

—— NOVA SCOTIA PROVINCIAL ——  
**LOTTERIES & CASINO CORPORATION**

**QUARTERLY REPORT**

For the quarter ended June 30, 2013

**FINANCIAL  
HIGHLIGHTS**  
For the first quarter ended  
June 30, 2013 (unaudited)

In the first quarter of 2013-14, the total Payment to Province was \$30.9 million, \$2.5 million lower than the same quarter in the previous year due primarily to decreased revenue in the Video Lottery business line.

The Video Lottery business line accounted for \$15.8 million of the Payment to Province, \$2.9 million lower than the previous year. The reduction in revenue is a result of continuing weak economic factors, mandatory enrolment in the My-Play System, as well as reduced revenue from replacement terminals introduced at the end of last fiscal year.

The Ticket Lottery business line accounted for \$11.0 million of the Payment to Province, \$0.2 million lower than the previous year. This decrease was a result of lower Lotto Max revenue in 2013-14 due to fewer \$50 million plus Maxmillion jackpot rolls compared to the prior year.

Payment to Province from the Halifax casino was \$5.1 million, \$0.2 million lower than the same quarter in the previous year. Payment to Province from the Sydney casino was \$2.1 million, \$0.1 million higher than the previous year.

Win Tax of \$3.7 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was \$0.1 million higher than the same quarter of the previous year and is a calculation based on 20% of casino gaming revenues.

Contributions and expenditures of \$1.5 million were incurred in the first 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 due to timing of programs. The allocation of the \$1.5 million is as follows:

	Quarter ended June 30, 2013	Quarter ended June 30, 2012
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 68,000 <u>68,000</u> 136,000	\$ 73,500 <u>73,500</u> 147,000
Responsible Gambling/Prevention Programming Programs	166,000	452,000
Contribution to Department of Health and Wellness	<u>1,200,000</u>	<u>1,200,000</u>
<b>Total Contributions</b>	<b>\$ <u>1,502,000</u></b>	<b>\$ <u>1,799,000</u></b>

In the first quarter, the Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC) through its operator, Casino Nova Scotia (CNS), continued its strong commitment to the Nova Scotia entertainment scene. CNS played host to the opening gala and the all-star show for the Halifax Comedy Festival. CNS also featured many Canadian and Maritime musical acts including David Wilcox, Terri Clark, Tim Chaisson, Thom Swift and The Stanfields.

NSPLCC continued to support the My-Play System by developing updated information material for video lottery retail sites reflecting the fresh look of the newly re-designed My-Play website. The material is focused on communicating to players that the system maintains high privacy standards with their personal information, which has been expressed in focus groups as a primary barrier to enrolment. A retailer engagement program known as the My-Play Support Program was also implemented to encourage retailers in their ongoing support of the system and its goals.

Atlantic Lottery re-launched its successful 2<sup>nd</sup> Chance Program, which offers players a chance to win a total of \$0.5 million in prizes by entering their non-winning Scratch 'N Win tickets into a draw online. The program will be open for player registration and ticket entry between May 31, 2013 and March 31, 2014.

Also in the first quarter, Atlantic Lottery announced changes to Lotto 6/49 that will offer players new and exciting game features. Starting in September 2013, Lotto 6/49 will include a guaranteed \$1 million prize to be won each draw, jackpots that start at \$5 million, and greater chances of winning with a prize awarded by matching just two of six numbers. Lotto 6/49 will be priced at \$3 per play and will continue to offer players great value at its new price.

On May 2, 2013, the *Support4Culture* program was announced. *Support4Culture* is a new designated lottery program to support arts, culture and heritage in communities across Nova Scotia. It is expected that \$2 million will be raised in its first year, with the program funding to be managed by the Department of Communities, Culture and Heritage.

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. Over \$0.8 million was raised in the first quarter, which will help develop community and provincial sporting programs and provide training and development opportunities for athletes, coaches, and officials.

In the first quarter, NSPLCC supported three Monte Carlo fundraisers through its *Support4Communities* Casino Nights program and helped raise more than \$45,000. Events were in support of the Lower Sackville Boys and Girls Club, Bedford-Sackville Early Intervention, Clare Special Olympics and the Cape Breton Regional Hospital Foundation.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30 (unaudited)  
(in thousands)

## ASSETS

	<u>2014</u>	<u>2013</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 7,631	\$ 11,052
Cash – restricted	6,777	6,506
Trade and other receivables	944	966
Prepaid expenses	3,731	3,465
Inventories	<u>2,778</u>	<u>2,316</u>
	<u>21,861</u>	<u>24,305</u>
 <b>Non-current assets</b>		
Property, plant and equipment	108,922	79,087
Cash – casino capital replacement reserve	2,511	2,047
Investment in Interprovincial Lottery Corporation	<u>1</u>	<u>1</u>
	<u>111,434</u>	<u>81,135</u>
	<u>\$ 133,295</u>	<u>\$ 105,440</u>

## LIABILITIES and EQUITY

<b>Current liabilities</b>		
Bank indebtedness	\$ 340	\$ 605
Trade and other payables	13,625	16,344
Deferred revenue and recovery	652	1,003
Liabilities for unclaimed prizes	6,777	6,506
Due to Atlantic Gaming Equipment Limited	2,812	1,458
Other liabilities	1,278	1,095
Due to Province of Nova Scotia	<u>55,372</u>	<u>58,429</u>
	<u>80,856</u>	<u>85,440</u>
 <b>Non-current liabilities</b>		
Due to Atlantic Gaming Equipment Limited	44,190	13,705
Investment in Atlantic Lottery Corporation Inc.	<u>17,378</u>	<u>11,959</u>
	<u>61,568</u>	<u>25,664</u>

## EQUITY

Casino capital replacement reserve	9,666	7,591
Retained deficit	<u>(18,795)</u>	<u>(13,255)</u>
	<u>\$ 133,295</u>	<u>\$ 105,440</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first quarter ended June 30 (unaudited)  
(in thousands)

	2014							2013						
	LOTTERIES		CASINOS		RG	OTHER	TOTAL	LOTTERIES		CASINOS		RG	OTHER	TOTAL
	Ticket Lottery	Video Lottery	HFX	SYD			1st Quarter and Year to date	Ticket Lottery	Video Lottery	HFX	SYD			1st Quarter and Year to date
Revenues	\$ 52,508	\$ 27,667	\$ 14,848	\$ 5,319	\$ -	\$ -	\$ 100,342	\$ 53,947	\$ 29,820	\$ 14,689	\$ 5,222	\$ -	\$ -	\$ 103,678
Expenses	<u>41,475</u>	<u>11,840</u>	<u>12,398</u>	<u>4,226</u>	<u>166</u>	<u>584</u>	<u>70,689</u>	<u>42,790</u>	<u>11,144</u>	<u>12,053</u>	<u>4,143</u>	<u>452</u>	<u>753</u>	<u>71,335</u>
Net Income before Contributions														
Contributions	11,033	15,827	2,450	1,093	(166)	(584)	29,653	11,157	18,676	2,636	1,079	(452)	(753)	32,343
Contributions to Community Programs	-	-	-	-	<u>1,336</u>	<u>1,078</u>	<u>2,414</u>	-	-	-	-	<u>1,347</u>	<u>1,195</u>	<u>2,542</u>
Net Income	11,033	15,827	2,450	1,093	(1,502)	(1,662)	27,239	11,157	18,676	2,636	1,079	(1,799)	(1,948)	29,801
Win Tax	-	-	<u>2,686</u>	<u>980</u>	-	-	<u>3,666</u>	-	-	<u>2,650</u>	<u>967</u>	-	-	<u>3,617</u>
Payment to Province	\$ <u>11,033</u>	\$ <u>15,827</u>	\$ <u>5,136</u>	\$ <u>2,073</u>	\$ <u>(1,502)</u>	\$ <u>(1,662)</u>	\$ <u>30,905</u>	\$ <u>11,157</u>	\$ <u>18,676</u>	\$ <u>5,286</u>	\$ <u>2,046</u>	\$ <u>(1,799)</u>	\$ <u>(1,948)</u>	\$ <u>33,418</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the first quarter ended June 30 (unaudited)  
(in thousands)

	2014	2013
	First Quarter & Year to date	First Quarter & Year to date
Retained earnings, beginning of period	\$ (18,794)	\$ (13,257)
Change in investment in ALC	<u>(1)</u>	<u>2</u>
Net income	27,239	29,801
Net income paid to Province	<u>(27,239)</u>	<u>(29,801)</u>
Retained earnings, end of period	\$ <u>(18,795)</u>	\$ <u>(13,255)</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the first quarter ended  
June 30 (unaudited)  
(in thousands)

	<u>2014</u>	<u>2013</u>
<b>Operating</b>		
Net Income	\$ 27,240	\$ 29,801
Allocation of income to Province	(27,240)	(29,801)
Amortization	2,830	2,390
Net changes in working capital	<u>(1,298)</u>	<u>3,540</u>
	<u>1,532</u>	<u>5,930</u>
<b>Financing</b>		
(Decrease)/increase in obligation to Atlantic Gaming Equipment Limited	<u>(1,941)</u>	<u>(1,330)</u>
<b>Investing</b>		
Purchases of capital assets	(729)	(1,244)
Change in investment of Atlantic Lottery Corporation Inc.	(647)	132
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,384</u>	<u>15</u>
	<u>8</u>	<u>(1,097)</u>
Net increase (decrease) in cash & cash equivalents	(401)	3,503
Cash & cash equivalents, beginning of quarter	<u>7,692</u>	<u>6,944</u>
Cash & cash equivalents, end of quarter	\$ <u>7,291</u>	\$ <u>10,447</u>