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## GREATER THAN THE SUM OF ITS PARTS MESSAGE FROM THE PRESIDENT & CEO



It was Aristotle who believed, “the whole is greater than the sum of its parts.” Put simply - we can accomplish so much more together than we can separately. I believe this statement is as relevant today as it was over 2,000 years ago. The

gaming industry in this Province, managed by the Nova Scotia Gaming Corporation (NSGC), is only sustainable if its operators, partners and stakeholders work together to ensure significant and lasting positive benefits for the future. Sustainability in gaming is not only related to profitability, it means leading in social responsibility. And to be relevant, we need collaboration and innovation. As we look back over the past year, our accomplishments highlight what sums up to be a shared commitment to excellence in every aspect of our industry.

In 2009-10, NSGC and Atlantic Lottery introduced new products such as *Lotto Max* and managed several new projects dedicated to ensuring our regulatory model is strong and protects our customers. We also collaborated with Great Canadian Gaming Corporation to strengthen the position of Casino Nova Scotia as the premiere entertainment venue in Atlantic Canada. With its expanded Schooner Showroom, Casino Nova Scotia held 65 shows last year, drawing popular acts to sell-out crowds.

2009-10 gave us the opportunity to work first-hand with our retailers across the Province on the Ticket Lottery Retailer Responsible Gambling Training Program. It was a terrific opportunity to connect with over 1,100 frontline ticket lottery retailers and provides us all with a better understanding of our individual roles in this industry, ensuring a strong responsible gambling commitment to customers.

We also continued to proudly serve our communities. NSGC’s *Charitable Sector Support Program*, the *Support4Health* and *Support4Communities* programs

NSGC  
provided  
\$145.9 million  
to our Province

continued to assist many communities and not-for-profit organizations, and there were more outstanding contributions made to amateur sport in Nova Scotia through our *Support4Sport* Program.

In 2009-10, we welcomed a new government and, as the Crown corporation responsible for the business of gaming in the Province, it was like meeting our new owner. In addition to working toward a mutual understanding of the industry, we addressed the Keno Ticket Lottery product. This product had the highest standards in responsible gambling in the world, built upon extensive research and expert analysis. We are proud of our world-leading work in this area, but the product did not appeal to the market. This issue was an excellent example of our continued balance and focus on both economic sustainability and social responsibility. While the latter mandate was achieved, the economics for Keno did not exist and therefore the decision was made to remove it from the marketplace. What I also learned from this experience is that NSGC and Government have a shared vision for Nova Scotia. We want a strong and healthy Nova Scotia, a Province where everyone wants to stay, live, work and raise their families.

Looking to the future, we know the gaming landscape is changing. Online gaming, which is quite common worldwide, is being introduced in other Canadian jurisdictions and the explosion of mobile gaming technology is also impacting player preferences. We'll also face new competition with the opening of Casino New Brunswick. NSGC will continue to champion responsible gambling, to lead the work of our operators and retailers to improve the player experience and to communicate the benefits of gaming in Nova Scotia. We also look forward to our role on the advisory committee to support our Government as a new five-year Responsible Gaming Strategy is developed for 2011-16.

Finally, I would like to thank NSGC's employees and Board members. I respect, and am grateful for their hard work. This is a group of individuals who give, not only to the organization, but to their families, neighbours and communities. They are true believers in the notion of community and that we can be so much more together.

I hope you enjoy the following report, and that we have done our job in showing you that the gaming industry in this Province is a composition of many organizations and experts. It is a responsible and sustainable industry, and one that we are proud to manage for the benefit of all Nova Scotians.



Marie T. Mullally, FCA  
President & CEO

Percentage of profits contributed

100

Commissions paid to retailers

\$41 Million

Nova Scotians directly employed by gaming

660

Payment to Province

\$145.9 Million

## Economic Impact

---

**\$145.9 million**

Payment to Province

**\$22.2 million**

In taxes/contributions to governments

**1,485**

Ticket and video lottery retailers

**\$41 million**

In commissions for lottery retailers

**\$25.9 million**

In wages and benefits

### ADDING IT UP

### DELIVERING ECONOMIC RESULTS

The gaming industry not only provides revenue directly to the Province for essential programs and services, it also supports jobs and income for thousands of individuals and businesses. The gaming industry in Nova Scotia directly employs 660 individuals. Add the network of 1,131 ticket lottery retailers, the 354 video lottery retailers and the suppliers from whom goods and services are purchased, and the industry indirectly generates thousands of jobs. In 2009-10, NSGC and its operators paid \$22.2 million in taxes to municipal, provincial and federal governments, \$25.9 million in wages and benefits, and \$41 million in sales commissions to lottery retailers.

100% of profits from gaming revenue goes back to Nova Scotia communities. In 2009-10, NSGC delivered \$145.9 million in profits to the Province. This revenue makes a positive difference and is the equivalent of building 12 new elementary schools, twinning 49 kilometres of 100-series highway or paving 486 kilometres of secondary highway. In 2009-10, profits were lower than the previous year, however, this was expected and planned for. All budgets were met in 2009-10, and some targets were even exceeded.

## BRINGING PEOPLE TOGETHER ENTERTAINING NOVA SCOTIANS

In its management role, NSGC works with Atlantic Lottery and Casino Nova Scotia to deliver exciting products, improve the player experience and ensure responsible play.

### CASINO

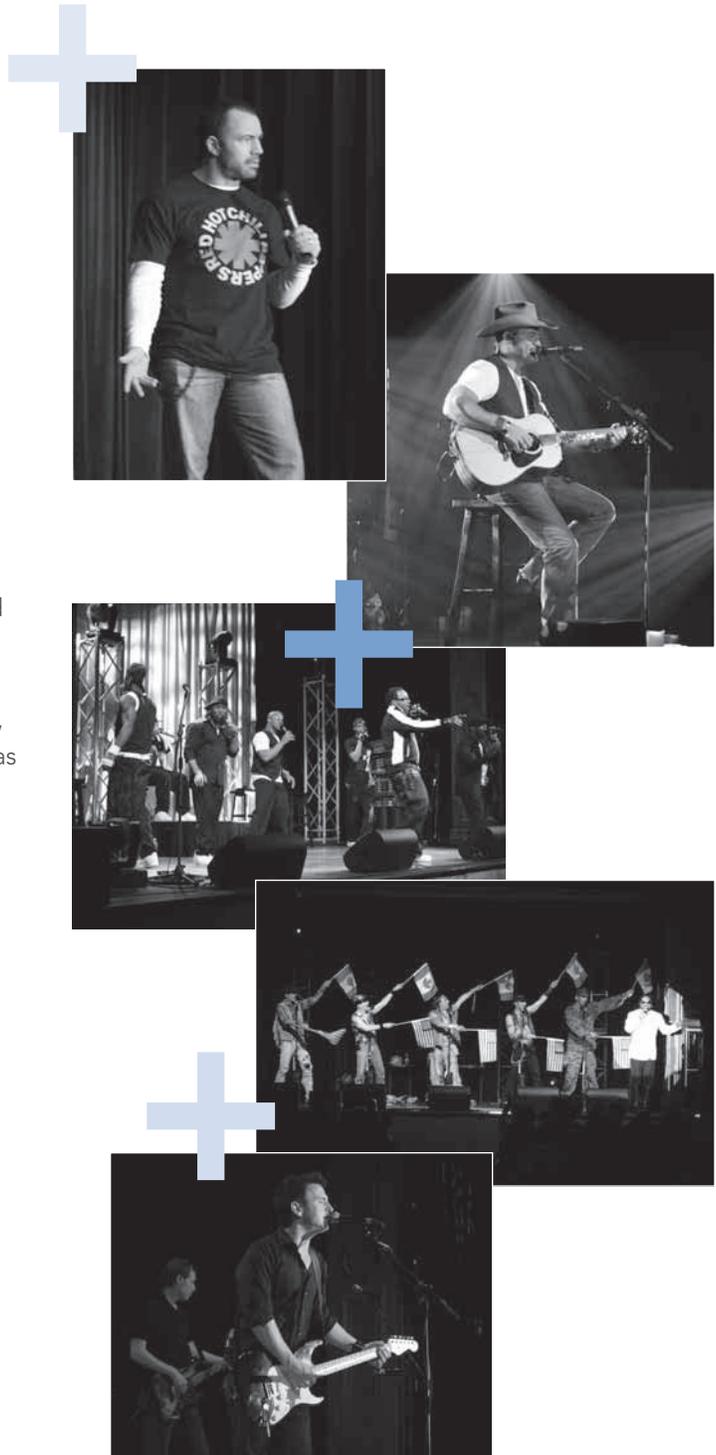
2009-10 was another successful year of attracting world class entertainers - and Nova Scotians - to Casino Nova Scotia. With an expansion to the Schooner Showroom in Halifax, this popular venue for entertainment now offers a more professional setting for visiting acts and allows for greater seating capacity. Forty-five acts visited Casino Nova Scotia putting on 65 shows in Halifax, including such well known acts as Blondie, Collective Soul, America, Joel Plaskett and Colin James. In Sydney, weekend entertainment included well known local acts as well as pay-per-view sporting events.

Both casinos also launched the enhanced Player's Club Program which offers better rewards to players and an easier way to earn and redeem points.

In October 2009, NSGC spearheaded a joint effort with Casino Nova Scotia and its owner, Great Canadian Gaming Corporation, to focus resources on improving



**45** acts visited  
Casino  
Nova Scotia  
putting on **65**  
shows in Halifax



the competitive positioning of both casinos in the Atlantic marketplace. Results included several innovative new products for the slot floor like *ProdigyVu* and *Tournamaster* software, a redesign of the gaming floor in Halifax and a refreshing new marketing look with the tag line “Atlantic Canada’s Biggest Deal” which highlights the unique multi-event entertainment experience offered at the properties.

## TICKET LOTTERY

New products were launched in ticket lottery throughout 2009-10, offering players an enhanced experience with new unique prize offerings. Specifically, a new national game, *Lotto Max*, was launched in September 2009 after *Super 7* was retired. Jackpots for *Lotto Max* start at \$10 million and additional \$1 million prizes, called Maxmillions, are added when the jackpot reaches \$50 million. This prize model is in direct response to feedback from players who said that they wanted more chances to win on large jackpots. In addition, new themes of games were introduced and existing games were refreshed or modified in order to offer players variety and an improved experience on existing tickets. An example of such a refresh was the launch of the 11<sup>th</sup> edition of a popular scratch ticket, *Set for Life*, which offers players the opportunity to win four top prizes of \$1,000 a week for 25 years.

In October 2009, amendments to the ticket lottery regulations were introduced in Nova Scotia. As manager of the gaming industry, NSGC engaged Atlantic Lottery and the Alcohol and Gaming Division (AGD) of the Department of Labour and Workforce Development to lead the development and implementation of a strategy for compliance with the new regulatory requirements. This included NSGC meeting with key Atlantic Lottery staff and pursuing the development of new Retailer Operating Procedures and Technical Standards to ensure Atlantic Lottery retailers remain compliant.

Some of the new requirements include enhanced regulations for retailers such as adherence to ticket validation procedures, the requirement for lottery

equipment suppliers to be licensed by the AGD and various oversight provisions which provide the AGD with approval and investigative authority. Also in 2009-10, Bill 158 was passed requiring every lottery ticket sold, or offered for sale, to have its expiration date clearly visible on the ticket. This change allows players to easily determine how long they have to claim their prize and it also provided the opportunity to improve the player experience by actually removing an expiration on prizes for regional Scratch’N Win products.

NSGC oversaw the introduction of a made-in-Nova Scotia Keno Ticket Lottery product into licensed establishments in 2008-09. The new version of Keno included enhanced responsible gambling elements which were analyzed and endorsed by third-party experts and the product was determined to be highly socially responsible. Despite this, the product’s performance did not support the investment and the decision was made to discontinue the game as of October 2009. The 180 LCD screens used in the delivery of the game were donated to the Department of Education for distribution to Nova Scotia schools.

## VIDEO LOTTERY

As part of the video lottery program, new games are launched to provide players with a fresh entertaining playing experience. Throughout 2009-10, six new games were introduced including *Grand Banks* and *Reels of Fortune* on the Performer II terminal which is manufactured by Techlink Entertainment International Ltd., a company located in Sydney, Nova Scotia.

NSGC also continued to build its relationship with video lottery retailers by meeting regularly throughout the year, giving them the opportunity to address issues and offer important insights and feedback on any new gaming initiatives in the Province.

In 2009-10, NSGC undertook important research to determine player and retailer attitudes toward the new *My-Play* System, formerly the Informed Player Choice System. Research findings resulted in improved retailer training and player information materials.

## STRONGER TOGETHER LEADERS IN RESPONSIBLE GAMBLING

NSGC's responsible gambling model is based on a comprehensive approach to having the most informed players in the world, offering products that are as socially responsible as possible, increasing public awareness about responsible gambling, and ensuring responsible gambling is fully integrated into business operations. In 2009-10, NSGC spent \$7.8 million on prevention, treatment and education. As part of this investment, NSGC provided \$4.1 million to the Department of Health Promotion and Protection to ensure that help is available for the 0.9% of adult Nova Scotians who are problem gamblers and \$631,000 to the Nova Scotia Gaming Foundation.

In 2008-09, Nova Scotia was one of the first jurisdictions in the world to receive the highest certification from the World Lottery Association (WLA) for its responsible gaming standards. To demonstrate how it will continue to lead this industry in responsible gambling, NSGC completed the following in 2009-10:

-  Introduced enhanced responsible gambling training for NSGC staff
-  Implemented responsible gambling training for ticket lottery retailers
-  Developed a two-tiered responsible gambling training program at Casino Nova Scotia, one for managers and supervisors and one for front line employees
-  Integrated existing responsible gambling resources available to players, making information and programs available across multiple channels/mediums
-  Established a panel of ticket lottery retailers whom NSGC consults with on responsible gambling and other initiatives
-  Developed two best practice case studies

In 2009-10, NSGC spent

# \$7.8 million

on responsible gambling,  
education and treatment

### RESPONSIBLE GAMBLING

Responsible gambling is about the industry that delivers the games and the people who play them, and effective programs must approach the issues from both sides. Some of the highlights this year include:

### TICKET LOTTERY RETAILER RESPONSIBLE GAMBLING TRAINING PROGRAM

In 2009-10, NSGC developed the Ticket Lottery Retailer Responsible Gambling Training Program. The annual training educates the 1,131 ticket lottery retailers and their employees on what it means for their customers to play games responsibly. 93% of retailers surveyed indicated they are confident they will be able to apply the responsible gambling training they received and 95% said they will share the information with employees and customers.

An online module was developed as part of this Program and proved to be a significant success, with the majority of ticket lottery retailers using this option to complete the training.

*“NSGC provided the responsible gambling ticket lottery training in an online format that was easy for me to complete. I have a better understanding of responsible gambling which helps our customers and helps our community.”*

**John Doyle**  
Lower Sackville, Nova Scotia



#### MY-PLAY SYSTEM

NSGC's *My-Play* System is the world's first card-based video lottery information system that provides players with access to

valuable information and tools that can be used as part of their video lottery play. Players are able to access their play history and the system also allows players to set time and spending limits, giving them powerful tools that they can use to make the decisions that are right for them. In 2009-10, a field test for *My-Play* was successfully completed. Province-wide roll out is underway and expected to be complete in summer 2010.

#### RESPONSIBLE GAMBLING AWARENESS WEEK

October 4 to 10, 2009 marked the eighth annual Responsible Gambling Awareness Week (RGAW) in Nova Scotia. Each year, the events of RGAW are targeted toward specific communities across the Province for maximum reach. In 2009, the target communities were: Halifax Regional Municipality, Cape Breton Regional Municipality, Antigonish, Amherst, New Minas and Yarmouth.

The centerpiece of the week was the annual Responsible Gambling Conference held October 5 and 6 in Halifax. The conference attracted approximately 250 people and featured 26 world-renowned industry experts on responsible gambling and the gaming industry.

#### KNOW THE SCORE II

*Know the Score II* is the newest version of the interactive, peer-led responsible gambling program that is offered on community college and university campuses. The booth is set up in a visible, high-traffic area of the campus and is designed to give people between the ages of 19 and 24 the facts about games of chance, and provide them with information on local resources to help them prevent or address gambling problems. *Know the Score II* was developed by the Responsible Gambling Council of Canada (RGC) and sponsored by NSGC. The responsible gambling program was piloted in Nova Scotia in 2004 and since then, approximately 34,000 people have been reached.



*Know the Score II* visited the following campuses in the fall of 2009, reaching over 4,000 students:

Acadia University  
Cape Breton University  
Nova Scotia Community College, Akerley  
Nova Scotia Community College, Burridge  
Nova Scotia Community College, Kingstec  
Nova Scotia Community College, Lunenburg  
Nova Scotia Community College, Marconi  
Nova Scotia Community College, Pictou  
Nova Scotia Community College, Truro  
Nova Scotia Community College, IT  
Nova Scotia Community College, Waterfront  
Saint Francis Xavier University  
Saint Mary's University

## GAMTALK

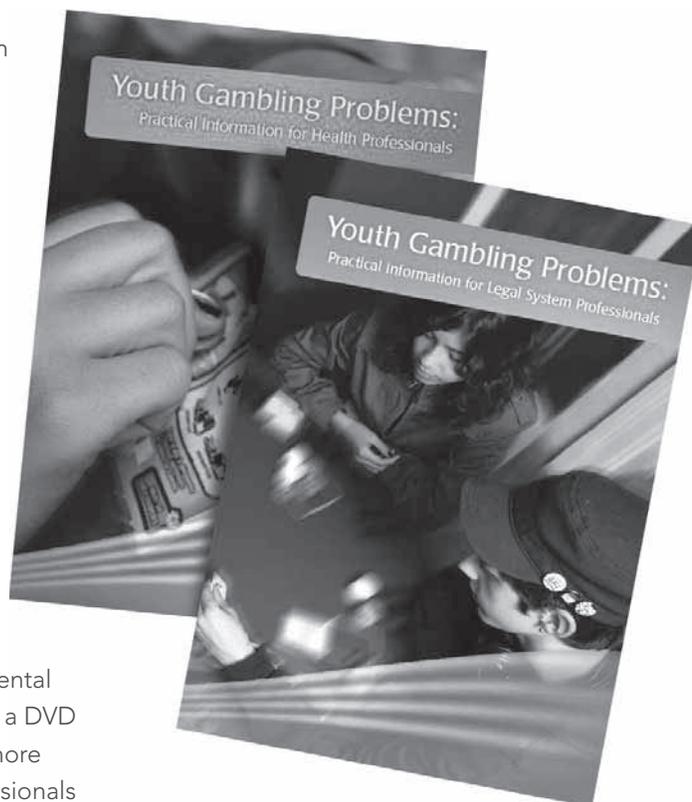
NSGC continued to support *GamTalk*, the first national online peer based support service in Canada for those with gambling problems and their families. Since *GamTalk* launched in 2008, the national membership has grown to over 800 with several new members joining every day, and 4,000 monthly visitors.

## YOUTH PREVENTION PROGRAMMING

Youth prevention programming is also an important area for NSGC with the focus on discouraging gambling of any sort from occurring among youth. This year's highlights include both new and proven programs.

## YOUTH GAMBLING PROBLEMS MEDIA TOOLKIT SERIES

NSGC was the funding partner for a world-first initiative to research and develop a toolkit which will be given to legal and medical professionals who may deal with youth gambling problems. Two distinct toolkits were developed: 1. for pediatricians, family practitioners and allied health professionals; and, 2. for attorneys, judges and paralegal professionals in courts and youth detention centres. Each toolkit consists of a package containing a CD-ROM with recent topical papers, journal articles and pertinent information, as well as a DVD featuring several short videos on the subject of youth problem gambling. These supplemental learning materials are assembled in a DVD box, which is being distributed to more than 3,000 legal and medical professionals in Nova Scotia. The toolkit was developed by McGill University's International Centre for Youth Gambling Problems and High-Risk Behaviors.



In 2009-10 NSGC's  
programs reached

**95,000**  
Nova Scotians

## R U UP?

*R U UP?* is the latest drama to be created by the RGC. With funding from NSGC, a troupe of actors toured the Province performing the drama for high school students. With a message about the risks of gambling as well as information on problem gambling, this play was well received among high school students and was an effective way to deliver youth gambling prevention messages. Three months after viewing *R U UP?*, high school students were surveyed and 85% agreed that they knew more about problem gambling, including ways to avoid problem gambling and where to go to get help for a gambling problem. The play was performed at 15 schools, reaching 2,900 students in 2009-10.

Amherst Regional High School  
Breton Education Centre  
Bridgetown Regional High School  
Digby Regional High School  
Drumlin Heights Consolidated School  
East Antigonish Education Centre  
Guysborough Academy  
Hants North Rural High School  
Lockport Regional High School  
North Colchester High School  
North Queens Rural High School  
Northumberland Regional High School  
River Hebert District High School  
Shelburne Regional High School  
South Colchester Academy

For more information on all of NSGC's responsible gambling and youth prevention programs, visit [nsgc.ca](http://nsgc.ca).

## BETSTOPPER

Today's kids live online and that's a key area of concern for Internet gaming. Ten years ago there were only 250 online gambling websites; today there are more than 2,500, most of which lack controls to limit access or respect age restrictions which presents a serious risk to young Internet users. In response to this growing concern, NSGC launched *BetStopper*, gambling content blocking software, in May 2009 at the We Love our Children Family Expo. *BetStopper* is free to Nova Scotia families and caregivers to help keep kids off of gambling websites and can be downloaded from [nsgc.ca](http://nsgc.ca).



*R U UP?* played at

15 schools  
for 2,900 students

## THERE'S MORE TO THE STORY SUPPORTING PEOPLE AND COMMUNITIES

The gaming industry has historical roots in benefitting Nova Scotia communities and the culture of giving has not wavered. Each year, NSGC and its operators give generously of their time and resources to support many great causes; in 2009-10, this represented over \$800,000.

Atlantic Lottery and Casino Nova Scotia have shown tremendous support for many charities across the Province through event support and employee volunteer and fundraising efforts. Atlantic Lottery has continued with particular focus on establishing and supporting volunteer programs, and the Halifax and Sydney locations of Casino Nova Scotia have had positive impacts on not-for-profit organizations by leveraging its venues and resources to assist with charitable gaming.

NSGC has also played a significant role in giving back through its *Support4Communities*, *Support4Health* and *Support4Sport* Programs.

NSGC's *Support4Communities* Program includes a Charitable Sector Support Program which has three areas of focus: Community Casino Nights, Community Fundraising Seminars and SuperStar Bingo. In total, over \$74,000 was raised from 10 Community Casino Nights in 2009-10, bringing the total raised for Nova Scotia charities to \$229,000 since its inception. Eight seminars on fundraising and charitable gaming were hosted by NSGC, which connect experts and charities together for the mutual growth and benefit of the not-for-profit sector. SuperStar Bingo, which links participating community bingo halls across the province and helps communities raise funds for many worthy causes, raised \$445,000 in 2009-10. Combined, this Program raised \$519,000, providing significant benefit to these organizations and communities.

Through the *Support4Communities* Program, NSGC and its employees have worked with many community events



Casino Nova Scotia showgirls regularly attend our Community Casino Nights

*"The Cumberland Early Intervention Program means a lot to our community and requires a great deal of effort to be sustainable. The support that NSGC has provided to us through its Community Casino Nights has become paramount in order to continue providing service to children and families. Our success in growing the community casino fundraiser is directly related to the partnership we have built with NSGC. NSGC has helped us raise awareness for our cause and they have also helped us build relationships with other charities across the province by connecting us with the work others are doing."*

Lisa Gower, Executive Director  
Cumberland Early Intervention Program, Amherst

# \$229,000

Total raised for charities by Community Casino Nights since its inception

# \$445,000

Funds raised in 2009-10 by SuperStar Bingo



NSGC staff volunteer during the annual day of giving.



and organizations such as Tall Ships and Feed Nova Scotia. In 2009-10, NSGC employees gave more than 200 hours of their time to Community Casino Nights, and a full day of their time to charity in December 2009. This was in addition to their own personal volunteer interests.

In 2009-10, *Support4Communities* provided the Harness Racing industry in Nova Scotia with \$1 million to assist in maintaining this longstanding and traditional sporting industry with roots in gaming.

*Support4Health* continued to assist various health related organizations through Community Casino Nights, NSGC volunteer efforts and the ongoing support provided to the Crosbie House Society and the Marguerite Centre, residential facilities for adults in recovery from addictions.

What began as a vision to improve the wellbeing of Nova Scotians through sport has grown to include lasting initiatives in many communities. Managed through a partnership with Sport Nova Scotia, *Support4Sport* is NSGC's signature program which gives 100% of the profits from dedicated ticket lottery products to sport in Nova Scotia.

In 2009-10, *Support4Sport* generated over \$3.7 million which helped 145 athletes, hired 11 full-time coaches, assisted 46 coaches and officials with training and professional development, and funded 83 community and provincial sport organizations. Total *Support4Sport* funding since its inception in 2006 is \$8.6 million, reaching 124,000 Nova Scotians annually.

## COMMUNITY CASINO NIGHTS

### **Amherst**

In support of Cumberland Early Intervention Program

### **Bridgewater**

In support of Bridgewater Red Cross

### **Clementsport**

In support of Clementsport Legion

### **Halifax**

In support of Quinpool Road Association

### **Lower Sackville**

In support of Sackville Heights Community Centre & Beaver Bank Kinsac Community Centre

### **New Glasgow**

In support of Pictou County Special Olympics

### **Sydney**

In support of Cape Breton Regional Hospital Foundation & Rotary Club Sydney Charities

### **Truro**

In support of Truro Red Cross

### **Waverley**

In support of Waverly Volunteer Fire Department

### **Yarmouth**

In support of Yarmouth Boys and Girls Club

On February 16, 2010, NSGC kicked off the 2011 Canada Games Legacy Fund by announcing a \$1 million contribution through its *Support4Sport* Program. "Investments like this ensure that the Canada Games legacy lasts well beyond 2011," said Canada Games CEO Chris Morrissey. "This is a great first step for our legacy plan to be built upon."



NSGC President and CEO Marie Mullally at the Canada Games Legacy Fund announcement

The Canada Games Legacy Fund will benefit youth for years to come in the areas of amateur sport, culture and recreation and will be managed by Sport Nova Scotia. Jamie Ferguson, CEO of Sport Nova Scotia, said the *Support4Sport* Program is already making a difference at the individual and community level. "The *Support4Sport* Program is making an incredible impact on every level of the sport system across the Province and these additional funds will help us broaden the reach so that more Nova Scotians will enjoy the benefits of participating in sport."

## RALLY CAP

Baseball Nova Scotia's grassroots programs were in need of a significant boost two years ago when *Support4Sport* stepped up to the plate to help fund and grow the Rally Cap Program. "Rally Cap is a reward-based skills program for children ages four to eight who want to learn how to play baseball," says Brad Lawlor, Executive Director of Baseball Nova

**30**

provincial baseball associations offer the Rally Cap program

Scotia. "As the kids successfully complete certain skills levels they advance through the Program, gaining self esteem as well as different colour ball caps along the way."

When Baseball Nova Scotia received *Support4Sport* funding in 2009, they were able to hire a Provincial Rally Cap coordinator who promotes the Program and supports the 30 baseball associations that offer the Rally Cap Program across the Province.

Contribution to *Support4Sport* program in 2009-10

**\$3.7 Million**

Contributions to *Support4Sport* program since 2006

**\$8.6 million**

Number of Nova Scotians reached annually by *Support4Sport* funded programs

**124,000**

Number of athletes who have received direct funding since 2006

**434**

Number of coaches and officials who have received funding for certification and professional development since 2006

**103**

Number of community and provincial sports organizations funded since 2006

**272**



## SUMMARY OF RESULTS

### RESPONSIBLE

- Successfully sponsored or delivered more than a dozen responsible gambling and youth prevention programs, including:
  - o *Know the Score II* Education Program
  - o *R U UP?* Prevention Program
  - o 8th Annual Responsible Gambling Awareness Week
  - o Interactive Community Education Display on Responsible Gambling
  - o *GamTalk*
  - o *BetStopper*
  - o Youth Gambling Awareness Program, in partnership with YMCA
  - o *My-Play* System
  - o Mobile Access to Responsible Gambling Information (M.A.R.G.I.)
  - o Responsible Gambling Resource Website
  - o Responsible Gambling Resource Centres
- Completed 339 Social Responsibility Assessments, of which 311 were approved, 24 approved with modifications and four declined.

### PROGRESSIVE

- Funded a world-first initiative to research and develop a toolkit for legal and medical professionals who may deal with youth gambling problems.
- Developed and implemented the Ticket Lottery Retailer Responsible Gambling Training Program to educate retailers and their employees on the concepts of what it means for their customers to play games responsibly.
- Began activation of the *My-Play* System, the world's first video lottery interactive player information program, which has been integrated into video lottery terminals in the Province.

### ACCOUNTABLE

- Maintained shareholder/stakeholder support and communications:
  - o Quarterly and Annual Reports to shareholder
  - o Updates on strategic/operational matters to the Minister responsible for Part I of the *Gaming Control Act*
  - o Quarterly meetings with operators
  - o Regular meetings/discussions with stakeholder groups
- Reported 113 incidents related to Section 24(1) of the *Gaming Control Act*, all of which were resolved through the prescribed procedures.
- Continued strong community support, including the following categories:
  - o Prevention, education and treatment \$7.8 million
  - o Retailer Commissions \$41 million
  - o Community Contributions by NSGC and operators \$860,000
  - o Employment 660 directly employed
  - o Community Programs:
    - » Harness Racing Industry \$1 million
    - » *Support4Sport* Program \$3.7 million
    - » Charitable Sector Support Program \$519,000
    - » Sport Nova Scotia \$100,000
    - » Exhibition Association of Nova Scotia \$50,000
    - » Cultural Federation of Nova Scotia \$50,000

## CORPORATE PROFILE

NSGC is a Crown corporation governed by the provincial *Gaming Control Act*.

The Nova Scotia government, and ultimately the people of Nova Scotia, are the shareholders and owners of the gaming industry in the Province. The industry is licensed and regulated by the Alcohol and Gaming Division of the Department of Labour and Workforce Development.

NSGC's role is to ensure the gaming industry provides the necessary balance between economic sustainability and social responsibility. In carrying out its role, NSGC also oversees and manages the gaming operators who carry out the day-to-day business of gaming, Casino Nova Scotia and Atlantic Lottery.

Gaming revenues go directly into the general revenues of the Provincial Government and help pay for programs and services that benefit all Nova Scotians. In 2009-10, \$145.9 million was paid to the Government of Nova Scotia to help build better roads, schools and communities.

Certified at the World Lottery Association's highest level of responsible gaming, NSGC is recognized as a world leader with more than a dozen innovative programs that reach over 95,000 Nova Scotians each year. As an industry steward, NSGC's goal is to lead a balanced, socially responsible industry that is safe, regulated and accountable.

## NOVA SCOTIA GAMING CORPORATION BOARD OF DIRECTORS



**Chair, Gordon Gillis**  
Corporate Director



**Director, Wayne Adams**  
Adams Consulting &  
Management Group



**Director, Charles Cox**  
Barrister and Solicitor,  
C. F. Cox Law Office



**Director, Merlin Fownes**  
Corporate Director



**Director, Jeff Langley**  
Reinsurance Accounting Controller,  
Flagstone<sup>RE</sup>

## MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

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

Management has prepared the consolidated financial statements in accordance with generally accepted accounting principles in Canada. The financial information contained in the Annual Report is consistent with the data presented in the consolidated financial statements.

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

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

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

### CERTIFICATION FOR THE YEAR ENDED MARCH 31, 2010

We have evaluated the effectiveness of NSGC's disclosure controls and procedures as of the end of the year covered by the 2009-10 Annual Report. Except as discussed in the following two paragraphs, we conclude that such disclosure controls and procedures are effective to ensure that the information required to be disclosed is accumulated and communicated to management, including the President & Chief Executive Officer and the Vice President, Finance.

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

NSGC's evaluation did not include disclosure controls and procedures and internal controls over financial reporting performed by the Atlantic Lottery Corporation Inc. (ALC), and therefore is not intended to identify and report any deficiencies in internal control that might exist at ALC. NSGC has contracted ALC to operate the Video and Ticket Lottery businesses and the revenue, expenses, assets and liabilities associated with those businesses are included in the consolidated financial statements.

During the period beginning on April 1, 2009 and ended on March 31, 2010, NSGC has not made any changes in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.



Marie T. Mullally, FCA  
President & CEO



Robert MacKinnon, CA  
Vice President, Finance

## AUDITOR'S REPORT



## Office of the Auditor General

1888 Brunswick Street, Suite 302,  
Halifax, Nova Scotia  
B3J 3J8 Canada

902•424•5907 tel  
902•424•4350 fax  
www.oag-ns.ca

To the Members of the Legislative Assembly of Nova Scotia; and  
To the Minister of Finance

I have audited the consolidated balance sheet of Nova Scotia Gaming Corporation as at March 31, 2010, the consolidated statements of income and payment to Province, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "JR Lapointe".

Jacques R. Lapointe, CA  
Auditor General

Halifax, Nova Scotia  
May 28, 2010

**CONSOLIDATED BALANCE SHEET**  
AS AT MARCH 31 (IN THOUSANDS)

	2010	2009
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term investments (Note 3)	\$ 8,556	\$ 7,280
Cash – restricted (Note 2)	4,496	2,483
Inventory, at lower of cost or net realizable value	1,497	1,666
Prepays	3,304	1,236
	<b>17,853</b>	<b>12,665</b>
<b>Long-term</b>		
Cash – Casino Capital Replacement Reserve (Notes 3 and 4)	337	1,164
Deferred charges (Note 2)	18	693
Investment in Atlantic Lottery Corporation Inc. (Notes 2 and 5)	1	1
Investment in Interprovincial Lottery Corporation (Notes 2 and 6)	1	1
Capital assets (Notes 2 and 7)	90,901	98,963
	<b>91,258</b>	<b>100,822</b>
	<b>\$ 109,111</b>	<b>\$ 113,487</b>

**LIABILITIES**

<b>Current</b>		
Accounts payable	\$ 2,639	\$ 2,216
Deferred lottery revenue (Note 2)	396	654
Liabilities for unclaimed prizes (Note 2)	4,496	2,483
Due to operators (Note 8)	10,232	9,000
Due to Atlantic Gaming Equipment Limited - current portion (Note 9)	9,681	7,837
Due to Nova Scotia Gaming Foundation (Note 2)	49	52
Due to Province of Nova Scotia	65,232	68,400
	<b>92,725</b>	<b>90,642</b>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited (Note 9)	11,105	16,517

**EQUITY**

Casino Capital Replacement Reserve (Note 4)	5,281	6,328
	<b>\$ 109,111</b>	<b>\$ 113,487</b>

Commitments (Notes 3, 11, 13 and 15)

See accompanying notes to the financial statements

Approved on behalf of the Board,



Gordon D. Gillis, BA, LLB  
Chair

**CONSOLIDATED STATEMENT OF INCOME AND PAYMENT TO PROVINCE**  
**FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)**

	2010	2009
<b>SALES</b>		
Casinos (Schedule I)	\$ 86,648	\$ 89,379
Ticket lottery (Schedule II)	199,574	203,562
Video lottery (Schedule II)	145,078	147,037
	<b>431,300</b>	<b>439,978</b>
Cost of Sales	288,313	291,256
	<b>142,987</b>	<b>148,722</b>
Amortization	(2,703)	(2,724)
Distributions to Community Programs (Notes 11, 13 and 14)	(4,990)	(5,172)
Interest expense	(684)	(843)
Responsible Gambling	(7,776)	(7,506)
Interest & other income	3,359	4,059
<b>Net income</b>	<b>130,193</b>	<b>136,536</b>
Win tax	15,693	16,128
<b>Payment to Province</b>	<b>\$ 145,886</b>	<b>\$ 152,664</b>

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**  
**FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)**

	2010	2009
Retained earnings, beginning of year	\$ -	\$ -
Net income	130,193	136,536
Net income paid to Province	(130,193)	(136,536)
<b>Retained earnings, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to the financial statements

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

	2010	2009
<b>OPERATING</b>		
Net income	\$ 130,193	\$ 136,536
Allocation of income to Province	(130,193)	(136,536)
Amortization of capital assets	14,286	11,583
Loss on disposal of capital assets	4,875	1,134
Net changes in working capital (Note 12)	(2,998)	1,302
	<b>16,163</b>	<b>14,019</b>
<b>FINANCING</b>		
(Decrease) increase in due to Atlantic Gaming Equipment Limited	(3,568)	12,175
Reduction of capital obligation	–	(6,858)
	<b>(3,568)</b>	<b>5,317</b>
<b>INVESTING</b>		
Purchases of capital assets	(11,099)	(20,476)
(Decrease) increase in Casino Capital Replacement Reserve, net of cash decrease	(220)	626
	<b>(11,319)</b>	<b>(19,850)</b>
<b>Net increase (decrease) in cash and short-term investments</b>	<b>1,276</b>	<b>(514)</b>
<b>Cash and short-term investments, beginning of year</b>	<b>7,280</b>	<b>7,794</b>
<b>Cash and short-term investments, end of year</b>	<b>\$ 8,556</b>	<b>\$ 7,280</b>

See accompanying notes to the financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

### 1) DESCRIPTION OF BUSINESS

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province. The Corporation is exempt from income tax under Section 149 of the *Income Tax Act*.

### 2) ACCOUNTING POLICIES

#### a) Basis of Presentation

The consolidated financial statements include the accounts of the Corporation and the Corporation's 100% owned subsidiary, Nova Scotia Gaming Equipment Limited. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

#### b) Casino Revenues

In accordance with industry practice, Casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid. Casino revenues are reported net of accruals for anticipated amounts to be paid for progressive slot machine jackpots.

#### c) Ticket Lottery Revenues

Gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

Receipts for lottery tickets sold prior to March 31, 2010 for draws held subsequent to that date are recorded as deferred revenue.

#### d) Video Lottery Revenues

Video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid.

#### e) Capital Assets

Capital assets are stated at cost less accumulated amortization.

Amortization of the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization of the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 4% and 50%. Leasehold improvements are amortized over the remaining lease term.

During the year, Atlantic Lottery Corporation made changes in estimates for the useful lives of some elements of furniture and equipment, traditional gaming system and terminals, video lottery gaming system and terminals, and computer equipment.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED MARCH 31**

**f) Nova Scotia Gaming Foundation Contribution**

Video Lottery retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their Video Lottery commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the Video Lottery retailers.

**g) Deferred Charges**

The deferred charges relate to payments made to site holders to remove video lottery terminals from certain sites. These costs are being amortized on a straight-line basis over five years.

**h) Long-term Investments**

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

**i) Cash – Restricted and Unclaimed Prizes**

Unclaimed prizes from regional lottery games are retained in a prize fund for twelve months from the announced beginning date of the draw. Unclaimed prizes remaining after the twelve month claiming period are transferred to a special prize fund to be used for prizes in subsequent draws. Prizes of national lottery games are funded by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

All unclaimed prizes from Scratch'N Win lottery games are retained in a prize fund for thirty-six months from the announced beginning date of the draw. Unclaimed prizes remaining after the thirty-six month claiming period are transferred to a special prize fund to be used for prizes in subsequent draws. Unclaimed prizes of national games are administered by the Interprovincial Lottery Corporation.

**j) Prize Expense**

Prize expense for regional online games is recorded based on the theoretical prize expense for each game. The actual expense incurred each year will vary from the estimate based on the nature of games of chance. Over the long term it is expected that the actual prize expense will approximate the theoretical expense. The theoretical prize is based on statistical calculations and assumptions which are reviewed and updated by management on a regular basis.

In addition to cash prizes, Atlantic Lottery Corporation also awards free tickets. The value ascribed to these prizes is equal to the sale price and is recorded in sales as income and in prizes as an expense.

**k) Use of Estimates**

In preparing the Corporation's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED MARCH 31**

#### **l) Financial Instruments**

The Corporation is required to designate its financial instruments into one of the following five categories: (i) held for trading, (ii) available for sale, (iii) held to maturity, (iv) loans and receivables, or (v) other financial liabilities. All financial instruments are initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are measured at amortized cost using the effective interest method.

The Corporation has designated its financial instruments as follows:

- a) Cash, prepaid expenses, and inventory are classified as "Held for Trading". Due to the nature and/or short-term maturity of these financial instruments, carrying value approximates fair value.
- b) Accounts payable, deferred revenue, liabilities for unclaimed prizes, due to operators, Nova Scotia Gaming Foundation and Province of Nova Scotia are classified as "Other Financial Liabilities". Initial measurement is at fair value with any transaction costs included in the fair value amount. Subsequently, they are measured at amortized cost using the effective interest method. For the Corporation, the carrying value approximates fair value.
- c) Long-term debt is classified as "Loans and receivables". Initial measurement is at fair value and subsequent measurement is at amortized cost using the effective interest rate method. The approximate fair value of long-term debt at March 31, 2010 was \$20.8 million.

#### **m) Future Accounting Pronouncements**

##### **International Financial Reporting Standards (IFRS)**

All publicly accountable enterprises will be required to apply IFRS, in full and without modification, on fiscal years beginning on or after January 1, 2011. The Corporation will adopt IFRS beginning April 1, 2011 with restatement, for comparative purposes, of amounts reported for the year ended March 31, 2011, and of the opening balance sheet as at April 1, 2010.

The Accounting Standards Board proposes in CICA Handbook section – Accounting Changes, paragraph 1506.30, an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied. The Corporation is currently assessing the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Corporation is continuing to assess the level of disclosure required with the adoption of IFRS, as well as operational changes that may be necessary to gather and process the information.

##### **Financial Instruments – Recognition and Measurement**

In April 2009, the CICA amended the CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement, to include a paragraph relating to embedded prepayment options. This amendment is effective years beginning on or after January 1, 2011 with early adoption permitted, and has no impact on the Corporation.

##### **Multiple Deliverable Revenue Arrangements**

In December 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 175, Multiple Deliverable Revenue Arrangements, effective for years beginning January 1, 2011 with early adoption permitted. The EIC should be applied to revenue arrangements with multiple deliverables, and has no impact on the Corporation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

### 3) CASINO NOVA SCOTIA

#### a) Operating Contract

##### i) Term and Structure

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group, referred to as MEG or the Operator, then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

On July 1, 2005, the Corporation amended and restated the Operating Contract with Metropolitan Entertainment Group (now a partnership between 6364942 Canada Inc. and 6364951 Canada Inc.) to operate casinos in Halifax and Sydney for a period expiring on July 1, 2015, renewable until July 1, 2025, at the Operator's option.

##### ii) Payments to Operator

Under the Amended and Restated Casino Operating Contract, effective July 1, 2005, the Operator is entitled to certain payments from each casino, calculated with reference to the following items, which are included in Article 7 of the Amended and Restated Casino Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax (\$92.0 million total, \$0 outstanding), to be amortized straight-line over a seven year term, with interest calculated monthly at 12% per annum on the original capital investment outstanding;
- an Operator Fee in the amount equal to 55.5% of total casino revenue after deducting payment to fund a capital replacement reserve;
- an amount based on the Mandatory Deferral (\$24.5 million total, \$0 outstanding) to be repaid over a four year term, with interest calculated monthly at prime + 1% per annum; and,
- an amount based on funds advanced by the Operator to purchase approved capital expenditures, with interest calculated at prime + 2% per annum.

##### iii) Option to Terminate

Under the Amended and Restated Casino Operating Contract, either the Corporation or the Operator has the option to terminate the Contract. NSGC may terminate the Contract immediately on written notice with cause, or on six months written notice at its option. The Operator may terminate the Contract upon sixty days written notice with cause.

Upon termination the Operator must be repaid the unpaid balance of Payments to Operator, and unamortized balance of Operator's Additional Acquisition Costs.

If the Operator terminates the contract, or the Corporation terminates without cause, the Corporation must pay the Operator a compensation fee calculated as the greater of the net present value of 10% of the Operator fee or Operator's actual earnings before interest, taxes, depreciation and amortization (EBITDA) for the preceding twelve months.

No compensation fee is payable to the Operator if NSGC terminates the contract for cause.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

### b) Cash in Casino Accounts

Under the Amended and Restated Casino Operating Contract, total casino revenues are the Corporation's revenue and the casino bank accounts and Capital Reserve accounts (CRA) are owned by the Corporation. The Corporation included \$2.6 million in cash from the casino accounts on the balance sheet at March 31, 2010 (2009 - \$2.1 million).

### c) Casino Capital Replacement Reserve

A capital replacement reserve is intended to provide for replacement of casino capital assets. From April 1, 2008 to March 31, 2009, it was based on 5% of total revenues of the casinos. From April 1, 2009 to March 31, 2010, it was based on the greater of 5% of total revenues of the casinos or \$5.0 million. Cash has been segregated on the balance sheet in the amount of \$0.3 million (2009 - \$1.2 million) for this purpose.

## 4) CASINO CAPITAL REPLACEMENT RESERVE

(in thousands)	2010	2009
Cash balance, beginning of year	\$ 1,164	\$ 1,406
Funding	5,000	4,338
Interest	2	16
Proceeds from sale of capital assets	6	–
Proceeds from Natural Gas Conversion	–	25
Capital asset purchases	–	–
Reimbursements to MEG for entertainment	(289)	–
Reimbursements to MEG for capital asset purchases	(3,903)	(3,865)
Interest paid on balance owing to MEG for capital asset purchases	(842)	–
HST related to capital asset purchases and reimbursements	(801)	(756)
Capital assets purchased by MEG	–	–
Cash balance, end of year	337	1,164
Add: cumulative capital asset purchases	40,953	36,407
Less: accumulated amortization	(32,102)	(27,210)
Less: HST payable	(56)	–
Less: Capital assets purchased by MEG	(3,851)	(4,033)
Balance, end of year	\$ 5,281	\$ 6,328

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

### 5) ATLANTIC LOTTERY CORPORATION INC.

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

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland and Labrador, New Brunswick Lotteries and Gaming Corporation and Prince Edward Island Lotteries Commission own 25% of the Atlantic Lottery Corporation Inc.

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 0.5% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit, and a portion of bank term loans. These loans have various terms and interest rates from 3.76% to 5.13% maturing at various dates through August 2011. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

### 6) INTERPROVINCIAL LOTTERY CORPORATION

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

### 7) CAPITAL ASSETS

(in thousands)	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Automotive	\$ 856	\$ 415	\$ 441	\$ 492
Computer equipment	19,761	6,895	12,866	12,417
Furniture and equipment	255	190	65	97
Computer software	459	73	386	823
Retail equipment	4,130	2,983	1,147	1,252
Leaseholds	48	28	20	25
Halifax casino assets	87,453	37,381	50,072	54,335
Sydney casino assets	21,315	11,356	9,959	10,192
Casino furniture and equipment	40,953	32,101	8,852	9,193
On-line gaming terminals	10,918	10,871	47	821
Video lottery terminals	62,752	55,706	7,046	9,316
	\$ 248,900	\$ 157,999	\$ 90,901	\$ 98,963

During the year, casino inventory of \$2.0 million was written off for items no longer in use at the casino, and charged to operating expenses.

In 2010, the Corporation acquired capital assets of \$2.9 million (2009 - \$16.6 million) financed through Atlantic Gaming Equipment Limited.

### 8) DUE TO OPERATORS

(in thousands)	2010	2009
Due to Atlantic Lottery Corporation Inc.	\$ 4,037	\$ 4,478
Due from lottery operations	(3,340)	(7,264)
Due to lottery operations	4,407	6,704
Due to MEG – purchase of capital assets	3,851	4,033
Due to MEG	1,277	1,049
	\$ 10,232	\$ 9,000

### 9) DUE TO ATLANTIC GAMING EQUIPMENT LIMITED

The liability represents a portion of the Atlantic Lottery Corporation Inc. (ALC) debt used in the acquisition of assets operated on behalf of NSGC. All amounts are payable by ALC and are due on or before April 2011. The debt is based on variable interest rates. The aggregate maturity of long-term debt for the year subsequent to March 31, 2010 is approximately as follows: 2011 - \$9,681; and 2012 - \$11,105. Included in interest expense is \$92 (2009 - \$548) relating to long-term debt, and \$592 (2009 - \$672) relating to line of credit.

### 10) RELATED PARTY TRANSACTIONS

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and the Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31

### 11) HARNESS RACING

The Corporation annually contributes to the Nova Scotia Harness Racing Industry, as directed by Government. In 2010, the approved contribution was \$1.0 million. The 2011 approved budget for this item is \$1.0 million.

### 12) SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in working capital:

(in thousands)	2010	2009
Inventory	\$ 169	\$ (176)
Prepays	(2,068)	(619)
Deferred charges	675	(672)
Accounts payable	423	(594)
Deferred lottery revenue	(258)	156
Due to operators	1,232	1,240
Due to Nova Scotia Gaming Foundation	(3)	(3)
Due to Province of Nova Scotia	(3,168)	1,970
	\$ (2,998)	\$ 1,302

### 13) SPECIAL PAYMENTS

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

(in thousands)	2010	2009
The Department of Tourism, Culture and Heritage (in support of the Cultural Federation of Nova Scotia)	\$ 50	\$ 50
The Department of Agriculture (in support of the Exhibition Association of Nova Scotia)	50	50
The Department of Health Promotion and Protection (in support of Sport Nova Scotia)	100	100
	\$ 200	\$ 200

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

Additionally, as part of its Gaming Strategy, the Government of Nova Scotia approved a contribution of \$3.0 million to Nova Scotia Health Promotion and Protection in 2010 (2009 - \$3.0 million) to fund problem gambling treatment.

### 14) CHARITABLE SECTOR SUPPORT

NSGC manages the delivery of a program called SuperStar bingo which is delivered by participating charities across the province. Charities are paid a commission. Profits, if any, are paid out to the participating charities; otherwise, NSGC absorbs the excess of costs over revenues. In 2010, the net profit was nil (2009 – loss of \$395).

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31**

### **15) OTHER COMMITMENTS**

The Corporation is required to make annual lease payments of approximately \$0.1 million over the next five years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately \$3.8 million over the next five years.

### **16) PENSIONS**

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

### **17) FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The fair value of the Corporation's cash and short-term investments, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to Atlantic Gaming Equipment Limited, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximates their carrying amounts due to their relatively short terms to maturity.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments.

### **18) COMPARATIVE FIGURES**

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

**SCHEDULE I: CASINO NOVA SCOTIA, OPERATING RESULTS**  
**FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)**

	2010	2009
<b>REVENUE</b>		
Casino revenue	\$ 78,466	\$ 80,641
Beverage, food and other revenue	8,182	8,738
	<b>86,648</b>	<b>89,379</b>
<b>EXPENSES</b>		
Amortization	2,478	2,478
Capital Replacement Reserve (Note 3)	4,995	4,343
Operating Expenses (Note 7)	2,232	101
Harmonized Sales Tax	2,342	2,815
Interest	–	58
Operator fee (Note 3)	45,114	48,585
Win tax	15,693	16,128
	<b>72,854</b>	<b>74,508</b>
<b>Net income</b>	<b>13,794</b>	<b>14,871</b>
<b>Win tax</b>	<b>15,693</b>	<b>16,128</b>
<b>Payment to Province</b>	<b>\$ 29,487</b>	<b>\$ 30,999</b>

**SCHEDULE II: TICKET LOTTERY AND VIDEO LOTTERY, OPERATING RESULTS**  
**FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)**

	Ticket Lottery	Video Lottery	Total 2010	Total 2009
<b>REVENUE</b>				
Ticket lottery sales	\$ 199,574	\$ –	\$ 199,574	\$ 203,562
Prize expense	114,475	–	114,475	114,233
Net ticket lottery sales	85,099	–	85,099	89,329
Net video lottery sales	–	145,078	145,078	147,037
<b>Total net sales</b>	<b>85,099</b>	<b>145,078</b>	<b>230,177</b>	<b>236,366</b>
Retailer commissions	12,764	28,279	41,043	43,271
Ticket costs	3,896	2,057	5,953	6,224
	16,660	30,336	46,996	49,495
<b>Gross profit</b>	<b>68,439</b>	<b>114,742</b>	<b>183,181</b>	<b>186,871</b>
<b>EXPENSES</b>				
<b>Operating expenses</b>				
Marketing and communications	6,920	316	7,236	7,738
Development and recruitment	428	224	652	655
Equipment and maintenance	1,071	386	1,457	1,508
General and professional services	1,889	1,967	3,856	2,208
Lease and amortization	5,952	3,728	9,680	9,123
Movement and storage	439	55	494	596
Occupancy cost	974	469	1,443	1,482
Other expenses	159	54	213	280
Research and development	392	133	525	727
Salaries and benefits	9,283	4,943	14,226	14,355
Supplies	195	112	307	393
Telecommunication	1,739	470	2,209	2,794
Travel and vehicle	506	412	918	875
<b>Total operating expenses</b>	<b>29,947</b>	<b>13,269</b>	<b>43,216</b>	<b>42,734</b>
Operating profit	38,492	101,473	139,965	144,137
Interest expense	(155)	(529)	(684)	(785)
Other income	(32)	3,367	3,335	3,864
Profit before other distributions	38,305	104,311	142,616	147,216
HST expense	4,145	4,330	8,475	8,112
Federal contribution	1,218	500	1,718	1,653
Charity non-profit	58	–	58	74
Retailer bonus	33	–	33	36
<b>Net income</b>	<b>\$ 32,851</b>	<b>\$ 99,481</b>	<b>\$ 132,332</b>	<b>\$ 137,341</b>







**Nova Scotia Gaming Corporation**  
Suite 800, 5151 George Street  
Box 1501, Halifax  
Nova Scotia B3J 2Y3

[www.nsgc.ca](http://www.nsgc.ca)

