

**NOVA SCOTIA**  
**GAMING CORPORATION**

## Table of Contents

A Message from the Acting President & CEO . . . . .	1
The Gaming Industry . . . . .	3
2011 Responsible Gaming Strategy . . . . .	4
Delivering Economic Results . . . . .	5
Entertaining Nova Scotians. . . . .	6
Leading in Responsible Gambling . . . . .	8
Supporting Our Communities . . . . .	10
Summary of Results. . . . .	14
Corporate Profile. . . . .	15
Financial Statements. . . . .	16



## A Message from the Acting President & CEO

Reflecting on the past year at the Nova Scotia Gaming Corporation (NSGC), three words come to mind: responsible, progressive and accountable. These are more than words; they are the principles that have guided us over the past 16 years in managing the gaming industry on behalf of all Nova Scotians.

While this report is an overview of our activities in 2010-11, it is also evidence of a fast-paced, ever-changing global industry in which Nova Scotia has maintained its world-class reputation. We are leaders in responsible gambling and continue to lead the country with the highest per capita investment in this area.

NSGC is committed to helping create healthy and vibrant communities where people want to stay, work, live, and raise their families. 100% of gaming profits go back to the province, where it is used to help provide important programs and services such as health care, education and community services for Nova Scotians. NSGC is committed to making a positive contribution to our economy and in 2010-11, the total Payment to Province was \$141.6 million.

Beyond the dollars, NSGC continued its important partnerships with not-for-profit organizations and

charities in 2010-11. Nova Scotians continued to embrace *Support4Sport*, our flagship program, and a significant contribution to the *Support4Sport* Canada Games Legacy Fund resulted in NSGC becoming a platinum sponsor of the Canada Games hosted in Halifax in February 2011. The Fund will make grants available to community sport organizations to purchase sports equipment for years to come.

In February 2011, we welcomed a new Minister. The Honourable David Wilson is now the Minister responsible for Part I of the *Gaming Control Act* and one of his first responsibilities was to usher in the 2011 Responsible Gaming Strategy.

The Strategy was announced at the end of March and demonstrates a thoughtful and measured approach to managing gaming in Nova Scotia. Highlights of the Strategy are provided in this report and include a change in the governance structure of the industry. The management function of the industry, currently the responsibility of NSGC, will be migrated to a division within the Department of Communities, Culture and Heritage. With this change, Government will achieve efficiencies through streamlining some of the operations without affecting the high level of attention and expertise that is currently given to gaming.

I would like to acknowledge the hard work and dedication of the staff at NSGC who are integral to the ongoing management of regulated gaming in Nova Scotia. Their commitment to ensuring this industry is entertaining, sustainable and safe is unwavering and admirable. I would also like to recognize the members of our Board of Directors who provide their guidance on our strategic direction so we can focus on achieving our goals and objectives.

Finally, I would like to recognize Marie Mullally who left NSGC after ten years as President & CEO. Marie was instrumental in building Nova Scotia's reputation as a world-leader in responsible gambling and we wish her well in her new endeavours.

I am pleased to present the 2010-11 Annual Report which demonstrates that NSGC, along with its operators, Atlantic Lottery and Casino Nova Scotia, continue to deliver on our most important mandate: providing important and sustainable revenue to Government while maintaining a steadfast commitment to social responsibility.

Yours very truly,



Stephen S. MacDonald, CA  
Acting President & CEO

In 2010-11,  
**\$25.9 million**  
**in wages**  
**and benefits**  
was earned by  
approximately 650  
employees who are  
directly employed in  
the gaming sector.

Payment to Province  
**\$141.6 million**

"I am proud of the well-run, accountable and entertaining gaming industry in Nova Scotia. Our success is the result of a strong commitment to good governance and ensuring that economic goals are balanced with social responsibility — something we take very seriously. On behalf of the Board of Directors, I invite you to read the following report which shows our leadership in responsible gambling and highlights the benefits of our gaming industry."

Gordon Gillis, Chair, NSGC Board

## The Gaming Industry

In Nova Scotia, the people are ultimately the shareholders of the gaming industry. The provincial government sets the overall direction for regulated gaming and the Nova Scotia Gaming Corporation (NSGC) carries out the management function, which includes overseeing the operators who manage the day-to-day business of gaming.

The Alcohol and Gaming Division (AGD) of Service Nova Scotia and Municipal Relations regulates and

monitors the industry. The AGD is a separate entity, independent from NSGC and the industry operators, and ensures that all gaming regulations are followed.

Atlantic Lottery Corporation and Great Canadian Gaming Corporation run the day-to-day operations of the various business lines. Atlantic Lottery operates ticket and video lottery and Great Canadian Gaming Corporation operates the two casinos in Nova Scotia; one in Halifax and one in Sydney.



## 2011 Responsible

# Gaming Strategy

On March 25, 2011, the Government of Nova Scotia released its Responsible Gaming Strategy which is the blueprint for gaming in the province and where several initiatives related to current gaming operations were introduced.

Specifically, a continued moratorium on the number of video lottery terminals (VLTs) in Nova Scotia, a gradual removal of terminals from the market through natural attrition as well as a decision to proceed with a mandatory enrolment model for the My-Play System effective April 1, 2012, were announced.

Several research initiatives related to video lottery were mentioned such as research aimed at harm reduction and mitigation measures associated with VLTs, further slowing the speed of play on VLTs, altering the maximum bet, and including warning labels on the VLTs. Changes to VLT sites to reduce the potential for excessive play were also mentioned.

Government will initiate a dialogue with First Nations to address their concerns over VLT revenues, impacts of the My-Play System and a more balanced public discourse about gambling in the province. First Nations Gaming Agreements will also be renegotiated as they are due to expire.

Government announced it will refrain from establishing or participating in the expansion into online casino-style games like poker and will consider existing and emerging research to better understand the online trend. They will also work with charitable bingo operators to assess regulatory issues, new technologies and business models as a means to enhance this sector's long-term viability. Ongoing reviews of the gaming industry's Advertising Standards by independent responsible gambling experts will occur to ensure they are up-to-date and follow best practices.

The management responsibility for the gaming industry will be migrated from the Nova Scotia Gaming Corporation to a division within the Department of Communities, Culture and Heritage.

Municipal, provincial and federal  
tax payments amounted to  
**\$25.4 million** in 2010-11.

1,097 ticket lottery retailers and  
345 video lottery retailers earned  
**\$39.8 million**  
in commissions.

## Delivering Economic Results

Each year, 100% of gaming profits are delivered back to the province and, in 2010-11, this totaled \$141.6 million. These funds are used for important programs and services throughout Nova Scotia. To provide some context, this is the equivalent of building 11 new elementary schools, twinning 46 kms of 100-series highway or paving 459 kms of secondary highway. The payment to province is not all the gaming industry delivers. Contributions extend beyond the bottom line, reaching into communities with positive net benefits to the economy through jobs, funding, volunteerism, and sponsorships.

The gaming industry creates and supports good jobs, and pays lottery commissions to businesses and taxes to all levels of government. In 2010-11, \$25.9 million in wages and benefits was earned by approximately 650 employees who are directly

employed in the gaming sector. Additionally, 1,097 ticket lottery retailers and 345 video lottery retailers earned \$39.8 million in commissions. This is important revenue to small, medium and large businesses in urban and rural areas of the province. NSGC and its operators also pay taxes; municipal, provincial and federal tax payments amounted to \$25.4 million in 2010-11.

The value of the industry isn't solely tied to its economic contribution; the industry is not sustainable unless it is balanced with a socially responsible and accountable approach to gaming. Nova Scotia is a leader in social responsibility and its commitment to responsible gambling means maintaining a strong commitment to reducing harm, minimizing risks and managing the industry in a manner that maximizes benefits to all of its citizens.



# Entertaining Nova Scotians

## Casino

2010-11 was a busy year for Casino Nova Scotia due to the continued success of the Halifax casino revitalization initiative which launched last year and focuses on five critical improvement areas: property, products, people, promotions, and players. Seventeen key tactics were undertaken with the goal of improving awareness, the guest experience and product quality.

Some of the specific property improvements include a gaming floor redesign in Halifax, along with a refresh of the pedway and new signage throughout the property. In addition, more than 130 slot machines were replaced on the casino floor to offer new games for players, some featuring popular themes such as *The Price is Right* and *Deal or No Deal*. More interactive play was introduced through slot tournaments along with a half craps table for the Halifax casino. A best-practices plan to manage the slot floor was also created during 2010-11 to guide decisions related to product selection and placement.

The brand refresh strategy that was launched in 2009-10 continued during 2010-11; the *Atlantic Canada's Biggest Deal* campaign was rolled out in the region to promote the Halifax casino as the premier entertainment destination. A number of player promotions also continued for Player's Club members during 2010-11 and a Hosted Player Program was introduced.

Live entertainment is key to creating a high-quality experience for customers. World-class entertainers performed at both casinos during 2010-11, with 57 acts putting on 73 shows. Performers such as Mickey Rooney, Bill Cosby, Kenny Loggins and Bret Michaels were just some of the acts that entertained Halifax and Sydney crowds. The highly popular New Year's Eve event in Halifax featuring The Trews drew almost 12,000 visitors in one night, an increase of 12% over the previous New Year's Eve event.

With increased casino competition in the Maritimes, it was anticipated that the Halifax casino would experience a moderate revenue decline; however, the casino effectively offset much of the competitive impact with its revitalization initiative.

## Ticket Lottery

Ticket lottery revenue in Nova Scotia increased in 2010-11 by 8.3% over the previous year. In its second year in the market, *Lotto Max* continued to be a national success. Jackpots for *Lotto Max* start at \$10 million and additional \$1 million prizes, called *Maxmillions*, are added when the jackpot reaches \$50 million. The *Lotto Max* jackpot hit \$50 million 16 times throughout 2010-11, resulting in the ability to offer an additional 379 \$1 million prizes nationally.

Scratch'N Win enhancements included improved graphics on new and popular themes, such as *Harley Davidson*, *World Series of Poker* and *Scrabble*, along with better prize payouts for players. A new \$20 Scratch'N Win ticket, *Mega Millions*, was launched and offered players the best odds of winning \$1 million in Atlantic Canada. Also launched was a new edition of *Set for Life* – offering players four top prizes of \$1,000 per week for 25 years.

The 2<sup>nd</sup> Chance Contest provided players with non-winning Scratch'N Win tickets a second chance to win prizes as well as an opportunity to be entered into a grand prize draw for \$250,000. The contest was tremendously successful with over 900,000 contest entries and approximately 35,000 adult Atlantic Canadians subscribed to receive regular updates from Atlantic Lottery.

A number of retail locations participated in a pilot study of a new ticket lottery terminal designed to improve the integrity and security of lottery transactions for both retailers and players. Features of the new terminal include: customer-facing screens,

user-friendly functionality for retail staff, movable scanners, a shopping basket feature, and a driver's licence age-verification scanner. The full rollout, which involves replacing over 1,000 terminals in Nova Scotia, is scheduled to begin in May 2011, with completion expected by late summer 2011.

## Video Lottery

As part of the video lottery program, new games are launched quarterly to provide players with a fresh playing experience. *Gone Fishin'* and *Cleopatra* were launched in the first quarter of 2010-11 and *Medusa*, *DaVinci's Diamonds* and *Frost & Fire Sevens* were launched throughout the remainder of the year.

A significant achievement in 2010-11 was the province-wide rollout of the My-Play System, a world-first responsible gambling tool for video lottery players. Technical teams worked their way across the province, integrating and activating the system on every VLT. The rollout of the system was the culmination of two years of planning and development and was a coordinated effort between NSGC, Atlantic Lottery and Techlink Entertainment. The project was completed in summer 2010.

A comprehensive player awareness and retailer education program accompanied the rollout of the My-Play System. At the time each video lottery site was activated, representatives were on site to train retailers and promote the system to players. This program included the creation and distribution of brochures, posters and retailer training for each video lottery retailer site as well as the launch of My-Play System information on the NSGC corporate website.

# Leading in Responsible Gambling

For the vast majority of Nova Scotians gambling is entertainment, but for those who experience problems, the effects can be devastating. We are committed to providing Nova Scotians with the information and tools they need so they can make informed decisions and ensuring help is available for those who need it.

In 2010-11, NSGC spent \$6.6 million on prevention, treatment and education, of which \$4.1 million was distributed to the Department of Health and Wellness and \$0.6 million to Gambling Awareness Nova Scotia. The remaining \$1.9 million was allocated to responsible gambling and youth prevention programs throughout the province that directly reached over 99,000 Nova Scotians. Here are some of the highlights.

## Responsible Gambling

### Retailer Responsible Gambling Training Program

The Retailer Responsible Gambling Training Program is designed to give retailers the tools they need to be effective and responsible retailers, and to provide customers with excellent service and accurate information.

#### RETAILER TRAINING RESULTS:



After taking the training, retailers improved their ability to dispel myths, deal with underage attempts to participate in gambling, meet all rules and regulations, be seen as a good community business

and responsible retailer, respond to problem gambling scenarios, and answer gambling-related questions from customers. By the end of 2010-11, 100% of ticket and video lottery retailers completed the annual responsible gambling training.

### Responsible Gambling Awareness Week



The ninth annual Responsible Gambling Awareness Week was held October 3-9, 2010, and began with a two-day Responsible Gambling conference which was attended by 240 delegates from around the world. Attendees learned from 20 guest speakers with expertise on responsible gambling and emerging technologies and trends in the industry.

88% of conference delegates believed the speakers were interesting and 85% felt more informed about responsible gambling as a result of attending the conference.

The primary goals of the Week are to increase public awareness about gambling responsibly and contribute to increasing industry knowledge about responsible gambling. Approximately 55,000 Nova Scotians were reached directly with responsible gambling messages and earned media impressions for the Week were approximately 630,000.

## My-Play System

As part of the 2011 Responsible Gaming Strategy, Government

announced enrolment in the My-Play System would be mandatory as of April 1, 2012. This means players will need to have a My-Play card in order to use any VLT in the province. Developed by a local company, My-Play is a world-first 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 can set time and spending limits as well as access their play history, providing powerful information they can use to make play decisions that are right for them. Early research indicates that the system may have benefits for a broad range of players.



## Prevention Programming

Prevention programming is important because it discourages gambling of any sort among youth, a demographic that is vulnerable to the risks associated with gambling. The following are some highlights of the youth prevention programming initiatives that took place in Nova Scotia during 2010-11:

## BetStopper

*BetStopper* is a great example of how Nova Scotia's prevention programming innovation works at home and across the country. NSGC developed this customized Internet content-blocking software for Nova Scotia families to prevent children from accessing more than 2,000 gambling websites. Through a competitive process in 2010-11, *BetStopper* also became the provincial gambling content-blocking software for British Columbia.

## R U UP?

*R U UP?* is a stage performance for high school students created by the Responsible Gambling Council to increase awareness of problem gambling and provide information about where to get help locally. The fifth in the series of dramas, *R U UP?* explores some of the consequences facing a young adult, and those around her, when her gambling gets out of control. The drama visited 13 high schools in Nova Scotia during 2010-11, directly reaching 3,135 students. Since its inception in 2004-05, this program has reached over 20,000 students in the province.

## YMCA Youth Gambling Awareness Program (YGAP)

The YMCA of Greater Halifax / Dartmouth delivers YGAP to youth aged 8 to 24 in schools and community organizations as well as to some teacher and parent groups. In 2010-11, more than 13,000 people participated in the program which addresses attitudes and behaviours of youth gambling and helps participants understand the risks involved in gambling. Program survey results found that 91% of participants were able to identify three harm reduction strategies related to gambling.

# Supporting our Communities

Bingo and 50/50 draws are part of the fabric of many community and sporting events and, for generations, Nova Scotians have supported worthy causes through charitable gaming activities. Each year, the gaming industry through NSGC, Atlantic Lottery and Casino Nova Scotia, gives generously to community and charitable events throughout Nova Scotia. In 2010-11, that support amounted to \$1.4 million.

Atlantic Lottery and Casino Nova Scotia provide leadership, infrastructure, financial, and volunteer support to assist a wide range of beloved community events throughout the province. NSGC also shares in this commitment and provides support to the community through three programs: *Support4Communities*, *Support4Health* and *Support4Sport*.

The *Support4Communities* program includes Community Casino Nights, Community Fundraising Seminars and SuperStar Bingo, which combined, raised \$308,000 for the charitable sector in 2010-11. Ten Community Casino Nights were held to assist 14 charitable organizations raise essential funding and public awareness. Overall, these nights generated \$88,000 in 2010-11, bringing the total funds raised since the Community Casino Nights began in 2006 to \$317,000.

In 2010-11, NSGC held two regional fundraising seminars, one in Halifax and one in Sydney, which drew 60 representatives from the not-for-profit sector. The seminars allowed a broad exchange of ideas among a large group of participants, providing the opportunity for not-for-profit and charitable organizations to learn from regulatory and fundraising experts and make connections with other charities.



**“These community fundraising seminars provide an opportunity for charitable gaming licensees to obtain clarity on the regulatory requirements in order to host a successful fundraiser.”**

Terry Kelly, Director of Licensing and Registration  
Alcohol and Gaming Division (AGD) of  
Service Nova Scotia and Municipal Relations

**“Thanks to NSGC’s support, we were able to hold concurrent, in-house Family and Relapse Prevention seminars. This is a really effective and dynamic program that allows both spouses/partners/significant others to travel together and participate in recovery workshops, which is making a huge difference in the lives of many Nova Scotians.”**

Perry Boyd, Chairman  
Crosbie House Society

SuperStar Bingo, which links participating community bingo halls across the province, continued in 2010-11 and raised \$220,400 for the 20 charitable organizations that participate. As part of the 2011 Responsible Gaming Strategy, Government announced a commitment to work with charitable bingo operators to assess regulatory issues and the viability of introducing new technologies and business models as a means to enhance this sector’s profitability and long-term viability.

Through its *Support4Health* program, NSGC provided ongoing support to the Marguerite Centre and Crosbie House Society, residential facilities for adults in recovery from addictions. NSGC also worked with Casino Nova Scotia to assist various health related organizations in 2010-11, such as the Nova Scotia Hearing and Speech Foundation, the Cape Breton Regional Hospital Foundation and the Health Services Foundation of the South Shore.

*Support4Sport* is NSGC’s flagship program and continues to make a significant and lasting impact on sport in Nova Scotia. The program, which is funded through the sale of dedicated ticket lottery products, raised \$3.6 million for amateur athletes, coaches, officials, and community sport organizations across the province in 2010-11 and contributed an additional \$400,000 to the *Support4Sport* Canada Games Legacy Fund. Prior to the introduction of *Support4Sport*, \$1.4 million was spent annually on registered sport participation in the province, which translated into \$1.45 per person. As a result of *Support4Sport*, funding has tripled to more than \$4.35 per person and the program is now the single largest source of annual funding for sport in Nova Scotia.

In 2010-11, a total of 396 allocations were made as a result of the *Support4Sport* program. During the year, *Support4Sport* provided training and development opportunities for 157 athletes, hired 13 full-time coaches, provided professional



development for 39 coaches and officials, and funded 93 community and provincial sporting organizations. Total *Support4Sport* funding since the program began is \$12.6 million.

In February 2011, Halifax hosted the Canada Winter Games and, in recognition of the importance of sport on the health and well-being of Nova Scotians, NSGC contributed a total of \$1.4 million to the Canada Games Legacy Fund through the

*Support4Sport* program. *Support4Sport* 50/50 lotteries were held at all major venues throughout the Games, raising awareness of the value and impact of the program as well as an additional \$24,000 for sport. The *Support4Sport* Canada Games Legacy Fund will ensure the pride and positive impact of the Games lives on in Nova Scotia through the distribution of grants for sport equipment to sport organizations and communities across the province.

In 2010-11, *Support4Sport* raised

> **\$3.6 million**

for amateur athletes, coaches, officials, and community sport organizations across the province.

NSGC contributed a total of

> **\$1.4 million**

to the Canada Games Legacy Fund through the *Support4Sport* program.

Total *Support4Sport* funding since the program began is

**\$12.6 million**

In 2010-11, a total of

> **396 allocations**

were made as a result of the *Support4Sport* program.

# Summary of Results

## Responsible

- Successfully sponsored or delivered more than a dozen responsible gambling and youth prevention programs including:
  - *Know the Score II* Education Program
  - *R U UP?* Prevention Program
  - 9th Annual Responsible Gambling Awareness Week
  - Interactive Community Education Display on Responsible Gambling
  - *GamTalk*
  - *BetStopper*
  - Youth Gambling Awareness Program, in partnership with YMCA
  - My-Play System
  - Mobile Access to Responsible Gambling Information (M.A.R.G.I.)
  - Ticket Lottery Retailer Responsible Gambling Training
  - Video Lottery Retailer Responsible Gambling Training
  - NSGC Responsible Gambling Training Program
  - Responsible Gambling Information Program
  - Responsible Gambling Resource Website
  - Responsible Gambling Resource Centres
- Completed 401 Social Responsibility Assessments, of which 384 were approved, 15 approved with modifications and two declined.

## Progressive

- Funded the development of the Responsible Gambling Impact Program, which is a compiled inventory of over 60 responsible gambling tools, features and / or programs to be used in the assessment of responsible gambling programs and new products.

- Completed the activation of the My-Play System, the world's first video lottery interactive player information program on every video lottery terminal in the province.

## Accountable

- Maintained shareholder / stakeholder support and communications:
  - Delivered quarterly and Annual Reports to shareholder
  - Provided updates on strategic / operational matters to the Minister responsible for Part I of the *Gaming Control Act*
  - Held quarterly meetings with operators
  - Conducted regular meetings / discussions with stakeholder groups
- Reported 206 incidents related to Section 24(1) of the *Gaming Control Act*, all of which were resolved through prescribed procedures.
- Continued strong community support, including the following:
  - Prevention, education and treatment \$6.6 million
  - Retailer Commissions \$39.8 million
  - Community Contributions by NSGC and operators \$1.4 million
  - Employment 650 directly employed
  - Community Programs:
    - > Harness Racing Industry \$1 million
    - > *Support4Sport* Program \$4 million
    - > Charitable Sector Support Program \$308,000
    - > 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*.

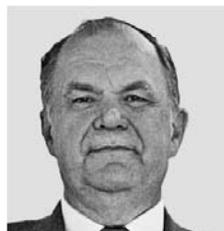
The Nova Scotia government, and ultimately the people of Nova Scotia, are the shareholders and owners of the gaming industry in the province. The industry is licensed and regulated by the Alcohol and Gaming Division of Service Nova Scotia and Municipal Relations.

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, Atlantic Lottery and Casino Nova Scotia, who carry out the day-to-day business of gaming.

100% of gaming profit goes directly back to the province to help pay for important programs and services that benefit all Nova Scotians. In 2010-11, \$141.6 million was delivered to the Government of Nova Scotia.

Certified by the World Lottery Association at its highest level of social responsibility, NSGC is recognized as a world leader with more than a dozen innovative programs that reach over 99,000 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**  
(term ended January 30, 2011)  
Barrister and Solicitor,  
C. F. Cox Law Office



**Director, Merlin Fownes**  
Corporate Director



**Director, Jeff Langley**  
Manager, Accounting &  
Financial Reporting,  
Heritage Gas Limited

## 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 Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

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

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

### Certification for the year ended March 31, 2011

We have evaluated the effectiveness of NSGC's disclosure controls and procedures as of the end of the year covered by the 2010-11 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 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 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, 2010, 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.



**Stephen S. MacDonald, CA**  
Acting President & CEO



**Robert MacKinnon, CA**  
Vice President, Finance



Nova Scotia

# 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-n.s.ca

## INDEPENDENT AUDITOR'S REPORT

To the members of the Board of the Nova Scotia Gaming Corporation

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Nova Scotia Gaming Corporation, which comprise the consolidated balance sheet as at March 31, 2011, and the consolidated statements of income and payment to Province, retained earnings and cash flows for the year 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 Canadian generally accepted accounting principles 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.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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 auditor considers internal control relevant to the Corporation'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 Corporation'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Nova Scotia Gaming Corporation and its subsidiary as at March 31, 2011, and their financial performance and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA  
Auditor General

June 17, 2011  
Halifax, Nova Scotia

## CONSOLIDATED BALANCE SHEET

AS AT MARCH 31 (IN THOUSANDS)

	2011	2010
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 3)	\$ 16,301	\$ 8,556
Cash – restricted (Note 2)	5,214	4,496
Inventory, at lower of cost or net realizable value	1,974	1,497
Prepays	787	3,304
	<b>24,276</b>	<b>17,853</b>
<b>Long-term</b>		
Cash - Casino Capital Replacement Reserve (Notes 3 and 4)	178	337
Deferred charges (Note 2)	39	18
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)	80,746	90,901
	<b>80,965</b>	<b>91,258</b>
	<b>\$ 105,241</b>	<b>\$ 109,111</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	\$ 2,514	\$ 2,639
Deferred revenue and recovery (Notes 2 and 16)	12,493	396
Liabilities for unclaimed prizes (Note 2)	5,214	4,496
Due to operators (Note 8)	7,540	10,232
Due to Atlantic Gaming Equipment Limited - current portion (Note 9)	7,618	9,681
Due to Gambling Awareness Nova Scotia (Note 2)	46	49
Due to Province of Nova Scotia	57,106	65,232
	<b>92,531</b>	<b>92,725</b>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited (Note 9)	7,622	11,105
<b>EQUITY</b>		
Casino Capital Replacement Reserve (Note 4)	5,088	5,281
	<b>\$ 105,241</b>	<b>\$ 109,111</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)

	2011	2010
<b>SALES</b>		
Casinos (Schedule I)	\$ 83,304	\$ 86,648
Ticket lottery (Schedule II)	216,119	199,574
Video lottery (Schedule II)	139,979	145,078
	<b>439,402</b>	<b>431,300</b>
Cost of Sales	293,120	281,757
	<b>146,282</b>	<b>149,543</b>
Amortization	(10,723)	(9,259)
Distributions to Community Programs (Notes 11, 13 and 14)	(5,325)	(4,990)
Interest expense	(743)	(684)
Responsible Gambling	(6,573)	(7,776)
Interest & other income	3,548	3,359
<b>Net income</b>	<b>126,466</b>	<b>130,193</b>
<b>Win tax</b>	<b>15,108</b>	<b>15,693</b>
<b>Payment to Province</b>	<b>\$ 141,574</b>	<b>\$ 145,886</b>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2011	2010
Retained earnings, beginning of year	\$ -	\$ -
Net income	126,466	130,193
Net income paid to Province	(126,466)	(130,193)
Retained earnings, end of year	\$ -	\$ -

See accompanying notes to the financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	2011	2010
<b>OPERATING</b>		
Net income	\$ 126,466	\$ 130,193
Allocation of income to Province	(126,466)	(130,193)
Amortization of capital assets	13,556	14,286
Loss on disposal of capital assets	1,570	4,875
Net changes in working capital (Note 12)	3,170	(2,998)
	<b>18,296</b>	<b>16,163</b>
<b>FINANCING</b>		
Decrease in due to Atlantic Gaming Equipment Limited	(5,546)	(3,568)
<b>INVESTING</b>		
Purchases of capital assets	(4,971)	(11,099)
Decrease in Casino Capital Replacement Reserve, net of cash	(34)	(220)
	<b>(5,005)</b>	<b>(11,319)</b>
<b>Net increase in cash</b>	<b>7,745</b>	<b>1,276</b>
<b>Cash, beginning of year</b>	<b>8,556</b>	<b>7,280</b>
<b>Cash, end of year</b>	<b>\$ 16,301</b>	<b>\$ 8,556</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*.

In March 2011, the Province announced that it will migrate the conduct-and-manage function for gambling from NSGC to a division within the Department of Communities, Culture and Heritage. As a result, it is anticipated that at some future date, NSGC will cease operations. It is anticipated that all assets and liabilities will be transferred to the Province at that time, at their net book value or fair value, in accordance with the Corporation's accounting policy for each balance.

### 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 (GAAP).

#### 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.

The recognition of lottery sales revenue for all draw games is at the date of the draw. Receipts for lottery tickets sold prior to March 31 for draws held subsequent to that date are recorded as deferred revenue.

The recognition of lottery sales revenue for all instant ticket games is at the time of activation, which determines the transfer of legal ownership to the retailer.

#### 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%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31

**e) Capital Assets (cont.)**

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.

**f) Gambling Awareness Nova Scotia 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 Gambling Awareness Nova Scotia (formerly 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 retailer commissions on deferred revenue for lottery tickets sold prior to March 31 for draws held subsequent to that date.

**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 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 funds as incurred.

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. Although Scratch 'N Win prizes do not expire for accounting purposes, thirty-six months was selected as historically there have been minimal validations after this period. Unclaimed prizes of national games are administered by the Interprovincial Lottery Corporation.

**j) Prize Expense**

Effective April 1, 2010, prize expense for online draw games is recorded based on the actual prize expense for each game. The prize expense for instant games is recorded based on the theoretical prize expense for each game.

In addition to cash prizes, free tickets are also awarded. The value ascribed to these prizes is equal to the sale price; sales are recorded excluding free ticket prizes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31

#### k) Commissions

Commissions paid to retailers are based on revenue earned. Commissions are recognized as the revenue is earned.

#### l) 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.

#### m) 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:

- i) Cash is classified as a current asset on the consolidated balance sheet and is designated as "Held for Trading". Due to its nature, the carrying value of cash approximates its fair value.
- ii) Accounts payable, liabilities for unclaimed prizes, due to operators, due to Gambling Awareness Nova Scotia, due to Province of Nova Scotia, and the current portion of the long-term debt payable to Atlantic Gaming Equipment Limited are classified as current liabilities on the consolidated balance sheet and have been designated as "Other Financial Liabilities". The long-term portion of the amount due to Atlantic Gaming Equipment Limited has been classified as a long-term liability on the consolidated balance sheet and has been designated as "Other Financial Liabilities". Initial measurement is at fair value with any transaction costs included in the fair value amount. Subsequently, these financial instruments are measured at amortized cost using the effective interest method. Any related interest is included in the determination of net income for the year. For the Corporation, the carrying value approximates the fair value.

#### n) Future Accounting Pronouncements

No recently released Canadian accounting standards have been issued that are not yet effective that would have a significant impact on the Corporation other than the following:

The Canadian Institute of Chartered Accountants (CICA) has announced that Canadian GAAP for publicly accountable enterprise companies will be replaced with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for fiscal years beginning on or after January 1, 2011. As of April 1, 2011, the Corporation will prepare its consolidated financial statements in accordance with IFRS with comparative figures for 2010.

The adoption date of April 1, 2011, will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended March 31, 2011, and restatement of the opening consolidated statement of financial position as at April 1, 2010. Any adjustments resulting from the adoption of IFRS will be recognized in the equity of 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.

##### 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 consolidated balance sheet at March 31, 2011 (2010 - \$2.6 million).

##### c) Casino Capital Replacement Reserve

A capital replacement reserve is intended to provide for replacement of casino capital assets. From April 1, 2010, to March 31, 2011, it was based on the greater of 5% of total revenues of the casinos or \$5.1 million. Cash has been segregated on the consolidated balance sheet in the amount of \$0.2 million (2010 - \$0.3 million) for this purpose.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31

#### 4) CASINO CAPITAL REPLACEMENT RESERVE

<i>(in thousands)</i>	<b>2011</b>	<b>2010</b>
Cash balance, beginning of year	\$ 337	\$ 1,164
Funding	5,057	5,000
Interest	3	2
Proceeds from sale of capital assets	-	6
Capital asset purchases	-	-
Reimbursements to MEG for entertainment	(282)	(289)
Reimbursements to MEG for capital asset purchases	(3,635)	(3,903)
Interest paid on balance owing to MEG for capital asset purchases	(140)	(842)
HST related to capital asset purchases and reimbursements	(1,162)	(801)
Capital assets purchased by MEG	-	-
Cash balance, end of year	178	337
Add: cumulative capital asset purchases	43,108	40,953
Less: accumulated amortization	(36,907)	(32,102)
Less: HST payable	(46)	(56)
Less: capital assets purchased by MEG	(1,245)	(3,851)
Balance, end of year	\$ 5,088	\$ 5,281

#### 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 consolidated 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 its interest in those assets and liabilities, including common capital assets, that are shared by all Atlantic Lottery Corporation shareholders, as the valuation and recognition of these has yet to be determined.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31

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 2.58% to 5.13% maturing at various dates through August 2016.

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, 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.

#### 7) CAPITAL ASSETS

<i>(in thousands)</i>	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Automotive	\$ 815	\$ 628	\$ 187	\$ 441
Computer equipment	15,520	6,428	9,092	12,866
Furniture and equipment	122	85	37	65
Computer software	668	152	516	386
Retail equipment	1,799	1,177	622	1,147
Leaseholds	597	286	311	20
Halifax casino assets	72,868	24,696	48,172	50,072
Sydney casino assets	13,328	3,640	9,688	9,959
Casino furniture and equipment	43,108	36,907	6,201	8,852
On-line gaming terminals	10,918	10,918	-	47
Video lottery terminals	52,089	46,169	5,920	7,046
	\$ 211,832	\$ 131,086	\$ 80,746	\$ 90,901

In 2011, the Corporation acquired capital assets of \$2.6 million (2010 - \$6.1 million) financed through Atlantic Gaming Equipment Limited.

#### 8) DUE TO OPERATORS

<i>(in thousands)</i>	2011	2010
Due to Atlantic Lottery Corporation Inc.	\$ 4,604	\$ 5,104
Due to MEG – purchase of capital assets	1,245	3,851
Due to MEG	1,691	1,277
	\$ 7,540	\$ 10,232

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31

#### 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 2013. The debt is based on variable interest rates ranging from 2.58% to 5.13%. The aggregate maturity of long-term debt for the year subsequent to March 31, 2011, is approximately as follows: 2012 - \$7,618; and 2013 - \$7,622. Included in interest expense is \$57 (2010 - \$92) relating to long-term debt, and \$686 (2010 - \$592) 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.

#### 11) HARNESS RACING

The Corporation annually contributes to the Nova Scotia Harness Racing Fund, pursuant to the Nova Scotia Harness Racing Fund Regulations. In 2011, the contribution was \$1.0 million. The 2012 approved budget for this item is \$1.0 million.

#### 12) SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in working capital:

<i>(in thousands)</i>	<b>2011</b>	<b>2010</b>
Inventory	\$ (477)	\$ 169
Prepays	2,517	(2,068)
Deferred charges	(21)	675
Accounts payable	(125)	423
Deferred revenue and recovery	12,097	(258)
Due to operators	(2,692)	1,232
Due to Gambling Awareness Nova Scotia	(3)	(3)
Due to Province of Nova Scotia	(8,126)	(3,168)
	<b>\$ 3,170</b>	<b>\$ (2,998)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31

#### 13) SPECIAL PAYMENTS

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

<i>(in thousands)</i>	<b>2011</b>	<b>2010</b>
The Department of Communities, Culture and Heritage (in support of the Cultural Federation of NS)	\$ 50	\$ 50
The Department of Agriculture (in support of the Exhibition Association of Nova Scotia)	50	50
The Department of Health and Wellness (in support of Sport Nova Scotia)	100	100
	<b>\$ 200</b>	<b>\$ 200</b>

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 2005 Gaming Strategy, the Government of Nova Scotia approved a contribution of \$3.1 million to Department of Health and Wellness (formerly Nova Scotia Health Promotion and Protection) in 2011 (2010 - \$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 2011, the net profit was nil (2010 – nil).

#### 15) OTHER COMMITMENTS

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately \$4.5 million over the next five years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s aggregate payment of long-term lease payable for each of the five years subsequent to March 31, 2011, is approximately \$31.6 million.

#### 16) DEFERRED REVENUE AND RECOVERY

The liability represents amounts related to lottery revenue that has not yet been recognized, and a Harmonized Sales Tax Input Tax Credit which at March 31, 2011, was not yet audited by the Canada Revenue Agency.

<i>(in thousands)</i>	<b>2011</b>	<b>2010</b>
Deferred lottery revenue	\$ 916	\$ 396
Deferred input tax credit recovery	11,577	-
	<b>\$ 12,493</b>	<b>\$ 396</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31

#### 17) 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.

The Corporation's pension plan expense was \$145 (2010 – \$165).

#### 18) FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. Market risk is the risk that changes in market prices will affect the fair value or future cash flows of a financial instrument. Market risk is comprised of currency risk, interest rate risk and other market price risk. It is management's opinion that the Corporation is not exposed to significant credit, liquidity or market risks arising from financial instruments.

#### 19) 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)

	2011	2010
<b>REVENUE</b>		
Casino revenue	\$ 75,540	\$ 78,466
Beverage, food and other revenue	7,764	8,182
	<b>83,304</b>	<b>86,648</b>
<b>EXPENSES</b>		
Lease and amortization	2,171	2,478
Capital Replacement Reserve (Note 3)	5,057	4,995
Operating expenses	-	2,232
Harmonized Sales Tax	5,129	2,342
Operator fee (Note 3)	44,223	45,114
Win tax	15,108	15,693
	<b>71,688</b>	<b>72,854</b>
<b>Net income</b>	<b>11,616</b>	<b>13,794</b>
<b>Win tax</b>	<b>15,108</b>	<b>15,693</b>
<b>Payment to Province</b>	<b>\$ 26,724</b>	<b>\$ 29,487</b>

## SCHEDULE II: TICKET LOTTERY AND VIDEO LOTTERY, OPERATING RESULTS

FOR THE YEAR ENDED MARCH 31 (IN THOUSANDS)

	Ticket Lottery	Video Lottery	Total 2011	Total 2010
<b>REVENUE</b>				
Ticket lottery sales	\$ 216,119	\$ -	\$ 216,119	\$ 199,574
Prize expense	121,133	-	121,133	114,475
Net ticket lottery sales	94,986	-	94,986	85,099
Net video lottery sales	-	139,979	139,979	145,078
<b>Total net sales</b>	<b>94,986</b>	<b>139,979</b>	<b>234,965</b>	<b>230,177</b>
Retailer commissions	14,035	25,792	39,827	41,043
Ticket costs	4,807	1,834	6,641	5,953
	18,842	27,626	46,468	46,996
<b>Gross profit</b>	<b>76,144</b>	<b>112,353</b>	<b>188,497</b>	<b>183,181</b>
<b>EXPENSES</b>				
<b>Operating expenses</b>				
Salaries and benefits	9,504	5,486	14,990	14,226
Training and development	336	128	464	367
Meetings and travel	464	250	714	788
Employee services	161	96	257	222
Costs of premises	940	602	1,542	1,411
Fleet expense	143	155	298	272
Consumable supplies	70	36	106	127
Terminal maintenance	122	160	282	261
Equipment and maintenance	1,245	1,033	2,278	1,418
Telecommunications	1,587	594	2,181	2,208
Outsourced services	6,140	2,629	8,769	4,778
Marketing and communications	5,842	1,328	7,170	7,234
Financial services	1,212	779	1,991	2,736
Lease and amortization	2,599	6,451	9,050	7,129
<b>Total operating expenses</b>	<b>30,365</b>	<b>19,727</b>	<b>50,092</b>	<b>43,177</b>
<b>Operating profit</b>	<b>45,779</b>	<b>92,626</b>	<b>138,405</b>	<b>140,004</b>
Interest expense	(310)	(433)	(743)	(684)
Other income	78	3,357	3,435	3,296
<b>Profit before other distributions</b>	<b>45,547</b>	<b>95,550</b>	<b>141,097</b>	<b>142,616</b>
Other distributions	5,530	5,836	11,366	10,284
<b>Net income</b>	<b>\$ 40,017</b>	<b>\$ 89,714</b>	<b>\$ 129,731</b>	<b>\$ 132,332</b>







Nova Scotia Gaming Corporation  
5151 George Street, Suite 800  
Box 1501  
Halifax, Nova Scotia  
B3J 2Y3  
[www.nsgc.ca](http://www.nsgc.ca)