



**NOVA SCOTIA**  
GAMING CORPORATION

*responsible • progressive • accountable*

## **QUARTERLY REPORT**

For the quarter ended March 31, 2011

# FINANCIAL HIGHLIGHTS

For the fourth quarter ended  
March 31, 2011 (unaudited)

In the fourth quarter, the total Payment to Province was \$27.8 million, \$0.7 million lower than the same quarter in the previous year.

The Video Lottery business line accounted for \$20.5 million of the Payment to Province, \$3.8 million lower than the previous year. This is due to decreased play activity across Nova Scotia, which resulted in lower revenue, and additional expenses related to obsolete equipment write-offs and business technology services.

The Ticket Lottery business line accounted for \$6.0 million of the Payment to Province, \$2.0 million higher than the previous year. This increase is due to natural jackpot rolls in *Lotto Max* in the fourth quarter of 2010-11, which reached a jackpot level of \$50 million plus additional \$1 million MaxMillion prizes four times in the quarter.

Payment to Province from the Halifax casino was \$3.5 million, \$1.0 million higher than the previous year. This was primarily as a result of assets written off in 2009-10, which did not recur in 2010-11. Payment to Province from the Sydney casino was \$1.6 million, \$0.2 million lower than the previous year, due to a decline in sales.

Win Tax of \$3.4 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

Contributions and expenditures of \$1.7 million were incurred in the fourth quarter in support of responsible gambling, prevention programming initiatives, and research and treatment of problem gambling, \$0.3 million lower than the previous year. This was due to the completion of various projects related to responsible gambling in the prior year that did not recur in 2010-11. The allocation of the \$1.7 million is as follows:

	Quarter ended March 31, 2011	Quarter ended March 31, 2010
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 63,350 <u>63,350</u> 126,700	\$ 67,500 <u>67,500</u> 135,000
Responsible Gambling/Prevention Programming Programs	547,000	889,000
Contribution to Department of Health and Wellness	<u>1,022,300</u>	<u>1,003,000</u>
<b>Total Contributions</b>	<b>\$ <u>1,696,000</u></b>	<b>\$ <u>2,027,000</u></b>

## OPERATIONAL HIGHLIGHTS

For the fourth quarter ended  
March 31, 2011 (unaudited)

Casino Nova Scotia continued to offer a varied entertainment program at the Halifax casino. Musical acts included Matt Minglewood, Evans and Dougherty, The Irish Rovers and others. Comedy was featured with a sold out show from Bob Saget. The Halifax casino also offered a number of diverse cultural performances including the African Nova Scotia Music Awards and Echoes of Ireland.

The continued success of the *Support4Sport* program enabled NSGC to deliver a \$0.4 million payment to Sport Nova Scotia in the fourth quarter.

The national jackpot game, Lotto Max offered players a jackpot of \$50 million plus additional \$1 million prizes, called MaxMillions, four times during the fourth quarter. A new version of "Millionaire Life" offering players a chance to win \$1,000,000 a year for 25 years was also launched this quarter.

In March, NSGC completed its Responsible Gambling Training for Video Lottery Retailers program. All 345 video lottery retailers completed the three-part module that educates video lottery retailers and their staff about responsible gambling and how to support players in making informed decisions when playing video lottery. On average, scores in the training program improved from 74% on the pre-training quiz to 92% on the post-training quiz and 86% of participants agreed that the training material was valuable and relevant.

In the fourth quarter, NSGC continued to support Monte Carlo fundraisers through its Community Casino Nights initiative. Events were supported in Antigonish (Festival Antigonish), Bridgewater (Bridgewater Red Cross), Lower Sackville (Sackville Heights Community Centre and other charities), New Glasgow (Pictou County Special Olympics and Northern Region Respite Services) and Truro (Truro Red Cross). In 2010-11, NSGC helped to raise more than \$88,000 for these important community causes.

Annual Community Fundraising Seminars (in Dartmouth and Sydney) were hosted by NSGC in March and included sessions focused on bingo, with presentations on customer service and game design and a regulations refresher by the Alcohol and Gaming Division of Service Nova Scotia and Municipal Relations.

During the Canada Games, NSGC ran 50/50 draws in four of the venues to raise additional funds for the *Support4Sport* Canada Games Legacy Fund. More than \$24,000 was raised, with the help of 120 volunteers who donated more than 2,000 hours of their time to help run the draws.

On March 25, 2011, Government announced a new Responsible Gaming Strategy with several areas of importance for NSGC, including the natural attrition of video lottery terminals, the mandatory use of the world-first My-Play System for video lottery players, and the migration of the Corporation to a division within the Department of Communities Culture and Heritage. The plan is a thoughtful and measured approach, and underscores Nova Scotia's commitment to promoting a sustainable, socially responsible and accountable approach to gambling.

## BALANCE SHEET

As at March 31 (unaudited)  
(in thousands)

### ASSETS

	<u>2011</u>	<u>2010</u>
<b>Current</b>		
Cash and Short-term Investments	\$ 16,301	\$ 8,556
Cash – restricted	5,214	4,496
Inventory, at cost	1,974	1,497
Prepays	<u>787</u>	<u>3,304</u>
	<u>24,276</u>	<u>17,853</u>
<b>Long-term</b>		
Cash – Casino Capital Replacement Reserve	179	337
Deferred charges	39	18
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>80,746</u>	<u>90,901</u>
	<u>80,966</u>	<u>91,258</u>
	<u>\$105,242</u>	<u>\$109,111</u>

### LIABILITIES

<b>Current</b>		
Accounts payable and other liabilities	\$ 2,514	\$ 2,639
Deferred revenue	12,493	396
Liabilities for unclaimed prizes	5,214	4,496
Due to operators	7,540	10,232
Due to Atlantic Gaming Equipment Limited – current portion	7,618	9,681
Due to Gambling Awareness Nova Scotia	46	49
Due to Province of Nova Scotia	<u>57,106</u>	<u>65,232</u>
	<u>92,531</u>	<u>92,725</u>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited	<u>7,622</u>	<u>11,105</u>
	<u>100,153</u>	<u>107,159</u>

### EQUITY

Casino Capital Replacement Reserve	<u>5,089</u>	<u>6,328</u>
	<u>\$105,242</u>	<u>\$113,487</u>

## Statement of Income and Payment to Province

For the fourth quarter ended March 31 (unaudited)  
(in thousands)

	2011								2010							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			4 <sup>th</sup> Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			4 <sup>th</sup> Qtr	Year to date
Revenues	\$53,086	\$33,748	\$13,875	\$4,900	\$ -	\$ 113	\$105,722	\$439,516	\$50,314	\$34,730	\$15,128	\$5,062	\$ -	\$ 25	\$105,259	\$431,325
Expenses	<u>47,091</u>	<u>13,291</u>	<u>12,875</u>	<u>4,226</u>	<u>547</u>	<u>880</u>	<u>78,910</u>	<u>303,007</u>	<u>46,303</u>	<u>10,458</u>	<u>15,359</u>	<u>4,211</u>	<u>889</u>	<u>830</u>	<u>78,050</u>	<u>291,408</u>
Net Income before Contributions	5,995	20,457	1,000	674	(547)	(767)	26,812	136,509	4,011	24,272	(231)	851	(889)	(805)	27,209	139,917
Contributions to Community Programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149</u>	<u>1,212</u>	<u>2,361</u>	<u>10,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,138</u>	<u>1,150</u>	<u>2,288</u>	<u>9,724</u>
Net Income	5,995	20,457	1,000	674	(1,696)	(1,979)	24,451	126,466	4,011	24,272	(231)	851	(2,027)	(1,955)	24,921	130,193
Win Tax	<u>-</u>	<u>-</u>	<u>2,481</u>	<u>915</u>	<u>-</u>	<u>-</u>	<u>3,396</u>	<u>15,108</u>	<u>-</u>	<u>-</u>	<u>2,700</u>	<u>942</u>	<u>-</u>	<u>-</u>	<u>3,642</u>	<u>15,693</u>
Payment to Province	<u>\$5,995</u>	<u>\$20,457</u>	<u>\$ 3,481</u>	<u>\$1,589</u>	<u>\$(1,696)</u>	<u>\$(1,979)</u>	<u>\$ 27,847</u>	<u>\$141,574</u>	<u>\$4,011</u>	<u>\$24,272</u>	<u>\$ 2,469</u>	<u>\$1,793</u>	<u>\$(2,027)</u>	<u>\$(1,955)</u>	<u>\$ 28,563</u>	<u>\$145,886</u>

## Statement of Retained Earnings

For the fourth quarter ended March 31 (unaudited)  
(in thousands)

	2011		2010	
	4 <sup>th</sup> QUARTER	YEAR TO DATE	4 <sup>th</sup> QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	24,451	126,466	24,921	130,193
Net income paid to Province	<u>(24,451)</u>	<u>(126,466)</u>	<u>(24,921)</u>	<u>(130,193)</u>
Retained earnings, end of period	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

**STATEMENT OF  
CASH FLOW**  
For the fourth quarter ended  
March 31 (unaudited)  
(in thousands)

	<u>2011</u>	<u>2010</u>
<b>Operating</b>		
Net income	\$ 24,451	\$ 24,921
Allocation of income to Province	(24,451)	(24,921)
Amortization	6,818	6,968
Loss on disposal of capital assets	1,570	4,876
Net changes in working capital	<u>(326)</u>	<u>67</u>
	<u>8,062</u>	<u>11,911</u>
<b>Financing</b>		
Decrease in obligation to Atlantic Gaming Equipment Limited	<u>(1,701)</u>	<u>(1,281)</u>
<b>Investing</b>		
Purchases of capital assets	(1,741)	(6,004)
Decrease in Casino Capital Replacement Reserve, net of cash	<u>(3,947)</u>	<u>(4,375)</u>
	<u>(5,688)</u>	<u>(10,379)</u>
Net increase in cash & cash equivalents	673	251
Cash, beginning of quarter	<u>15,628</u>	<u>8,305</u>
Cash, end of quarter	\$ <u>16,301</u>	\$ <u>8,556</u>

## **CERTIFICATION**

For the fourth quarter ended  
March 31, 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 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 January 1, 2011 and ended on March 31, 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



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Stephen MacDonald  
A/ President & CEO



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Robert MacKinnon, CA  
Vice-President, Finance