

— NOVA SCOTIA PROVINCIAL —
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended March 31, 2015

**FINANCIAL
HIGHLIGHTS**
For the fourth quarter ended
March 31, 2015 (unaudited)

In the fourth quarter of 2014-15, the total Payment to Province was \$34.1 million, \$4.5 million higher than the same quarter in the previous year due primarily to an increase in revenues in the Video Lottery business.

The Ticket Lottery business line accounted for \$12.2 million of the Payment to Province, \$1.0 million higher than the previous year. This increase is a result of a decrease in expenses compared to the previous year.

The Video Lottery business line accounted for \$20.3 million of the Payment to Province, \$3.4 million higher than the previous year. The increase was due primarily to an increase in revenues from the removal of the My-Play system and acceptance of replacement terminals.

Payment to Province from the Halifax casino was \$3.6 million, \$0.7 million lower than the same quarter in the previous year. This decrease is due to a general revenue decline in the Halifax location. Payment to Province from the Sydney casino was \$1.5 million, \$0.1 million lower than the previous year.

Win Tax of \$2.9 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 in 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, research and treatment of problem gambling. This was \$0.1 million higher than the previous year. The allocation of the \$1.5 million is as follows:

	Quarter ended March 31, 2015	Quarter ended March 31, 2014
Gambling Awareness Nova Scotia		
<i>Video Lottery Retailers</i>	\$ 56,000	\$ 48,000
NSPLCC	<u>56,000</u>	<u>48,000</u>
	112,000	96,000
Responsible Gambling Programs	336,000	329,000
Contribution to Department of Health and Wellness	<u>1,012,000</u>	<u>990,000</u>
Total Contributions	\$ <u>1,460,000</u>	\$ <u>1,415,000</u>

OPERATIONAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2015 (unaudited)

Casino Nova Scotia featured an all-Canadian line up for its entertainment program. Canadian rockers Tom Cochrane, Colin James and Chilliwack, along with country artists Dallas Smith, Chad Brownlee and Tim Hicks and comedian Shaun Majumder all performed in the Schooner Showroom as Casino Nova Scotia delivered on its reputation as one of the leading music & entertainment destinations in Atlantic Canada.

In the fourth quarter, Atlantic Lottery wrapped up the 2nd Chance Contest which offers players a chance to win a total of \$0.5 million in prize by entering select non-winning tickets online. The grand prize of \$250,000 and the \$10,000 Fall into Cash prize were both won by players from Nova Scotia.

In March, Atlantic Lottery added eight additional guaranteed \$1 Million Prize bonus draws in Lotto 6/49. Both the March 5th and 8th draw saw an additional four guaranteed prizes of \$1 million awarded for each draw.

The Atlantic Lottery mobile application was approved by Apple for full public release to the App Store and was made available to all Canadian App Store users for download on Monday, March 30th, 2015.

NSPLCC presented Spotlight on Bingo, a *Support4Communities* Fundraising Seminar in the fourth quarter. This seminar was offered March 21st in Dartmouth, at no cost to charitable bingo operators. Over 40 registered attendees signed up for this seminar which featured six sessions on topics such as marketing, promotions, volunteer recruitment and gaming regulations. A highlight this year was the recruitment of Clyde Bock, from the United States, an internationally recognized expert on low-cost bingo promotions.

The *Support4Sport* Program is the most significant source of funding for amateur sport in Nova Scotia with 100% of the proceeds from *Support4Sport* designated tickets going to amateur sport. Just over \$0.6 million was raised in the fourth quarter of 2014-15. The funding program, managed by Sport Nova Scotia, helps to 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 tickets going to 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 March 31 (unaudited)
(in thousands)

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 8,696	\$ 10,805
Cash – restricted	5,552	6,145
Disputed HST assessments	38,169	31,583
Trade and other receivables	1,444	1,429
Prepaid expenses	5,071	3,347
Inventories	1,979	2,775
	<u>60,911</u>	<u>56,084</u>
Non-current assets		
Property, plant and equipment	95,543	105,578
Cash – casino capital replacement reserve	6,636	3,963
Investment in Interprovincial Lottery Corporation	1	1
	<u>102,180</u>	<u>109,542</u>
	<u>\$ 163,091</u>	<u>\$ 165,626</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 357	\$ 333
Trade and other payables	16,679	18,541
Deferred revenue and recovery	984	748
Liabilities for unclaimed prizes	5,552	6,145
Due to Atlantic Gaming Equipment Limited	8,122	9,241
Other liabilities	873	971
Due to Province of Nova Scotia	91,784	84,783
	<u>124,351</u>	<u>120,762</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	30,004	36,517
Investment in Atlantic Lottery Corporation Inc.	2,311	7,920
Other long term liabilities - asset retirement obligation	267	177
	<u>32,582</u>	<u>44,614</u>

EQUITY

Casino capital replacement reserve	12,638	10,220
Retained deficit	(6,480)	(9,970)
	<u>6,158</u>	<u>250</u>
	<u>\$ 163,091</u>	<u>\$ 165,626</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2015								2014							
	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	\$ 51,905	\$ 30,449	\$ 11,875	\$ 4,268	\$ -	\$ 6	\$ 98,503	\$ 396,647	\$ 54,202	\$ 25,976	\$ 13,241	\$ 4,589	\$ -	\$ 7	\$ 98,015	\$ 402,352
Expenses	<u>39,731</u>	<u>10,131</u>	<u>10,411</u>	<u>3,569</u>	<u>336</u>	<u>877</u>	<u>65,055</u>	<u>275,231</u>	<u>43,046</u>	<u>9,042</u>	<u>11,372</u>	<u>3,806</u>	<u>329</u>	<u>719</u>	<u>68,314</u>	<u>282,191</u>
Net Income before Contributions	12,174	20,318	1,464	699	(336)	(871)	33,448	121,416	11,156	16,934	1,869	783	(329)	(712)	29,701	120,161
Contributions to Community Programs	-	-	-	-	<u>1,124</u>	<u>1,150</u>	<u>2,274</u>	<u>11,383</u>	-	-	-	-	<u>1,086</u>	<u>2,260</u>	<u>3,346</u>	<u>11,170</u>
Net Income	12,174	20,318	1,464	699	(1,460)	(2,021)	31,174	110,033	11,156	16,934	1,869	783	(1,415)	(2,972)	26,355	108,991
Win Tax	-	-	<u>2,093</u>	<u>785</u>	-	-	<u>2,878</u>	<u>13,492</u>	-	-	<u>2,391</u>	<u>847</u>	-	-	<u>3,238</u>	<u>14,292</u>
Payment to Province	<u>\$ 12,174</u>	<u>\$ 20,318</u>	<u>\$ 3,557</u>	<u>\$ 1,484</u>	<u>\$ (1,460)</u>	<u>\$ (2,021)</u>	<u>\$ 34,052</u>	<u>\$ 123,525</u>	<u>\$ 11,156</u>	<u>\$ 16,934</u>	<u>\$ 4,260</u>	<u>\$ 1,630</u>	<u>\$ (1,415)</u>	<u>\$ (2,972)</u>	<u>\$ 29,593</u>	<u>\$ 123,283</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

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

	2015		2014	
	4th Quarter	Year to date	4th Quarter	Year to date
Retained earnings, beginning of period	\$ 7,797	\$ 250	\$ (4,666)	\$ (10,471)
Change in investment in ALC	(90)	3,490	7,094	8,824
Change in casino capital replacement fund	(1,549)	2,418	(2,178)	1,897
Net income	34,051	123,525	29,593	123,283
Net income paid to Province	<u>(34,051)</u>	<u>(123,525)</u>	<u>(29,593)</u>	<u>(123,283)</u>
Retained earnings, end of period	\$ <u>6,158</u>	\$ <u>6,158</u>	\$ <u>250</u>	\$ <u>250</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>2015</u>	<u>2014</u>
Operating		
Net Income	\$ 34,052	\$ 29,593
Allocation of income to Province	(34,052)	(29,593)
Depreciation	5,316	5,702
Loss\gain) on disposal of capital assets	261	(31)
Net transfers of capital assets	(546)	(41)
Net changes in working capital	<u>(4,398)</u>	<u>(483)</u>
	<u>634</u>	<u>5,147</u>
Financing		
(Decrease)/increase in obligation to Atlantic Gaming Equipment Limited	<u>(1,122)</u>	<u>3,304</u>
Investing		
Purchases of capital assets, net additions	(402)	(5,514)
Change in investment of Atlantic Lottery Corporation Inc.	(2,399)	73
Increase in Casino Capital Replacement Reserve, net of cash	<u>(2,953)</u>	<u>(1,986)</u>
	<u>(5,754)</u>	<u>(7,427)</u>
Net increase (decrease) in cash & cash equivalents	(6,242)	1,024
Cash & cash equivalents, beginning of quarter	<u>14,581</u>	<u>9,448</u>
Cash & cash equivalents, end of quarter	\$ <u>8,339</u>	\$ <u>10,472</u>