



*responsible • progressive • accountable*

## **QUARTERLY REPORT**

For the quarter ended June 30, 2010

## FINANCIAL HIGHLIGHTS

For the first quarter ended  
June 30, 2010 (unaudited)

In the first quarter of 2010-11, the total Payment to Province was \$37.0 million, which is \$2.1 million lower than in the prior year due to decreased performance in the Video Lottery business line and payment to Nova Scotia Harness Racing Inc. that was delayed in 2009-10 as part of the approval of the Nova Scotia provincial budget.

The Video Lottery business line accounted for \$22.7 million of the Payment to Province and is \$1.9 million lower than the previous year due to lower revenue, which is attributed to the maturity of the product in the market.

The Ticket Lottery business line accounted for \$10.8 million of the Payment to Province, \$0.7 million higher than the previous year. The increase is due to natural jackpot rolls in *Lotto Max* in the first quarter of 2010-11, which reached a jackpot level of \$50 million with MAXMILLIONS four times in the quarter. *Lotto Max* was not yet launched in the first quarter of 2009-10.

Payment to Province from the Halifax casino was \$6.3 million, which is \$0.3 million higher than the previous year. Improved results for the Halifax casino are attributed to lower operator fee expenses than in the first quarter of 2009-10. Payment to Province from the Sydney casino was \$2.0 million, \$0.1 million lower than the previous year due to decreased gaming revenue.

Win Tax of \$3.8 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 first quarter in support of responsible gambling and prevention programming initiatives and to assist in the research and treatment of problem gambling. The allocation of the \$1.7 million is as follows:

	Quarter ended June 30, 2010	Quarter ended June 30, 2009
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 88,350	\$ 93,150
<i>Nova Scotia Gaming Corp.</i>	<u>88,350</u>	<u>93,150</u>
	176,700	186,300
Responsible Gambling/Prevention Programming programs	294,400	517,000
Contribution to Department of Health Promotion and Protection	<u>1,200,000</u>	<u>1,200,000</u>
<b>Total Contributions</b>	<b>\$ <u>1,671,100</u></b>	<b>\$ <u>1,903,300</u></b>

## **OPERATIONAL HIGHLIGHTS**

For the first quarter ended  
June 30, 2010 (unaudited)

The first quarter brought many exciting acts to the Halifax casino. In April, Coronation Street actors and April Wine visited the casino and performed to sold out audiences. In May, Bill Cosby and David Wilcox were featured. June brought Andy Kim and another performance of the Casino's popular Songwriters Circle series.

At the Sydney casino, the regular presentation of Ultimate Fighting Championship pay-per-view events continued its popular run, with all three events presented in the first quarter attracting over 100 guests each.

NSGC began the province-wide activation of the My-Play System on March 22, 2010 and continued throughout the first quarter. Full rollout is expected to be complete by summer 2010. Two new video lottery games were introduced in the first quarter; *Gone Fishin'* was introduced in April and *Cleopatra* was in June.

The continued success of the *Support4Sport* Program enabled NSGC to deliver a \$1.3 million payment to Sport Nova Scotia in the first quarter of 2010-11.

The new national jackpot game, *Lotto Max*, which launched on September 17, 2009 as a replacement to *Super 7*, offered players a jackpot of \$50 million plus additional \$1 million prizes called MAXMILLIONS four times during the first quarter.

A new edition of *Set for Life* was launched in the first quarter, offering players the opportunity to win four top prizes of \$1,000 per week for 25 years.

On April 30, 2010, a new "Second Chance" program was launched as part of NSGC's Scratch'N Win plan for 2010-11. The program will run from May 1 to December 31, and will offer players with non-winning Scratch'N Win tickets the opportunity to win \$500,000 in total prizes, including a \$250,000 grand prize, two vehicles, and 30 \$1,000 prizes.

As part of its Charitable Sector Support Program, NSGC supported Casino Roy-Isle II on June 5, 2010, through its Community Casino Nights initiative. The Monte Carlo fundraiser was in support of the Cape Breton Regional Hospital Foundation and the local charities of the Rotary Club of Sydney. Support included assistance with the event promotion and the use of gaming equipment. NSGC staff volunteers also helped at the event.

NSGC also sponsored a Monte Carlo Night for the Nova Scotia Hearing and Speech Foundation (April 10, 2010), Red Hot in the City in support of the Heart and Stroke Foundation (May 6, 2010), and Red Tent in support of the Marguerite Centre (April 25, 2010). Together, these events helped the charities raise over \$335,000.

## BALANCE SHEET

As at June 30 (unaudited)  
(in thousands)

### ASSETS

	<u>2010</u>	<u>2009</u>
<b>Current</b>		
Cash and Short-term Investments	\$ 3,848	\$ 7,781
Cash – restricted	4,845	1,977
Inventory, at cost	1,128	2,039
Prepays	<u>2,982</u>	<u>415</u>
	<u>12,803</u>	<u>12,212</u>
<b>Long-term</b>		
Cash – Casino Capital Replacement Reserve	306	1,313
Deferred charges	38	194
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>89,894</u>	<u>96,246</u>
	<u>90,240</u>	<u>97,755</u>
	<u>\$103,043</u>	<u>\$109,967</u>

### LIABILITIES

<b>Current</b>		
Accounts payable	\$ 2,479	\$ 3,060
Deferred lottery revenue	823	665
Liabilities for unclaimed prizes	4,845	1,977
Due to operators	2,043	3,409
Due to Atlantic Gaming Equipment Limited – current portion	7,803	13,948
Due to Nova Scotia Gaming Foundation	56	59
Due to Province of Nova Scotia	<u>66,706</u>	<u>71,702</u>
	<u>84,755</u>	<u>94,820</u>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited	<u>11,724</u>	<u>7,626</u>
	<u>96,479</u>	<u>102,446</u>

### EQUITY

Casino Capital Replacement Reserve	<u>6,564</u>	<u>7,521</u>
	<u>\$103,043</u>	<u>\$109,967</u>

## Statement of Income and Payment to Province

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

	2010							2009						
	LOTTERIES		CASINOS		RESP. GAMBLING	OTHER	TOTAL	LOTTERIES		CASINOS		RESP. GAMBLING	OTHER	TOTAL
	Ticket Lottery	Video Lottery	HFX	SYD			1 <sup>st</sup> Quarter and Year to date	Ticket Lottery	Video Lottery	HFX	SYD			1 <sup>st</sup> Quarter and Year to date
Revenues	\$54,976	\$35,777	\$15,613	\$5,326	\$ -	\$ -	\$111,692	\$50,323	\$37,641	\$16,148	\$5,446	\$ -	\$ -	\$109,558
Expenses	<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>	<u>40,236</u>	<u>13,002</u>	<u>13,038</u>	<u>4,325</u>	<u>517</u>	<u>676</u>	<u>71,794</u>
Net Income before Contributions	10,813	22,713	3,484	1,039	(294)	(701)	37,054	10,087	24,639	3,110	1,121	(517)	(676)	37,764
Contributions to Community Programs	—	—	—	—	<u>1,377</u>	<u>2,511</u>	<u>3,888</u>	—	—	—	—	<u>1,386</u>	<u>1,170</u>	<u>2,556</u>
Net Income	10,813	22,713	3,484	1,039	(1,671)	(3,212)	33,166	10,087	24,639	3,110	1,121	(1,903)	(1,846)	35,208
Win Tax	—	—	<u>2,817</u>	<u>1,006</u>	—	—	<u>3,823</u>	—	—	<u>2,902</u>	<u>1,015</u>	—	—	<u>3,917</u>
Payment to Province	<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>	<u>\$10,087</u>	<u>\$24,639</u>	<u>\$ 6,012</u>	<u>\$2,136</u>	<u>\$(1,903)</u>	<u>\$(1,846)</u>	<u>\$ 39,125</u>

## Statement of Retained Earnings

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

	2010	2009
	1 <sup>st</sup> QUARTER & YEAR TO DATE	1 <sup>st</sup> QUARTER & YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -
Net income	33,166	35,208
Net income paid to Province	<u>(33,166)</u>	<u>(35,208)</u>
Retained earnings, end of period	\$ —	\$ —

## STATEMENT OF CASH FLOW

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

	<u>2010</u>	<u>2009</u>
<b>Operating</b>		
Net income	\$ 33,166	\$ 35,208
Allocation of income to Province	(33,166)	(35,208)
Amortization	2,325	1,989
Net changes in working capital	<u>(5,770)</u>	<u>(480)</u>
	<u>(3,445)</u>	<u>1,509</u>
<b>Financing</b>		
(Decrease) increase in obligation to Atlantic Gaming Equipment Limited	<u>(1,259)</u>	<u>(2,780)</u>
<b>Investing</b>		
(Purchase) Disposal of capital assets	(1,318)	728
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,314</u>	<u>1,044</u>
	<u>(4)</u>	<u>1,772</u>
Net increase (decrease) in cash & cash equivalents	(4,708)	501
Cash, beginning of quarter	<u>8,556</u>	<u>7,280</u>
Cash, end of quarter	\$ <u>3,848</u>	\$ <u>7,781</u>

## **CERTIFICATION**

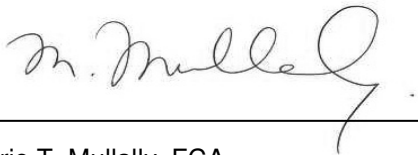
For the first quarter ended  
June 30, 2010 (unaudited)

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.

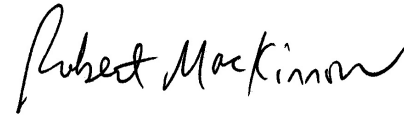
NSGC's evaluation did not include disclosure controls and procedures and internal controls over financial reporting performed by the Atlantic Lottery Corporation (ALC), and therefore is not intended to identify and report any deficiencies in internal control that might exist at ALC. NSGC has contracted ALC to operate the Video 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, 2010 and ended on June 30, 2010, NSGC has not made any changes in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting



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Marie T. Mullally, FCA  
President & CEO



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Robert MacKinnon, CA  
Vice President, Finance