

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

**QUARTERLY REPORT**

For the quarter ended September 30, 2015

# FINANCIAL HIGHLIGHTS

For the second quarter ended  
September 30, 2015 (unaudited)

In the second quarter of 2015-16, the total Payment to Province was \$36.9 million, \$6.6 million higher than the same quarter in the previous year due primarily to an increase in revenue from Ticket and Video Lottery offset with community contributions to *Support4Sport* and Nova Scotia Harness Racing.

Ticket Lottery profits accounted for \$13.4 million of the Payment to Province, \$3.4 million higher than the previous year. This increase over the previous year was due primarily to higher revenue in Lotto Max, Lotto 6/49 and spiel games TAG and Twist as a result of higher jackpot amounts.

Video Lottery profits accounted for \$21.4 million of the Payment to Province, \$5.3 million higher than the previous year. The increase was due primarily to an increase in revenue from re-engagement of players following the removal of the My-Play system, acceptance of replacement terminals and standardization of payout rates.

Payment to Province from the Halifax casino was \$5.7 million, \$0.4 million higher than the same quarter in the previous year. Payment to Province from the Sydney casino was \$2.0 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 \$0.2 million higher than the same quarter in the previous year and is a calculation of 20% of casino gaming revenues.

Contributions and expenditures of \$1.4 million were incurred in the second quarter in support of responsible gambling and prevention programming initiatives, research and treatment of problem gambling. This was \$0.2 million higher than the previous year. The allocation of the \$1.4 million is as follows:

	Quarter ended September 30, 2015	Quarter ended September 30, 2014
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 68,500 <u>68,500</u> 137,000	\$ 57,000 <u>57,000</u> 114,000
Responsible Gambling Programs	355,000	199,000
Contribution to Department of Health and Wellness	<u>900,000</u>	<u>900,000</u>
<b>Total Contributions</b>	<b>\$ <u>1,392,000</u></b>	<b>\$ <u>1,213,000</u></b>

## OPERATIONAL HIGHLIGHTS

For the second quarter ended  
September 30, 2015 (unaudited)

Music Nova Scotia announced the first class of inductees in July for the Casino Nova Scotia Music Hall of Fame. Anne Murray, John Allan Cameron, Rita MacNeil, Portia White and Brookes Diamond Productions will all be inducted into the Hall of Fame at a gala ceremony in November 2015 at the Halifax casino.

Nova Scotia's 14<sup>th</sup> annual Responsible Gambling Awareness Week (RGAW) was held September 27<sup>th</sup> to October 3<sup>rd</sup>. This included coordinating a province-wide mass media awareness and education campaign highlighting the responsible gambling tip, 'Balance is the Name of the Game'. Street teams were deployed in key featured communities to engage with adults by having them participate in RG quizzes, encouraging them to visit [www.yourbestbet.ca](http://www.yourbestbet.ca) and give out RGAW branded promotional material.

The Responsible Gambling Resource Centres, located at both Casino Nova Scotia locations, saw an increase in visitation in the second quarter, up nearly 29% from last year, and distributed approximately 1,550 pieces of responsible gambling information material to casino patrons.

There were seven Lotto Max \$50+ million plus MAXMILLION draws in the second quarter. September also saw the highest lottery jackpot ever at the new Lotto Max threshold of \$60 million, which included 27 MAXMILLION draws. Also two of the guaranteed \$1 million prizes for Lotto 6/49 were awarded to ticket holders in Nova Scotia.

In the second quarter, two new games were launched on select video lottery machines in Nova Scotia sites, Crank's Bash and Fiddler's Fortune.

The second quarter saw Scratch'n Win ticket launches which included \$2 Bingo GO, \$5 Lotto Max (a ticket done collaboratively with Western Canada Lottery Corporation) and \$20 Extreme Millions (a ticket sold nationally offering 25 top prizes of \$1 million).

The purchase of lottery tickets in Nova Scotia on [alc.ca](http://alc.ca) was supported by the launch of a mobile app for Apple devices which has been available for download to all Canadian APP Store users since March 30, 2015. The total number of new purchasing players in the second quarter was 8,740, and included 45,869 transactions totaling \$0.4 million in sales.

*Support4Sport* is the most significant source of funding for amateur sport in Nova Scotia with 100% of the proceeds from *Support4Sport* designated products in Nova Scotia going to amateur sport. In the second quarter, \$2.0 million was raised which will help develop community and provincial sporting programs, and provide training and development opportunities for athletes, coaches, and officials.

The *Support4Culture* Program is a source of funding for Nova Scotia's artistic, heritage and cultural communities with 100% of proceeds from *Support4Culture* designated products going to support initiatives sponsored by the program. During the quarter, nearly \$0.8 million was raised to help support initiatives such as the Artistic Innovation Program, the Built Heritage Development Fund, and the Mi'kmaq Cultural Activities Program.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30 (unaudited)  
(in thousands)

## ASSETS

	<u>2015</u>	<u>2014</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 16,335	\$ 11,467
Cash – restricted	5,730	6,278
Disputed HST assessments	42,014	34,716
Trade and other receivables	1,669	2,066
Prepaid expenses	6,134	5,360
Inventories	1,930	2,572
	<u>73,812</u>	<u>62,459</u>
<b>Non-current assets</b>		
Property, plant and equipment	91,296	97,677
Cash – casino capital replacement reserve	8,547	4,270
Investment in Atlantic Lottery Corporation Inc.	201	-
Investment in Interprovincial Lottery Corporation	1	1
	<u>100,045</u>	<u>101,948</u>
	<u>\$ 173,857</u>	<u>\$ 164,407</u>

## LIABILITIES and EQUITY

<b>Current liabilities</b>		
Bank indebtedness	\$ 348	\$ 1,169
Trade and other payables	25,132	20,857
Deferred revenue	876	907
Liabilities for unclaimed prizes	5,730	6,278
Due to Atlantic Gaming Equipment Limited	1,801	2,507
Other liabilities	972	757
Due to Province of Nova Scotia	95,043	86,699
	<u>129,902</u>	<u>119,174</u>
<b>Non-current liabilities</b>		
Due to Atlantic Gaming Equipment Limited	32,751	34,207
Investment in Atlantic Lottery Corporation Inc.	-	5,523
Other long term liabilities - asset retirement obligation	267	188
	<u>33,018</u>	<u>39,918</u>

## EQUITY

Casino capital replacement reserve	15,069	12,898
Retained deficit	(4,132)	(7,583)
	<u>10,937</u>	<u>5,315</u>
	<u>\$ 173,857</u>	<u>\$ 164,407</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2015								2014							
	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	\$ 55,634	\$ 32,991	\$ 16,424	\$ 5,432	\$ -	\$ -	\$ 110,481	\$ 218,481	\$ 48,866	\$ 26,316	\$ 15,234	\$ 5,731	\$ -	\$ -	\$ 96,147	\$ 192,122
Expenses	<u>42,237</u>	<u>11,610</u>	<u>13,675</u>	<u>4,468</u>	<u>355</u>	<u>795</u>	<u>73,140</u>	<u>146,065</u>	<u>38,919</u>	<u>10,222</u>	<u>12,637</u>	<u>4,690</u>	<u>199</u>	<u>708</u>	<u>67,375</u>	<u>135,467</u>
Net Income before Contributions	13,397	21,381	2,749	964	(355)	(795)	37,341	72,416	9,947	16,094	2,597	1,041	(199)	(708)	28,772	56,655
Contributions to Community Programs	-	-	-	-	<u>1,037</u>	<u>3,369</u>	<u>4,406</u>	<u>7,853</u>	-	-	-	-	<u>1,014</u>	<u>1,255</u>	<u>2,269</u>	<u>6,694</u>
Net Income	13,397	21,381	2,749	964	(1,392)	(4,164)	32,935	64,563	9,947	16,094	2,597	1,041	(1,213)	(1,963)	26,503	49,961
Win Tax	-	-	<u>2,965</u>	<u>1,019</u>	-	-	<u>3,984</u>	<u>7,431</u>	-	-	<u>2,741</u>	<u>1,077</u>	-	-	<u>3,818</u>	<u>7,234</u>
Payment to Province	\$ <u>13,397</u>	\$ <u>21,381</u>	\$ <u>5,714</u>	\$ <u>1,983</u>	\$ <u>(1,392)</u>	\$ <u>(4,164)</u>	\$ <u>36,919</u>	\$ <u>71,994</u>	\$ <u>9,947</u>	\$ <u>16,094</u>	\$ <u>5,338</u>	\$ <u>2,118</u>	\$ <u>(1,213)</u>	\$ <u>(1,963)</u>	\$ <u>30,321</u>	\$ <u>57,195</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	2015		2014	
	2nd Quarter	Year to date	2nd Quarter	Year to date
Casino Capital Replacement Reserve				
Casino capital replacement reserve balance, beginning of period	\$ 13,767	\$ 12,898	\$ 11,485	\$ 11,142
Change in reserve	<u>1,302</u>	<u>2,171</u>	<u>1,413</u>	<u>1,756</u>
Casino capital replacement reserve, end of period	<u>15,069</u>	<u>15,069</u>	<u>12,898</u>	<u>12,898</u>
Retained Deficit				
Retained deficit balance, beginning of period	(5,289)	(7,583)	(8,776)	(18,089)
Net and comprehensive income	36,919	71,994	30,321	57,195
Change in investment in Atlantic Lottery Corporation Inc.	1,157	3,451	1,193	10,506
Payment to province	<u>(36,919)</u>	<u>(71,994)</u>	<u>(30,321)</u>	<u>(57,195)</u>
Retained deficit balance, end of period	<u>(4,132)</u>	<u>(4,132)</u>	<u>(7,583)</u>	<u>(7,583)</u>
Equity, end of period	\$ <u>10,937</u>	\$ <u>10,937</u>	\$ <u>5,315</u>	\$ <u>5,315</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>2015</u>	<u>2014</u>
<b>Operating</b>		
Net Income	\$ 36,919	\$ 30,337
Allocation of income to Province	(36,919)	(30,337)
Depreciation	2,369	1,982
Loss on disposal of capital assets	18	15
Net transfers of property, plant and equipment	(37)	(4,753)
Net changes in non-cash working capital	<u>5,730</u>	<u>(879)</u>
	<u>8,080</u>	<u>(3,635)</u>
<b>Financing</b>		
(Decrease)/increase in obligation to Atlantic Gaming Equipment Limited	<u>(1,767)</u>	<u>3,091</u>
<b>Investing</b>		
Purchases of capital assets, net additions	(282)	(1,442)
Change in investment of Atlantic Lottery Corporation Inc.	(357)	(1,172)
Decrease in Casino Capital Replacement Reserve, net of cash	<u>221</u>	<u>1,449</u>
	<u>(418)</u>	<u>(1,165)</u>
Net increase/(decrease) in cash & cash equivalents	5,895	(1,709)
Cash & cash equivalents, beginning of quarter	<u>10,092</u>	<u>12,007</u>
Cash & cash equivalents, end of quarter	\$ <u>15,987</u>	\$ <u>10,298</u>