



## **QUARTERLY REPORT**

For the quarter ended September 30, 2007

**FINANCIAL  
HIGHLIGHTS**  
For the Second Quarter ended  
September 30, 2007 (unaudited)

In the second quarter, the total Payment to Province was \$39.4 million, which is \$5.3 million lower than the prior year due to budgeted declines in Video Lottery (VL) and unfavourable results from Ticket Lottery (TL).

The VL business line accounted for \$23.4 million of the Payment to Province, which is \$1.8 million lower than the previous year. The reduction in Payment to Province is primarily due to the budgeted decline in revenue as a result of the complete Smoking Ban which came into effect December 1, 2006.

The TL business line accounted for \$9.6 million of the Payment to Province, which is \$3.2 million lower than the previous year. This decrease is primarily due to lower revenue from National Games such as Lotto 6/49 and Super 7 and higher than budgeted prize expenses.

Payment to Province from the Halifax Casino was \$6.8 million, which is \$0.3 million higher than the previous year. Payment to Province from the Sydney Casino was \$2.6 million, the same as the previous year. The improvement in results for the Halifax Casino is attributable to a reduction in expenses such as interest and HST due to the repayment of long term debt. The Halifax Casino is experiencing a decrease in revenue as a result of the complete Smoking Ban. Visitation to the Halifax Casino is up 1% over the previous year.

Win Tax of \$4.9 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

Contributions and expenditures of \$1.8 million were incurred in the Second Quarter, in support of responsible gambling and prevention programming initiatives as well as to assist in the research and treatment of problem gambling. The allocation of the \$1.8 million is as follows:

	Quarter ended September 30, 2007	Quarter ended September 30, 2006
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 84,325	\$ 94,455
<i>Nova Scotia Gaming Corp.</i>	<u>84,325</u>	<u>94,455</u>
	168,650	188,910
Responsible Gambling/Prevention Programming programs	655,080	512,930
Contribution to Department of Health Promotion and Protection	<u>1,000,000</u>	<u>1,000,000</u>
<b>Total Contributions</b>	<b><u>\$ 1,823,730</u></b>	<b><u>\$ 1,701,840</u></b>

## OPERATIONAL HIGHLIGHTS

For the Second Quarter ended  
September 30, 2007 (unaudited)

In the second quarter, NSGC and Atlantic Lottery Corporation (ALC) continued to implement measures to ensure the integrity of ticket lottery and to restore public confidence. The installation of self-ticket checkers, which display the amount won, was completed at retail locations, allowing customers to check tickets themselves. In addition, ALC completed the installation of customer facing signs, called T-Bars, which allows customers to instantly see whether or not they have won a prize and the prize amount. Beginning in August, players presenting winning tickets at retail locations have their tickets stamped "paid" and receive both the winning ticket and the validation slip to keep. ALC also introduced their *Way to Play* campaign in the second quarter to reinforce smart and simple ways to play ticket lottery, helping ensure that players protect themselves and their winnings.

NSGC and ALC continued to offer *Support 4 Sport* lottery products in the second quarter including Nova Scotia Special Edition Crossword, "Joe Fit" Breakopen and Super 7 Twist, with 100% of profits going to amateur sport in Nova Scotia.

In July, NSGC and Casino Nova Scotia began piloting a player information kiosk at the Halifax and Sydney casinos as committed in the provincial Gaming Strategy. The kiosk, MARGI (Mobile Access to Responsible Gambling Information), was developed by the Responsible Gambling Council of Canada and provides players with several tools to help them manage their play. The Responsible Gambling Council of Canada will be utilizing casino guest feedback and usage levels of MARGI in its evaluation of the pilot.

The Halifax Casino continued to host the popular Texas Hold 'Em poker tournaments in the second quarter. Three tournaments took place including the Summer Meltdown tournament in July, the Natal Day Weekend Event tournament in August, and the September Showdown tournament in September. Entertainment acts offered in the second quarter proved to be very popular with fans and included the likes of Charlie Major, Jimmy Rankin, Tom Cochrane and Red Rider and comedian Shaun Majumder,

The Sydney Casino also featured an exciting entertainment line-up in the second quarter including a free outdoor concert on Canada Day, and a second free outdoor concert featuring Matt Minglewood in August. The casino further established itself as an exciting entertainment destination with the introduction of free entertainment on the gaming floor on Friday and Saturday nights. Four Texas Hold 'Em poker tournaments were offered at the Sydney Casino in the second quarter including the second (July) and third (August) qualifying rounds and the final round (September) of the Tournament of Champions. In addition, the casino hosted the Jack and Jill Tournament in September.

**BALANCE SHEET**  
As at September 30 (unaudited)  
(in thousands)

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>Current</b>		
Cash and Short-term Investments	\$ 5,478	\$ 5,527
Cash – restricted	1,804	3,428
Accounts Receivable	-	100
Inventory, at cost	1,400	1,583
Prepays	<u>535</u>	<u>815</u>
	<u>9,217</u>	<u>11,453</u>
<b>Long-term</b>		
Cash – Casino Capital Replacement Reserve	1,298	1,333
Deferred charges	16	124
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>92,587</u>	<u>108,107</u>
	<u>93,903</u>	<u>109,566</u>
	<u>\$103,120</u>	<u>\$121,019</u>

**LIABILITIES**

<b>Current</b>		
Accounts payable	\$ 2,498	\$ 1,772
Deferred lottery revenue	426	254
Liabilities for unclaimed prizes	1,804	3,428
Capital obligation – current portion	10,800	12,856
Due to operators	6,944	10,443
Due to Atlantic Gaming Equipment Limited – current portion	7,898	11,658
Due to Nova Scotia Gaming Foundation	55	62
Due to Province of Nova Scotia	<u>59,343</u>	<u>48,571</u>
	<u>89,768</u>	<u>89,044</u>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited	740	3,813
Capital obligation	<u>2,881</u>	<u>17,047</u>
	<u>3,621</u>	<u>20,860</u>
	<u>93,389</u>	<u>109,904</u>

**EQUITY**

Casino Capital Replacement Reserve	<u>9,731</u>	<u>11,115</u>
	<u>\$103,120</u>	<u>\$121,019</u>

# Statement of Income and Payment to Province

For the Second Quarter Ended September 30 (unaudited)  
(in thousands)

	2007						2006									
	LOTTERIES		CASINOS		RESP. GAMBLING	OTHER	TOTAL		LOTTERIES		CASINOS	RESP. GAMBLING	OTHER	TOTAL		
	Ticket Lottery	Video Lottery	HFX	SYD			2 <sup>nd</sup> Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			2 <sup>nd</sup> Qtr	Year to date
Revenues	\$45,172	\$35,140	\$20,505	\$6,751	\$ -	\$ 100	\$107,668	\$218,098	\$52,059	\$39,684	\$21,090	\$6,639	\$ -	\$ 97	\$119,569	\$239,876
Expenses	<u>35,571</u>	<u>11,755</u>	<u>17,401</u>	<u>5,323</u>	<u>655</u>	<u>852</u>	<u>71,557</u>	<u>148,763</u>	<u>39,265</u>	<u>14,467</u>	<u>18,463</u>	<u>5,225</u>	<u>513</u>	<u>563</u>	<u>78,496</u>	<u>162,791</u>
Net Income before Contributions	9,601	23,385	3,104	1,428	(655)	(752)	36,111	69,335	12,794	25,217	2,627	1,414	(513)	(466)	41,073	77,085
Community Contributions	—	—	—	—	<u>1,069</u>	<u>571</u>	<u>1,640</u>	<u>4,435</u>	—	—	—	—	<u>1,144</u>	<u>335</u>	<u>1,479</u>	<u>3,874</u>
Net Income	9,601	23,385	3,104	1,428	(1,724)	(1,323)	34,471	64,900	12,794	25,217	2,627	1,414	(1,657)	(801)	39,594	73,211
Win Tax	—	—	<u>3,715</u>	<u>1,218</u>	—	—	<u>4,933</u>	<u>9,080</u>	—	—	<u>3,868</u>	<u>1,210</u>	—	—	<u>5,078</u>	<u>9,474</u>
Payment to Province	<u>\$ 9,601</u>	<u>\$23,385</u>	<u>\$ 6,819</u>	<u>\$2,646</u>	<u>\$(1,724)</u>	<u>\$(1,323)</u>	<u>\$ 39,404</u>	<u>\$ 73,980</u>	<u>\$ 12,794</u>	<u>\$25,217</u>	<u>\$ 6,495</u>	<u>\$2,624</u>	<u>\$(1,657)</u>	<u>\$(801)</u>	<u>\$ 44,672</u>	<u>\$ 82,685</u>

# Statement of Retained Earnings

For the Second Quarter Ended September 30 (unaudited)  
(in thousands)

	2007		2006	
	2 <sup>nd</sup> QUARTER	YEAR TO DATE	2 <sup>nd</sup> QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	34,471	64,900	39,594	73,211
Net income paid to Province	<u>(34,471)</u>	<u>(64,900)</u>	<u>(39,594)</u>	<u>(73,211)</u>
Retained earnings, end of period	\$ —	\$ —	\$ —	\$ —



## STATEMENT OF CASH FLOW

For the Second Quarter ended  
September 30 (unaudited)  
(in thousands)

	<u>2007</u>	<u>2006</u>
<b>Operating</b>		
Net income	\$ 34,471	\$ 39,594
Allocation of income to Province	(34,471)	(39,594)
Amortization	2,736	3,959
Net changes in working capital	<u>4,446</u>	<u>601</u>
	<u>7,182</u>	<u>4,560</u>
<b>Financing</b>		
Decrease in obligation to Atlantic Gaming Equipment Limited	(1,309)	(1,985)
Reduction of capital obligation	<u>(4,881)</u>	<u>(4,301)</u>
	<u>(6,190)</u>	<u>(6,286)</u>
<b>Investing</b>		
Purchases of capital assets	(1,669)	(4,287)
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,293</u>	<u>1,396</u>
	<u>(376)</u>	<u>(2,891)</u>
Net decrease in cash & cash equivalents	(616)	(4,617)
Cash, beginning of quarter	<u>4,862</u>	<u>10,144</u>
Cash, end of quarter	\$ <u>5,478</u>	\$ <u>5,527</u>

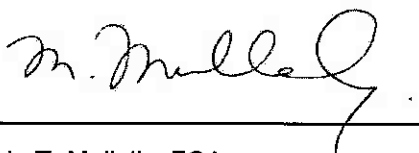
**CERTIFICATION**  
For the Second Quarter ended  
September 30, 2007 (unaudited)

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 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 July 1, 2007 and ended on September 30, 2007, 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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Marie T. Mullally, FCA  
President & CEO



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Robert MacKinnon, CA  
Vice President, Finance