



*responsible • progressive • accountable*

## **QUARTERLY REPORT**

For the quarter ended September 30, 2008

## FINANCIAL HIGHLIGHTS

For the second quarter ended  
September 30, 2008 (unaudited)

In the second quarter, the total Payment to Province was \$42.2 million, which is \$2.8 million higher than the prior year due to improved results in the Video Lottery and Ticket Lottery business lines.

The Video Lottery business line accounted for \$25.1 million of the Payment to Province, which is \$1.7 million higher than the previous year. The increase in Payment to Province is due to increased revenue from the introduction of new terminals and the completion of the Asset Management Program.

The Ticket Lottery business line accounted for \$10.8 million of the Payment to Province, which is \$1.2 million higher than the previous year. This increase is due to increase sales in Lotto 6/49 and companion products such as TAG from successful jackpot roll campaigns in the quarter.

Payment to Province from the Halifax Casino was \$6.6 million, which is \$0.2 million lower than the previous year. Payment to Province from the Sydney Casino was \$2.7 million, which is \$0.1 higher than the previous year. The decrease at the Halifax Casino is due to a decline in visitation levels, which have improved in 2008-09.

Win Tax of \$4.6 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

Contributions and expenditures of \$1.5 million were incurred in the second quarter, in support of responsible gambling, prevention programming initiatives, and research and treatment of problem gambling. The allocation of the \$1.5 million is as follows:

	Quarter ended September 30, 2008	Quarter ended September 30, 2007
Nova Scotia Gaming Foundation <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 83,285 <u>83,285</u> 166,570	\$ 84,325 <u>84,325</u> 168,650
Responsible Gambling/Prevention Programming programs	404,655	655,080
Contribution to Department of Health Promotion and Protection	<u>900,000</u>	<u>900,000</u>
<b>Total Contributions</b>	<b>\$ <u>1,471,225</u></b>	<b>\$ <u>1,723,730</u></b>

The difference between the two quarters is largely due to temporary timing differences in responsible gambling expenses.

## OPERATIONAL HIGHLIGHTS

For the second quarter ended September 30, 2008 (unaudited)

Entertainment was the focus at the Halifax Casino in the second quarter. Trooper, Naturally Seven, Jully Black, Melanie Doan, David Cassidy and others performed at the Schooner Showroom this summer. The Halifax Casino also held its first ever *Cash Back for Points* promotion where Players' Club members were given the opportunity to redeem their points for cash.

At the Sydney Casino a number of promotions were successful in the second quarter. The always popular *Battle For Bucks* slots tournament returned and the *Crack the Safe* contest awarded a Hyundai Elantra to one lucky contestant. In September, the Sydney Casino also hosted a *Stuff the Bus* fundraising and food drive for Sydney area food banks.

NSGC, in co-operation with Casino Nova Scotia, launched an electronic table games pilot at both Casino Nova Scotia locations. Blackjack and Let it Ride electronic table games were introduced at each casino property and have been generating excitement among players.

Throughout the quarter, new Scratch'N Win tickets continued to be launched as part of the *Target 200* initiative, a program to enhance customer experience through higher blended prize payouts, improved product quality and advertising. New games such as the Price is Right, Scrabble, Indiana Jones and the \$10 6/49 instant ticket were launched in the second quarter and have performed well for the category.

The implementation of the Asset Management Program for Video Lottery was completed in the second quarter. As part of normal business practice, NSGC reviews asset placement to determine if that allocation effectively meets player demand in keeping with its social responsibility standards and further, represents the best use of those assets.

In the second quarter, the continued success of the *Support4Sport* Program enabled NSGC to deliver \$0.8 million to Sport Nova Scotia. The *Support4Sport* Program is funded by a suite of lottery products, the net profits of which are used to support amateur sport across the Province.

NSGC continued its leadership role in the community and strengthened its commitment to social responsibility, highlighted by the Nova Scotia Gaming Corporation's Comedy Cures event featuring Jerry Seinfeld. This event raised \$200,000 for the Emergency and Trauma Centre at the QEII Health Sciences Centre. NSGC supported several other sport and health related causes in the second quarter, including participating at two Monte Carlo fundraisers organized by local charities in Lunenburg and Waverly.

NSGC also completed a *Key Facts* awareness program to deliver information that Nova Scotians have indicated they want to know about the Province's gaming industry. The evidence-based information communicated key facts like, Nova Scotia has one of the lowest rates of problem gambling in the country, and gambling in Nova Scotia generates \$154 million a year for government services and programs.

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

**ASSETS**

	<u>2008</u>	<u>2007</u>
<b>Current</b>		
Cash and Short-term Investments	\$ 9,374	\$ 5,478
Cash – restricted	3,164	1,804
Inventory, at cost	1,878	1,400
Prepays	<u>299</u>	<u>535</u>
	<u>14,715</u>	<u>9,217</u>
<b>Long-term</b>		
Cash – Casino Capital Replacement Reserve	149	1,298
Deferred charges	1,964	16
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>91,601</u>	<u>92,587</u>
	<u>93,716</u>	<u>93,903</u>
	<u>\$108,431</u>	<u>\$103,120</u>

**LIABILITIES**

<b>Current</b>		
Accounts payable	\$ 2,710	\$ 2,498
Deferred lottery revenue	933	426
Liabilities for unclaimed prizes	3,164	1,804
Capital obligation – current portion	-	10,800
Due to operators	4,935	6,944
Due to Atlantic Gaming Equipment Limited – current portion	5,929	7,898
Due to Nova Scotia Gaming Foundation	54	55
Due to Province of Nova Scotia	<u>75,707</u>	<u>59,343</u>
	<u>93,432</u>	<u>89,768</u>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited	7,112	740
Capital obligation	<u>-</u>	<u>2,881</u>
	<u>7,112</u>	<u>3,621</u>
	<u>100,544</u>	<u>93,389</u>

**EQUITY**

Casino Capital Replacement Reserve	<u>7,887</u>	<u>9,731</u>
	<u>\$108,431</u>	<u>\$103,120</u>



## Statement of Income and Payment to Province

For the second quarter ended September 30 (unaudited)  
(in thousands)

	2008								2007							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	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	\$48,888	\$36,442	\$18,397	\$6,792	\$ -	\$ 100	\$110,619	\$219,850	\$45,172	\$35,140	\$20,505	\$6,751	\$ -	\$ 100	\$107,668	\$218,098
Expenses	<u>38,070</u>	<u>11,345</u>	<u>15,134</u>	<u>5,334</u>	<u>405</u>	<u>725</u>	<u>71,013</u>	<u>144,345</u>	<u>35,571</u>	<u>11,758</u>	<u>17,401</u>	<u>5,323</u>	<u>655</u>	<u>849</u>	<u>71,557</u>	<u>148,763</u>
Net Income before Contributions	10,818	25,097	3,263	1,458	(405)	(625)	39,606	75,505	9,601	23,382	3,104	1,428	(655)	(749)	36,111	69,335
Community Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067</u>	<u>945</u>	<u>2,012</u>	<u>5,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,069</u>	<u>571</u>	<u>1,640</u>	<u>4,435</u>
Net Income	10,818	25,097	3,263	1,458	(1,472)	(1,570)	37,594	70,463	9,601	23,382	3,104	1,428	(1,724)	(1,320)	34,471	64,900
Win Tax	<u>-</u>	<u>-</u>	<u>3,336</u>	<u>1,236</u>	<u>-</u>	<u>-</u>	<u>4,572</u>	<u>8,723</u>	<u>-</u>	<u>-</u>	<u>3,715</u>	<u>1,218</u>	<u>-</u>	<u>-</u>	<u>4,933</u>	<u>9,080</u>
Payment to Province	<u>\$10,818</u>	<u>\$25,097</u>	<u>\$ 6,599</u>	<u>\$2,694</u>	<u>\$(1,472)</u>	<u>\$(1,570)</u>	<u>\$ 42,166</u>	<u>\$ 79,186</u>	<u>\$ 9,601</u>	<u>\$23,382</u>	<u>\$ 6,819</u>	<u>\$2,646</u>	<u>\$(1,724)</u>	<u>\$(1,320)</u>	<u>\$ 39,404</u>	<u>\$ 73,980</u>

## Statement of Retained Earnings

For the second quarter ended September 30 (unaudited)  
(in thousands)

	2008		2007	
	2 <sup>nd</sup> QUARTER	YEAR TO DATE	2 <sup>nd</sup> QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	37,594	70,463	34,471	64,900
Net income paid to Province	<u>(37,594)</u>	<u>(70,463)</u>	<u>(34,471)</u>	<u>(64,900)</u>
Retained earnings, end of period	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

## STATEMENT OF CASH FLOW

For the second quarter ended  
September 30 (unaudited)  
(in thousands)

	<u>2008</u>	<u>2007</u>
<b>Operating</b>		
Net income	\$ 37,594	\$ 34,471
Allocation of income to Province	(37,594)	(34,471)
Amortization	2,285	2,736
Net changes in working capital	<u>3,714</u>	<u>4,446</u>
	<u>5,999</u>	<u>7,182</u>
<b>Financing</b>		
Increase (decrease) in obligation to Atlantic Gaming Equipment Limited	370	(1,309)
Reduction of capital obligation	<u>(1,065)</u>	<u>(4,881)</u>
	<u>(695)</u>	<u>(6,190)</u>
<b>Investing</b>		
Purchases of capital assets	(2,409)	(1,669)
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,800</u>	<u>1,293</u>
	<u>(609)</u>	<u>(376)</u>
Net increase in cash & cash equivalents	4,695	616
Cash, beginning of quarter	<u>4,679</u>	<u>4,862</u>
Cash, end of quarter	\$ <u>9,374</u>	\$ <u>5,478</u>

## **CERTIFICATION**

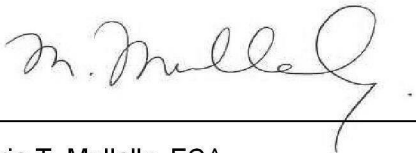
For the second quarter ended  
September 30, 2008 (unaudited)

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.

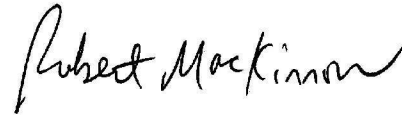
NSGC's evaluation did not include disclosure controls and procedures and internal controls over financial reporting performed by the Atlantic Lottery Corporation (ALC), and therefore is not intended to identify and report any deficiencies in internal control that might exist at ALC. NSGC has contracted 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, 2008 and ended on September 30, 2008, 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