized cost</td></tr>
<tr><td>Due to Province of Nova Scotia</td><td>Amortized cost</td></tr>
</table>

3.12.3 Measurement

On initial recognition, financial assets or financial liabilities are initially measured at fair value, adjusted for transaction costs (as applicable). Financial assets and liabilities measured at amortized cost are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or liability. Transaction costs of financial assets and liabilities carried at FVTPL are recognized in the Consolidated Statement of Net and Comprehensive Income.

3.12.4 Impairment of financial assets

The Corporation assesses expected direct losses on financial assets carried at amortized cost on a forward-looking basis. In applying this approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”);
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”); and
- financial assets that have objective evidence of impairment at the reporting date (“Stage 3”).

For trade receivables, the Corporation applies the simplified approach which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

The Corporation considers the probability of default on a specific account basis, which involves assessing whether there was a significant increase in credit risk. Indicators include actual or expected changes in the debtor’s ability to pay based on information that is available each reporting period; monitoring past due accounts and other external factors.

3.13 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.

3.14 Taxes

3.14.1 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.

3.14.2 Win tax

Section 31 of the *Casino Regulations*, made under Section 127 of the *Gaming Control Act*, prescribes that the Corporation is required to make daily payment to the Province of 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.

3.15 Disputed HST assessment

Tax assessments that are disputed by the Corporation are accounted for as a non-current financial asset. Voluntary payments of self-assessed HST related to a dispute with the Canada Revenue Agency (Note 11) are accounted for as a non-current asset until resolution of the dispute, at which time, if resolved favourably are fully recoverable by the Corporation.

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

3.16 Accounting standards adopted during the year

Except for the changes below, the Corporation has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidate financial statements.

The Corporation has adopted the following new standards, including any consequential amendments to other standards, as at April 1, 2018.

As required, effective for annual periods on or after January 1, 2018, the Corporation adopted the following amended accounting standards on a prospective basis:

- IFRS 9, *Financial Instruments*, effective for annual periods on or after January 1, 2018. This standard replaces 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 15, *Revenue from Contracts with Customers,* effective for annual periods on or after January 1, 2018, with either a full or modified retrospective application, and with early adoption permitted. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

Standards applied to the Corporations products and sales breakdown for 2019 are as follows:

IFRS 9		***IFRS 15***		
Product	**Revenue**	**Product**	**Revenue**	**Total**
Draw games	$ 22,494	Draw games	$ 38,872	
Sports games	6,561	Scratch'N Win	25,686	
Slot and Table games	76,313	Breakopen	7,789	
Video Lottery	129,764	iGames	2,656	
		Poker	1,612	
Total revenue IFRS 9	$ 235,132	*Total revenue IFRS 15*	$ 76,615	$ 311,747
Food, beverage and other revenue				11,159
Total revenue				$ 322,906

The impact of adopting IFRS 9 and IFRS 15 on the opening consolidated statement of financial position as at April 1, 2017 is immaterial. The nature and effect of the changes are explained in note 28.

3.17 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, 2019, and have not been applied in preparing these consolidated financial statements. The following paragraphs describe standards and interpretations that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date; however, the Corporation does not expect these amendments to have a significant effect on the consolidated financial statements when they are adopted in future periods:

- IFRS 16, *Leases*, effective for annual periods on or after January 1, 2019, with either a full or modified retrospective application, and with early adoption permitted. IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead that lease be capitalized by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, an entity recognizes a financial liability representing its obligation to make future lease payments. A depreciation charge for the lease asset is recorded within operating costs and an interest expense on the lease liability is recorded within finance costs. IFRS 16 does not require a lessee to recognize asset and liabilities for short-term leases and leases of low-value assets, nor does it substantially change lease accounting for lessors. The Corporation is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

4. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts.

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 are owned by the Corporation. The Corporation included $2,832 in cash from the casino accounts on the consolidated statement of financial position at March 31, 2019 (2018 - $3,196).

5. Cash – restricted

Cash is restricted for 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.

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, an expiration date of thirty-six months from the date of launch of the game was selected as historically there have been minimal validations after this period.

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 of that Corporation as incurred. Unclaimed prizes of national games are administered by the Interprovincial Lottery Corporation.

6. Trade and other receivables

	2019	2018 Restated (note 28)
Due from operators	$ 9,792	$ 9,184
Other receivables	2	2
	$ 9,794	**$ 9,186**

	2019	2018
Due from Operators		
ALC *(i)*	$ 9,001	$ 8,460
MEG	791	724
	$ 9,792	$ 9,184

(i) Amounts due from ALC include deferred revenue of $282 (2018 - $169).

7. Inventories

	2019	2018
Food, beverage and merchandise	$ 282	$ 329
Lottery tickets	2,655	1,719
	$ 2,937	**$ 2,048**

The cost of inventories recognized as an expense was $0 (2018 - $0) in respect of write-downs of inventory to net realisable value, and was included in ticket printing and costs.

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

8. Property, plant and equipment

	Land	Buildings & Leaseholds	Automobiles	Operational Equipment	Lottery Gaming Equipment	Casino Gaming Equipment	Casino Buildings	Total
Cost								
Balance at March 31, 2017	$ 10,025	$ 94	$ 552	$ 681	$ 44,570	$ 63,492	$ 74,212	$ 193,626
Additions	-	-	-	33	299	5,408	3,325	9,065
Disposals	-	-	-	(7)	(174)	-	-	(181)
Transfers	-	-	-	61	315	-	-	376
Balance at March 31, 2018	**$ 10,025**	**$ 94**	**$ 552**	**$ 768**	**$ 45,010**	**$ 68,900**	**$ 77,537**	**$ 202,886**
Additions	-	-	90	34	96	2,464	320	3,004
Disposals	-	(56)	(127)	(441)	(493)	-	-	(1,117)
Transfers	-	-	(55)	-	601	-	-	546
Balance at March 31, 2019	**$ 10,025**	**$ 38**	**$ 460**	**$ 361**	**$ 45,214**	**$ 71,364**	**$ 77,857**	**$ 205,319**
Accumulated depreciation and impairment								
Balance at March 31, 2017	$ -	$ 60	$ 179	$ 504	$ 21,998	$ 58,328	$ 36,583	$ 117,652
Disposals	-	-	-	(6)	(163)	-	-	(169)
Transfers	-	-	-	1	109	-	-	110
Depreciation	-	11	132	58	5,956	3,058	2,689	11,904
Impairments	-	-	-	-	-	-	-	-
Balance at March 31, 2018	**$ -**	**$ 71**	**$ 311**	**$ 557**	**$ 27,900**	**$ 61,386**	**$ 39,272**	**$ 129,497**
Disposals	-	(33)	(107)	(396)	(476)	-	-	(1,012)
Transfers	-	-	(30)	-	(405)	-	-	(435)
Depreciation	-	-	92	57	5,836	3,022	2,635	11,642
Impairments	-	-	-	-	-	-	-	-
Balance at March 31, 2019	**$ -**	**$ 38**	**$ 266**	**$ 218**	**$ 32,855**	**$ 64,408**	**$ 41,907**	**$ 139,692**
Net book value								
Balance at March 31, 2018	$ 10,025	$ 23	$ 241	$ 211	$ 17,110	$ 7,514	$ 38,265	$ 73,389
Balance at March 31, 2019	**$ 10,025**	**$ -**	**$ 194**	**$ 143**	**$ 12,359**	**$ 6,956**	**$ 35,950**	**$ 65,627**

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 (2018 - $0).

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9. Intangible assets

	Gaming Software	Not Ready for Use	Total
Cost			
Balance at March 31, 2017	$ 6,704	$ 4	$ 6,708
Additions	-	-	-
Disposals	-	-	-
Transfers	14	(4)	10
Balance at March 31, 2018	**$ 6,718**	**$ -**	**$ 6,718**
Additions	-	247	247
Disposals	(8)	-	(8)
Transfers	(180)	72	(108)
Balance at March 31, 2019	**$ 6,530**	**$ 319**	**$ 6,849**
Accumulated amortization and impairment			
Balance at March 31, 2017	$ 3,484	$ -	$ 3,484
Disposals	-	-	-
Transfers	5	-	5
Amortization	954	-	954
Impairments	-	-	-
Balance at March 31, 2018	**$ 4,443**	**$ -**	**$ 4,443**
Disposals	(6)	-	(6)
Transfers	(126)	-	(126)
Amortization	941	-	941
Impairments	-	-	-
Balance at March 31, 2019	**$ 5,252**	**$ -**	**$ 5,252**
Net book value			
At March 31, 2018	$ 2,275	$ -	$ 2,275
At March 31, 2019	**$ 1,278**	**$ 319**	**$ 1,597**

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 (2018 - $0).

10. Cash – casino capital replacement reserve

The casino capital replacement reserve is intended to provide funds for replacement of casino capital assets. Starting April 1, 2015 a contribution is made of $4,500 annually, adjusted for inflation each year thereafter until April 1, 2020 whereby the contribution will be the amount contributed in the prior year plus $1,000 annually, adjusted for inflation each year thereafter. Cash has been segregated on the consolidated statement of financial position in the amount of $8,454 (March 31, 2018 - $6,522) for this purpose. The balance in the casino capital replacement reserve represents the balance of the cash and net book value of the casino capital assets purchased from the fund.

	2019	2018
Cash balance, beginning of year	$ 6,522	$ 10,548
Funding	4,671	4,682
Interest	248	146
Proceeds from sale of capital assets	5	-
Capital asset purchases	(2,527)	(8,252)
Reimbursements to MEG for capital asset purchases	(485)	(572)
HST related to capital asset purchases and reimbursements	(245)	(452)
Capital assets purchased by MEG	265	422
Cash balance, end of year	**8,454**	**6,522**
Add: cumulative capital asset purchases	73,551	70,766
Less: accumulated depreciation	(64,068)	(60,080)
Less: HST payable	(17)	(63)
Less: capital assets purchased by MEG	(265)	(422)
Casino capital replacement reserve balance, end of year	**$ 17,655**	**$ 16,723**

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11. Disputed HST assessments

The Atlantic Lottery Corporation Inc. received Notices of Assessment from Canada Revenue Agency for Harmonized Sales Tax in respect of the operation of video lottery terminals sited on First Nation reserves in the province of Nova Scotia for the period June 1, 2009 to October 31, 2013, in amounts totalling $29,600. Through Atlantic Lottery Corporation Inc., the Corporation has remitted, on a without prejudice basis, the amount of the assessments solely to avoid the accumulation of interest and penalties. The Corporation is self-assessing Harmonized Sales Tax for every period thereafter and is depositing monthly installments to the Canada Revenue Agency. Remittances up to and including March 31, 2019, total a further $39,720 (2018 - $31,883). The total amount remitted is $69,320 (2018 – $61,483) and is presented on the consolidated statement of financial position as a non-current asset. Currently the outcome is undeterminable.

12. Investment in Atlantic Lottery Corporation Inc. (“ALC”)

In accordance with the Unanimous Shareholders Agreement of ALC, 30% of the profit (loss) shall be allocated to the Corporation. Other comprehensive income (loss) has been allocated on the same basis as the profit (loss) at 30% in accordance with the Unanimous Shareholders Agreement of ALC. In accordance with this agreement, the Corporation`s equity interest is representative of the 30%.

	2019	2018 Restated (note 28)
Opening balance	$ 4,741	$ 3,899
Contributions by the Corporation – ALC overhead costs	15,236	14,078
Share of ALC overhead costs for the period	(15,236)	(14,078)
Contributions by the Corporation – ALC special pension payments	4,764	4,764
Share of ALC special pension payments	(4,764)	(4,764)
Share of ALC other comprehensive income	(1,337)	842
	$ 3,404	$ 4,741

The Corporation is responsible for funding overhead expenditures of ALC which are accounted for as contributions to ALC. Using the equity method accounting, the Corporation accounts for its equity interest in the share of ALC`s loss, which is equivalent to the overhead expenses funded via the contributions.

The Corporation is also responsible for funding supplemental payments to ALC’s pension plan to reduce the pension plan solvency deficit. The supplemental payments, and respective repayment schedules, were approved by the Board of Directors of ALC. The Corporation accounts for the supplemental pension payments as contributions to ALC. On an annual basis, management assesses whether the contributions, and therefore the investment in ALC, is recoverable. The supplemental pension payments were determined to not be recoverable for both 2019 and 2018, and therefore have been expensed.

Summarized ALC financial information is set out below

	2019	2018
Non-current assets	$ 166,797	$ 184,823
Current assets *(i)*	61,794	64,429
Total assets	**$ 228,591**	**$ 249,252**
Non-current liabilities *(ii)*	$ 83,146	$ 103,257
Current liabilities *(iii)*	102,035	112,230
Total liabilities	**$ 185,181**	**$ 215,487**
Net assets	**$ 43,410**	**$ 33,765**
(i) Includes cash and cash equivalents	2,664	2,574
(ii) Includes financial liabilities (excluding trade and other payables and provisions)	83,146	103,257
(iii) Includes financial liabilities (excluding trade and other payables and provisions)	56,798	69,066

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	2019	2018
Revenue	$ 764,834	$ 756,157
Gross profit	621,705	607,625
Net profit	422,241	419,225
Other comprehensive income	(4,457)	2,808
Comprehensive income	417,784	422,033
Depreciation and amortization	33,773	31,490
Interest expense	2,687	3,135

No dividends were received from ALC during the years 2019 and 2018.
ALC is a private company; therefore no quoted market prices are available for its shares.

13. Trade and other payables

	2019	2018 Restated (note 28)
Trade payables	$ 3,593	$ 5,214
Harmonized Sales Tax	858	918
Due to Gambling Awareness Nova Scotia *(i)*	42	43
Due to Operators	15,521	13,573
	$ 20,014	**$ 19,748**

(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.

	2019	2018
Due to Operators		
ALC	$ 9,934	$ 8,464
MEG	5,587	5,109
	$ 15,521	**$ 13,573**

14. Liabilities for unclaimed prizes

	2019	2018 Restated (note 28)
Unclaimed prizes		
Current prizes	$ 4,862	$ 5,460
Special prize fund	(3)	(7)
Balance, end of year	**$ 4,859**	**$ 5,453**

	2019	2018
Special prize fund		
Balance, beginning of year	$ (7)	$ (4)
Unclaimed prizes expired during the year	1,499	1,184
Prize payouts	(1,495)	(1,187)
Balance, end of year	**$ (3)**	**$ (7)**

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

15. Due to Atlantic Gaming Equipment Limited

	2019	2018
Unsecured – at amortized cost		
Loans from:		
Atlantic Gaming Equipment Limited	$ 13,779	$ 19,346
Current	$ 6,297	$ 6,970
Non-current	7,482	12,376
	$ 13,779	**$ 19,346**

The amount due to Atlantic Gaming Equipment Limited, a wholly-owned subsidiary of ALC, is the amount owing for purchases of lottery gaming and other related equipment made on the Corporation's behalf. The amount owing has no fixed terms of repayment, is non-interest bearing, and is due on demand if the Corporation withdraws from the ALC Unanimous Shareholders Agreement. The current portion represents the budgeted amount to be repaid to Atlantic Gaming Equipment in the next twelve months.

16. Other liabilities

	2019	2018
Outstanding chips	$ 186	$ 162
Progressive jackpot liabilities	1,153	1,112
	$ 1,339	**$ 1,274**

17. Revenue from business lines

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

	2019	2018 Restated (note 28)
Casinos *(i)*	$ 87,626	$ 86,122
Ticket Lottery	105,516	96,107
Video Lottery	129,764	136,099
	$ 322,906	**$ 318,328**

(i) Casinos' revenue is comprised of gaming revenue of $77,925 (2018 - $77,213) and food, beverage, and other revenue.

18. Finance costs

	2019	2018
Interest on bank overdrafts and loans	$ 887	$ 1,072

19. Other expenses

	2019	2018
Distributions to community programs	$ 9,630	$ 9,300
Responsible gambling programs	6,641	6,595
	$ 16,271	$ 15,895

Other expenses include distributions to community and responsible gambling programs, some of the more significant amounts, including payments required by legislation, are as follows:

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 2019 (2018 - $1,000) to support the harness racing industry in Nova Scotia. The 2020 approved budget includes $1,000 to support the harness racing industry in Nova Scotia.

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19.2 Special payments

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

	2019	2018
The Department of Communities, Culture and Heritage		
(in support of the Cultural Federation of Nova Scotia)	$ 50	$ 50
(in support of Sport Nova Scotia)	100	100
The Department of Agriculture		
(in support of the Exhibition Association of Nova Scotia)	50	50
	$ 200	$ 200

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

19.3 Responsible Gambling payments

The Government of Nova Scotia approved a contribution to the Department of Health and Wellness as part of its 2005 Gaming Strategy to fund problem gambling treatment of $3,000 in 2019 (2018 - $3,000) and as part of its 2011 Gaming Strategy to fund youth gambling prevention of $500 in 2019 (2018 - $500).

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 concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged from 2018.

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 10) and retained earnings.

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 Financial risk management

The Corporation's activities expose it to a variety of financial risks including market (interest rate) 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.

20.3 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 currently does not have any interest bearing debt; however is indirectly exposed to interest rate risk through its investment in ALC who obtains debt financing to fund the purchase of specific assets on behalf of the Corporation.

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20.4 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.

20.5 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.

The table below summarizes the maturity profile of the Corporation's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 5 years	Over 5 years
Trade and other payables	$ -	$ 20,014	$ -	$ -
Liabilities for unclaimed prizes	-	4,859	-	-
Due to Atlantic Gaming Equipment Limited	-	6,297	7,482	-
Other liabilities	-	1,339	-	-
Due to Province of Nova Scotia	112,840	-	-	-
	$ 112,840	$ 32,509	$ 7,482	$ -

20.6 Fair values of financial instruments

The fair values of the Corporation's financial instruments are considered to approximate the carrying amounts. The carrying values of the financial liabilities approximate their fair values due to the relatively short periods to maturity of these items.

The carrying value of amounts due to Atlantic Gaming Equipment Limited and due to Province of Nova Scotia approximates fair value as both are recorded at the amount that would be required to be paid to settle the obligation at the reporting date

Levels 1 to 3 are defined based on the degree to which fair value inputs are observable or unobservable, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are based on inputs which have a significant effect on fair value that are observable, either directly or indirectly from market data; and
- Level 3 inputs are unobservable (supported by little or no market activity)

During the years ended March 31, 2019 and 2018, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities. The fair value of the Corporation's financial assets and liabilities approximate their carrying amount largely due to the short-term maturities of these instruments. The Corporation does not have any financial instruments classified as level 2 or 3.

21. Employee future 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 defined benefit plan. The plan is funded by equal employee and employer contributions. The Corporation includes contributions to the Plan in its management expenses. The Corporation is not responsible for any unfunded liability with respect to the Public Service Superannuation Plan.

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The total expense recognized in the consolidated statement of net and comprehensive income of $138 (2018 - $138) represents contributions paid to this plan by the Corporation at rates specified in the rules of the plan. As at March 31, 2019, contributions of $5 due in respect of the 2019 reporting period (2018 - $5) had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

The Public Service Award is a defined benefit covering Corporation employees hired prior to March 31, 2015. The benefit is awarded to employees who retire or resign, and who are either immediately eligible for or immediately accept a pension from the Nova Scotia Public Service Superannuation Plan. The amount to be paid is equal to one week of pay at the weekly pay rate of the employee's salary on their last day of employment immediately prior to retirement, for each full year of service to a maximum of 26 years of service up to August 11, 2015. In 2018, the Province of Nova Scotia extended an offer of a one-time payout in lieu of the public service award on retirement to all non-union and management employees, including those of the Corporation. All eligible employees for the public service award of the Corporation elected to take the option for payout as at March 31, 2018. The amounts totaling $140 were paid in 2019.

22. Related party transactions

The immediate parent and ultimate controlling party of Nova Scotia Gaming Corporation is the Province of Nova Scotia. Details of transactions between the Corporation and other related parties are disclosed below.

Compensation of key management personnel

		2019		2018
Short-term benefits	$	753	$	624
Post-employment benefits		76		73
	$	829	$	697

In 2019, key management is considered to be comprised of members of the Board of Directors and Audit Committee, and the Corporation's Chief Executive Officer, two Vice Presidents, one of whom departed in February 2019 and two Directors; Key management in 2018 was considered to be comprised of members of the Board of Directors and Audit Committee, and the Corporation's Chief Executive Officer, two Vice Presidents, one of whom started in August 2017 and two Directors.

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:

		2019		2018
Not later than 1 year	$	3,199	$	5,915
Later than 1 year and not later than 5 years		7,207		11,734
	$	10,406	$	17,649

The Corporation has entered into an operating lease for rental of office space occupied by its head office. The lease commenced September 2015 and expires on August 2020.

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 over the next five years are as follows: 2020 - $1,269; 2021 - $1,141; 2022 - $1,141; 2023 - $951; 2024 - $861. Future lease payments due later than five years total $3,327.

Also included in the Corporation's commitments is the Corporation's share of the Atlantic Lottery Corporation Inc.'s aggregate payment of long-term leases payable for infrastructure, application and project services. The minimum annual payments over the next five years are as follows: 2020 - $1,930; 2021 - $1,565; 2022 - $961; 2023 - $467 and 2024 - $120. Future lease payments due later than five years total $0.

22.1.2 Payments recognized as an expense

		2019		2018
Minimum lease payments	$	5,219	$	3,468

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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; however, due to the uncertainty of potential legal outcomes this cannot be predicted with any assurance. 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.

25. Comparative figures

Certain of the comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted in this fiscal year.

26. Approval of financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on June 26, 2019.

27. Segmented Statement of Operations

The Corporation identifies the operations of the casinos and lotteries as its operating segments. These segments are monitored by the Corporation's chief operating decision maker and strategic decisions are made on the basis of the segmented operating results summarized below.

For the fiscal year ended March 31, 2018 (Restated, note 28)

	Casinos	Lotteries	Corporate	Total
Revenue	$ 86,122	$ 232,206	$ -	$ 318,328
Cost of sales	70,370	76,551	4,673	151,594
Gross profit	$ 15,752	$ 155,655	$ (4,673)	$ 166,734
Depreciation and amortization	(1,669)	(7,058)	(52)	(8,779)
Other expenses	-	-	(15,895)	(15,895)
Segment operating profit	$ 14,083	$ 148,597	$ (20,620)	$ 142,060
Finance costs		(1,072)		(1,072)
Equity method income (loss)		(18,842)		(18,842)
Interest and other income		4,534	14	4,548
Net income before Win tax	$ 14,083	$ 133,217	$ (20,606)	$ 126,694
Win tax	15,443	-	-	15,443
Net income	$ 29,526	$ 133,217	$ (20,606)	$ 142,137

For the fiscal year ended March 31, 2019

	Casinos	Lotteries	Corporate	Total
Revenue	$ 87,626	$ 235,280	$ -	$ 322,906
Cost of sales	71,599	77,941	2,621	152,161
Gross profit	$ 16,027	$ 157,339	$ (2,621)	$ 170,745
Depreciation and amortization	(1,669)	(6,885)	(41)	(8,595)
Other expenses	-	-	(16,271)	(16,271)
Segment operating profit	$ 14,358	$ 150,454	$ (18,933)	$ 145,879
Finance costs	-	(887)	-	(887)
Equity method income (loss)	-	(20,000)	-	(20,000)
Interest and other income	-	4,642	28	4,670
Net income before Win tax	$ 14,358	$ 134,209	$ (18,905)	$ 129,662
Win tax	15,585	-	-	15,585
Net income	$ 29,943	$ 134,209	$ (18,905)	$ 145,247

28. Prior period adjustments and changes in accounting policies

28.1 Prior period adjustments

During the year, the Corporation determined that the accounting for its Unanimous Shareholders Agreement and Agency Agreement with ALC was required to be adjusted to comply with IFRS due to a reassessment of the nature of and required accounting treatment for the Corporation's investment in ALC. Previously, the Corporation concluded that its interest in ALC was in the form of a joint operation, and as such, consolidated its direct interest in the operations covered within the Agency Agreement and consolidated its share of the assets held jointly, liabilities incurred jointly, and its share of revenue of the joint operation and expenses incurred jointly as per the Unanimous Shareholders Agreement. During the year, it was determined that the Corporation's investment in ALC comprises two elements:

- the existence of a deemed separate entity (or "silo") within ALC related to the Corporation's ticket and video lottery operations in Nova Scotia arising as a result of the specific terms in the Corporation's Agency Agreement with ALC; and
- an investment in an entity subject to significant influence, arising from the Corporation's investment in ALC and the terms of the Unanimous Shareholders Agreement.

The remaining investment in entity subject to significant influence is accounted for using the equity method. The resulting adjustment to prior periods are outlined in 28.3 below.

28.2 Changes in accounting policies

IFRS 9 – Financial Instruments

IFRS 9 replaces the classification and measurement models in IAS 39 – Financial Instruments: Recognition and Measurement, with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

The adoption of IFRS 9 has impacted the following areas:

- The classification of the Corporation's financial assets; however, no change to the measurement of the Corporation's financial assets was required.
- Accounting for transactions that the Corporation takes a position against that of a player whereby the Corporation's net gain or loss is determined on the outcome of a future event; for which the Corporation now accounts for the contract as a derivative or financial liability held-for-trading at fair value through profit or loss under IFRS 9 and record the net position (i.e., net of prizes).

On the date of initial application, April 1, 2017, the financial instruments of the Corporation were reclassified as follows:

	Measurement category	
Financial instrument	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Disputed HST assessment	Loans and receivables	Amortized cost
Trade and other payables	Loans and receivables	Amortized cost
Liabilities for unclaimed prizes	Loans and receivables	Amortized cost
Due to Atlantic Gaming Equipment Limited	Loans and receivables	Amortized cost
Other liabilities	Loans and receivables	Amortized cost
Due to Province of Nova Scotia	Loans and receivables	Amortized cost

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

28. Prior period adjustments and changes in accounting policies – continued

IFRS 15 – Revenue from contracts with customers

IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligation in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

Under IFRS 15, revenue is measured at the transaction price, which is allocated to the performance obligations identified in the contract with the customer. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to customers.

The Corporation applied IFRS 9 and 15 retrospectively as at April 1, 2017. The details and quantitative impact of the changes in accounting policies are disclosed below.

a. Presentation:

The consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer. An entity shall account for consideration payable to a customer as a reduction to the transaction price and as a result, revenue is required to be reported as net of expected cash prizes. This change results in all of the Corporation's income (including income from IFRS 9 and IFRS 15), as described in the significant accounting policies (note 3.3), being combined into a single line on the consolidated statement of new and comprehensive income, labeled revenue. The following table illustrates the impact of this change on the comparative figures.

For the year ended March 31, 2018

	As previously reported
Revenue	$ 447,554
Prize expense	129,226
Total net sales	$ 318,328

	As restated
Revenue	$ 318,328

b. Deferred Revenue:

As a result of IFRS 15, the Corporation completed a scoping exercise to identify revenue contracts within the scope of IFRS 15 (see note 3.3). Upon completion of this exercise, it was identified that some of the Corporation's income from gaming products falls within the scope of IFRS 9. Under IAS 18, advanced wagers were recorded as deferred revenue until the draw or event took place. For products that fall within either IFRS 15 or IFRS 9, these wagers are now presented as deferred revenue net of prize expense.

c. Provision for prize expense:

Under IAS 18, all advanced wagers were recorded as deferred revenue until the draw or event took place. In compliance with IFRS 15 and IFRS 9, the Corporation has a second performance obligation to fulfill related to paying of prizes. The portion of the transaction price relating to the second performance obligation (prizes) is deferred until the draw or event has taken place. The change in timing of prize recognition has resulted in an adjustment to the Corporation's consolidated financial statements as quantified in note 28.1.

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

28. Prior period adjustments and changes in accounting policies – continued

28.3 Summary of quantitative impact

The schedules below present a summary of the quantitative impact of the adjustments made to prior year figures to reflect the prior period adjustment and retrospective.

Excerpt from the consolidated statement of financial position

As at April 1, 2017

	As previously reported	Impact of correction	Impact of IFRS 15 adoption	As restated
Cash	$ 5,765	$ 581	$ -	$ 6,346
Cash - restricted	5,290	-	233	5,523
Cash - casino capital replacement	10,548	-	-	10,548
Trade and other receivables	1,491	8,008	(233)	9,266
Prepaids	6,537	(6,303)	-	234
Inventories	2,260	-	-	2,260
Total current assets	$ 31,891	$ 2,286	$ -	$ 34,177
Property, plant and equipment	$ 75,974	$ -	$ -	$ 75,974
Intangible assets	3,224	-	-	3,224
Disputed HST assessments	53,473	-	-	53,473
Investment in ALC	10,559	(6,660)	-	3,899
Investment in ILC	1	-	-	1
Total non-current assets	$ 143,231	$ (6,660)	$ -	$ 136,571
Total assets	$ 175,122	$ (4,374)	$ -	$ 170,748
Trade and other payables	$ 17,528	$ (927)	$ -	$ 16,601
Deferred revenue	754	-	(233)	521
Liabilities for unclaimed prizes	5,290	-	233	5,523
Due to Atlantic Gaming Equipment	6,885	-	-	6,885
Other liabilities	1,098	-	-	1,098
Due to Province of Nova Scotia	101,166	-	-	101,166
Total current liabilities	$ 132,721	$ (927)	$ -	$ 131,794
Due to Atlantic Gaming Equipment	18,826	-	-	18,826
Other long-term liabilities	254	-	-	254
Total non-current assets	$ 19,080	$ -	$ -	$ 19,080
Casino capital replacement reserve	15,975	-	-	15,975
Accumulated OCI	-	3,899	-	3,899
Retained earnings	7,346	(7,346)	-	-
Total equity	$ 23,321	$ (3,447)	$ -	$ 19,874
Total liabilities and equity	$ 175,122	$ (4,374)	$ -	$ 170,748

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

28. Prior period adjustments and changes in accounting policies – continued

Excerpt from the consolidated statement of financial position

As at March 31, 2018

	As previously reported	Impact of correction	Impact of IFRS 15 adoption	As restated
Cash	$ 6,926	$ 350	$ -	$ 7,276
Cash - restricted	5,297	-	156	5,453
Cash - casino capital replacement	6,522	-	-	6,522
Trade and other receivables	1,304	8,038	(156)	9,186
Prepaids	4,754	(4,509)	-	245
Inventories	2,048	-	-	2,048
Total current assets	$ 26,851	$ 3,879	$ -	$ 30,730
Property, plant and equipment	$ 73,389	$ -	$ -	$ 73,389
Intangible assets	2,275	-	-	2,275
Disputed HST assessments	61,483	-	-	61,483
Investment in ALC	13,990	(9,249)	-	4,741
Investment in ILC	1	-	-	1
Total non-current assets	$ 151,138	$ (9,249)	$ -	$ 141,889
Total assets	$ 177,989	$ (5,370)	$ -	$ 172,619
Trade and other payables	$ 17,889	$ 1,859	$ -	$ 19,748
Deferred revenue	589	-	(156)	433
Liabilities for unclaimed prizes	5,297	-	156	5,453
Due to Atlantic Gaming Equipment	6,970	-	-	6,970
Other liabilities	1,274	-	-	1,274
Due to Province of Nova Scotia	104,648	-	-	104,648
Total current liabilities	$ 136,667	$ 1,859	$ -	$ 138,526
Due to Atlantic Gaming Equipment	12,376	-	-	12,376
Other long-term liabilities	253	-	-	253
Total non-current assets	$ 12,629	$ -	$ -	$ 12,629
Casino capital replacement reserve	16,723	-	-	16,723
Accumulated OCI	-	4,741	-	4,741
Retained earnings	11,970	(11,970)	-	-
Total Equity	$ 28,693	$ (7,229)	$ -	$ 21,464
Total liabilities and equity	$ 177,989	$ (5,370)	$ -	$ 172,619

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

28. Prior period adjustments and changes in accounting policies – continued

Excerpt from the consolidated statement of net and comprehensive income

For the year ended March 31, 2018

	As previously reported	Impact of correction	Impact of IFRS 15 adoption	As restated
Revenue	$ 447,554	$ -	$ (129,226)	$ 318,328
Cost of sales	294,898	(14,078)	(129,226)	151,594
Gross profit	$ 152,656	$ 14,078	$ -	$ 166,734
Expenses				
Depreciation and amortization	(8,779)	-	-	(8,779)
Finance costs	(1,072)	-	-	(1,072)
Other expenses	(15,895)	-	-	(15,895)
Profit before the following	$ 126,910	$ 14,078	$ -	$ 140,988
Share of overhead costs from equity method investee	$ -	$ (14,078)	$ -	$ (14,078)
Share of special pension payments from equity method investee	-	(4,764)	-	(4,764)
Interest and other income	4,548	-	-	4,548
Net income before Win tax	$ 131,458	$ (4,764)	$ -	$ 126,694
Win tax	15,443	-	-	15,443
Net income before Win tax	$ 146,901	$ (4,764)	$ -	$ 142,137
Other comprehensive income				
Share of other comprehensive income from equity method investee	-	842	-	842
Net and comprehensive income	$ 146,901	$ (3,922)	$ -	$ 142,979

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

28. Prior period adjustments and changes in accounting policies – continued

Excerpt from the consolidated statement of changes in equity

For the year ended March 31, 2018

	As previously reported	Impact of correction	Impact of IFRS 15 adoption	As restated
Retained Earnings				
Balance at March 31, 2017	$ 11,970	$ (11,970)	$ -	$ -
Net and comprehensive income	146,901	(4,764)	-	142,137
Contributions or distributions				
Change in investment in ALC	4,624	(4,624)	-	-
Profit to the Province	(146,901)	4,764	-	(142,137)
Balance at March 31, 2018	$ 16,594	$ (16,594)	$ -	$ -
Accumulated other comprehensive income (loss)				
Balance at March 31, 2017	$ -	$ 3,899	$ -	$ 3,899
Other comprehensive income (loss)	-	842	-	842
Balance at March 31, 2018	$ -	$ 4,741	$ -	$ 4,741

Excerpt from the consolidated statement of cash flows

For the year ended March 31, 2018

	As previously reported	Impact of correction	Impact of IFRS 15 adoption	As restated
Operating	$ 149,993	$ 15,040	$ -	$ 165,033
Financing	$ (149,784)	$ 4,764	$ -	$ (145,020)
Investing	$ 952	$ (20,035)	$ -	$ (19,083)
Net increase in cash and cash equivalents	1,161	(231)	-	930
Cash and cash equivalents, beginning of year	5,765	581		6,346
Cash and cash equivalents, end of year	$ 6,926	$ 350	$ -	$ 7,276

NOVA SCOTIA GAMING CORPORATION
SCHEDULE OF CASINO AND LOTTERY INCOME
AS AT MARCH 31 (IN THOUSANDS)

Schedule 1 – Casinos

The schedule below present the reconciliation of the results from the Corporation's casinos segment to the amount paid to the Province for remittance of its profits, exclusive of Win tax.

	2019	2018
Revenue		
Casino revenue	$ 77,925	$ 77,213
Beverage, food and other revenue	9,701	8,909
	87,626	86,122
Expenses		
Lease and depreciation	1,669	1,669
Reserves	5,516	5,432
Operating Expenses	186	189
Harmonized Sales Tax	3,314	3,212
Operator fee	46,998	46,094
Win tax	15,585	15,443
	73,268	72,039
Net income	14,358	14,083
Win tax	15,585	15,443
Payment to Province	$ 29,943	$ 29,526

Schedule 2 - Lotteries

The schedule below present the reconciliation of the results from the Corporation's lotteries before application of equity accounting (including share of special pension payments from equity method investee and presentation of share of overhead costs from equity method investee).

	Ticket	Video	Total 2019	Total 2018
Revenue	$ 105,516	$ 129,764	$ 235,280	$ 232,206
Retailer commissions	15,139	22,938	38,077	38,660
Ticket costs	2,830	88	2,918	3,349
	17,969	23,026	40,995	42,009
Gross profit	87,547	106,738	194,285	190,197
Operating expenses				
Salaries and benefits	8,115	4,577	12,692	11,352
Training and development	134	66	200	152
Meetings and travel	243	143	386	335
Employee services	105	57	162	85
Costs of premises	609	975	1,584	1,051
Fleet expense	111	92	203	193
Consumable supplies	40	32	72	60
Terminal maintenance	18	348	366	333
Telecommunications	1,215	206	1,421	1,514
Technology maintenance	2,866	1,327	4,193	4,161
Outsourced services	1,381	743	2,124	2,523
Technology infrastructure services	1,082	929	2,011	1,797
Marketing	4,318	362	4,680	4,380
Social responsibility/Communications	291	242	533	380
Retailer training and support	951	9	960	1,014
Financial services	105	86	191	124
Lease, depreciation and amortization	3,441	8,122	11,563	10,894
Interest expense	325	562	887	1,072
Other distributions	8,541	7,185	15,726	15,330
Total operating expenses	33,891	26,063	59,954	56,750
Operating profit	53,656	80,675	134,331	133,447
Other income	69	4,573	4,642	4,534
Net income before special payments	$ 53,725	$ 85,248	$ 138,973	$ 137,981
Share of special pension payments	-	-	4,764	4,764
Net income	$ 53,725	$ 85,248	$ 134,209	$ 133,217