

—— NOVA SCOTIA PROVINCIAL ——
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended March 31, 2013

**FINANCIAL
HIGHLIGHTS**
For the fourth quarter ended
March 31, 2013 (unaudited)

In the fourth quarter of 2012-13, the total Payment to Province was \$26.0 million, \$16.8 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 \$16.0 million of the Payment to Province, \$7.1 million lower than the previous year. This decrease was due to a reduction in revenue as a result of continuing poor 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 \$7.6 million of the Payment to Province, \$0.8 million higher than the previous year. This increase was primarily a result of a decrease in expenses compared to the previous year.

Payment to Province from the Halifax casino was \$4.6 million, \$8.7 million lower than the same quarter in the previous year. Payment to Province from the Sydney casino was \$1.6 million, \$1.8 million lower than the previous year. The decrease is due to a one-time HST recovery recognized last year.

Win Tax of \$3.3 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was \$0.2 million lower than the same quarter of the previous year and is a calculation of 20% of casino gaming revenues.

Contributions and expenditures of \$1.5 million were incurred in the fourth quarter in support of responsible gambling and prevention programming initiatives, and research and treatment of problem gambling. This was \$0.3 million lower than the previous year. The allocation of the \$1.5 million is as follows:

	Quarter ended March 31, 2013	Quarter ended March 31, 2012
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 51,500 <u>51,500</u> 103,000	\$ 62,000 <u>62,000</u> 124,000
Responsible Gambling/Prevention Programming Programs	386,000	662,000
Contribution to Department of Health and Wellness	<u>965,000</u>	<u>1,042,000</u>
Total Contributions	\$ <u>1,454,000</u>	\$ <u>1,828,000</u>

OPERATIONAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2013 (unaudited)

In the fourth quarter, the Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC) through its operator Casino Nova Scotia (CNS), continued its strong commitment to local music talent. CNS was a key sponsor of the 2013 East Coast Music Awards (ECMA) and hosted ten ECMA events at the Halifax casino during music week. East Coast acts Charlie A'Court and Evans and Doherty performed at the Schooner Showroom during the quarter as well.

Also visiting the Schooner Showroom in the fourth quarter were legendary music acts Randy Bachman and Starship as well as comedian Bob Saget. Country music artist Dean Brody played two shows in Halifax and a show in Sydney as part of the Sydney casino's ongoing partnership with Centre 200.

The rollout out of replacement video lottery terminals continued through the fourth quarter with a total of 1,622 replacement terminals going into market. The terminals include the Blast terminal developed by Cape Breton's Techlink Entertainment.

NSPLCC continues to evaluate options to improve My-Play card retention and increase full enrolments. Since the system was implemented, there have been 6,672 full enrolments and over 850,000 light enrolments. The high number of light enrolments indicates that players are frequently re-enrolling in the system.

In the fourth quarter, NSPLCC conducted Responsible Gambling training for Video Lottery and Ticket Lottery retailers, Casino Nova Scotia staff and NSPLCC staff. 100% of retailers and staff completed their training.

Nova Scotians entered nearly 110,000 non-winning Scratch'N Win tickets during the fourth quarter for a chance to win the \$250,000 grand prize and other prizes available in the 2nd Chance Program. In the final draw of the year, Nova Scotia had 4 winners of \$1,000 each and another 28 prizes of \$100 were awarded.

Atlantic Lottery was the first regulated lottery in Canada to offer bets on awards show, giving Nova Scotians an opportunity to bet on award winners at the Academy Awards. Players placed their bets on Oscar categories including Best Picture and Best Actor/Actress in a Leading Role.

The *Support4Sport* Program is the most significant source of funding for amateur sport in Nova Scotia with 100% of the proceeds from *Support4Sport* branded tickets going to amateur sport. Nearly \$0.7 million was raised in the fourth quarter and nearly \$3.5 million in fiscal 2012-13, to help develop community and provincial sporting programs and provide training and development opportunities for athletes, coaches, and officials.

In the fourth quarter, NSPLCC supported three licensed Monte Carlo fundraisers through its *Support4Communities* Program. Events were held in Beaver Bank (Beaver Bank Community Centre), New Glasgow (Pictou County Special Olympics and Northern Region Respite Services), and Truro (Truro Red Cross). In 2012-13 more than \$179,000 was raised at 11 events throughout the province.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31 (unaudited)
(in thousands)

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 8,046	\$ 7,655
Cash – restricted	6,047	6,317
Trade and other receivables	1,024	1,293
Prepaid expenses	2,308	2,987
Inventories	2,874	2,296
	<u>20,299</u>	<u>20,548</u>
Non-current assets		
Property, plant and equipment	111,023	80,233
Cash – casino capital replacement reserve	2,552	860
Investment in Interprovincial Lottery Corporation	1	1
	<u>113,576</u>	<u>81,094</u>
	<u>\$ 133,875</u>	<u>\$ 101,642</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 354	\$ 711
Trade and other payables	14,136	15,390
Deferred revenue and recovery	643	986
Liabilities for unclaimed prizes	6,047	6,317
Due to Atlantic Gaming Equipment Limited	10,280	6,778
Other liabilities	1,279	1,231
Due to Province of Nova Scotia	54,920	55,553
	<u>87,659</u>	<u>86,966</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	38,663	9,715
Investment in Atlantic Lottery Corporation Inc.	18,024	11,829
	<u>56,687</u>	<u>21,544</u>
EQUITY		
Casino capital replacement reserve	8,323	6,389
Retained deficit	<u>(18,794)</u>	<u>(13,257)</u>
	<u>\$ 133,875</u>	<u>\$ 101,642</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fourth quarter ended March 31 (unaudited)
(in thousands)

	2013								2012							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			4th Quarter	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			4th Quarter	Year to date
Revenues	\$ 49,598	\$ 27,501	\$ 13,701	\$ 4,422	\$ -	\$ 20	\$ 95,242	\$ 407,927	\$ 51,982	\$ 34,065	\$ 14,300	\$ 4,878	\$ -	\$ 104	\$ 105,329	\$ 427,522
Expenses	<u>42,038</u>	<u>11,509</u>	<u>11,601</u>	<u>3,616</u>	<u>386</u>	<u>605</u>	<u>69,755</u>	<u>285,057</u>	<u>45,156</u>	<u>10,988</u>	<u>3,651</u>	<u>2,380</u>	<u>662</u>	<u>852</u>	<u>63,689</u>	<u>279,541</u>
Net Income before Contributions	7,560	15,992	2,100	806	(386)	(585)	25,487	122,870	6,826	23,077	10,649	2,498	(662)	(748)	41,640	147,981
Contributions to Community Programs	-	-	-	-	<u>1,069</u>	<u>1,721</u>	<u>2,790</u>	<u>9,452</u>	-	-	-	-	<u>1,167</u>	<u>1,216</u>	<u>2,383</u>	<u>10,257</u>
Net Income	7,560	15,992	2,100	806	(1,455)	(2,306)	22,697	113,418	6,826	23,077	10,649	2,498	(1,829)	(1,964)	39,257	137,724
Win Tax	-	-	<u>2,484</u>	<u>815</u>	-	-	<u>3,299</u>	<u>14,459</u>	-	-	<u>2,611</u>	<u>917</u>	-	-	<u>3,528</u>	<u>15,061</u>
Payment to Province	\$ <u>7,560</u>	\$ <u>15,992</u>	\$ <u>4,584</u>	\$ <u>1,621</u>	\$ <u>(1,455)</u>	\$ <u>(2,306)</u>	\$ <u>25,996</u>	\$ <u>127,877</u>	\$ <u>6,826</u>	\$ <u>23,077</u>	\$ <u>13,260</u>	\$ <u>3,415</u>	\$ <u>(1,829)</u>	\$ <u>(1,964)</u>	\$ <u>42,785</u>	\$ <u>152,785</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the fourth quarter ended March 31 (unaudited)
(in thousands)

	2013		2012	
	4th Quarter	Year to date	4th Quarter	Year to date
Retained earnings, beginning of period	\$ (13,252)	\$ (13,257)	\$ (13,530)	\$ (12,029)
Change in investment in ALC	(5,542)	(5,537)	273	(1,228)
Net income	22,697	113,418	39,257	137,724
Net income paid to Province	<u>(22,697)</u>	<u>(113,418)</u>	<u>(39,257)</u>	<u>(137,724)</u>
Retained earnings, end of period	\$ <u>(18,794)</u>	\$ <u>(18,794)</u>	\$ <u>(13,257)</u>	\$ <u>(13,257)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fourth quarter ended
March 31 (unaudited)
(in thousands)

	<u>2013</u>	<u>2012</u>
Operating		
Net Income	\$ 25,996	\$ 39,257
Allocation of income to Province	(25,996)	(39,257)
Amortization	3,744	6,216
Net changes in working capital	<u>(15,362)</u>	<u>(17,244)</u>
	<u>(11,618)</u>	<u>(11,028)</u>
Financing		
Increase/(decrease) in obligation to Atlantic Gaming Equipment Limited	<u>32,840</u>	<u>(870)</u>
Investing		
Purchases of capital assets	(18,679)	(1,803)
Change in investment of Atlantic Lottery Corporation Inc.	596	2,286
Increase in Casino Capital Replacement Reserve, net of cash	<u>(2,131)</u>	<u>(2,749)</u>
	<u>(20,214)</u>	<u>(2,266)</u>
Net increase (decrease) in cash & cash equivalents	1,008	(14,164)
Cash & cash equivalents, beginning of quarter	<u>6,684</u>	<u>21,108</u>
Cash & cash equivalents, end of quarter	\$ <u>7,692</u>	\$ <u>6,944</u>