Consolidated Financial Statements

Atlantic Lottery Corporation Inc.

March 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Atlantic Lottery Corporation Inc.

We have audited the accompanying consolidated financial statements of **Atlantic Lottery Corporation Inc.**, which comprise the consolidated balance sheet as at March 31, 2012 and 2011, and April 1, 2010, and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Ernst & Young LLP

Moncton, Canada,
June 13, 2012

Chartered Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

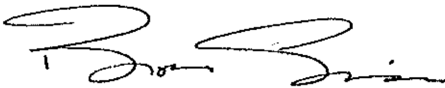
To the Shareholders of
Atlantic Lottery Corporation Inc.

The consolidated financial statements presented in this Annual Report are the responsibility of the management of the Atlantic Lottery Corporation Inc. They have been approved by its Board of Directors.

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

The Atlantic Lottery Corporation Inc. maintains books of account, systems of information, systems of financial and management control, as well as a comprehensive internal audit program 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 external and internal audit activities through its audit committee. The committee reviews matters related to accounting, auditing, internal control systems, the consolidated financial statements and reports of the internal and independent external auditors.



Brent Scrimshaw
President & CEO

Patrick Daigle, CA
CFO

ATLANTIC LOTTERY CORPORATION INC.
CONSOLIDATED BALANCE SHEET
[In thousands of dollars]

	March 31, 2012	March 31, 2011	April 1, 2010
ASSETS			
Current			
Cash *[note 5]*	$ 3,144	$ 4,980	$ 7,835
Restricted prize cash *[note 5]*	21,359	17,668	12,652
Accounts receivable *[note 6]*	20,448	24,963	9,645
Due from shareholders *[note 14]*	-	4,168	-
Prepaid expenses and deposits	9,373	2,732	9,325
Inventory *[note 7]*	6,517	5,858	5,352
	60,841	60,369	44,809
Investment, at cost *[note 8]*	8,681	-	-
Property and equipment *[note 9]*	61,047	68,352	66,799
Intangibles *[note 10]*	46,301	43,562	37,035
TOTAL ASSETS	$ 176,870	$ 172,283	$ 148,643
LIABILITIES			
Current			
Line of credit *[note 11]*	$ 37,386	$ 22,942	$ 93,700
Accounts payable and accrued liabilities *[note 12]*	30,480	26,928	15,037
Deferred revenue	893	2,725	1,238
Liabilities for unclaimed prizes *[note 13]*	21,359	17,685	12,765
Due to shareholders *[note 14]*	1,279	-	2,865
Current portion of long-term debt *[note 15]*	26,730	18,024	2,610
Current portion of long-term lease payable *[note 16]*	2,866	2,507	-
	120,993	90,811	128,215
Employee future pension benefits *[note 18]*	26,322	31,193	53,950
Employee future other post-employment benefits *[note 18]*	11,690	9,026	646
Long-term debt *[note 15]*	57,496	75,491	13,515
Long-term lease payable *[note 16]*	4,558	5,861	-
Other long-term liabilities *[note 17]*	2,603	1,419	1,350
	102,669	122,990	69,461
SHAREHOLDERS' DEFICIENCY			
Share capital *[note 20]*	1	1	1
Accumulated other comprehensive income (loss)	(2,604)	(1,421)	(1,350)
Deficit	(44,189)	(40,098)	(47,684)
	(46,792)	(41,518)	(49,033)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$ 176,870	$ 172,283	$ 148,643

Commitments *[note 23]*

See accompanying notes

On behalf of the Board:

Director

Director

ATLANTIC LOTTERY CORPORATION INC.
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31
[In thousands of dollars]

	2012	2011
Revenue		
Gross ticket sales	$ 626,991	$ 646,428
Net video lottery receipts	411,101	411,596
Entertainment centre revenue	19,162	14,989
	1,057,254	1,073,013
Prizes on ticket sales	362,527	366,972
Net revenue	694,727	706,041
Direct Expenses		
Commissions	127,223	127,667
Ticket printing	12,838	14,524
Other direct costs *[note 10]*	5,468	6,545
	145,529	148,736
Gross profit	549,198	557,305
Expenses		
Operating and administrative expenses	124,010	123,513
Depreciation and impairment *[note 9 and 10]*	23,602	27,320
Interest *[note 15]*	3,459	2,953
	151,071	153,786
Profit before the following	398,127	403,519
Other income	(3,825)	(3,113)
Taxes *[note 22]*	27,948	28,732
Payments to the Government of Canada *[note 21]*	4,317	4,141
	28,440	29,760
Net profit	$ 369,687	$ 373,759

See accompanying notes

ATLANTIC LOTTERY CORPORATION INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31

[In thousands of dollars]

		2012		2011
Net profit	$	369,687	$	373,759
Other comprehensive income				
Unrealized variations in market value on derivative financial instruments				
Variation during the period *[note 17]*		(1,183)		(71)
Variation of the employee future benefit liability				
Variation during the period *[note 18]*		(4,135)		5,053
Other comprehensive income		(5,318)		4,982
Comprehensive income	$	364,369	$	378,741

See accompanying notes

ATLANTIC LOTTERY CORPORATION INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
[In thousands of dollars]

Year ended March 31, 2012

	Share capital	Accumulated other comprehensive income	Deficit	Total shareholders' deficiency
Balance, beginning of year	$ 1	$ (1,421)	$ (40,098)	$ (41,518)
Net profit	-	-	369,687	369,687
Other comprehensive income	-	(1,183)	(4,135)	(5,318)
Comprehensive income	-	(1,183)	365,552	364,369
Allocation of profit to shareholders *[note 14]*				
New Brunswick Lotteries and Gaming Corporation	-	-	(120,010)	(120,010)
Province of Newfoundland and Labrador	-	-	(107,805)	(107,805)
Nova Scotia Gaming Corporation	-	-	(126,957)	(126,957)
Prince Edward Island Lotteries Commission	-	-	(14,871)	(14,871)
Total profit allocated to shareholders	-	-	(369,643)	(369,643)
Balance, end of year	$ 1	$ (2,604)	$ (44,189)	$ (46,792)

Year ended March 31, 2011

	Share capital	Accumulated other comprehensive income	Deficit	Total shareholders' deficiency
Balance, beginning of year	$ 1	$ (1,350)	$ (47,684)	$ (49,033)
Net profit	-	-	373,759	373,759
Other comprehensive income	-	(71)	5,053	4,982
Comprehensive income	-	(71)	378,812	378,741
Allocation of profit to shareholders *[note 14]*				
New Brunswick Lotteries and Gaming Corporation	-	-	(121,823)	(121,823)
Province of Newfoundland and Labrador	-	-	(106,393)	(106,393)
Nova Scotia Gaming Corporation	-	-	(129,808)	(129,808)
Prince Edward Island Lotteries Commission	-	-	(13,202)	(13,202)
Total profit allocated to shareholders	-	-	(371,226)	(371,226)
Balance, end of year	$ 1	$ (1,421)	$ (40,098)	$ (41,518)

See accompanying notes

ATLANTIC LOTTERY CORPORATION INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31
[In thousands of dollars]

	2012	2011
Cash provided by (used for)		
Operating activities		
Net profit	$ 369,687	$ 373,759
Add non-cash items:		
Depreciation *[note 9 and note 10]*	27,285	29,924
Loss on disposal of property and equipment	1,047	951
(Recovery) impairment of long-lived assets *[note 10]*	(366)	1,484
Other comprehensive (loss) gain	(4,135)	5,053
	393,518	411,171
Net change in non-cash components of working capital *[note 24]*	8,056	2,034
	401,574	413,205
Investing activities		
Purchase of property and equipment and intangibles	(23,456)	(41,967)
Purchase of assets under capital lease	(1,786)	(10,096)
Proceeds on disposal of property and equipment	1,841	11,624
Purchase of investments	(8,681)	-
	(32,082)	(40,439)
Financing activities		
Increase (decrease) in line of credit	14,447	(70,759)
Proceeds of long-term debt	8,735	80,000
Repayment of long-term debt	(18,024)	(2,612)
Capital lease obligation issued	1,786	10,096
Repayment of long-term lease payable	(2,730)	(1,727)
Decrease in employee future benefits	(2,208)	(14,377)
	2,006	621
Distribution to shareholders *[note 14]*	(369,643)	(371,226)
Increase in cash	1,855	2,161
Cash, beginning of year	22,648	20,487
Cash, end of year *[note 5]*	$ 24,503	$ 22,648

See accompanying notes

1. NATURE OF OPERATIONS

The Atlantic Lottery Corporation Inc. ["the Corporation"] was incorporated under the *Canada Business Corporations Act* on September 3, 1976. The Corporation's shareholders are the New Brunswick Lotteries and Gaming Corporation, Province of Newfoundland and Labrador, Nova Scotia Gaming Corporation, and Prince Edward Island Lotteries Commission. The registered office of the Corporation is located at 922 Main Street in Moncton, New Brunswick, Canada.

The profit of the Corporation is distributed twice monthly to each of the shareholders. The distribution to each province consists of the calculated profit in each province as determined by the Amended and Restated Unanimous Shareholders' Agreement.

The Corporation has been appointed to undertake, conduct and manage lotteries by and on behalf of the provinces of New Brunswick, Newfoundland and Labrador and Prince Edward Island. The Corporation has been appointed to operate lotteries in the province of Nova Scotia by the Nova Scotia Gaming Corporation ["NSGC"].

The Corporation has entered into a formal operating agent agreement ["Agreement"] with NSGC that requires the Corporation to obtain the prior approval of NSGC before making certain changes related to lottery schemes in Nova Scotia. The Agreement provides that all assets acquired by the Corporation exclusively for the operation of lotteries in Nova Scotia are held by the Corporation in trust for and on behalf of NSGC, and that all liabilities incurred to acquire those assets are also the liabilities of NSGC. In the case of the Agreement being cancelled, the Corporation has a 24 month period to transfer all assets and liabilities related to the lottery schemes in Nova Scotia to NSGC. However, these assets and liabilities related to the Nova Scotia lottery activities are included on the Corporation's Consolidated Balance Sheet, because NSGC does not have the intent to cancel the Agreement and therefore the Corporation's expectation is that the economic benefit of all the acquired assets will stay with the Corporation over their entire useful lives.

The Corporation has conduct and manage agent agreements with the provinces of New Brunswick, Newfoundland and Labrador and Prince Edward Island which include similar provisions. Also, these provinces currently do not have the intent to cancel the agreements and therefore all assets and liabilities related to the lottery operations in these provinces are also recorded with the same assumption in the Corporation's consolidated financial statements.

The Articles of Incorporation restrict the number of shareholders to four and any invitations to the public to subscribe for securities of the Corporation are prohibited. Because of these restrictions, the Corporation manages capital through working capital and debt to ensure sufficient liquidity to manage current and future operations. The acquisition of debt requires the approval of the Corporation's Board of Directors and NSGC.

The Corporation is also restricted under the *Gaming Control Acts* of each province for the management of prize funds. The Corporation is required to maintain cash on hand equivalent to the amount of prize liabilities outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Corporation for the year ended March 31, 2012 were authorized for issue by the Board of Directors on June 13, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

Basis of measurement
These consolidated financial statements were prepared on a going concern basis, under the historical cost basis, except for derivative financial instruments that have been measured at fair value.

Statement of compliance
The consolidated financial statements of the Corporation and its subsidiaries ["the Corporation"] for the year ended March 31, 2012 have been prepared in accordance with International Financial Reporting Standards [IFRS] and interpretations adopted by the International Accounting Standards Board [IASB]. As these financial statements represent the Corporation's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IFRS 1, First-time Adoption IFRS.

The Corporation's consolidated financial statements for the periods up to and including the year ended March 31, 2011 were previously prepared based on Canadian Generally Accepted Accounting Principles [Canadian GAAP]. Canadian GAAP differs in some areas from IFRS. In preparing these consolidated financial statements, management has amended certain accounting policies previously applied in the Canadian GAAP consolidated financial statements to comply with IFRS. The comparative figures for the fiscal year ended March 31, 2011, were restated to reflect these adjustments. Certain information which is considered material to the understanding of the Corporation's transition to IFRS along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive income are included in note 29.

Functional and presentation currency
The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All values are rounded to the nearest thousandth dollar ($'000).

Basis of consolidation
The consolidated financial statements include the accounts of the Corporation and its 100% owned subsidiaries, Atlantic Gaming Equipment Limited and 7865813 Canada Inc. The financial statements of the subsidiaries are prepared for the same reporting period as the consolidated financial statements of the Corporation, using consistent accounting policies.

The subsidiaries are fully consolidated from the date of acquisition, being the date at which the Corporation obtains control, and continue to be consolidated until the date that such control ceases.

All intra-Corporation balances, transactions, income and expenses, and profits and losses, including dividends resulting from intra-Corporation transactions, are eliminated in full.

Inventory
Inventories consist of lottery tickets (Scratch'N Win & Breakopen), and food and beverage consumables. Inventories are valued at the lower of cost, determined on an average cost basis, and net realizable value. Costs incurred in bringing each product to its present location and condition is accounted for as purchase costs on an average cost basis.

Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the consolidated statement of operations as incurred. Borrowing costs related to the acquisition, construction or production of qualifying assets, are capitalized.

Land and assets not ready for use are not depreciated. Depreciation on other assets is charged to the consolidated statement of operations based on cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The Corporation is using the following useful lives for the different asset categories:

Asset	Useful Life
Building	10 to 50 Years
Automotive	3 to 4 Years
Operational and gaming equipment	2 to 15 Years
Finance lease	Lease Term
Leasehold improvements	Lease Term

If the costs of a certain component of property and equipment are significant in relation to the total cost of the item, these are accounted for and depreciated separately.

The assets' residual values, useful lives and methods of depreciation are reviewed annually, and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations in the year the asset is derecognized.

Pre-opening costs are expensed to the statement of operations as incurred.

Intangible assets

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 operations on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life
Software licenses	3 to 14 Years
Computer software	3 to 14 Years
Gaming software	3 Years
Finance lease	Lease Term

The Corporation only has intangible assets acquired with a finite useful life. The estimated useful lives and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. The amortization expense on intangible assets with finite lives

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

is recognized in the statement of operations in the expense category consistent with the function of the intangible asset. Intangible assets not ready for use are not amortized.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of operations when the asset is derecognized.

Internally generated intangible assets - research and development expenditures
Expenditure on research activities is recognized as an expense in the period in which it is incurred. Development costs relating primarily to the development of new gaming or lottery software or internet web sites used for purposes of selling the Corporation's services are recognized as an intangible asset when the Corporation can demonstrate that the following conditions required by International Accounting Standards (IAS) 38 are met:

- the asset is identifiable and will generate expected future economic benefits; and
- the cost can be determined reliably.

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 during 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 as follows:

Asset	Useful Life
Software licenses	3 to 14 Years
Computer software	3 to 14 Years
Gaming software	3 Years

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

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period during which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Corporation capitalized borrowing costs for all eligible assets where construction was commenced on or after April 1, 2010, as this is the Corporation's transition date to IFRS. The Corporation expensed borrowing costs relating to construction projects that commenced prior to April 1, 2010.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

Corporation as a lessee
Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the lower of fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of operations.

Leased assets are depreciated on the same basis as owned assets over the useful lives of the assets. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognized as an expense in the consolidated statement of operations on a straight-line basis over the lease term.

Impairment of non-financial assets
The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value of an asset or cash-generating unit (CGU) less costs to sell, and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognized in the consolidated statement of operations in those expense categories consistent with the function of the impaired asset.

For previously impaired assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of operations.

Provisions
Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. The Corporation has recorded provisions for sick leave and asset decommissioning.

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

Pensions and other post-employment benefits

The Corporation participates in a multiple-employer defined benefit contributory pension plan. The Corporation also provides certain post-employment healthcare benefits, long service awards, life insurance and ad-hoc supplementary pensions.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expense in other comprehensive income immediately in the period when they occur.

The past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds, as explained in note 18 less past service costs and (for the pension obligation) less the fair value of plan assets out of which the obligations are to be settled. Plan assets are not available to the creditors of the Corporation, nor can they be paid directly to the Corporation. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Financial instruments

Initial recognition and measurement

The Corporation at initial recognition designates its financial assets either as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, or as (iii) available for sale. Financial liabilities are classified as (i) fair value through profit or loss, (ii) financial liabilities at amortized cost, or as (iii) derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial instruments are initially measured at fair value plus, in the case of financial assets not recognized at fair value through profit or loss, directly attributable transaction costs.

The Corporation's financial assets include Cash, Restricted prize cash, Accounts receivable, Due from shareholders, and Investments.

The Corporation's financial liabilities include Line of credit, Accounts payable and Accrued liabilities, Liabilities for unclaimed prizes, Due to shareholders, Long-term debt, Long-term lease payable and Other long-term liabilities, including derivative instruments.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification, as follows:

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

Financial assets at fair value through profit and loss are carried in the consolidated balance sheet at fair value with changes in fair value recognized in other expenses (income) or interest expense in the consolidated statement of operations.

The Corporation has not designated any financial assets upon initial recognition as at fair value through profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. The losses arising from impairment are recognized in the consolidated statement of operations in depreciation and impairment expense.

Securities in this category include Cash, Restricted prize cash, Accounts receivable, and Due from shareholders.

iii. Available for sale

Securities classified as available for sale are non-derivative financial assets that are initially designated as available for sale or that are not classified in the fair value through profit or loss or loans and receivables categories.

Gains and losses resulting from changes in fair value, except for impairment losses are recognized in the consolidated statement of comprehensive income under net unrealized gains/(losses) on available for sale securities until the financial asset is derecognized.

Securities in this category include Investments.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired or the Corporation has transferred its rights to receive cash flows from the asset.

Impairment of financial assets
The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Corporation first assesses individually whether objective evidence of impairment exists, individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

Subsequent measurement of financial liabilities
The measurement of financial liabilities depends on their classification, as follows:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of operations. The Corporation has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

ii. Financial liabilities at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of operations when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other expenses (income) in the consolidated statement of operations.

Financial liabilities classified in this category include line of credit, accounts payable and accrued liabilities, liabilities for unclaimed prizes, due to shareholder, long-term debt, and long-term lease payable.

iii. Derivatives designated as hedging instruments in an effective hedge

The Corporation uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and is subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Interest rate swaps when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while the ineffective portion is recognized in the consolidated statement of operations in other expenses (income).

Amounts taken to other comprehensive income are transferred to the consolidated statement of operations when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs.

If the forecasted transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statement of operations. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Corporation uses interest rate swaps to hedge the volatility of variable interest payments to a fixed interest rate over the term of the respective debt.

Financial liabilities classified in this category include other long-term liabilities.

Current versus non-current classification
Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Corporation will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, free tickets and pari-mutuel commissions. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as the principal or agent. The Corporation has concluded that it is acting as principal in all of its revenue arrangements. In each of the revenue categories, the following specific recognition criteria must also be met before revenue is recognized:

Gross ticket sales

Lottery revenues
Lottery revenues and the corresponding direct expenses are recognized on the draw date. Receipts for lottery tickets sold before March 31st for draws held subsequent to that date are recorded as deferred revenue.

Instant ticket revenues
Revenue from instant ticket games and the corresponding direct expenses are recognized at the time of activation, which determines the transfer of legal ownership to the retailer.

Interactive revenues
Revenues from interactive games and the corresponding direct expense are recognized at the time of play.

Net video lottery receipts
Revenue from video lottery and the corresponding direct expenses are recognized at the time of play and are recorded net of credits paid out.

Entertainment centre revenues
Entertainment centre revenue includes receipts from electronic gaming devices, recorded net of credits paid out at the time of play, table games recorded net of pay outs at the time of play, and restaurant sales.

The Corporation operates a loyalty points program at its Entertainment centre, which allows players to accumulate points at the time of play. The points can then be redeemed for products. Consideration received is allocated between the Entertainment centre revenue and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

Prize expense
Prize expense for draw-based games is recorded based on the actual prize liability experienced for each online game at the time of the draw. All obligations for prizes from these drawings are recorded as Liabilities for unclaimed prizes on the consolidated balance sheet.

Instant ticket prizes are recognized as a percentage of ticket sales in line with the theoretical prize payout for that game.

Video lottery and interactive game prizes are based on the actual prizes won for each individual game, at the point at which the sale occurs.

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

Interest income
For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other expenses (income) in the consolidated statement of operations.

Sales tax
In lieu of the collection of HST/GST on lottery ticket sales to the consumer, the Corporation pays tax based on specific formulas. In addition to the HST/GST paid by the Corporation, HST/GST paid on goods and services purchased that relate to gaming activities is not recoverable and is recorded with the cost to which it relates. HST is paid in New Brunswick, Newfoundland and Labrador, and Nova Scotia, and GST is paid in Prince Edward Island.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Income tax
The Corporation is owned by the four Atlantic Provincial Governments and is exempt from income tax.

Payments to the Government of Canada
Under federal/provincial agreements, the Government of Canada agreed to withdraw from the sale of lottery tickets and to refrain from re-entering the field of gaming and betting. In consideration, all provinces and territories of Canada pay $24,000 annually, in 1979 dollars, adjusted by the consumer price index each year.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Corporation's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts recognized in the consolidated financial statements of the Corporation are discussed below.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS [Continued]

Determination of useful lives for tangible and intangible assets
The Corporation has based the determination of the useful lives for its tangible and intangible assets on a detailed review of all empirical data for the different asset classes and also used the knowledge of the appropriate operations people to conclude on the useful lives. Furthermore, the Corporation at least annually updates if the current applied useful lives are still valid for the different asset classes. Any external or internal changes in the Corporation's environment may result in an impact on the expectation of the useful lives of certain assets and hence a triggering event to reconsider the expectation of the useful lives.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in notes 8 and 9.

Employee future benefits
The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates, the return on the investment in the plan assets and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Further details about the assumptions used are given in note 18.

Development costs
Development costs are capitalized in accordance with the accounting policy in note 2 "Intangible assets". Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At March 31, 2012, the carrying amount of capitalized development costs was $7,664 [2011- $7,915].

Capitalized development costs are primarily for the customization, implementation and testing of new gaming software solutions and of web sites offering to the Corporation's customers information about games, but also to place an order on the web site resulting in revenues for the Corporation. During the development of these new gaming software solutions and the revenue orientated web sites, there is some uncertainty, if these tools will be finally accepted by the market and will generate sufficient revenues. However, based on the Corporation's market research and review of other markets where these or similar solutions were already implemented, the Corporation's management is confident that the capitalized development costs will result in sufficient future benefits to cover the capitalized costs.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS [Continued]

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities (especially derivative financial instruments like interest rate swaps) recorded on the consolidated balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Revenue recognition – Player Loyalty Program
The Corporation estimates the fair value of points awarded under the Player Loyalty Program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As points issued under the program do not expire, such estimates are subject to significant uncertainty. As at March 31, 2012 the estimated liability for unredeemed points was approximately $110 [2011- $153].

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Corporation's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Corporation intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Corporation's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

IAS 19 Employee Benefits (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Corporation is currently assessing the full impact of this amendment. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Corporation does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Corporation's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE [Continued]

disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosure only and has no impact on the Corporation's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Corporation's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Corporation will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Corporation is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

5. CASH

Cash is represented by cash on hand and bank balances, less outstanding cheques.

		March 31 2012		March 31 2011		April 1 2010
Cash	$	**3,144**	$	4,980	$	7,835
Restricted prize cash		**21,359**		17,668		12,652
Total cash	$	**24,503**	$	22,648	$	20,487

Pursuant to provincial regulations the Corporation maintains restricted cash accounts in an amount equivalent to current game liabilities. The Corporation has a cash balance in the amount of $21,359 [2011-$17,668] to fund prizes. Withdrawals from these accounts are restricted to payment of prizes [note 13].

Funds held for alc.ca wallets represent funds provided to the Corporation through player wallets on alc.ca. These amounts are deposited into a separate bank account and are internally restricted by the Corporation exclusively for funding the alc.ca wallet liability. The Corporation has a cash balance of $488 [2011-$399] to fund player wallets.

6. ACCOUNTS RECEIVABLE

		March 31 2012		March 31 2011		April 1 2010
Lottery retailers	$	**16,232**	$	11,393	$	9,052
Other		**4,216**		13,570		593
Total accounts receivable	$	**20,448**	$	24,963	$	9,645

Lottery retailers' receivables are collected on a weekly basis. The Corporation had bad debt expense of $60 [2011-$108] related to lottery retailer receivables.

In 2011, an amount of $12,470 of other receivables related to the sale of property, equipment and intangibles to CGI. These assets were subsequently leased back to the Corporation and recorded as a finance lease.

7. INVENTORY

		March 31 2012		March 31 2011		April 1 2010
Ticket stock	$	**6,426**	$	5,780	$	5,231
Food and beverage		**91**		78		121
Total inventory	$	**6,517**	$	5,858	$	5,352

During the year ended March 31, 2012, the Corporation recorded inventory write-offs in the amount of $728 [2011 – $1,176].

8. INVESTMENT

During the fiscal period, the Corporation purchased an equity interest in Roboreus, a privately-owned UK based internet gaming vendor. The investment is classified as available for sale and is being carried at cost as there is no quoted price in an active market and fair value cannot be reliably measured.

9. PROPERTY AND EQUIPMENT

	Land	Building	Automotive	Operational and gaming equipment	Finance lease	Leasehold improvements	Not ready for use	Total
Cost or valuation:								
At April 1, 2010	$ 1,807	$ 21,381	$ 2,682	$ 197,522	$ -	$ 6,843	$ 771	$ 231,006
Additions	-	554	284	7,372	5,120	111	12,164	25,605
Transfers	-	-	-	-	-	-	39	39
Disposals	-	(27)	(310)	(19,247)	-	(4)	-	(19,588)
At March 31, 2011	1,807	21,908	2,656	185,647	5,120	6,950	12,974	237,062
Additions	-	**390**	**938**	**4,526**	-	**395**	**9**	**6,258**
Transfers	-	**(72)**	-	**13,945**	-	-	**(12,974)**	**899**
Disposals	-	**(66)**	**(414)**	**(33,193)**	-	-	-	**(33,673)**
At March 31, 2012	**$ 1,807**	**$ 22,160**	**$ 3,180**	**$ 170,925**	**$ 5,120**	**$ 7,345**	**$ 9**	**$ 210,546**
Depreciation and impairment:								
At April 1, 2010	$ -	$ 5,628	$ 960	$ 152,740	$ -	$ 4,879	$ -	$ 164,207
Depreciation for the year	-	915	512	15,389	910	345	-	18,071
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	(203)	(13,365)	-	-	-	(13,568)
At March 31, 2011	-	6,543	1,269	154,764	910	5,224	-	168,710
Depreciation for the year	-	**926**	**449**	**11,232**	**1,365**	**331**	-	**14,303**
Impairment	-	-	-	-	-	-	-	-
Disposals	-	**(75)**	**(272)**	**(33,167)**	-	-	-	**(33,514)**
At March 31, 2012	**$ -**	**$ 7,394**	**$ 1,446**	**$ 132,829**	**$ 2,275**	**$ 5,555**	**$ -**	**$ 149,499**
Net book value:								
At March 31, 2012	**$ 1,807**	**$ 14,766**	**$ 1,734**	**$ 38,096**	**$ 2,845**	**$ 1,790**	**$ 9**	**$ 61,047**
At March 31, 2011	$ 1,807	$ 15,365	$ 1,387	$ 30,883	$ 4,210	$ 1,726	$ 12,974	$ 68,352
At April 1, 2010	$ 1,807	$ 15,753	$ 1,722	$ 44,782	$ -	$ 1,964	$ 771	$ 66,799

During the year ended March 31, 2012, the Corporation carried out a review of the recoverable amount of assets and there were no indicators of impairment.

As at March 31, 2012, assets classified as Not ready for use were strictly related to gaming equipment.

Assets classified as Finance lease are comprised of computer hardware and software under long-term lease disclosed in note 16.

10. INTANGIBLES

	Software licenses	Computer software	Gaming software	Finance lease	Not ready for use	Total
Cost:						
At April 1, 2010	$ 33,709	$ 8,035	$ 12,633	$ -	$ 13,673	$ 68,050
Additions	3,087	2,071	2,624	4,976	13,700	26,458
Transfers	16,764	-	-	-	(16,802)	(38)
Disposals	(6,675)	(4,127)	(15)	-	(1,424)	(12,241)
At March 31, 2011	46,885	5,979	15,242	4,976	9,147	82,229
Additions	**4,339**	**(1,152)**	**947**	**1,786**	**13,064**	**18,984**
Transfers	**10,454**	**(480)**	**4**	**-**	**(10,877)**	**(899)**
Disposals	**(575)**	**-**	**-**	**-**	**(2,302)**	**(2,877)**
At March 31, 2012	**$ 61,103**	**$ 4,347**	**$ 16,193**	**$ 6,762**	**$ 9,032**	**$ 97,437**
Amortization and impairment						
At April 1, 2010	$ 19,128	$ 5,782	$ 6,105	$ -	$ -	$ 31,015
Amortization	6,389	564	4,088	812	-	11,853
Impairment	-	-	-	-	1,484	1,484
Disposals	(1,549)	(4,127)	(9)	-	-	(5,685)
At March 31, 2011	23,968	2,219	10,184	812	1,484	38,667
Amortization	**7,868**	**334**	**3,317**	**1,463**		**12,982**
Impairment (recovery)	**-**	**-**	**-**	**-**	**(366)**	**(366)**
Disposals	**(147)**	**-**	**-**	**-**		**(147)**
At March 31, 2012	**$ 31,689**	**$ 2,553**	**$ 13,501**	**$ 2,275**	**$ 1,118**	**$ 51,136**
Net book value:						
At March 31, 2012	**$ 29,414**	**$ 1,794**	**$ 2,692**	**$ 4,487**	**$ 7,914**	**$ 46,301**
At March 31, 2011	$ 22,917	$ 3,760	$ 5,058	$ 4,164	$ 7,663	$ 43,562
At April 1, 2010	$ 14,581	$ 2,253	$ 6,528	$ -	$ 13,673	$ 37,035

The above includes internally developed additions of $1,049 (2011 - $2,206), transfers of ($879) [2011 – ($1,538)], and disposals of ($111) [2011 – ($1,235)].

During the year ended March 31, 2012, the Corporation carried out a review of the recoverable amount of intangibles. This review did not lead to the recognition of an impairment loss in 2012 [2011- $1,484]. The recoverable amount was measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the cash generating unit. The discount rate utilized was 2.5% per annum [2011-2.5%].

10. INTANGIBLES [Continued]

Assets classified as Not ready for use are directly related to software licenses.

The Corporation capitalizes internal salary expenditures related to implementation and testing of new gaming software solutions and internet websites for the sale of new customer products.

During the year, the Corporation recorded capitalized borrowing costs amounting to $21 [2011-$18].

Amortization includes $3,317 [2011 - $4,088] included in Other direct costs.

11. LINE OF CREDIT

The Corporation has available a $80,000 line of credit, which bears interest at prime less 0.50%, and charges a standby fee on the daily unadvanced portion of the credit facility at a rate of 0.20% per annum.

Included in interest expense is $671 [2011 - $1,805] relating to line of credit.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31 2012		March 31 2011		April 1 2010
Trade payables and accruals	$	**19,861**	$	13,826	$	7,865
Salaries payables		**5,557**		7,757		3,930
Taxes payable		**3,910**		4,219		2,032
Asset decommissioning provision		**738**		755		816
Player payable		**414**		371		394
Total accounts payable	$	**30,480**	$	26,928	$	15,037

13. LIABILITIES FOR UNCLAIMED PRIZES

	March 31 2012	March 31 2011	April 1 2010
Unclaimed prizes			
Current prizes	$ 21,359	$ 17,015	$ 12,106
Special prize fund	-	653	546
Theoretical prize provision	-	-	(6,887)
Theoretical prize provision write-off	-	17	7,000
	$ 21,359	$ 17,685	$ 12,765

	March 31 2012	March 31 2011	April 1 2010
Special prize fund			
Balance, beginning of year	$ 653	$ 546	$ 22
Unclaimed prizes expired during year	3,931	1,354	3,502
Prize payouts	(4,584)	(1,247)	(2,978)
Balance, end of year	$ -	$ 653	$ 546

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

Scratch'N Win prizes do not have an expiry period. Based on historical records, the Corporation has determined that minimal prizes are claimed after thirty-six months from the date of launch of the game. All unclaimed prizes from Scratch'N Win lottery games are retained in a prize fund for thirty-six months from the date of launch of the game. Unclaimed prizes remaining after the thirty-six month claiming period are transferred to a special prize fund and are recorded as a reduction to prize expense and/or used for prizes in subsequent draws. Unclaimed prizes of national games are administered by the Interprovincial Lottery Corporation.

14. DUE TO/FROM SHAREHOLDERS

The amount due to (from) shareholders relates to the profit earned for the year, not yet (received) paid.

	March 31, 2012		
	Profit earned	**Profit paid**	**Profit payable (receivable)**
New Brunswick Lotteries and Gaming Corporation	**$ 120,010**	**$ 120,212**	**$ (202)**
Province of Newfoundland and Labrador	**107,805**	**107,640**	**165**
Nova Scotia Gaming Corporation	**126,957**	**125,528**	**1,429**
Prince Edward Island Lotteries Commission	**14,871**	**14,984**	**(113)**
	$ 369,643	**$ 368,364**	**$ 1,279**

	March 31, 2011		
	Profit earned	Profit paid	Profit payable (receivable)
New Brunswick Lotteries and Gaming Corporation	$ 121,823	$ 122,977	$ (1,154)
Province of Newfoundland and Labrador	106,393	107,501	(1,108)
Nova Scotia Gaming Corporation	129,808	131,242	(1,434)
Prince Edward Island Lotteries Commission	13,202	13,674	(472)
	$ 371,226	$ 375,394	$ (4,168)

	April 1, 2010		
	Profit earned	Profit paid	Profit payable (receivable)
New Brunswick Lotteries and Gaming Corporation	$ 130,760	$ 130,612	$ 148
Province of Newfoundland and Labrador	109,161	106,378	2,783
Nova Scotia Gaming Corporation	134,606	134,263	343
Prince Edward Island Lotteries Commission	14,737	15,146	(409)
	$ 389,264	$ 386,399	$ 2,865

15. LONG-TERM DEBT

	March 31 2012	March 31 2011	April 1 2010
Bank term loan, amortized over 55 months, repayable in monthly installments of $1,400, bearing variable interest rates based on 30 day Bankers' Acceptances, hedged by fixed interest rate swaps bearing interest rates at 2.58%, maturing October 2015.	$ 63,248	$ 80,000	$ -
Bank term loans, amortized over 5 years, bearing variable interest rates based on 30 day Bankers' Acceptances, hedged by fixed interest rate swaps bearing interest from 3.7% to 4.86%, maturing at various dates from April 2010 to August 2011.	-	420	2,178
Bank term loan, amortized over 20 years, repayable in monthly installments of $70 plus interest, bearing variable interest rates based on 30 day Bankers' Acceptances, hedged by a fixed interest rate swap bearing interest at 5.13%, maturing August 2016.	12,243	13,095	13,947
Banking Acceptance, maturing April 27, 2012, bearing interest at 1.31%	8,735	-	-
	84,226	93,515	16,125
Current portion of long-term debt	26,730	18,024	2,610
	$ 57,496	$ 75,491	$ 13,515

Long-term debt is reduced by established monthly payments. The next twelve months payments are disclosed in the current portion of long-term debt.

The aggregate maturities of long-term debt for each of the five years subsequent to March 31, 2012 are approximately as follows: 2013 - $26,730; 2014 - $18,396; 2015 - $18,736; 2016 - $11,458 and 2017- $852.

Included in interest expense is $2,485 [2011 - $925] relating to long-term debt.

The Corporation has a debt covenant limiting cash payments to shareholders to be less than or equivalent to profit earned. The Corporation is in compliance with this covenant. No assets have been pledged as security for the above debt.

16. LONG-TERM LEASE PAYABLE

	March 31 2012	March 31 2011	April 1 2010
Lease of computer hardware payable in monthly installments of $121 including interest at an imputed rate of 3.25% until April 2014.	$ 2,876	$ 4,205	$ -
Lease of computer software payable in monthly installments of $109 including interest at an imputed rate of 3.25% until July 2014.	2,984	4,163	-
Lease of computer software payable in monthly installments of $27 including interest at an imputed rate of 4.17% until June 2017.	1,564	-	-
	7,424	8,368	-
Current portion of long-term lease	2,866	2,507	-
	$ 4,558	$ 5,861	$ -

The aggregate payment of long-term lease payable for each of the five years subsequent to March 31, 2012 are approximately as follows: 2013 - $2,866; 2014 - $2,866; 2015 - $792, 2016 - $357 and 2017- $357.

Included in interest expense is an amount of $303 [$2011 - $241] related to software under capital lease.

17. HEDGING ACTIVITIES AND DERIVATIVES

Derivatives not designated as hedging instruments
The Corporation does not use derivative contracts to manage transaction exposures.

Cash flow hedges
The Corporation holds two bank term loans bearing variable interest rates based on 30 day Bankers' Acceptances, hedged by fixed interest rate swaps. The interest swap has the same terms as the loan agreement to realize an effective hedge situation and therefore is not expected to impact the consolidated statement of operations. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the consolidated statement of operations.

During the year ended March 31, 2012, the Corporation recorded the fair value of its cash flow hedges as a long-term liability, while the effective portion of the hedging derivative was recognized in other comprehensive (income) loss.

	March 31 2012	March 31 2011	April 1 2010
Cash flow hedges	$ 2,603	$ 1,419	$ 1,350

18. EMPLOYEE FUTURE BENEFITS

Pension benefits

The Corporation participates in a multi-employer defined benefit contributory pension plan. Benefits of the pension plan are based on employees' length of service and the average of the 60 consecutive months of highest pensionable earnings prior to termination or retirement. The Corporation's share of the multi-employer plan assets and the related accrued benefit obligation have been actuarially measured for accounting purposes as at March 31, 2012 using the projected benefit method prorated on service and management's best estimate of expected plan performance, salary escalation and retirement ages of employees.

The most recent actuarial valuation for funding purposes was performed as at December 31, 2010 by Mercer, a firm of consulting actuaries. This valuation disclosed an unfunded liability of $4,086 for affected members of the wind-up and $6,511 for non-affected members for the entire plan [2009-$30,159 for all] of which the Corporation is one of the participating employers. Pursuant to the Act, the Corporation will pay their share of special payments, on average $8,900 annually, into the Plan in addition to the employer contribution for current service cost. These payments will continue until 2018 or until the benefits under the Act are fully funded as determined by an actuarial valuation whichever comes first. The additional amount paid during the fiscal year ended March 31, 2012 was $7,695 [2011- $6,481].

Other post-employment benefits

The Corporation also sponsors the following post-employment benefits:

1. Long-service award which covers all employees of the Corporation who retire from active service. The award is one week of pay for each year of service [up to a maximum of 25] based on earnings at retirement.
2. Extended health and dental benefits.
3. Life insurance and ad-hoc supplementary pensions.

The most recent actuarial valuation of the other post-employment benefits liabilities was conducted as at March 31, 2010 and those results were extrapolated to March 31, 2012. Actuarial reports are prepared based on projections of employees' compensation levels to the time of retirement and future health care costs based on management's best estimate.

Information about the Corporation's employee future benefits as at March 31, in aggregate, is as follows:

Sick leave

The Corporation offers its employees accumulation of unused sick leave days that the employees can use in later annual periods. The Corporation has provided for the cumulated sick leave days for which past empirical data of the usage of such days and the resulting future cash outflow are probable. Included in the individual costs for a sick leave day are all annual payroll costs of the respective employee divided by the average number employment days per annum. The provision is recorded as $683 [2011-$652].

18. EMPLOYEE FUTURE BENEFITS [Continued]

	Defined benefit pension plan - Corporation's share (funded)		Other post-employment benefits (unfunded)	
	2012	2011	2012	2011
Change in accrued benefit obligation				
Balance, beginning of year	$ 99,279	$ 79,596	$ 8,374	$ 8,164
Current service cost (employer portion)	3,983	3,870	540	519
Employees' contributions	2,351	2,008	-	-
Benefits paid	(4,051)	(5,094)	(322)	(480)
Interest on accrued benefit obligation	5,977	5,355	491	473
Decrease in obligation due to curtailment	-	(1,928)	-	(539)
Plan settlements	(5,882)	-	-	-
Actuarial (gain)/ loss	19,739	15,472	1,924	237
Balance, end of year	$ 121,396	$ 99,279	$ 11,007	$ 8,374
Change in fair value of plan assets				
Balance, beginning of year	$ 91,268	$ 75,062	$ -	$ -
Actual return on plan assets net of actual expenses	169	8,591	-	-
Employer contributions	15,251	10,701	-	-
Employees' contributions	2,351	2,008	-	-
Plan settlements	(9,914)	-	-	-
Benefits paid	(4,051)	(5,094)	-	-
Balance, end of year	$ 95,074	$ 91,268	$ -	$ -
Reconciliation of accrued benefit obligation to accrued benefit liability				
Accrued benefit obligation	$ (121,396)	$ (99,279)	$ (11,007)	$ (8,374)
Market value of plan assets	95,074	91,268	-	-
Surplus (deficiency)	(26,322)	(8,011)	(11,007)	(8,374)
Effect of IAS minimum funding requirements	-	(23,182)	-	-
Accrued benefit asset/(liability) as at March 31	$ (26,322)	$ (31,193)	$ (11,007)	$ (8,374)
Reconciliation of expense recognized in Profit				
Current service cost	$ 3,983	$ 3,870	$ 539	$ 519
Interest on accrued benefit obligation	5,977	5,355	492	473
Expected return on plan assets	(5,849)	(5,038)	-	-
Amortization of transitional obligation	-	-	-	-
Amortization of actuarial losses (gains)	-	-	-	-
Amortization of past service gain	-	-	-	-
Curtailment loss (gain)	-	(1,928)	-	(584)
Settlement cost	1,452	2,580	-	-
	$ 5,563	$ 4,839	$ 1,031	$ 408
Accumulated OCI	$ 2,211	$ (5,288)	$ 1,924	$ 237
Significant assumptions				
Discount rate - expense determination	5.90%	6.50%	5.80%	5.92%
Discount rate - accrued benefit obligation	5.10%	5.90%	5.10%	5.80%
Long-term rate of return on plan assets	6.50%	6.50%	-	-
Increases in pensionable earnings	4.00%	3.90%	4.00%	4.00%
Health care cost increases	-	-	8.00%	6.00%
Dental care cost increases	-	-	4.50%	3.50%

19. PROVISIONS

Decommissioning
The Corporation records the fair value of a decommissioning provision 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. Decommissioning provisions have been recorded for gaming equipment in the amount of $738 [2011-$755].

20. SHARE CAPITAL

Authorized and issued on incorporation is one common share to each of the provinces or their agencies for cash consideration of one hundred dollars per share.

21. PAYMENTS TO THE GOVERNMENT OF CANADA

Under federal/provincial agreements, the Government of Canada agreed to withdraw from the sale of lottery tickets and to refrain from re-entering the field of gaming and betting. In consideration, all provinces and territories of Canada pay $24,000 annually, in 1979 dollars, adjusted by the consumer price index each year. The amount for the current year was $68,626 for all provinces and territories.

The Corporation, as the Regional Marketing Organization of the Interprovincial Lottery Corporation, remits its member provinces' share of the above payments to the Interprovincial Lottery Corporation. The payment is included in the consolidated statement of operations as a deduction from profit and was allocated to the Corporation's member provinces based upon relative population, as follows:

	March 31 2012	March 31 2011
New Brunswick Lotteries and Gaming Corporation	$ **1,386**	$ 1,331
Province of Newfoundland and Labrador	**943**	895
Nova Scotia Gaming Corporation	**1,748**	1,685
Prince Edward Island Lotteries Commission	**240**	230
	$ **4,317**	$ 4,141

22. TAXES

	March 31 2012	March 31 2011
Harmonized sales tax (HST)/goods and services tax (GST)	$ **27,948**	$ 28,732

23. COMMITMENTS

Operating leases

The Corporation is committed to payments for the lease of equipment and premises occupied by its head office, as well as operations in Nova Scotia and Newfoundland and Labrador. These leases have a duration of between one and five years, and the lease contracts end in the period from 2013 to 2017. Some of the contracts for the head office and operational properties include renewal options. The minimum future annual lease payments over the next five years are as follows: 2013 - $4,012; 2014 - $3,528; 2015 - $3,432; 2016 -$3,367 and 2017-$3,301.

Outsource agreement

On July 18, 2010, the Corporation entered into a seven year outsourcing agreement with CGI, with the option of three one year renewable terms. The scope of the agreement is for Infrastructure Services, Application Services, Project Services and the purchase of most non-gaming IT assets. The minimum future annual payments to CGI over the next five years are as follows: 2013 - $18,997; 2014 - $18,082; 2015 - $16,184; 2016 - $15,126 and 2017-$14,931.

Capital commitment

As at March 31, 2012, the Corporation is committed to incur capital expenditures of $54,200 [2011- $20,738].

24. NET CHANGE IN NON-CASH COMPONENTS OF WORKING CAPITAL

	March 31 2012	March 31 2011
(Increase) decrease		
Accounts receivable	$ 4,515	$ (15,318)
Prepaid expenses and deposits	(6,641)	6,593
Inventory	(659)	(506)
	(2,785)	(9,231)
Increase (decrease)		
Accounts payable and accrued liabilities	3,552	11,891
Deferred revenue	(1,832)	1,487
Liabilities for unclaimed prizes	3,674	4,920
Due to shareholders	5,447	(7,033)
	10,841	11,265
Net change	$ 8,056	$ 2,034

25. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Key management personnel (Corporate Executives) receive compensation in the form of short-term employee benefits and post-retirement benefits. Key management personnel compensation for the year ended March 31, 2012 is $2,053 [2011-$1,812].

25. RELATED PARTY TRANSACTIONS [Continued]

Other related party transactions
The Corporation is related to its shareholders; New Brunswick Lotteries and Gaming Corporation, Lotteries Commission of Province of Newfoundland and Labrador, Nova Scotia Gaming Corporation and Prince Edward Island Lotteries Commission.

The Corporation holds 100% equity interest in Atlantic Gaming Equipment Limited and 7865813 Canada Inc.
All intra-Corporation balances, transactions, income and expenses, and profits and losses, including dividends resulting from intra-Corporation transactions, are eliminated in full.

26. FINANCIAL INSTRUMENTS

Fair value versus carrying amounts
The fair value of financial instruments generally corresponds to the consideration for which the instrument could be exchanged in an arm's length transaction between knowledgeable, willing parties.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present the breakdown of fair value measurements of financial instruments recognized at fair value on the consolidated balance sheet.

26. FINANCIAL INSTRUMENTS [Continued]

	March 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -
Available for sale	-	-	8,681	8,681
Total financial assets	$ -	$ -	$ 8,681	$ 8,681
Financial liabilities				
Fair value through profit or loss	$ -	$ -	$ -	$ -
Derivatives designated as hedging instruments in an effective hedge	-	2,603	-	2,603
Total financial liabilities	$ -	$ 2,603	$ -	$ 2,603

	March 31, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -
Available for sale	-	-	-	-
Total financial assets	$ -	$ -	$ -	$ -
Financial liabilities				
Fair value through profit or loss	$ -	$ -	$ -	$ -
Derivatives designated as hedging instruments in an effective hedge	-	1,419	-	1,419
Total financial liabilities	$ -	$ 1,419	$ -	$ 1,419

	April 1, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -
Available for sale	-	-	-	-
Total financial assets	$ -	$ -	$ -	$ -
Financial liabilities				
Fair value through profit or loss	$ -	$ -	$ -	$ -
Derivatives designated as hedging instruments in an effective hedge	-	1,350	-	1,350
Total financial liabilities	$ -	$ 1,350	$ -	$ 1,350

26. FINANCIAL INSTRUMENTS [Continued]

The fair value of Cash, Restricted prize cash, Accounts receivable, Due to/from shareholders, Line of credit, Accounts payable and accrued liabilities and Liabilities for unclaimed prizes approximate their carrying amount largely due to the short-term maturities of these instruments.

The financial asset in Level 3 relates to a purchase by the Corporation of an investment in the year ended March 31, 2012 that is classified as an available for sale financial asset. Its fair value is not available on the market and therefore, is measured at cost. No realized or unrealized gains or losses have been recognized for this financial asset as at March 31, 2012.

The Corporation has entered into a derivative financial instrument with a financial institution with investment grade credit rating. Interest rate swaps are the only derivatives valued using a valuation technique with market observable inputs. The applied valuation technique is a swap valuation model using present value calculations. The models incorporate various inputs, including the credit quality of counterparties and interest rate curves. Because the derivatives are valued with their fair value in accordance with IAS 39, the recorded carrying value at the consolidated balance sheet date equals the fair value of the financial instrument.

27. CAPITAL MANAGEMENT

The Corporation does not retain any earnings. Net profit, after deducting contractual amounts due to the Government of Canada, is returned to the Province of Newfoundland and Labrador, Province of Prince Edward Island, Province of Nova Scotia and Province of New Brunswick.

The Corporation's policy is to maintain a structure which allows it to have sufficient liquidity to meet both operational demands and payments to the Provinces. The profit of the Corporation is distributed twice monthly to each of the shareholders.

As a result of fluctuating cash flow requirements and to minimize market risk, the Corporation maintains a high degree of liquidity and has a line of credit available. Corporate assets are financed through debt borrowings in the form of bank term loans and a line of credit.

The Board of Directors is responsible for the oversight of management, including its policies related to financial and risk management issues.

There were no changes in the Corporation's approach to capital management during the year.

28. FINANCIAL RISK MANAGEMENT

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors has established the Audit Committee, which is responsible for developing and monitoring the Corporation's risk management policies. The Audit Committee reports regularly to

28. FINANCIAL RISK MANAGEMENT [Continued]

the Board of Directors on its activities. The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management polices and systems are reviewed regularly to reflect changes in the market conditions and the Corporation's activities. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation is subject to credit risk due to the nature of its operations where retail partners collect the Corporation's revenue.

This risk is managed through frequent collection of revenue and the control to pull funds from retailers' bank accounts and through retaining security deposits where the individual risk is assessed as high. The Corporation is not materially exposed to any one individual retailer or service provider and has applied standard credit practices which limit the Corporation's exposure to credit risk. The maximum risk the Corporation would be exposed to is $16,232 and the average balance for any one retail location outstanding is approximately $5. There are no accounts receivable balances outstanding greater than 90 days. As a result of the limited and controlled risk there is no provision established for bad debt.

The Corporation is not subject to credit risk for internet gaming sales because they are through credit card, debit card, online bill payment purchases or webcash purchases where customers pay in advance of transactions.

Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

To manage cash flow requirements, the Corporation has a line of credit from which it may borrow up to $80,000. Short-term financing is unsecured and interest is payable at prime less 0.50%, and charges a standby fee on the daily unadvanced portion of the credit facility at a rate of 0.20% per annum.

The Corporation's Finance division manages liquidity risk by forecasting and assessing actual cash flow requirements on an ongoing basis, as well as by planning for short-term liquidity with investment maturities chosen to ensure that sufficient funds are available to meet the Corporation's financial obligations.

The carrying values of the financial liabilities approximate their fair values due to the relatively short periods to maturity of these items, or because they are payable on demand. The table below summarizes the maturity profile of the Corporation's financial liabilities based on contractual undiscounted payments.

28. FINANCIAL RISK MANAGEMENT [Continued]

Maturity	On demand	Less than 12 months	1 to 2 years	2 to 5 years	5 to 10 years
Line of credit	$ 37,389	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	-	30,480	-	-	-
Liabilities for unclaimed prizes	-	21,359	-	-	-
Due to shareholders	-	1,279	-	-	-
Debt	-	26,730	37,132	13,162	7,202
Lease payable	-	2,866	3,909	649	-
Other long term liabilities	-	-	-	2,603	-
	$ 37,389	$ 82,714	$ 41,041	$ 16,414	$ 7,202

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

Currency risk
The Corporation is exposed to currency risk (or foreign exchange risk) by settling certain obligations in foreign currencies (primarily USD and GBP). Gains and losses due to foreign exchange rate fluctuations are minimized by settling foreign obligations as quickly as possible. The transactions in foreign currency are minimal and therefore the Corporation is not materially impacted by currency risk.

Interest rate risk
The Corporation's Finance division manages interest rate risk by forecasting and assessing actual cash flow requirements on an ongoing basis, and securing fixed rate debt (hedges) for financing of long-term projects. On an ongoing basis, the Corporation is exposed to interest rate risk through its line of credit which is subject to interest charges at prime less 0.50%, and charges a standby fee on the daily unadvanced portion of the credit facility at a rate of 0.20%. Fluctuations in the Prime rate by plus or minus 1% could impact the Corporation's annual net profit by an amount of $374 [2011-$230] based on the line of credit balance as at March 31, 2012.

Other market price risk
The Corporation offers the Proline band of lottery products in the marketplace. The Corporation manages risks associated with these products by;

- setting odds for each event within a short time frame before the actual event;
- establishing sales liability thresholds by events, by combination of events, by retailer, and by player; and,
- posting conditions and prize structure statements on www.alc.ca.

The Corporation has the authority to suppress sales of any game at any time when liability is a concern.

29. TRANSITION TO IFRS

As stated in note 2, these are the Corporation's first consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 2 have been applied in preparing the consolidated financial statements for the year ended March 31, 2012, the comparative information presented in these consolidated financial statements for the year ended March 31, 2011 and in preparation of an opening IFRS balance sheet at April 1, 2010.

In preparing its opening IFRS consolidated balance sheet, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting, Canadian Generally Accepted Accounting Principles (Canadian GAAP). The following reconciliations provide quantification of the effect of the transition to IFRS and provide details of the impact on:

- Consolidated balance sheet as at April 1, 2010 and March 31, 2011; and
- Reconciliation of the consolidated statement of comprehensive income for the year ended March 31, 2011.

29. TRANSITION TO IFRS [Continued]

Reconciliation of financial position as at April 1, 2010 (date of transition)

Consolidated Balance Sheet	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash		$ 7,835	$ -	$ 7,835
Restricted prize cash		12,652	-	12,652
Accounts receivable		9,645	-	9,645
Prepaid expenses and deposits	7	9,084	241	9,325
Inventory		5,352	-	5,352
		44,568	241	44,809
Investments				
Employee benefits	8	1,190	(1,190)	-
Property and equipment	9	96,317	(29,518)	66,799
Intangible assets	9	-	37,035	37,035
TOTAL ASSETS		$ 142,075	$ 6,568	$ 148,643
LIABILITIES				
Current				
Line of credit		$ 93,700	$ -	$ 93,700
Accounts payable and accrued liabilities	10	15,362	(325)	15,037
Deferred revenue	11	1,097	141	1,238
Liabilities for unclaimed prizes		12,765	-	12,765
Due to shareholders		2,865	-	2,865
Current portion of long-term debt		2,610	-	2,610
		128,399	(184)	128,215
Employee future pension benefits	8	-	53,950	53,950
Employee future other post-employment benefits	8	-	646	646
Long-term debt		13,515	-	13,515
Other long-term liabilities		1,350	-	1,350
		14,865	54,596	69,461
SHAREHOLDERS' DEFICIENCY				
Share capital		1	-	1
Accumulated other comprehensive loss		(1,350)	-	(1,350)
Retained earnings / (deficit)	12	160	(47,844)	(47,684)
		(1,189)	(47,844)	(49,033)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$ 142,075	$ 6,568	$ 148,643

29. TRANSITION TO IFRS [Continued]

Reconciliation of financial position as at March 31, 2011

Consolidated Balance Sheet	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash		$ 4,980	$ -	$ 4,980
Restricted prize cash		17,668	-	17,668
Accounts receivable		24,963	-	24,963
Due from shareholders		4,168	-	4,168
Prepaid expenses and deposits		2,732	-	2,732
Inventory		5,858	-	5,858
		60,369	-	60,369
Employee Benefits	1	14,328	(14,328)	-
Property and equipment	2	103,525	(35,173)	68,352
Intangible assets	2	-	43,562	43,562
TOTAL ASSETS		$ 178,222	$ (5,939)	$ 172,283
LIABILITIES				
Current				
Line of credit		$ 22,942	$ -	$ 22,942
Accounts payable and accrued liabilities	3	25,899	1,029	26,928
Deferred revenue	4	2,571	154	2,725
Liabilities for unclaimed prizes		17,685	-	17,685
Current portion of long-term debt		18,024	-	18,024
Current portion of long-term lease payable		2,507	-	2,507
		89,628	1,183	90,811
Employee future pension benefits	1	-	31,193	31,193
Employee future other post-employment benefits	1	7,173	1,853	9,026
Long-term debt		75,491	-	75,491
Long-term lease payable		5,861	-	5,861
Other long-term liabilities		1,419	-	1,419
		89,944	33,046	122,990
SHAREHOLDERS' DEFICIENCY				
Share capital		1	-	1
Accumulated other comprehensive loss	5	(1,419)	(2)	(1,421)
Retained earnings / (deficit)	6	68	(40,166)	(40,098)
		(1,350)	(40,168)	(41,518)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$ 178,222	$ (5,939)	$ 172,283

29. TRANSITION TO IFRS [Continued]

Notes to the reconciliation of financial position – April 1, 2010 and March 31, 2011

1. The initial transition to IFRS (documented in note 8 below), plus the following:
   - expenses recognized under IFRS are higher than those under Canadian GAAP by $12,416 due to the actuarial valuation;
   - reduction to the additional liability for minimum funding by $20,835 mainly due to the limitation of an economic benefit;
   - increase of accumulated liability for employee sick leave by $6.
2. The adjustment detailed in note 9 below, plus an additional $872 from amortization over different durations, de-recognition of assets no longer meeting recognition criteria, and separation of tangible and intangible assets.
3. Reduction of $61 for terminals destroyed during the year from transition amount of $816 (note 10 below), plus an increase in taxes payable of $274.
4. Transition amount (note 11 below), plus an adjustment of $13 for the Red Shores player loyalty program.
5. Accumulated other comprehensive loss as it relates to unrealized variations in market value on derivative financial instruments.
6. The accumulated impact of transition and the 2011 fiscal year adjustments as required under IFRS ($45,219), and actuarial gains/losses relating to the variation of the employee future benefit liability for both pension and other post employment benefits for $5,053.
7. Movement of long-term support and maintenance agreements to Prepaid expenses from Property and equipment.
8. Unamortized actuarial gains/losses for Pension and Other Post Employment Benefit Plans at transition of ($3,075) and $2,150 respectively, and:
   - unamortized transitional obligations from a change in accounting methodology from defined contribution to defined benefit plan of $13,099;
   - past service costs for other post employee benefits of ($1,077);
   - an estimated future liability equal to the Present Value of the annual special payments into the pension plan required for the current funding level of $44,043;
   - accumulated liability for employee sick leave of $646.
9. Fixed assets are stated at cost net of depreciation and accumulated impairment losses. The net change of $7,517 is related to amortization duration changes and de-recognition of assets no longer meeting recognition criteria, and the re-categorization between Property and equipment and Intangible assets.
10. Decommissioning costs have been recognized for gaming terminals of $816, along with the derecognition of year-end accruals to reflect actual spend of ($1,141).
11. IFRS requires the recognition of deferred revenue for loyalty points programs that have no redeemable cash value. The Red Shores program meets this criteria and gaming revenue of $141K was deferred.
12. IFRS requires the net of all balance sheet adjustments to be reflected through Retained Earnings.

29. TRANSITION TO IFRS [Continued]

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

	Note		In thousands of dollars
Comprehensive income - Canadian GAAP		$	371,065
Increase (decrease) in net profit for the year to the following items:			
Entertainment centre revenue	1		(13)
Prizes on ticket sales	2		(145)
Other direct costs	3		(103)
Depreciation and impairment	4		(5,457)
Operating and administrative expenses	5		4,631
Interest	6		18
Other expenses (income)	7		3,817
Tax expense	8		(123)
			2,625
Increase (decrease) in other comprehensive income related to the following items:			
Financial instruments	9		(2)
Employee future benefits liability	9		5,053
			5,051
Comprehensive income for the year - IFRS		$	378,741

Notes to the reconciliation of comprehensive income

1. Recognition of deferred revenue related to the Red Shores player loyalty program.
2. Re-classification from Operating and administrative expenses to Prizes on ticket sales to properly reflect the expense.
3. A gaming software licensing cost increase due to a Net Book Value increase from asset re-categorization.
4. A depreciation increase from useful lives changes of both Property and equipment, and Intangible Assets.
5. An increase in support and maintenance fees relate to the recognition of prepaid expenses at transition and individually insignificant adjustments $1,270, with an employee expense reduction of $3,361 relating to the decreased liability at transition as a result of the elimination of amortization of gains/loss and transitional obligations.
6. An interest reduction resulting from recognition of borrowing costs as capital for eligible assets.
7. An increase resulting from gains on disposal of assets for the year.
8. Resulting impact from changes to expenses.
9. The Corporation's decision to recognize all actuarial gains/losses through Other comprehensive income.