



**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2021**

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## Management Responsibilities for Financial Reporting

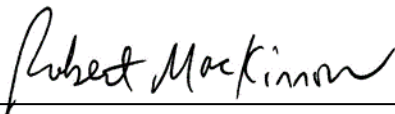
These consolidated financial statements are the responsibility of the management of Nova Scotia Gaming Corporation (“NSGC”). They have been approved by its Board of Directors.

Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards. The financial information contained in the 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.

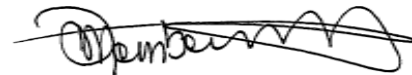
NSGC maintains books of accounts and systems of financial and management control, which provide reasonable assurance that accurate financial information is available, that assets are protected, and that resources are managed efficiently.

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.



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**Robert MacKinnon, CPA, CA**  
President & CEO



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**Diane Mombourquette, CPA, CA**  
Vice-President – Finance & Strategy

## 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, 2021, 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, 2021, 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 Matter – Ongoing matter with the Canada Revenue Agency

We draw attention to Note 12 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 \$52,654,000 from November 1, 2013 to March 31, 2021. The total amount of \$82,254,000 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 18, 2021

Chartered Professional Accountants

# NOVA SCOTIA GAMING CORPORATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31 (IN THOUSANDS)

|   | 2021              | 2020              |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| <b>Current assets</b>                                     |                   |                   |
| Cash and cash equivalents (Note 4)                        | \$ 8,188          | \$ 5,320          |
| Cash – restricted (Note 5)                                | 6,145             | 6,624             |
| Cash – casino capital replacement reserve (Note 11)       | 6,948             | 7,324             |
| Trade and other receivables (Note 6)                      | 5,992             | 6,813             |
| Prepays   | 303               | 447               |
| Inventories (Note 7)                                      | 3,186             | 2,746             |
|   | <u>30,762</u>     | <u>29,274</u>     |
| <b>Non-current assets</b>                                 |                   |                   |
| Property, plant and equipment (Note 8)                    | 59,624            | 69,495            |
| Intangible assets (Note 9)                                | 3,373             | 3,382             |
| Right-of-use assets (Note 10)                             | 2,282             | 1,944             |
| Disputed HST assessments (Note 12)                        | 82,254            | 77,301            |
| Investment in Atlantic Lottery Corporation Inc. (Note 13) | 14,774            | 7,330             |
| Investment in Interprovincial Lottery Corporation         | 1                 | 1                 |
|   | <u>162,308</u>    | <u>159,453</u>    |
|   | <b>\$ 193,070</b> | <b>\$ 188,727</b> |

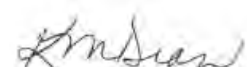
### LIABILITIES AND EQUITY

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Current liabilities</b>                         |                   |                   |
| Trade and other payables (Note 14)                 | \$ 16,832         | \$ 17,009         |
| Deferred revenue                                   | 510               | 528               |
| Liabilities for unclaimed prizes (Note 15)         | 6,145             | 6,624             |
| Due to Atlantic Gaming Equipment Limited (Note 16) | 4,335             | 5,541             |
| Current-portion of lease liability (Note 10)       | 616               | 423               |
| Other liabilities (Note 17)                        | 1,315             | 1,545             |
| Due to Province of Nova Scotia                     | 121,946           | 116,003           |
|  | <u>151,699</u>    | <u>147,673</u>    |
| <b>Non-current liabilities</b>                     |                   |                   |
| Due to Atlantic Gaming Equipment Limited (Note 16) | 10,937            | 13,857            |
| Long-term lease liability (Note 10)                | 1,749             | 1,574             |
| Other long-term liabilities                        | 252               | 272               |
|  | <u>12,938</u>     | <u>15,703</u>     |
| <b>Equity</b>                                      |                   |                   |
| Casino capital replacement reserve (Note 11)       | 13,659            | 18,021            |
| Accumulated other comprehensive income             | 14,774            | 7,330             |
|  | <u>28,433</u>     | <u>25,351</u>     |
|  | <b>\$ 193,070</b> | <b>\$ 188,727</b> |

Contingencies (Note 24)

See accompanying notes to the financial statements

Approved on behalf of the Board,



**Kelliann Dean**, Chair

**NOVA SCOTIA GAMING CORPORATION**  
**CONSOLIDATED STATEMENT OF NET INCOME**  
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

|   | <b>2021</b>       | <b>2020</b>       |
|---|-------------------|-------------------|
| Revenue (Note 18)   | \$ 225,233        | \$ 310,058        |
| Cost of sales (Note 27)                                       | 84,756            | 149,054           |
| Gross profit  | 140,477           | 161,004           |
| <i>Expenses</i>   |                   |                   |
| Depreciation and amortization                                 | (6,753)           | (7,578)           |
| Finance costs (Note 19)                                       | (597)             | (824)             |
| Other expenses (Note 20)                                      | (15,837)          | (17,033)          |
| Profit before the following                                   | 117,290           | 135,569           |
| Share of overhead costs from equity method investee           | (16,958)          | (16,222)          |
| Share of special pension payments from equity method investee | -                 | (2,893)           |
| Interest and other income                                     | 2,646             | 4,717             |
| <b>Net income before Win tax</b>                              | <b>102,978</b>    | <b>121,171</b>    |
| <b>Win tax (Note 3.14.2)</b>                                  | <b>3,437</b>      | <b>15,320</b>     |
| <b>Net income</b>   | <b>\$ 106,415</b> | <b>\$ 136,491</b> |

See accompanying notes to the financial statements

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

|   | <b>2021</b>       | <b>2020</b>       |
|---|-------------------|-------------------|
| Net income for the year                                       | \$ 106,415        | \$ 136,491        |
| <i>Other comprehensive income</i>                             |                   |                   |
| Share of other comprehensive income of equity method investee | 7,444             | 3,926             |
| <b>Comprehensive income</b>                                   | <b>\$ 113,859</b> | <b>\$ 140,417</b> |

See accompanying notes to the financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

|                                  | Retained earnings | Accumulated other comprehensive income | Casino capital replacement reserve | Total            |
|----------------------------------|-------------------|--|------------------------------------|------------------|
| Balance at April 1, 2019         | \$ -              | \$ 3,404                               | \$ 17,655                          | \$ 21,059        |
| Net income                       | 136,491           | -                                      | -                                  | 136,491          |
| Other comprehensive income       | -                 | 3,926                                  | -                                  | 3,926            |
| Contributions or distributions   |                   |  |                                    |                  |
| Change in reserve                | -                 | -                                      | 366                                | 366              |
| Profit to the Province           | (136,491)         | -                                      | -                                  | (136,491)        |
| <b>Balance at March 31, 2020</b> | <b>\$ -</b>       | <b>\$ 7,330</b>                        | <b>\$ 18,021</b>                   | <b>\$ 25,351</b> |
| Net income                       | 106,415           | -                                      | -                                  | 106,415          |
| Other comprehensive income       | -                 | 7,444                                  | -                                  | 7,444            |
| Contributions or distributions   |                   |  |                                    |                  |
| Change in reserve                | -                 | -                                      | (4,362)                            | (4,362)          |
| Profit to the Province           | (106,415)         | -                                      | -                                  | (106,415)        |
| <b>Balance at March 31, 2021</b> | <b>\$ -</b>       | <b>\$ 14,744</b>                       | <b>\$ 13,659</b>                   | <b>\$ 28,433</b> |

See accompanying notes to the financial statements

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

|   | <b>2021</b>      | <b>2020</b>      |
|---|------------------|------------------|
| <b>OPERATING</b>  |                  |                  |
| Net income  | \$ 106,415       | \$ 136,491       |
| Special pension payments to Atlantic Lottery Corporation Inc. | -                | 2,893            |
| Overhead costs from equity method investee                    | 16,958           | 16,222           |
| Depreciation and amortization                                 | 6,753            | 7,578            |
| Loss on disposal of property, plant and equipment             | 44               | 121              |
| Net transfers of property, plant and equipment                | (52)             | (2,558)          |
| Interest paid on lease liability                              | 93               | 95               |
| Changes in non-cash working capital balances                  |                  |                  |
| Disputed HST assessments                                      | (4,953)          | (7,981)          |
| Trade and other receivables                                   | 561              | 2,981            |
| Other assets  | 144              | (126)            |
| Inventories   | (440)            | 191              |
| Trade and other payables                                      | 83               | (3,005)          |
| Deferred revenue  | (18)             | (16)             |
| Other liabilities   | (230)            | 206              |
|   | <u>125,358</u>   | <u>153,092</u>   |
| <b>FINANCING</b>  |                  |                  |
| Distribution of profit to the Province                        | (106,415)        | (136,491)        |
| Due to Province of Nova Scotia                                | 5,943            | 3,163            |
| Repayment of lease liability                                  | (613)            | (453)            |
| Net change in Due to Atlantic Gaming Equipment Limited        | (4,146)          | 5,636            |
|   | <u>(105,231)</u> | <u>(128,145)</u> |
| <b>INVESTING</b>  |                  |                  |
| Purchases of capital assets                                   | (998)            | (15,305)         |
| Contributions to equity method investee                       | (16,958)         | (19,115)         |
| Decrease in Casino Capital Replacement Reserve, net of cash   | 697              | 6,418            |
|   | <u>(17,259)</u>  | <u>(28,002)</u>  |
| <b>Net increase in cash and cash equivalents</b>              | <b>2,868</b>     | <b>(3,055)</b>   |
| <b>Cash and cash equivalents, beginning of year</b>           | <b>5,320</b>     | <b>8,375</b>     |
| <b>Cash and cash equivalents, end of year</b>                 | <b>\$ 8,188</b>  | <b>\$ 5,320</b>  |

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. Continuity of operations

On March 11, 2020, the World Health Organization declared the global coronavirus disease outbreak of COVID-19 a pandemic. This has resulted in governments worldwide, including the Canadian and Nova Scotia governments, to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, required quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses in Nova Scotia and globally, resulting in a slowdown in some sectors of the economy. Based on this, the Corporation’s operations were impacted as described below.

On March 15, 2020, the Corporation ceased video lottery operations and closed its casinos. Operations were authorized to resume with an approved sector re-opening plan developed by the Corporation starting on June 6, 2020. Video lottery operations gradually resumed starting June 6, 2020 and casinos re-opened on October 5, 2020. The Corporation continues to see intermittent regional and provincial disruptions due to public health measures intended to stop the spread of the coronavirus. Operations rebounded quickly after re-opening but these disruptions have negatively impacted the Corporation’s financial performance during the year.

The duration of the COVID-19 pandemic and magnitude of the impact on the economy and the Corporation’s future revenues, operating results and overall financial performance is unknown at this time. The impact could be material and the Corporation is actively working with its partners for the full resumption of operations. At the reporting date, the Corporation determined that the COVID-19 pandemic had no impact on its significant accounting policies, contracts or lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition.

The temporary business interruptions have had the greatest impact on the Corporation’s video lottery and casino business and therefore it has undertaken an assessment for indicators of impairment of the carrying values of its assets. The assessment required use of significant estimates and judgments regarding the duration of the suspension period and the associated cash flow amounts and timing compared to the long term nature of the associated assets. Based on procedures performed, no impairment test was required to be performed.

The intermittent suspension of video lottery operations and closure of casinos have negatively affected the Corporation’s cash flow, although ticket lottery sales have not been materially impacted by the COVID-19 pandemic. The Corporation continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at March 31, 2021, the Corporation continues to meet its contractual obligations within normal payment terms.

### **C. Basis of measurement**

The consolidated financial statements have been prepared on a going concern basis, under 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.

### **D. 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.

### **E. 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 related 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 related 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 13).
- 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);
- right-of-use assets and lease liability (see note 3.4.2);
- estimates of employee benefits cost (see note 3.6); and
- estimate of disputed HST assessments (see note 12).

## **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. ("ALC")**

##### **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 belong to the Corporation. 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 Corporation's 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 investees, 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 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 on or 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 as a percentage of ticket sales in line with the theoretical prize payout for that game.

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 on or 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 digital 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 and are recorded net of credits paid out.

### 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

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. Control of the use of an identified asset throughout the period of use is determined if the Corporation has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

The Corporation recognizes a right-of-use asset and a lease liability, at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revise in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### *Short-term leases and leases of low-value assets*

The Corporation has elected not to recognize right-of-use assets and lease liabilities for software leases and leases of low-value assets and short-term leases (<12 months). The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### **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 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 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 income in the expense category of depreciation and amortization. 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 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:

| Financial instrument                     | Classification | Measurement                                       |
|--|----------------|---|
| Cash and cash equivalents                | Amortized cost | Initial: Fair value<br>Subsequent: Amortized cost |
| Restricted cash                          | Amortized cost |   |
| Trade and other receivables              | Amortized cost |   |
| Disputed HST assessment                  | Amortized cost |   |
| Trade and other payables                 | Amortized cost |   |
| Liabilities for unclaimed prizes         | Amortized cost |   |
| Due to Atlantic Gaming Equipment Limited | Amortized cost |   |
| Other liabilities                        | Amortized cost |   |
| Due to Province of Nova Scotia           | Amortized cost |   |

### 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 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 12) 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.

### **3.16 Changes in accounting standards**

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

Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective on or after January 1, 2020 with early adoption permitted) were made to refine the definition of material in IAS 1 and align the definitions used across IFRS standards and other publications. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition and the threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. These amendments did not impact the Corporation's financial information.

### **3.17 Accounting standards issued but not yet effective**

A number of new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after April 1, 2021. The Corporation does not expect these new pronouncements to have a significant effect on the consolidated financial statements when they are adopted in future periods.

#### 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 \$2,396 in cash from the casino accounts on the consolidated statement of financial position at March 31, 2021 (2020 - \$756).

#### 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 purchased before March 2019 are retained in a prize fund for 744 days from the date of purchase of the ticket. Any sports games purchased after March 2019 are retained in the prize fund for 365 days from the last event on 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 after November 2018 will have an expiry date of one year, prior to this, instant tickets did not have an expiry period. For any new tickets that include an expiry date, all unclaimed prizes will be retained for 12 months from the launch of the game. For all tickets printed prior to December 2018, all unclaimed prizes are retained in a prize fund for 36 months from the date of launch of the game. Unclaimed prizes remaining after the prize claiming period ends are transferred to a special prize fund and are recorded as a reduction to prize expense and/or used for prizes in subsequent draws.

Prizes of national lottery games are funded by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds of that Corporation as incurred. Unclaimed prizes of national games are administered by the Interprovincial Lottery Corporation.

#### 6. Trade and other receivables

|                           | <b>2021</b>     | <b>2020</b>     |
|---------------------------|-----------------|-----------------|
| Lottery retailers         | \$ 2,821        | \$ 5,651        |
| Due from operators        | 2,846           | 667             |
| Other receivables         | 325             | 495             |
|                           | <b>\$ 5,992</b> | <b>\$ 6,813</b> |
|                           | <b>2021</b>     | <b>2020</b>     |
| <i>Due from Operators</i> |                 |                 |
| ALC                       | \$ 2,824        | \$ 627          |
| MEG                       | 22              | 40              |
|                           | <b>\$ 2,846</b> | <b>\$ 667</b>   |

#### 7. Inventories

|                                | <b>2021</b>     | <b>2020</b>     |
|--------------------------------|-----------------|-----------------|
| Food, beverage and merchandise | \$ 457          | \$ 358          |
| Lottery tickets                | 2,729           | 2,388           |
|                                | <b>\$ 3,186</b> | <b>\$ 2,746</b> |

The cost of inventories recognized as an expense was \$0 (2020 - \$0) in respect of write-downs of inventory to net realisable value, and was included in ticket printing and costs.

## 8. Property, plant and equipment

|  | Land             | Buildings & Leaseholds | Automobiles   | Operational Equipment | Lottery Gaming Equipment | Casino Gaming Equipment | Casino Buildings | Total             |
|--|------------------|------------------------|---------------|-----------------------|--------------------------|-------------------------|------------------|-------------------|
| <b>Cost</b>                                    |                  |                        |               |                       |                          |                         |                  |                   |
| Balance at March 31, 2019                      | \$ 10,025        | \$ 38                  | \$ 460        | \$ 361                | \$ 45,214                | \$ 71,364               | \$ 77,857        | \$ 205,319        |
| Additions                                      | -                | -                      | 216           | 18                    | 9,106                    | 5,385                   | 580              | 15,305            |
| Disposals                                      | -                | -                      | (131)         | (65)                  | (2,982)                  | -                       | -                | (3,178)           |
| Transfers                                      | -                | -                      | -             | -                     | 304                      | -                       | -                | 304               |
| <b>Balance at March 31, 2020</b>               | <b>\$ 10,025</b> | <b>\$ 38</b>           | <b>\$ 545</b> | <b>\$ 314</b>         | <b>\$ 51,642</b>         | <b>\$ 76,749</b>        | <b>\$ 78,437</b> | <b>\$ 217,750</b> |
| Additions                                      | -                | -                      | 182           | 8                     | 66                       | 319                     | 82               | 657               |
| Disposals                                      | -                | -                      | (210)         | (35)                  | (111)                    | -                       | -                | (356)             |
| Transfers                                      | -                | -                      | -             | (15)                  | (255)                    | -                       | -                | (270)             |
| <b>Balance at March 31, 2021</b>               | <b>\$ 10,025</b> | <b>\$ 38</b>           | <b>\$ 517</b> | <b>\$ 272</b>         | <b>\$ 51,342</b>         | <b>\$ 77,068</b>        | <b>\$ 78,519</b> | <b>\$ 217,781</b> |
| <b>Accumulated depreciation and impairment</b> |                  |                        |               |                       |                          |                         |                  |                   |
| Balance at March 31, 2019                      | \$ -             | \$ 38                  | \$ 266        | \$ 218                | \$ 32,855                | \$ 64,408               | \$ 41,907        | \$ 139,692        |
| Disposals                                      | -                | -                      | (105)         | (62)                  | (2,907)                  | -                       | -                | (3,074)           |
| Transfers                                      | -                | -                      | -             | (55)                  | 190                      | -                       | -                | 135               |
| Depreciation                                   | -                | -                      | 89            | 95                    | 4,986                    | 3,670                   | 2,662            | 11,502            |
| Impairments                                    | -                | -                      | -             | -                     | -                        | -                       | -                | -                 |
| <b>Balance at March 31, 2020</b>               | <b>\$ -</b>      | <b>\$ 38</b>           | <b>\$ 250</b> | <b>\$ 196</b>         | <b>\$ 35,124</b>         | <b>\$ 68,078</b>        | <b>\$ 44,569</b> | <b>\$ 148,255</b> |
| Disposals                                      | -                | -                      | (169)         | (33)                  | (110)                    | -                       | -                | (312)             |
| Transfers                                      | -                | -                      | -             | (25)                  | (117)                    | -                       | -                | (142)             |
| Depreciation                                   | -                | -                      | 111           | 35                    | 4,145                    | 3,467                   | 2,598            | 10,356            |
| Impairments                                    | -                | -                      | -             | -                     | -                        | -                       | -                | -                 |
| <b>Balance at March 31, 2021</b>               | <b>\$ -</b>      | <b>\$ 38</b>           | <b>\$ 192</b> | <b>\$ 173</b>         | <b>\$ 39,042</b>         | <b>\$ 71,545</b>        | <b>\$ 47,167</b> | <b>\$ 158,157</b> |
| <b>Net book value</b>                          |                  |                        |               |                       |                          |                         |                  |                   |
| Balance at March 31, 2020                      | \$ 10,025        | \$ -                   | \$ 295        | \$ 118                | \$ 16,518                | \$ 8,671                | \$ 33,868        | \$ 69,495         |
| <b>Balance at March 31, 2021</b>               | <b>\$ 10,025</b> | <b>\$ -</b>            | <b>\$ 325</b> | <b>\$ 99</b>          | <b>\$ 12,300</b>         | <b>\$ 5,523</b>         | <b>\$ 31,352</b> | <b>\$ 59,624</b>  |

Transfers may include movement of assets from not-ready-for-use to in-use and between shareholders of Atlantic Lottery Corporation.

During the year, the Corporation carried out an assessment for indicators of impairment of the recoverable amount of assets. This review led to no indicators of impairment or reversals of impairment identified.

## 9. Intangible assets

|  | Software Licenses | Gaming Software | Not Ready for Use | Total           |
|--|-------------------|-----------------|-------------------|-----------------|
| <b>Cost</b>                                    |                   |                 |                   |                 |
| Balance at March 31, 2019                      | \$ -              | \$ 6,530        | \$ 319            | \$ 6,849        |
| Additions                                      | -                 | -               | -                 | -               |
| Disposals                                      | -                 | (563)           | -                 | (563)           |
| Transfers                                      | 1,994             | 430             | (35)              | 2,389           |
| <b>Balance at March 31, 2020</b>               | <b>\$ 1,994</b>   | <b>\$ 6,397</b> | <b>\$ 284</b>     | <b>\$ 8,675</b> |
| Additions                                      | -                 | -               | 341               | 341             |
| Disposals                                      | 8                 | (17)            | -                 | (9)             |
| Transfers                                      | 1,079             | (398)           | (423)             | 258             |
| <b>Balance at March 31, 2021</b>               | <b>\$ 3,081</b>   | <b>\$ 5,982</b> | <b>\$ 202</b>     | <b>\$ 9,265</b> |
| <b>Accumulated amortization and impairment</b> |                   |                 |                   |                 |
| Balance at March 31, 2019                      | \$ -              | \$ 5,252        | \$ -              | \$ 5,252        |
| Disposals                                      | -                 | (546)           | -                 | (546)           |
| Transfers                                      | -                 | -               | -                 | -               |
| Amortization                                   | 1                 | 586             | -                 | 587             |
| Impairments                                    | -                 | -               | -                 | -               |
| <b>Balance at March 31, 2020</b>               | <b>\$ 1</b>       | <b>\$ 5,292</b> | <b>\$ -</b>       | <b>\$ 5,293</b> |
| Disposals                                      | -                 | (9)             | -                 | (9)             |
| Transfers                                      | 71                | 7               | -                 | 78              |
| Amortization                                   | 214               | 316             | -                 | 530             |
| Impairments                                    | -                 | -               | -                 | -               |
| <b>Balance at March 31, 2021</b>               | <b>\$ 286</b>     | <b>\$ 5,606</b> | <b>\$ -</b>       | <b>\$ 5,892</b> |
| <b>Net book value</b>                          |                   |                 |                   |                 |
| At March 31, 2020                              | \$ 1,993          | \$ 1,105        | \$ 284            | \$ 3,382        |
| <b>At March 31, 2021</b>                       | <b>\$ 2,795</b>   | <b>\$ 376</b>   | <b>\$ 202</b>     | <b>\$ 3,373</b> |

Transfers may include movement of assets from not-ready-for-use to in-use and between shareholders of Atlantic Lottery Corporation.

During the year, the Corporation carried out an assessment for indicators of impairment of the recoverable amount of assets. This review led to no indicators of impairment or reversals of impairment identified.

## 10. Right-of-use assets and lease liability

The Corporation leases a number of retail and office premises. The leases typically run for periods between two and ten years, with an option to renew the lease after that date.

Information about leases for which the Corporation as a lessee is presented below:

|                                  | Corporate Properties | Lottery Properties | Casino Properties | Total           |
|----------------------------------|----------------------|--------------------|-------------------|-----------------|
| <b>Cost</b>                      |                      |                    |                   |                 |
| Balance at March 31, 2019        | \$ -                 | \$ -               | \$ -              | \$ -            |
| Opening balance                  | -                    | 566                | 1,634             | 2,200           |
| Additions                        | -                    | 505                | -                 | 505             |
| <b>Balance at March 31, 2020</b> | <b>\$ -</b>          | <b>\$ 1,071</b>    | <b>\$ 1,634</b>   | <b>\$ 2,705</b> |
| Additions                        | 888                  | -                  | -                 | 888             |
| Disposals                        | -                    | (184)              | -                 | (184)           |
| <b>Balance at March 31, 2021</b> | <b>\$ 888</b>        | <b>\$ 887</b>      | <b>\$ 1,634</b>   | <b>\$ 3,409</b> |

**Accumulated amortization and impairment**

|                                  |               |               |                 |                 |
|----------------------------------|---------------|---------------|-----------------|-----------------|
| Balance at March 31, 2019        | \$ -          | \$ -          | \$ -            | \$ -            |
| Opening balance                  | -             | 351           | -               | 351             |
| Amortization                     | -             | 152           | 258             | 410             |
| Impairments                      | -             | -             | -               | -               |
| <b>Balance at March 31, 2020</b> | <b>\$ -</b>   | <b>\$ 503</b> | <b>\$ 258</b>   | <b>\$ 761</b>   |
| Disposals                        | -             | (184)         | -               | (184)           |
| Amortization                     | 103           | 189           | 258             | 550             |
| Impairments                      | -             | -             | -               | -               |
| <b>Balance at March 31, 2021</b> | <b>\$ 103</b> | <b>\$ 508</b> | <b>\$ 516</b>   | <b>\$ 1,127</b> |
| <b>Net book value</b>            |               |               |                 |                 |
| At March 31, 2020                | \$ -          | \$ 568        | \$ 1,376        | \$ 1,944        |
| <b>At March 31, 2021</b>         | <b>\$ 785</b> | <b>\$ 379</b> | <b>\$ 1,118</b> | <b>\$ 2,282</b> |

Some leases contain extension options exercisable up to one year before the end of the non-cancellable contract period. Where practicable, the Corporation seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Corporation and not by the lessors.

The Corporation assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Corporation reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

**Lease liability**

|  | 2021            | 2020            |
|--|-----------------|-----------------|
| Lease of property containing Right-of-use assets payable monthly with leases ending at varying times in the next ten years. The last lease currently ends in August 2025 | \$ 2,365        | \$ 1,997        |
| Current portion of long-term lease   | 616             | 423             |
| <b>Non-current portion of long-term lease</b>  | <b>\$ 1,749</b> | <b>\$ 1,574</b> |

The aggregate payment of long-term lease liability for each of the five years subsequent to March 31, 2021 are approximately as follows: 2022 - \$616; 2023 - \$603; 2024 - \$550; 2025 - \$496 and 2026 - \$100.

**11. 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 \$6,948 (March 31, 2020 - \$7,324) for this purpose. The Corporation waived the annual contribution for the year ended March 31, 2021 due to the effect of temporary business interruptions occurring during the year. 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.

|  |                  |                  |
|--|------------------|------------------|
| Cash balance, beginning of year                                | \$ 7,324         | \$ 8,454         |
| Funding  | -                | 4,862            |
| Interest   | 64               | 167              |
| Proceeds from sale of capital assets                           | -                | 1                |
| Capital asset purchases  | (376)            | (5,381)          |
| Reimbursements to MEG for capital asset purchases              | (88)             | (282)            |
| HST related to capital asset purchases and reimbursements      | (22)             | (583)            |
| Capital assets purchased by MEG                                | 46               | 86               |
| <b>Cash balance, end of year</b>                               | <b>6,948</b>     | <b>7,324</b>     |
| Add: cumulative capital asset purchases                        | 79,916           | 79,515           |
| Less: accumulated depreciation                                 | (73,156)         | (68,731)         |
| Less: HST payable  | (3)              | (2)              |
| Less: capital assets purchased by MEG                          | (46)             | (85)             |
| <b>Casino capital replacement reserve balance, end of year</b> | <b>\$ 13,659</b> | <b>\$ 18,021</b> |

## 12. 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 located 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 while continuing to dispute the original assessment and the ongoing liability for the HST payments. Remittances up to and including March 31, 2021, total a further \$52,654 (2020 - \$47,701). The total amount remitted is \$82,254 (2020 - \$77,301) and is presented on the consolidated statement of financial position as a non-current asset. Currently the outcome is undeterminable.

## 13. 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 and 30% of other comprehensive income (loss) shall be allocated on the same basis. In accordance with this agreement, the Corporation's equity interest is representative of the 30%.

|   | 2021             | 2020            |
|---|------------------|-----------------|
| Opening balance   | \$ 7,330         | \$ 3,404        |
| Contributions by the Corporation – ALC overhead costs           | 16,958           | 16,222          |
| Share of ALC overhead costs for the period                      | (16,958)         | (16,222)        |
| Contributions by the Corporation – ALC special pension payments | -                | 2,893           |
| Share of ALC special pension payments                           | -                | (2,893)         |
| Share of ALC other comprehensive income                         | 7,444            | 3,926           |
|   | <b>\$ 14,774</b> | <b>\$ 7,330</b> |

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, are approved by the Board of Directors of ALC when required. 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 2020, and therefore have been expensed.

Summarized ALC financial information is set out below

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| Non-current assets   | \$ 205,037        | \$ 200,648        |
| Current assets (i)   | 64,252            | 63,788            |
| <b>Total assets</b>  | <b>\$ 269,289</b> | <b>\$ 264,436</b> |
| Non-current liabilities (ii)   | \$ 103,982        | \$ 82,613         |
| Current liabilities (iii)  | 75,430            | 116,380           |
| <b>Total liabilities</b>   | <b>\$ 179,412</b> | <b>\$ 198,993</b> |
| <b>Net assets</b>  | <b>\$ 89,877</b>  | <b>\$ 65,443</b>  |
| (i) Includes cash and cash equivalents   | 14,830            | 6,980             |
| (ii) Includes financial liabilities (excluding trade and other payables and provisions)  | 103,982           | 82,613            |
| (iii) Includes financial liabilities (excluding trade and other payables and provisions) | 20,021            | 75,008            |

|                               | 2021       | 2020       |
|-------------------------------|------------|------------|
| Revenue                       | \$ 637,926 | \$ 725,484 |
| Gross profit                  | 525,931    | 591,034    |
| Net profit                    | 346,574    | 395,683    |
| Other comprehensive income    | 24,813     | 13,089     |
| Comprehensive income          | 371,387    | 408,772    |
| Depreciation and amortization | 30,108     | 32,867     |
| Interest expense              | 2,516      | 3,155      |

No dividends were received from ALC during the years 2021 and 2020.  
ALC is a private company; therefore no quoted market prices are available for its shares.

#### 14. Trade and other payables

|                      | 2021             | 2020             |
|----------------------|------------------|------------------|
| Trade payables       | \$ 5,624         | \$ 6,043         |
| Harmonized Sales Tax | 606              | 608              |
| Due to Operators     | 10,602           | 10,358           |
|                      | <b>\$ 16,832</b> | <b>\$ 17,009</b> |

|                         | 2021             | 2020             |
|-------------------------|------------------|------------------|
| <i>Due to Operators</i> |                  |                  |
| ALC                     | \$ 9,870         | \$ 10,147        |
| MEG                     | 732              | 211              |
|                         | <b>\$ 10,602</b> | <b>\$ 10,358</b> |

#### 15. Liabilities for unclaimed prizes

|                             | 2021            | 2020            |
|-----------------------------|-----------------|-----------------|
| Unclaimed prizes            |                 |                 |
| Current prizes              | \$ 6,149        | \$ 6,629        |
| Special prize fund          | (4)             | (5)             |
| <b>Balance, end of year</b> | <b>\$ 6,145</b> | <b>\$ 6,624</b> |

|  | 2021          | 2020          |
|--|---------------|---------------|
| Special prize fund                       |               |               |
| Balance, beginning of year               | \$ (5)        | \$ (3)        |
| Unclaimed prizes expired during the year | 6             | 1,112         |
| Prize payouts                            | (5)           | (1,114)       |
| Balance, end of year                     | <b>\$ (4)</b> | <b>\$ (5)</b> |

#### 16. Due to Atlantic Gaming Equipment Limited

|   | 2021             | 2020             |
|---|------------------|------------------|
| <b><i>Unsecured – at amortized cost</i></b> |                  |                  |
| Loans from:                                 |                  |                  |
| Atlantic Gaming Equipment Limited           | \$ 15,272        | \$ 19,398        |
| Current                                     | \$ 4,335         | \$ 5,541         |
| Non-current                                 | 10,937           | 13,857           |
|   | <b>\$ 15,272</b> | <b>\$ 19,398</b> |

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.



## 17. Other liabilities

|                                 | 2021            | 2020            |
|---------------------------------|-----------------|-----------------|
| Outstanding chips               | \$ 157          | \$ 172          |
| Progressive jackpot liabilities | 1,158           | 1,373           |
|                                 | <b>\$ 1,315</b> | <b>\$ 1,545</b> |

## 18. Revenue from business lines

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

|                | 2021              | 2020              |
|----------------|-------------------|-------------------|
| Casinos (i)    | \$ 18,909         | \$ 85,711         |
| Ticket Lottery | 115,055           | 100,917           |
| Video Lottery  | 91,269            | 123,430           |
|                | <b>\$ 225,233</b> | <b>\$ 310,058</b> |

(i) Casinos' revenue is comprised of gaming revenue of \$17,187 (2020 - \$76,601) plus food, beverage, and other revenue.

## 19. Finance costs

|   | 2021   | 2020   |
|---|--------|--------|
| Interest on leases, bank overdrafts and loans | \$ 597 | \$ 824 |

## 20. Other expenses

|                                     | 2021             | 2020             |
|-------------------------------------|------------------|------------------|
| Distributions to community programs | \$ 9,691         | \$ 10,412        |
| Responsible gambling programs       | 6,146            | 6,621            |
|                                     | <b>\$ 15,837</b> | <b>\$ 17,033</b> |

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

### 20.1 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 2021 (2020 - \$1,000) to support the harness racing industry in Nova Scotia. The 2022 approved budget includes \$1,000 to support the harness racing industry in Nova Scotia.

### 20.2 Special payments

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

|   | 2021          | 2020          |
|---|---------------|---------------|
| The Department of Communities, Culture and Heritage<br>(in support of the Cultural Federation of Nova Scotia) | \$ 50         | \$ 50         |
| (in support of Sport Nova Scotia)   | 100           | 100           |
| The Department of Agriculture<br>(in support of the Exhibition Association of Nova Scotia)                    | 50            | 50            |
|   | <b>\$ 200</b> | <b>\$ 200</b> |

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*.

### 20.3 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 2021 (2020 - \$3,000) and as part of its 2011 Gaming Strategy to fund youth gambling prevention of \$500 in 2021 (2020 - \$500).

## **21. Financial instruments**

### **21.1 Capital 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 2020.

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.

### **21.2 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.

### **21.3 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.

### **21.4 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.

### **21.5 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.

As discussed in Note 2B, the Corporation's video lottery and casino operations were temporarily suspended and until those operations can resume, the Corporation may generate negative net operating cash flows. However, the Corporation believes that it will not encounter difficulty in meeting the obligations associated with its financial liabilities and further believes that if necessary, the Corporation would be able to receive advances from the Province of Nova Scotia.

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                 | \$ -              | \$ 16,832           | \$ -             | \$ -         |
| Liabilities for unclaimed prizes         | -                 | 6,145               | -                | -            |
| Due to Atlantic Gaming Equipment Limited | -                 | 4,335               | 10,937           | -            |
| Lease liabilities                        | -                 | 616                 | 1,749            | -            |
| Other liabilities                        | -                 | 1,315               | -                | -            |
| Due to Province of Nova Scotia           | 121,946           | -                   | -                | -            |
|  | <u>\$ 121,946</u> | <u>\$ 29,243</u>    | <u>\$ 12,686</u> | <u>\$ -</u>  |

### 21.6 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, 2021 and 2020, 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.

### 22. 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.

The total expense recognized in the consolidated statement of net income of \$154 (2020 - \$147) represents contributions paid to this plan by the Corporation at rates specified in the rules of the plan. As at March 31, 2021, contributions of \$7 due in respect of the 2021 reporting period (2020 - \$7) had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

### 23. 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

|                          | 2021          | 2020          |
|--------------------------|---------------|---------------|
| Short-term benefits      | \$ 745        | \$ 669        |
| Post-employment benefits | 85            | 78            |
|                          | <u>\$ 830</u> | <u>\$ 747</u> |

In 2021, key management is considered to be comprised of members of the Board of Directors, Audit Committee, Chief Executive Officer, two Vice Presidents and two Directors; Key management in 2020 was considered to be comprised of members of the Board of Directors, Audit Committee, Chief Executive Officer, two Vice Presidents, one of whom started in August 2019, and two Directors.

## 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 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 18, 2021.

## 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, 2021*

|                               | Casinos         | Lotteries         | Corporate          | Total             |
|-------------------------------|-----------------|-------------------|--------------------|-------------------|
| Revenue                       | \$ 18,909       | \$ 206,324        | \$ -               | \$ 225,233        |
| Cost of sales                 | 14,243          | 67,535            | 2,978              | 84,756            |
| Gross profit                  | \$ 4,666        | \$ 138,789        | \$ (2,978)         | \$ 140,477        |
| Depreciation and amortization | (1,640)         | (4,989)           | (124)              | (6,753)           |
| Other expenses                | -               | -                 | (15,837)           | (15,837)          |
| Segment operating profit      | \$ 3,026        | \$ 133,800        | \$ (18,939)        | \$ 117,887        |
| Finance costs                 | -               | (587)             | (10)               | (597)             |
| Equity method income (loss)   | -               | (16,958)          | -                  | (16,958)          |
| Interest and other income     | -               | 2,642             | 4                  | 2,646             |
| Net income before Win tax     | \$ 3,026        | \$ 118,897        | \$ (18,945)        | \$ 102,978        |
| Win tax                       | 3,437           | -                 | -                  | 3,437             |
| <b>Net income</b>             | <b>\$ 6,463</b> | <b>\$ 118,897</b> | <b>\$ (18,945)</b> | <b>\$ 106,415</b> |

*For the fiscal year ended March 31, 2020*

|                               | Casinos          | Lotteries         | Corporate          | Total             |
|-------------------------------|------------------|-------------------|--------------------|-------------------|
| Revenue                       | \$ 85,711        | \$ 224,347        | \$ -               | \$ 310,058        |
| Cost of sales                 | 70,375           | 75,234            | 3,445              | 149,054           |
| Gross profit                  | \$ 15,336        | \$ 149,113        | \$ (3,445)         | \$ 161,004        |
| Depreciation and amortization | (1,669)          | (5,885)           | (24)               | (7,578)           |
| Other expenses                | -                | -                 | (17,033)           | (17,033)          |
| Segment operating profit      | \$ 13,667        | \$ 143,228        | \$ (20,502)        | \$ 136,393        |
| Finance costs                 | -                | (824)             | -                  | (824)             |
| Equity method income (loss)   | -                | (19,115)          | -                  | (19,115)          |
| Interest and other income     | -                | 4,688             | 29                 | 4,717             |
| Net income before Win tax     | \$ 13,667        | \$ 127,977        | \$ (20,473)        | \$ 121,171        |
| Win tax                       | 15,320           | -                 | -                  | 15,320            |
| <b>Net income</b>             | <b>\$ 28,987</b> | <b>\$ 127,977</b> | <b>\$ (20,473)</b> | <b>\$ 136,491</b> |

# 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.

|                                  | 2021      | 2020      |
|----------------------------------|-----------|-----------|
| <b>Revenue</b>                   |           |           |
| Casino revenue                   | \$ 17,187 | \$ 76,601 |
| Beverage, food and other revenue | 1,722     | 9,110     |
|                                  | 18,909    | 85,711    |
| <b>Expenses</b>                  |           |           |
| Lease and depreciation           | 1,640     | 1,669     |
| Reserves                         | -         | 5,612     |
| Operating Expenses               | 225       | 520       |
| Harmonized Sales Tax             | 924       | 3,180     |
| Operator fee                     | 9,657     | 45,743    |
| Win tax                          | 3,437     | 15,320    |
|                                  | 15,883    | 72,044    |
| <b>Net income</b>                | 3,026     | 13,667    |
| <b>Win tax</b>                   | 3,437     | 15,320    |
| <b>Payment to Province</b>       | \$ 6,463  | \$ 28,987 |

### 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<br>2021     | Total<br>2020     |
|---|------------------|------------------|-------------------|-------------------|
| Revenue                                   | \$ 115,055       | \$ 91,269        | \$ 206,324        | \$ 224,347        |
| Retailer commissions                      | 13,111           | 16,373           | 29,484            | 35,470            |
| Ticket costs                              | 5,015            | 52               | 5,067             | 3,189             |
|   | 18,126           | 16,425           | 34,551            | 38,659            |
| Gross profit                              | 96,929           | 74,844           | 171,773           | 185,688           |
| Operating expenses                        |                  |                  |                   |                   |
| Salaries and benefits                     | 9,297            | 4,525            | 13,822            | 13,360            |
| Training and development                  | 148              | 77               | 225               | 198               |
| Meetings and travel                       | 79               | 49               | 128               | 385               |
| Employee services                         | 132              | 67               | 199               | 192               |
| Costs of premises                         | 415              | 187              | 602               | 590               |
| Fleet expense                             | 74               | 44               | 118               | 211               |
| Consumable supplies                       | 79               | 38               | 117               | 79                |
| Terminal maintenance                      | 17               | 184              | 201               | 266               |
| Telecommunications                        | 490              | 40               | 530               | 1,155             |
| Technology maintenance                    | 3,480            | 875              | 4,355             | 4,328             |
| Outsourced services                       | 1,647            | 411              | 2,058             | 2,494             |
| Technology infrastructure services        | 1,054            | 637              | 1,691             | 1,881             |
| Marketing                                 | 4,748            | 304              | 5,052             | 5,185             |
| Social responsibility/Communications      | 274              | 152              | 426               | 640               |
| Retailer training and support             | 365              | 7                | 372               | 665               |
| Financial services                        | 226              | 59               | 285               | 331               |
| Lease, depreciation and amortization      | 4,643            | 5,921            | 10,564            | 11,456            |
| Interest expense                          | 357              | 370              | 727               | 1,107             |
| Other distributions                       | 9,270            | 4,776            | 14,046            | 14,983            |
| Total operating expenses                  | 36,795           | 18,723           | 55,518            | 59,506            |
| Operating profit                          | 60,134           | 56,121           | 116,255           | 126,182           |
| Other income                              | 160              | 2,482            | 2,642             | 4,688             |
| <b>Net income before special payments</b> | <b>\$ 60,294</b> | <b>\$ 58,603</b> | <b>\$ 118,897</b> | <b>\$ 130,870</b> |
| Share of special pension payments         | -                | -                | -                 | 2,893             |
| <b>Net income</b>                         | <b>\$ 60,294</b> | <b>\$ 58,603</b> | <b>\$ 118,897</b> | <b>\$ 127,977</b> |