



**QUARTERLY REPORT**  
**For the Third Quarter Ended December 31, 2004**  
*(unaudited)*



## Balance Sheet

As at December 31, 2004 (unaudited)  
(in thousands)

### ASSETS

	<u>2004</u>	<u>2003</u>
<b>Current</b>		
Cash & Short-term Investments	\$ 14,825	\$ 13,801
Cash – Restricted	3,044	6,027
Inventory, at cost	2,354	2,399
Prepays	<u>669</u>	<u>1,317</u>
	<u>20,892</u>	<u>23,544</u>
<b>Long-term</b>		
Cash - Casino Replacement Reserve	2,528	5,492
Deferred Charges	404	515
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital Assets	<u>114,765</u>	<u>125,811</u>
	<u>117,699</u>	<u>131,820</u>
	<u>\$138,591</u>	<u>\$155,364</u>

### LIABILITIES

<b>Current</b>		
Accounts Payable	\$ 1,223	\$ 1,187
Accounts Payable - Operators	6,919	10,495
Deferred Lottery Revenue	434	304
Liabilities for Unclaimed Prizes	3,044	6,027
Capital Obligation - Current Portion	36,614	35,484
Due to Atlantic Gaming Equipment Limited - Current Portion	15,892	14,126
Due to Nova Scotia Gaming Foundation	75	77
Due to Province of Nova Scotia	<u>34,416</u>	<u>23,829</u>
	<u>98,617</u>	<u>91,529</u>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited	14,723	23,872
Capital Obligation	<u>17,499</u>	<u>31,977</u>
	<u>32,222</u>	<u>55,849</u>

### EQUITY

Casino Capital Replacement Reserve	<u>7,752</u>	<u>7,986</u>
	<u>\$138,591</u>	<u>\$155,364</u>



## Statement of Income and Payment to Province

For the Third Quarter Ended December 31, 2004 (unaudited)  
(in thousands)

	2004								2003							
	LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL		LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	Halifax	Sydney			3 <sup>rd</sup> Qtr	Year to date	Ticket Lottery	Video Lottery	Halifax	Sydney			3 <sup>rd</sup> Qtr	Year to date
Revenues	\$50,414	\$51,073	\$18,612	\$4,855	\$ -	\$ 60	\$125,014	\$376,459	\$54,957	\$47,086	\$17,394	\$ 5,531	\$ -	\$ 68	\$125,036	\$360,641
Expenses	<u>40,360</u>	<u>16,903</u>	<u>17,043</u>	<u>4,481</u>	<u>736</u>	<u>615</u>	<u>80,138</u>	<u>244,998</u>	<u>43,971</u>	<u>16,235</u>	<u>16,551</u>	<u>4,679</u>	<u>788</u>	<u>502</u>	<u>82,726</u>	<u>240,592</u>
Net Income	10,054	34,170	1,569	374	(736)	(555)	44,876	131,461	10,986	30,851	843	852	(788)	(434)	42,310	120,049
Win Tax	<u>-</u>	<u>-</u>	<u>3,328</u>	<u>874</u>	<u>-</u>	<u>-</u>	<u>4,202</u>	<u>13,316</u>	<u>-</u>	<u>-</u>	<u>3,120</u>	<u>998</u>	<u>-</u>	<u>-</u>	<u>4,118</u>	<u>13,378</u>
Payment to Province	<u>\$10,054</u>	<u>\$34,170</u>	<u>\$ 4,897</u>	<u>\$1,248</u>	<u>\$ (736)</u>	<u>\$ (555)</u>	<u>\$ 49,078</u>	<u>\$144,777</u>	<u>\$10,986</u>	<u>\$30,851</u>	<u>\$ 3,963</u>	<u>\$ 1,850</u>	<u>\$ (788)</u>	<u>\$ (434)</u>	<u>\$ 46,428</u>	<u>\$133,427</u>

## Statement of Retained Earnings

For the Third Quarter Ended December 31, 2004 (unaudited)  
(in thousands)

	2004		2003	
	3 <sup>rd</sup> QUARTER	YEAR TO DATE	3 <sup>rd</sup> QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ 86,585	\$ -	\$ 77,739	\$ -
Net Income	44,876	131,461	42,310	120,049
Net Income paid to Province	<u>(131,461)</u>	<u>(131,461)</u>	<u>(120,049)</u>	<u>(120,049)</u>
Retained earnings, end of period	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>



## Statement of Cash Flows

For the Third Quarter Ended December 31, 2004 (unaudited)  
(in thousands)

	<u>2004</u>	<u>2003</u>
<b>Operating</b>		
Net Income	\$ 44,876	\$ 42,310
Allocation of income to Province	(44,876)	(42,310)
Amortization	7,554	6,047
Net changes in working capital	<u>2,383</u>	<u>(2,113)</u>
	<u>9,937</u>	<u>3,934</u>
<b>Financing</b>		
Decrease in obligation to Atlantic Gaming Equipment Limited	(3,445)	(2,836)
Reduction of capital obligation	<u>(3,155)</u>	<u>(2,709)</u>
	<u>(6,600)</u>	<u>(5,545)</u>
<b>Investing</b>		
Purchases of capital assets	(1,694)	(1,187)
Decrease in Casino Capital Replacement Reserve, net of cash	<u>(819)</u>	<u>(473)</u>
	<u>(2,513)</u>	<u>(1,660)</u>
Net decrease in cash & cash equivalents	824	(3,271)
Cash, beginning of quarter	<u>14,001</u>	<u>17,072</u>
Cash, end of quarter	<u>\$14,825</u>	<u>\$13,801</u>



## FINANCIAL HIGHLIGHTS

FOR THE THIRD QUARTER ENDED DECEMBER 31, 2004 (unaudited)

In the third quarter, the total payment to the Province was \$49.1 million, which was \$2.7 million higher than the prior year due to strong results at the Halifax casino and within the video lottery business line.

The lottery business lines accounted for \$44.2 million of the payment to the Province, which was \$2.4 million higher than the prior year. After a weak year in 2003-04, video lottery continued to perform stronger than anticipated in the third quarter, primarily as a result of game software upgrades which have been made throughout 2004-05.

The Halifax casino payment to the Province was \$4.9 million, \$0.9 million

higher than the prior year due to higher revenues as a result of increased visitation and a well-received fall Stay n' Play promotion.

The Sydney casino payment to the Province was \$1.2 million, \$0.6 million lower than the prior year due to a decline in revenues as a result of decreased visitations and lower levels of play.

Win tax of \$4.2 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

In addition to corporate initiatives aimed at promoting responsible use of its products, Nova Scotia Gaming Corporation also made financial contributions to assist in the treatment and research of problem gambling. The Corporation's responsible gaming budget for 2004-05 is 10% higher than 2003-04. It appears lower in 2004 due to the timing of initiatives. The following highlights the responsible gaming contributions:

	Quarter ended December 31, 2004	Quarter ended December 31, 2003
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$118,750	\$118,000
<i>Nova Scotia Gaming Corp.</i>	<u>118,750</u>	<u>118,000</u>
	237,500	236,000
Responsible Gaming Operations	248,500	302,000
Contribution to Office of Health Promotion	<u>250,000</u>	<u>250,000</u>
<b>Total Contributions</b>	<b><u>\$736,000</u></b>	<b><u>\$788,000</u></b>



## OPERATIONAL HIGHLIGHTS

FOR THE THIRD QUARTER ENDED DECEMBER 31, 2004 (unaudited)

The third quarter saw a number of responsible gaming initiatives undertaken and completed. First, the third annual Responsible Gaming Awareness Week (RGAW) successfully ran during the week of October 10–16. The primary objective of the Week was to increase awareness of the importance of playing responsibly among three target groups, namely industry employees, players and the general public. Also, taking place during the same week, was the *Know the Score* program. This is a university-based gaming awareness program that took place at both Dalhousie and University College of Cape Breton. This event reached more than 2,200 adults between the ages of 19 and 24. Finally, 'Play By Play' was also launched during this quarter. The materials were developed to promote responsible VLT play and include such things as self-assessment tools and budgeting guides. The brochures are available at 450 licensed establishments across the province.

Also in the third quarter, a co-operation agreement between NSGC and Techlink Entertainment was signed to pilot test Techlink's responsible gaming device. This device is based on card-based technology and has the ability to provide responsible gaming features to players. The pilot will begin in March 2005.

To build on the Atlantic Lottery Corporation's (ALC's) launch of PlaySphere, ALC's online tool for purchasing draw and sports lottery games, ALC has introduced Group Play. Group Play allows members to manage lottery groups online by providing the Group Manager (the person responsible for managing the lottery group) with some

tools that make running a group more convenient. For example, the Group Manager can now more easily track purchases and wins by using an account sheet.

Other highlights during the quarter included the launch of two new Breakopen products. Breakopen's fifty-cent Caribbean Cruise ticket offers the opportunity to win one of four Caribbean cruise prizes and East Coast Rocks offers the chance to win a trip for two to the 2004 East Coast Music Awards. Other new product offerings included the introduction of professional tennis and college football betting to Proline sports lottery.

In video lottery, software upgrades on the PowerStation 1 terminals were completed. New games included in this upgrade were Swinging Seals and Goin' Nuts. An upgrade of the VLC games (with new games including Buggy & Hula Moolah) is scheduled for early in 2005.

During the third quarter, the Halifax casino hosted a number of Christmas-themed concerts. These included shows by Sons of Maxwell on December 16<sup>th</sup> and John Gracie on December 19<sup>th</sup>.

Other events at the casino during the third quarter included a promotion which allowed Player's Club members the chance to win a cruise for two on the Queen Mary 2. This prize was awarded during the quarter to a patron from Chester Basin, Nova Scotia.



## **CERTIFICATION**

FOR THE THIRD QUARTER ENDED DECEMBER 31, 2004 (unaudited)

I have evaluated the effectiveness of NSGC's disclosure controls and procedures as of the end of the period covered by the Quarterly Report and conclude that such disclosure controls and procedures have been effective.

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Marie T. Mullally, C.A.  
President & CEO

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Robert MacKinnon, C.A.  
Director, Corporate Services