



responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended September 30, 2012

FINANCIAL HIGHLIGHTS

For the second quarter ended
September 30, 2012 (unaudited)

In the second quarter of 2012-13, the total Payment to Province was \$33.4 million, \$3.4 million lower than the same quarter in the previous year due primarily to decreased revenue performance in the Video Lottery business line.

The Video Lottery business line accounted for \$18.1 million of the Payment to Province, \$4.2 million lower than the previous year. This decrease was due to a reduction in revenue as a result of continuing economic factors and mandatory enrolment of the My-Play System becoming effective April 1, 2012, as per the 2011 Responsible Gaming Strategy.

The Ticket Lottery business line accounted for \$10.1 million of the Payment to Province, \$1.1 million higher than the previous year. This increase was a result of higher Lotto Max revenue due to a greater number of \$50 million plus Maxmillion jackpot rolls compared to the prior year.

Payment to Province from the Halifax casino was \$6.1 million, comparable to the same quarter in the previous year. Payment to Province from the Sydney casino was \$2.3 million, \$0.1 million lower than the previous year.

Win Tax of \$4.0 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was \$0.3 million lower than the same quarter of the previous year and is a calculation of 20% of casino gaming revenues.

Contributions and expenditures of \$1.6 million were incurred in the second quarter in support of responsible gambling and prevention programming initiatives, and research and treatment of problem gambling. This was \$0.3 million higher than the previous year due to timing of when the initiatives occurred. The allocation of the \$1.6 million is as follows:

	Quarter ended September 30, 2012	Quarter ended September 30, 2011
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 63,500 <u>63,500</u> 127,000	\$ 75,000 <u>75,000</u> 150,000
Responsible Gambling/Prevention Programming Programs	560,000	218,000
Contribution to Department of Health and Wellness	<u>900,000</u>	<u>900,000</u>
Total Contributions	\$ <u>1,587,000</u>	\$ <u>1,268,000</u>

OPERATIONAL HIGHLIGHTS

For the second quarter ended
September 30, 2012 (unaudited)

Enrolment in the My-Play System became mandatory in Nova Scotia on April 1, 2012. Players continue to have two options for enrolment: light enrolment, which allows players to enrol without providing any personal information; and, full enrolment, which requires personal information but allows players to retrieve their play information even if they lose their My-Play card or forget their password or PIN. With both enrolment options, players have access to play history, have the ability to set personal limits if they choose to do so, and can access information about video lottery play including tips to play responsibly. My-Play has no impact on VLT outcomes, and there is no personal information kept on the system. As of September 30th, there have been 6,455 full enrolments in the My-Play System.

Nova Scotians entered nearly 225,000 non-winning Scratch'N Win tickets during the second quarter for a chance of winning a portion of \$0.5 million in prize that is available in the 2nd Chance Program. The second quarter's \$25,000 top prize was won by a player from Dartmouth. Other Nova Scotians also won, including 11 winners of \$1,000 each and 63 winners of \$100 each.

Casino Nova Scotia continued its role as a valuable provincial culture and tourism partner. The Halifax casino was a featured venue for the JazzEast festival, hosting three shows in July. The Sydney casino continued its partnership with the Thunder in the Highlands Cape Breton BikeFest. Centre 200 and the Sydney casino were the primary location for much of the festival's activities including a vendor's village and three nights of free concerts.

The second quarter brought an exciting list of acts to the Halifax casino. Musical acts included Cheap Trick, Cyndi Lauper, Sebastian Bach and Hanson. The Halifax casino also featured the "Waves of Summer" campaign that included special Natal Day weekend entertainment and its summer-long "Lobstermania" food specials at the Trapeze restaurant.

The Responsible Gambling Resource Centres, located at both Casino Nova Scotia properties, received over 700 visitors and distributed more than 2,000 pieces of responsible gambling information materials during the second quarter. In addition, the quarterly Open House event was held on September 1st, drawing awareness to the centres and the many tools and resources they offer, and engaging nearly 250 patrons.

The *Support4Sport* Program was introduced by the Nova Scotia Gaming Corporation to help raise funds for amateur sport through the sale of branded ticket lottery products. It is now the most significant source of funding for amateur sport in Nova Scotia. Every time a *Support4Sport* ticket is sold, 100% of the proceeds help Nova Scotians get in the game. In the second quarter, nearly \$0.9 million was raised to help develop community and provincial sporting programs and provide training and development opportunities for athletes, coaches, and officials.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30 (unaudited)
(in thousands)

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 10,440	\$ 20,537
Cash – restricted	6,314	5,724
Trade and other receivables	1,036	2,852
Prepaid expenses	3,954	2,916
Inventories	2,293	2,148
	<u>24,037</u>	<u>34,177</u>
Non-current assets		
Property, plant and equipment	78,423	85,026
Cash – casino capital replacement reserve	1,465	1,841
Investment in Interprovincial Lottery Corporation	1	1
	<u>79,889</u>	<u>86,868</u>
	<u>\$ 103,926</u>	<u>\$ 121,045</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 413	\$ 415
Trade and other payables	15,740	13,840
Deferred revenue and recovery	995	12,713
Liabilities for unclaimed prizes	6,314	5,724
Due to Atlantic Gaming Equipment Limited	3,240	6,275
Other liabilities	1,115	968
Due to Province of Nova Scotia	57,558	64,228
	<u>85,375</u>	<u>104,163</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	11,187	12,442
Investment in Atlantic Lottery Corporation Inc.	11,683	10,314
	<u>22,870</u>	<u>22,756</u>

EQUITY

Casino capital replacement reserve	8,932	7,659
Retained deficit	<u>(13,251)</u>	<u>(13,533)</u>
	<u>\$ 103,926</u>	<u>\$ 121,045</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2013								2012							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			2nd Quarter	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			2nd Quarter	Year to date
Revenues	\$ 51,110	\$ 28,700	\$16,211	\$ 6,014	\$ -	\$ -	\$102,035	\$205,712	\$ 49,043	\$ 34,636	\$16,932	\$ 6,269	\$ -	\$ 62	\$106,942	\$213,510
Expenses	<u>41,045</u>	<u>10,556</u>	<u>13,050</u>	<u>4,879</u>	<u>560</u>	<u>638</u>	<u>70,728</u>	<u>142,062</u>	<u>40,063</u>	<u>12,358</u>	<u>13,913</u>	<u>5,005</u>	<u>218</u>	<u>617</u>	<u>72,174</u>	<u>143,844</u>
			-					-			-					-
Net Income before Contributions	10,065	18,144	3,161	1,135	(560)	(638)	31,307	63,650	8,980	22,278	3,019	1,264	(218)	(555)	34,768	69,666
Contributions to Community Programs	-	-	-	-	<u>1,027</u>	<u>879</u>	<u>1,906</u>	<u>4,447</u>	-	-	-	-	<u>1,050</u>	<u>1,164</u>	<u>2,214</u>	<u>5,565</u>
Net Income	10,065	18,144	3,161	1,135	(1,587)	(1,517)	29,401	59,203	8,980	22,278	3,019	1,264	(1,268)	(1,719)	32,554	64,101
Win Tax	-	-	<u>2,909</u>	<u>1,128</u>	-	-	<u>4,037</u>	<u>7,654</u>	-	-	<u>3,090</u>	<u>1,163</u>	-	-	<u>4,253</u>	<u>8,024</u>
Payment to Province	<u>\$ 10,065</u>	<u>\$ 18,144</u>	<u>\$ 6,070</u>	<u>\$ 2,263</u>	<u>\$ (1,587)</u>	<u>\$ (1,517)</u>	<u>\$ 33,438</u>	<u>\$ 66,857</u>	<u>\$ 8,980</u>	<u>\$ 22,278</u>	<u>\$ 6,109</u>	<u>\$ 2,427</u>	<u>\$ (1,268)</u>	<u>\$ (1,719)</u>	<u>\$ 36,807</u>	<u>\$ 72,125</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

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

	2013		2012	
	2nd Quarter	Year to date	2nd Quarter	Year to date
Retained earnings, beginning of period	\$ (13,255)	\$ (13,257)	\$ (14,157)	\$ (12,029)
Change in investment in ALC	4	6	624	(1,504)
Net income	29,401	59,203	32,554	64,101
Net income paid to Province	<u>(29,401)</u>	<u>(59,203)</u>	<u>(32,554)</u>	<u>(64,101)</u>
Retained earnings, end of period	<u>\$ (13,251)</u>	<u>\$ (13,251)</u>	<u>\$ (13,533)</u>	<u>\$ (13,533)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>2013</u>	<u>2012</u>
Operating		
Net Income	\$ 29,401	\$ 32,554
Allocation of income to Province	(29,401)	(32,554)
Amortization	3,286	2,983
Net changes in working capital	<u>(1,999)</u>	<u>843</u>
	<u>1,287</u>	<u>3,826</u>
Financing		
(Decrease)/increase in obligation to Atlantic Gaming Equipment Limited	<u>(736)</u>	<u>1,129</u>
Investing		
Purchases of capital assets	(2,622)	(5,924)
Change in investment of Atlantic Lottery Corporation Inc.	(272)	(746)
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,923</u>	<u>239</u>
	<u>(971)</u>	<u>(6,431)</u>
Net increase (decrease) in cash & cash equivalents	(420)	(1,476)
Cash & cash equivalents, beginning of quarter	<u>10,447</u>	<u>21,598</u>
Cash & cash equivalents, end of quarter	\$ <u>10,027</u>	\$ <u>20,122</u>