

—— NOVA SCOTIA PROVINCIAL ——
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended March 31, 2014

**FINANCIAL
HIGHLIGHTS**
For the fourth quarter ended
March 31, 2014 (unaudited)

In the fourth quarter of 2013-14, the total Payment to Province was \$29.6 million, \$3.6 million higher than the same quarter in the previous year due to increased revenue in the Ticket Lottery business line.

The Video Lottery business line accounted for \$16.9 million of the Payment to Province, \$0.9 million higher than the previous year. This is a result of a one-time lower operating expense for terminal maintenance charged in a previous quarter.

The Ticket Lottery business line accounted for \$11.2 million of the Payment to Province, \$3.6 million higher than the previous year. This increase is due to favourable results in Lotto 6/49 and Lotto Max compared to the previous year.

Payment to Province from the Halifax casino was \$4.3 million, \$0.3 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 \$1.6 million, comparable to the previous year.

Win Tax of \$3.2 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was \$0.1 million lower than the same quarter of the previous year and is a calculation of 20% of casino gaming revenues.

Contributions and expenditures of \$1.4 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 \$0.1 million lower than the previous year due to timing of programs. The allocation of the \$1.4 million is as follows:

	Quarter ended March 31, 2014	Quarter ended March 31, 2013
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 48,000 <u>48,000</u> 96,000	\$ 51,500 <u>51,500</u> 103,000
Responsible Gambling/Prevention Programming Programs	329,000	386,000
Contribution to Department of Health and Wellness	<u>990,000</u>	<u>965,000</u>
Total Contributions	\$ <u>1,415,000</u>	\$ <u>1,454,000</u>

OPERATIONAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2014 (unaudited)

In the fourth quarter, Casino Nova Scotia welcomed performers such as The Stampeders, April Wine, Platinum Blonde, Aaron Pritchett, Elvis to the Max and a Songwriter's Circle featuring Bruce Guthro, Ron Hynes, Dave Gunning and Christine Campbell.

The 2nd Chance Program for 2013-14 wrapped up in the fourth quarter with the grand prize of \$250,000 won by a player from Baddeck, Nova Scotia as well as one \$10,000 Early Bird prize. There were 4 winners of \$1,000 each from Nova Scotia.

There were seven Lotto Max jackpot draws of \$50 million plus MAXMILLION prizes in the fourth quarter and seventeen for the year. There were two winning MAXMILLION prizes won in Nova Scotia during the fourth quarter. Both were won on the same date, February 28th, one was sold in Halifax and the other Cumberland County.

NSPLCC oversaw Responsible Gambling training for Video Lottery and Ticket Lottery retailers, Casino Nova Scotia staff and NSPLCC staff. One hundred percent of retailers and staff completed their training.

The Responsible Gambling Resource Centres, located at both Casino Nova Scotia locations held regularly scheduled Open Houses in the fourth quarter. The centres welcomed 163 patrons and Casino Nova Scotia staff to participate in quizzes, interact with different responsible gambling tools such as MARGI and a power point presentation, as well as a chance to win prizes.

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 \$3.1 million in fiscal 2013-14. These funds 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 to support arts, culture and heritage in Nova Scotia communities with 100% of proceeds from *Support4Culture* branded tickets going to support initiatives such as the Artistic Innovation Program, the Built Heritage Development Fund and the Mi'kmaq Cultural Activities Program. A contribution of \$2.0 million was made to the fund in 2013-14 from profits of these tickets.

NSPLCC supported three licensed Monte Carlo fundraisers through its *Support4Communities* Program in the fourth quarter. 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 2013-14, more than \$121,000 was raised at 11 events throughout the province.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31 (unaudited)
(in thousands)

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 10,805	\$ 8,046
Cash – restricted	6,145	6,047
Disputed HST assessment	31,583	-
Trade and other receivables	1,168	1,024
Prepaid expenses	3,347	2,308
Inventories	<u>2,775</u>	<u>2,874</u>
	<u>55,823</u>	<u>20,299</u>
Non-current assets		
Property, plant and equipment	105,578	111,023
Cash – casino capital replacement reserve	3,963	2,552
Investment in Interprovincial Lottery Corporation	<u>1</u>	<u>1</u>
	<u>109,542</u>	<u>113,576</u>
	<u>\$ 165,365</u>	<u>\$ 133,875</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 333	\$ 354
Trade and other payables	18,457	14,136
Deferred revenue and recovery	748	643
Liabilities for unclaimed prizes	6,145	6,047
Due to Atlantic Gaming Equipment Limited	9,241	10,280
Other liabilities	971	1,279
Due to Province of Nova Scotia	<u>84,783</u>	<u>54,920</u>
	<u>120,678</u>	<u>87,659</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	36,517	38,663
Investment in Atlantic Lottery Corporation Inc.	<u>7,920</u>	<u>18,024</u>
	<u>44,437</u>	<u>56,687</u>

EQUITY

Casino capital replacement reserve	10,220	8,323
Retained deficit	<u>(9,970)</u>	<u>(18,794)</u>
	<u>\$ 165,365</u>	<u>\$ 133,875</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2014								2013							
	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	\$ 54,202	\$ 25,976	\$ 13,241	\$ 4,589	\$ -	\$ 7	\$ 98,015	\$ 402,352	\$ 49,598	\$ 27,501	\$ 13,701	\$ 4,422	\$ -	\$ 20	\$ 95,242	\$ 407,927
Expenses	<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>	<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>
Net Income before Contributions	11,156	16,934	1,869	783	(329)	(712)	29,701	120,161	7,560	15,992	2,100	806	(386)	(585)	25,487	122,870
Contributions to Community Programs	-	-	-	-	<u>1,086</u>	<u>2,260</u>	<u>3,346</u>	<u>11,170</u>	-	-	-	-	<u>1,069</u>	<u>1,721</u>	<u>2,790</u>	<u>9,452</u>
Net Income	11,156	16,934	1,869	783	(1,415)	(2,972)	26,355	108,991	7,560	15,992	2,100	806	(1,455)	(2,306)	22,697	113,418
Win Tax	-	-	<u>2,391</u>	<u>847</u>	-	-	<u>3,238</u>	<u>14,292</u>	-	-	<u>2,484</u>	<u>815</u>	-	-	<u>3,299</u>	<u>14,459</u>
Payment to Province	<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>	<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>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

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

	2014		2013	
	4th Quarter	Year to date	4th Quarter	Year to date
Retained earnings, beginning of period	\$ (17,065)	\$ (18,794)	\$ (13,252)	\$ (13,257)
Change in investment in ALC	7,095	8,824	(5,542)	(5,537)
Net income	26,355	108,991	22,697	113,418
Net income paid to Province	<u>(26,355)</u>	<u>(108,991)</u>	<u>(22,697)</u>	<u>(113,418)</u>
Retained earnings, end of period	\$ <u>(9,970)</u>	\$ <u>(9,970)</u>	\$ <u>(18,794)</u>	\$ <u>(18,794)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>2014</u>	<u>2013</u>
Operating		
Net Income	\$ 29,593	\$ 22,669
Allocation of income to Province	(29,593)	(22,669)
Amortization	2,261	3,744
Net changes in working capital	<u>(306)</u>	<u>(15,362)</u>
	<u>1,955</u>	<u>(11,618)</u>
Financing		
(Decrease)/increase in obligation to Atlantic Gaming Equipment Limited	<u>3,127</u>	<u>32,840</u>
Investing		
Purchases of capital assets	(2,607)	(18,679)
Transfer of capital assets	462	-
Change in investment of Atlantic Lottery Corporation Inc.	73	596
Increase in Casino Capital Replacement Reserve, net of cash	<u>(1,986)</u>	<u>(2,131)</u>
	<u>(4,058)</u>	<u>(20,214)</u>
Net increase (decrease) in cash & cash equivalents	1,024	1,008
Cash & cash equivalents, beginning of quarter	<u>9,448</u>	<u>6,684</u>
Cash & cash equivalents, end of quarter	\$ <u>10,472</u>	\$ <u>7,692</u>