

—— NOVA SCOTIA PROVINCIAL ——
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended September 30, 2013

FINANCIAL HIGHLIGHTS

For the second quarter ended
September 30, 2013 (unaudited)

In the second quarter of 2013-14, the total Payment to Province was \$29.4 million, \$4.0 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 \$14.8 million of the Payment to Province, \$3.3 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 \$10.4 million of the Payment to Province, \$0.3 million higher than the previous year. This increase is a result of a decrease in expenses compared to the previous year.

Payment to Province from the Halifax casino was \$5.8 million, \$0.3 million lower than the same quarter last year. Payment to Province from the Sydney casino was \$2.1 million, \$0.2 million lower than the previous year. This decrease is due to a one-time adjustment (reduced expense) in 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 comparable to the same quarter of the previous year and is a calculation of 20% of casino gaming revenues.

Contributions and expenditures of \$1.3 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 lower than last year due to timing of programs. The allocation of the \$1.3 million is as follows:

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 59,500 <u>59,500</u> 119,000	\$ 63,500 <u>63,500</u> 127,000
Responsible Gambling/Prevention Programming Programs	254,000	560,000
Contribution to Department of Health and Wellness	<u>900,000</u>	<u>900,000</u>
Total Contributions	\$ <u>1,273,000</u>	\$ <u>1,587,000</u>

OPERATIONAL HIGHLIGHTS

For the second quarter ended
September 30, 2013 (unaudited)

In the second quarter, Casino Nova Scotia, at its Halifax casino, played host to a number of entertaining acts. The summer line up at the Schooner Showroom included performers such as Matt Dusk, The Waterboys, Steve Earle, Chubby Checker and another instalment of the popular Songwriters' Series. In addition, ABBAmania and Night Fever returned to the Halifax casino, thrilling two sold-out audiences with their tributes to ABBA and the Bee Gees. The Sydney casino, in conjunction with Centre 200, hosted the Cape Breton BikeFest Vendor Village and presented three free concerts featuring Matt Minglewood, Andrew Doyle, Kick, Spyder, John Campbelljohn and Cape Breton Collision.

The Responsible Gambling Resource Centres, located at both Casino Nova Scotia locations, received over 950 visitors and distributed more than 1,280 pieces of responsible gambling information material. The quarterly Open House event, held on July 6th, drew awareness to the centres and the many tools and resources they offer, engaging over 210 patrons.

Atlantic Lottery continued to offer its 2nd Chance contest, which gives players a chance to win a total of \$0.5 million in prizes by entering their non-winning Scratch 'N Win tickets as well as winning and non-winning Lotto 6/49 tickets online. The program is open for player registration and ticket entry between May 31, 2013 and March 31, 2014. There have been two draws to date, with the next scheduled draw for January 9, 2014. Prizes to be won include one prize of \$64,900, 15 prizes of \$1,000 and a grand prize of \$250,000.

Also in the second quarter, Atlantic Lottery launched an enhanced version of Lotto 6/49 and Atlantic 49 that offer players new and exciting elements. Starting in September 2013, the new Lotto 6/49 game included a guaranteed \$1 million prize in each draw, jackpots starting at \$5 million and a greater chance of winning with a prize awarded by matching just two numbers. The new Lotto 6/49 is priced at \$3 per play and continues to offer players great value at its new price. In addition to its jackpot, the enhanced Atlantic 49 game offers a guaranteed prize of \$25,649 in Atlantic Canada every draw. The enhanced games have been well-received by players.

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 second quarter, which will help develop community and provincial sporting programs and provide training and development opportunities for athletes, coaches, and officials.

The *Support4Culture* Program launched its brand of tickets on July 2nd. The program was established to support artistic, heritage, cultural and community interests across Nova Scotia and is expected to raise \$2.0 million in the current fiscal year. During this quarter \$0.5 million in profits was raised for this fund.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30 (unaudited)
(in thousands)

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 8,457	\$ 10,440
Cash – restricted	5,945	6,506
Trade and other receivables	1,350	988
Prepaid expenses	4,070	2,794
Inventories	2,612	2,291
	<u>22,434</u>	<u>23,019</u>
Non-current assets		
Property, plant and equipment	105,937	79,237
Cash – casino capital replacement reserve	3,447	1,465
Investment in Interprovincial Lottery Corporation	1	1
	<u>109,385</u>	<u>80,703</u>
	<u>\$ 131,819</u>	<u>\$ 103,722</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 445	\$ 413
Trade and other payables	13,563	14,656
Deferred revenue and recovery	796	947
Liabilities for unclaimed prizes	5,945	6,506
Due to Atlantic Gaming Equipment Limited	2,812	1,458
Other liabilities	782	1,115
Due to Province of Nova Scotia	54,894	57,558
	<u>79,237</u>	<u>82,653</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	41,220	13,705
Investment in Atlantic Lottery Corporation Inc.	18,309	11,687
	<u>59,529</u>	<u>25,392</u>
EQUITY		
Casino capital replacement reserve	11,142	8,932
Retained deficit	<u>(18,089)</u>	<u>(13,255)</u>
	<u>\$ 131,819</u>	<u>\$ 103,722</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2014								2013							
	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	\$ 49,927	\$ 26,641	\$ 16,327	\$ 5,782	\$ -	\$ -	\$ 98,677	\$ 199,019	\$ 51,110	\$ 28,700	\$ 16,211	\$ 6,014	\$ -	\$ -	\$ 102,035	\$ 205,712
Expenses	<u>39,548</u>	<u>11,808</u>	<u>13,521</u>	<u>4,726</u>	<u>254</u>	<u>555</u>	<u>70,412</u>	<u>141,099</u>	<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>
Net Income before Contributions	10,379	14,833	2,806	1,056	(254)	(555)	28,265	57,920	10,065	18,144	3,161	1,135	(560)	(638)	31,307	63,650
Contributions to Community Programs	-	-	-	-	<u>1,019</u>	<u>1,869</u>	<u>2,888</u>	<u>5,302</u>	-	-	-	-	<u>1,027</u>	<u>879</u>	<u>1,906</u>	<u>4,447</u>
Net Income	10,379	14,833	2,806	1,056	(1,273)	(2,424)	25,377	52,618	10,065	18,144	3,161	1,135	(1,587)	(1,517)	29,401	59,203
Win Tax	-	-	<u>2,960</u>	<u>1,082</u>	-	-	<u>4,042</u>	<u>7,707</u>	-	-	<u>2,908</u>	<u>1,128</u>	-	-	<u>4,036</u>	<u>7,654</u>
Payment to Province	<u>\$ 10,379</u>	<u>\$ 14,833</u>	<u>\$ 5,766</u>	<u>\$ 2,138</u>	<u>\$ (1,273)</u>	<u>\$ (2,424)</u>	<u>\$ 29,419</u>	<u>\$ 60,325</u>	<u>\$ 10,065</u>	<u>\$ 18,144</u>	<u>\$ 6,069</u>	<u>\$ 2,263</u>	<u>\$ (1,587)</u>	<u>\$ (1,517)</u>	<u>\$ 33,437</u>	<u>\$ 66,857</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

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

	2014		2013	
	2nd Quarter	Year to date	2nd Quarter	Year to date
Retained earnings, beginning of period	\$ (18,795)	\$ (18,794)	\$ (13,255)	\$ (13,257)
Change in investment in ALC	706	705	4	6
Net income	25,377	52,618	29,401	59,203
Net income paid to Province	<u>(25,377)</u>	<u>(52,618)</u>	<u>(29,401)</u>	<u>(59,203)</u>
Retained earnings, end of period	<u>\$ (18,089)</u>	<u>\$ (18,089)</u>	<u>\$ (13,251)</u>	<u>\$ (13,251)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>2014</u>	<u>2013</u>
Operating		
Net Income	\$ 25,377	\$ 29,401
Allocation of income to Province	(25,377)	(29,401)
Amortization	2,454	3,286
Net changes in working capital	<u>(1,471)</u>	<u>(1,921)</u>
	<u>983</u>	<u>1,365</u>
Financing		
(Decrease)/increase in obligation to Atlantic Gaming Equipment Limited	<u>(2,970)</u>	<u>-</u>
Investing		
Purchases of capital assets	(723)	(3,436)
Transfer of capital assets	1,254	-
Change in investment of Atlantic Lottery Corporation Inc.	1,637	(272)
Increase in Casino Capital Replacement Reserve, net of cash	<u>540</u>	<u>1,923</u>
	<u>2,708</u>	<u>(1,785)</u>
Net increase (decrease) in cash & cash equivalents	721	(420)
Cash & cash equivalents, beginning of quarter	<u>7,291</u>	<u>10,447</u>
Cash & cash equivalents, end of quarter	\$ <u>8,012</u>	\$ <u>10,027</u>