



NOVA SCOTIA
GAMING CORPORATION
responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended June 30, 2011

FINANCIAL HIGHLIGHTS

For the first quarter ended
June 30, 2011 (unaudited)

In the first quarter of 2011-12, the total Payment to Province was \$35.3 million, \$1.7 million lower than the same quarter in the previous year due to decreased performance in the Ticket Lottery business line.

The Video Lottery business line accounted for \$22.8 million of the Payment to Province, \$0.1 million higher than the previous year. This increase was due to lower operating expenses, primarily lease and depreciation as a result of a change in the useful life of some assets in 2010-11.

The Ticket Lottery business line accounted for \$9.1 million of the Payment to Province, \$1.7 million lower than the previous year. This decrease was a result of lower Lotto Max revenue in 2011-12 than the previous year due to fewer \$50 million plus Maxmillion jackpot rolls compared to the prior year.

Payment to Province from the Halifax casino was \$5.7 million, \$0.6 million lower than the previous year due to higher operator expenses and a slight decline in slot revenue compared to the previous year. Payment to Province from the Sydney casino was \$2.1 million, the same as the previous year.

Win Tax of \$3.8 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was unchanged from the same quarter of the previous year.

Contributions and expenditures of \$1.8 million were incurred in the first quarter in support of responsible gambling and prevention programming initiatives, and research and treatment of problem gambling. This was \$0.1 million higher than the previous year. The allocation of the \$1.8 million is as follows:

	Quarter ended June 30, 2011	Quarter ended June 30, 2010
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 86,550 <u>86,550</u> 173,100	\$ 88,350 <u>88,350</u> 176,700
Responsible Gambling/Prevention Programming Programs	441,100	294,400
Contribution to Department of Health and Wellness	<u>1,200,000</u>	<u>1,200,000</u>
Total Contributions	\$ <u>1,814,200</u>	\$ <u>1,671,100</u>

OPERATIONAL HIGHLIGHTS

For the first quarter ended
June 30, 2011 (unaudited)

The Halifax casino continued to offer popular entertainment throughout the first quarter. The lineup included Crash Test Dummies, Burton Cummings and two shows from Boyz II Men. The casino was also a featured venue for both the Halifax Comedy Fest and Atlantic Fashion Week, and played host to an event with cast members from Coronation Street.

The Halifax casino put its full complement of entertainment options on display as part of its “Casino Carnivale” celebration. This month-long event culminated in a weekend extravaganza that included performances by The Stanfields and Danny Fernandes and featured fireworks displays, on-floor acrobats, circus performers and free food samplings.

Casino Nova Scotia kicked off the quarter with its “Flippin’ Mondays” promotion where every Monday, lunch customers at the All Star Grille in Sydney and the Paradise Buffet in Halifax had a chance to win their meal for free.

On April 30, 2011, NSGC, together with Casino Nova Scotia Sydney, supported “Viva Las Vegas,” a Monte Carlo fundraiser in support of the Cape Breton Regional Hospital Foundation. The event was attended by 450 supporters at Centre 200 in Sydney and helped raise more than \$38,000 for the Foundation’s “Kids Care” Program.

Also in the first quarter, “\$100 Million Jumbo”, a national Scratch’N Win ticket offering a total of \$100 million in prizes, including 14 top prizes of \$1,000,000, was launched.

The continued success of the *Support4Sport* program enabled NSGC to deliver a \$0.8 million payment to Sport Nova Scotia in the first quarter.

Over the past quarter, work started on the implementation of a light enrolment option on the My-Play System. This initiative, outlined in the 2011 Responsible Gaming Strategy, will allow players to obtain a My-Play card without using personal information to create a unique, anonymous account number. The light enrolment option will work to address privacy concerns and encourage widespread use of both the system and its tools.

One new video lottery game was launched in the first quarter of 2011-12. Phoenix Fortune was introduced on all Win Wave terminals across the province in April 2011. As part of the video lottery program, games are launched quarterly to provide players with a fresh playing experience.

In the first quarter, NSGC began the next phase of its responsible gambling training program for ticket lottery retailers. As of June 30, 2011, 297 ticket lottery retailers completed the three-part module that educates retailers and their staff about responsible gambling and how to support players in making informed decisions when playing ticket lottery. This is a refresher to the 2010 program and reinforces key learnings.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30 (unaudited)
(in thousands)

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 22,059	\$ 8,188
Cash – restricted	6,162	4,845
Trade and other receivables	2,909	1,803
Prepaid expenses	3,793	4,289
Inventories	<u>1,758</u>	<u>1,295</u>
	<u>36,681</u>	<u>20,420</u>
Non-current assets		
Property, plant and equipment	82,085	91,970
Cash – casino capital replacement reserve	700	307
Investment in Interprovincial Lottery Corporation	<u>1</u>	<u>1</u>
	<u>82,786</u>	<u>92,278</u>
	<u>\$119,467</u>	<u>\$112,698</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 461	\$ 256
Trade and other payables	14,535	13,277
Deferred revenue and recovery	13,103	1,639
Liabilities for unclaimed prizes	6,162	4,845
Due to Atlantic Gaming Equipment Limited	3,112	7,803
Other liabilities	889	653
Due to Province of Nova Scotia	<u>63,997</u>	<u>66,706</u>
	<u>102,259</u>	<u>95,179</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	14,476	13,929
Investment in Atlantic Lottery Corporation Inc.	<u>10,610</u>	<u>11,828</u>
	<u>127,345</u>	<u>120,936</u>

EQUITY

Casino capital replacement reserve	6,279	6,523
IFRS transition adjustment	<u>(14,157)</u>	<u>(14,761)</u>
	<u>\$119,467</u>	<u>\$112,698</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first quarter ended June 30 (unaudited)
(in thousands)

	2011							2010						
	LOTTERIES		CASINOS		RG	OTHER	TOTAL	LOTTERIES		CASINOS		RG	OTHER	TOTAL
	Ticket Lottery	Video Lottery	HFX	SYD			1 st Quarter and Year to date	Ticket Lottery	Video Lottery	HFX	SYD			1 st Quarter and Year to date
Revenues	\$50,701	\$35,113	\$15,338	\$5,415	\$ -	\$ -	\$106,567	\$54,976	\$35,777	\$15,613	\$5,326	\$ -	\$ -	\$111,692
Expenses	<u>41,602</u>	<u>12,272</u>	<u>12,415</u>	<u>4,382</u>	<u>441</u>	<u>559</u>	<u>71,671</u>	<u>44,163</u>	<u>13,064</u>	<u>12,129</u>	<u>4,287</u>	<u>294</u>	<u>701</u>	<u>74,638</u>
Net Income before Contributions	9,099	22,841	2,923	1,033	(441)	(559)	34,896	10,813	22,713	3,484	1,039	(294)	(701)	37,054
Contributions to Community Programs	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,373</u>	<u>1,978</u>	<u>3,351</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,377</u>	<u>2,511</u>	<u>3,888</u>
Net Income	9,099	22,841	2,923	1,033	(1,814)	(2,537)	31,545	10,813	22,713	3,484	1,039	(1,671)	(3,212)	33,166
Win Tax	<u>—</u>	<u>—</u>	<u>2,746</u>	<u>1,024</u>	<u>—</u>	<u>—</u>	<u>3,770</u>	<u>—</u>	<u>—</u>	<u>2,817</u>	<u>1,006</u>	<u>—</u>	<u>—</u>	<u>3,823</u>
Payment to Province	<u>\$9,099</u>	<u>\$22,841</u>	<u>\$ 5,669</u>	<u>\$2,057</u>	<u>\$(1,814)</u>	<u>\$(2,537)</u>	<u>\$ 35,315</u>	<u>\$10,813</u>	<u>\$22,713</u>	<u>\$ 6,301</u>	<u>\$2,045</u>	<u>\$(1,671)</u>	<u>\$(3,212)</u>	<u>\$ 36,989</u>

Consolidated Statement of Retained Earnings

For the first quarter ended June 30 (unaudited)
(in thousands)

	2011	2010
	1 st QUARTER & YEAR TO DATE	1 st QUARTER & YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -
Net income	31,545	33,166
Net income paid to Province	<u>(31,545)</u>	<u>(33,166)</u>
Retained earnings, end of period	\$ <u>—</u>	\$ <u>—</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first quarter ended
June 30 (unaudited)
(in thousands)

	<u>2011</u>	<u>2010</u>
Operating		
Net income	\$ 31,545	\$ 33,166
Allocation of income to Province	(31,545)	(33,166)
Amortization	1,821	3,557
Decrease in IFRS adjustment	300	483
Net changes in working capital	<u>2,682</u>	<u>(2,307)</u>
	<u>4,803</u>	<u>1,733</u>
Financing		
Increase (decrease) in obligation to Atlantic Gaming Equipment Limited	<u>2,348</u>	<u>946</u>
Investing		
Purchases of capital assets	(4,464)	(2,863)
Change in investment of Atlantic Lottery Corporation Inc.	(3,977)	(4,923)
Increase in Casino Capital Replacement Reserve, net of cash	<u>669</u>	<u>1,272</u>
	<u>(7,772)</u>	<u>(6,514)</u>
Net increase in cash & cash equivalents	(621)	(3,835)
Cash & cash equivalents, beginning of quarter	<u>22,680</u>	<u>12,023</u>
Cash & cash equivalents, end of quarter	\$ <u>22,059</u>	\$ <u>8,188</u>

CERTIFICATION

For the first quarter ended
June 30, 2011 (unaudited)

We have evaluated the effectiveness of Nova Scotia Gaming Corporation's disclosure controls and procedures as of the end of the period covered by the Quarterly 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 Acting 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 financial statements.

NSGC's evaluation did not include disclosure controls and procedures and internal controls over financial reporting performed by the Atlantic Lottery Corporation (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 Lottery and Ticket Lottery businesses and the revenue, expenses, assets and liabilities associated with those businesses are included in the financial statements.

During the period beginning on April 1, 2011, and ended on June 30, 2011, 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



Stephen S. MacDonald, CA
Acting President & CEO



Robert MacKinnon, CA
Vice-President, Finance