



## QUARTERLY REPORT

For the quarter ended December 31, 2009

**FINANCIAL  
HIGHLIGHTS**  
For the third quarter ended  
December 31, 2009 (unaudited)

In the third quarter, the total Payment to Province was \$38.0 million, which is \$3.0 million lower than the same quarter in the previous year. This is due to decreased results in the Video Lottery business line as well as a timing difference in the funding payment to the harness racing industry.

The Video Lottery business line accounted for \$24.6 million of the Payment to Province, which is \$1.8 million lower than the previous year. This is due to decreased play activity across Nova Scotia resulting in lower revenue as well as higher lease and depreciation expense in 2009-10 with the addition of replacement terminals installed in 2008-09.

The Ticket Lottery business line accounted for \$10.2 million of the Payment to Province, which is \$0.2 million lower than the previous year. This decrease is primarily the result of a decline in sales of National Games compared to the same quarter in the previous year.

Payment to Province from the Halifax casino was \$5.9 million, which is \$0.2 million higher than the previous year. This was achieved as a result of slightly increased revenue from improved slot offerings. Payment to Province from the Sydney casino was \$2.2 million, which is the same as the previous year.

Win Tax of \$3.9 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

Contributions and expenditures of \$2.2 million were incurred in the third quarter in support of responsible gambling, prevention programming initiatives, and research and treatment of problem gambling. The allocation of the \$2.2 million is as follows:

	<b>Quarter ended December 31, 2009</b>	<b>Quarter ended December 31, 2008</b>
Nova Scotia Gaming Foundation <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 72,500 <u>72,500</u> 145,000	\$ 78,500 <u>78,500</u> 157,000
Responsible Gambling/Prevention Programming Programs	1,067,450	940,000
Contribution to Department of Health Promotion and Protection	<u>1,000,000</u>	<u>1,000,000</u>
<b>Total Contributions</b>	<b><u>\$ 2,212,450</u></b>	<b><u>\$ 2,097,000</u></b>

OPERATIONAL  
HIGHLIGHTS  
For the third quarter ended  
December 31, 2009 (unaudited)

In the third quarter, amendments to the ticket lottery regulations (Atlantic Lottery Regulations) came into effect. NSGC led the implementation with Atlantic Lottery Corporation (ALC) and the Alcohol and Gaming Division (AGD) to ensure that all applicable parties were compliant with the new regulatory requirements. Also as of the third quarter, all regional ticket lottery products now have an expiration date marked and clearly visible on the ticket, where applicable, consistent with Bill 158, passed in November 2008.

The implementation of the Video Lottery Informed Player Choice System (IPCS) continued with a field test in the Sydney area which ran from July 2009 to October 2009. The purpose of this field test was to assess the operational capabilities of the system in a live environment. NSGC is currently evaluating the findings of the field test and making modifications where necessary.

In the third quarter, shows were held in the newly renovated Schooner Showroom at the Halifax casino. The renovations provide a professional venue for visiting acts and allow for greater seating capacity. Twenty-two shows took place in the new Schooner Showroom during the third quarter, including Blondie, Collective Soul and Joel Plaskett.

The continued success of the *Support4Sport* program enabled NSGC to deliver a \$0.8 million payment to the program in the third quarter.

NSGC's Responsible Gambling Awareness Week was held from October 4<sup>th</sup> to 10<sup>th</sup>. During this time, 11 events took place in six communities (Halifax Regional Municipality, Cape Breton Regional Municipality, Antigonish, Amherst, New Minas, and Yarmouth) and approximately 26,000 Nova Scotians were reached. The hallmark event of the week, the Responsible Gambling Conference, was held on October 4<sup>th</sup> and 5<sup>th</sup> and attracted more than 200 attendees and speakers from around the world.

Two programs toured the Province during the third quarter: *R U UP?* and *Know the Score*. *R U UP?*, an interactive high school drama that shows the potential risks associated with gambling, visited 15 schools and reached 2,940 students. *Know the Score*, an interactive peer education program, visited 13 university and college campuses and reached 4,033 students.

In the third quarter, NSGC's Charitable Sector Support Program offered Community Fundraising Seminars in eight communities across the Province, including an expanded weekend seminar in Dartmouth. These seminars allow community organizations an opportunity to network and learn new fundraising ideas, with a focus on charitable gaming. The majority of attendees gave a good or excellent rating to the helpfulness of the information presented, indicated that they would attend another seminar and recommend attending a seminar to another group.

**BALANCE SHEET**  
As at December 31 (unaudited)  
(in thousands)

*ASSETS*

	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Current</b>		
Cash and Short-term Investments	\$ 8,305	\$ 14,445
Cash – restricted	2,862	3,340
Inventory, at cost	1,605	2,402
Prepays	<u>1,444</u>	<u>1,005</u>
	<u>14,216</u>	<u>21,192</u>
<b>Long-term</b>		
Cash – Casino Capital Replacement Reserve	525	307
Deferred charges	38	1,811
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>96,741</u>	<u>95,705</u>
	<u>97,306</u>	<u>97,825</u>
	<u>\$111,522</u>	<u>\$119,017</u>

*LIABILITIES*

<b>Current</b>		
Accounts payable	\$ 2,117	\$ 1,833
Deferred lottery revenue	885	404
Liabilities for unclaimed prizes	2,862	3,340
Due to operators	3,185	7,234
Due to Atlantic Gaming Equipment Limited – current portion	13,143	7,802
Due to Nova Scotia Gaming Foundation	45	50
Due to Province of Nova Scotia	<u>70,517</u>	<u>79,955</u>
	<u>92,754</u>	<u>100,618</u>

<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited	<u>8,924</u>	<u>9,680</u>
	<u>101,678</u>	<u>110,298</u>

*EQUITY*

Casino Capital Replacement Reserve	<u>9,844</u>	<u>8,719</u>
	<u>\$111,522</u>	<u>\$119,017</u>

Statement of Income and Payment to Province  
For the third quarter ended December 31 (unaudited)  
(in thousands)

	2009								2008							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			3 <sup>rd</sup> Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			3 <sup>rd</sup> Qtr	Year to date
Revenues	\$50,826	\$35,803	\$16,043	\$5,426	\$ -	\$ -	\$108,098	\$326,066	\$52,532	\$37,279	\$15,906	\$5,489	\$ -	\$ -	\$111,206	\$331,055
Expenses	40,652	11,193	13,051	4,197	1,067	866	71,026	213,358	42,173	10,866	13,102	4,245	940	758	72,084	216,428
Net Income before Contributions	10,174	24,610	2,992	1,229	(1,067)	(866)	37,072	112,708	10,359	26,413	2,804	1,244	(940)	(758)	39,122	114,627
Contributions to Community Programs	-	-	-	-	1,145	1,770	2,915	7,436	-	-	-	-	1,157	737	1,894	6,936
Net Income	10,174	24,610	2,992	1,229	(2,212)	(2,636)	34,157	105,272	10,359	26,413	2,804	1,244	(2,097)	(1,495)	37,228	107,691
Win Tax	-	-	2,879	984	-	-	3,863	12,051	-	-	2,867	975	-	-	3,842	12,465
Payment to Province	\$10,174	\$24,610	\$ 5,871	\$2,213	\$(2,212)	\$(2,636)	\$ 38,020	\$117,323	\$10,359	\$26,413	\$ 5,671	\$2,219	\$(2,097)	\$(1,495)	\$ 41,070	\$120,156

Statement of Retained Earnings  
For the third quarter ended December 31 (unaudited)  
(in thousands)

	2009		2008	
	3 <sup>rd</sup> QUARTER	YEAR TO DATE	3 <sup>rd</sup> QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	34,157	105,272	37,228	107,691
Net income paid to Province	(34,157)	(105,272)	(37,228)	(107,691)
Retained earnings, end of period	\$ -	\$ -	\$ -	\$ -

STATEMENT OF  
CASH FLOW  
For the third quarter ended  
December 31 (unaudited)  
(in thousands)

	<u>2009</u>	<u>2008</u>
<b>Operating</b>		
Net income	\$ 34,157	\$ 37,228
Allocation of income to Province	(34,157)	(37,228)
Amortization	3,391	1,866
Net changes in working capital	<u>(440)</u>	<u>4,060</u>
	<u>2,951</u>	<u>5,926</u>
<b>Financing</b>		
Increase in obligation to Atlantic Gaming Equipment Limited	<u>356</u>	<u>4,441</u>
<b>Investing</b>		
Purchases of capital assets	(4,127)	(5,970)
Increase in Casino Capital Replacement Reserve, net of cash	<u>777</u>	<u>674</u>
	<u>(3,350)</u>	<u>(5,296)</u>
Net (decrease)/increase in cash & cash equivalents	(43)	5,071
Cash, beginning of quarter	<u>8,348</u>	<u>9,374</u>
Cash, end of quarter	\$ <u>8,305</u>	\$ <u>14,445</u>

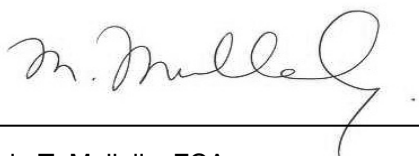
CERTIFICATION  
For the third quarter ended  
December 31, 2009 (unaudited)

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 October 1, 2009 and ended on December 31, 2009, 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