



QUARTERLY REPORT
For the Second Quarter Ended September 30, 2003
(unaudited)



Balance Sheet

As at September 30, 2003 (unaudited)
(in thousands)

ASSETS

	<u>2003</u>	<u>2002</u>
Current		
Cash & Short-term Investments	\$ 17,072	\$ 15,501
Cash – Restricted	5,852	8,331
Due from Province of Nova Scotia	53,334	73,792
Inventory	3,097	3,289
Prepays	390	1,545
	<u>79,745</u>	<u>102,458</u>
Long-term		
Cash – Casino Replacement Reserve	5,914	6,161
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital Assets	130,671	145,536
	<u>136,587</u>	<u>151,699</u>
	<u>\$216,332</u>	<u>\$254,157</u>

LIABILITIES

Current		
Accounts Payable	\$ 1,281	\$ 1,407
Accounts Payable - Operators	11,128	11,518
Deferred Lottery Revenue	375	496
Liabilities for Unclaimed Prizes	5,852	8,331
Capital Obligation – Current Portion	34,331	33,453
Due to Atlantic Gaming Equipment Limited – Current Portion	14,477	13,589
Due to Nova Scotia Gaming Foundation	72	79
	<u>67,516</u>	<u>68,873</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	26,357	37,135
Capital Obligation	35,839	50,969
	<u>62,196</u>	<u>88,104</u>
	<u>129,712</u>	<u>156,977</u>

EQUITY

Casino Capital Replacement Reserve	8,881	8,286
Retained Earnings	77,739	88,894
	<u>86,620</u>	<u>97,180</u>
	<u>\$216,332</u>	<u>\$254,157</u>



Statement of Income and Payment to Province

For the Second Quarter Ended September 30, 2003 (unaudited)
(in thousands)

	2003								2002							
	LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL		LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	Halifax	Sydney			2 nd Qtr	Year to date	Ticket Lottery	Video Lottery	Halifax	Sydney			2 nd Qtr	Year to date
Revenues	\$46,652	\$44,876	\$20,031	\$ 6,759	\$ -	\$ 66	\$118,384	\$235,605	\$50,229	\$47,444	\$21,208	\$8,399	\$ -	\$ 68	\$127,348	\$257,329
Expenses	<u>38,046</u>	<u>16,241</u>	<u>17,794</u>	<u>5,243</u>	<u>678</u>	<u>442</u>	<u>78,444</u>	<u>157,866</u>	<u>40,368</u>	<u>17,096</u>	<u>18,854</u>	<u>5,847</u>	<u>501</u>	<u>415</u>	<u>83,081</u>	<u>168,435</u>
Net income	8,606	28,635	2,237	1,516	(678)	(376)	39,940	77,739	9,861	30,348	2,354	2,552	(501)	(347)	44,267	88,894
Win tax	<u>0</u>	<u>0</u>	<u>3,592</u>	<u>1,252</u>	<u>0</u>	<u>0</u>	<u>4,844</u>	<u>9,260</u>	<u>-</u>	<u>-</u>	<u>3,805</u>	<u>1,574</u>	<u>-</u>	<u>-</u>	<u>5,379</u>	<u>10,137</u>
Payment to Province	\$ <u>8,606</u>	\$ <u>28,635</u>	\$ <u>5,829</u>	\$ <u>2,768</u>	\$ <u>(678)</u>	\$ <u>(376)</u>	\$ <u>44,784</u>	\$ <u>86,999</u>	\$ <u>9,861</u>	\$ <u>30,348</u>	\$ <u>6,159</u>	\$ <u>4,126</u>	\$ <u>(501)</u>	\$ <u>(347)</u>	\$ <u>49,646</u>	\$ <u>99,031</u>

Statement of Retained Earnings

For the Second Quarter Ended September 30, 2003 (unaudited)
(in thousands)

	2003		2002	
	2 nd Quarter	Year to date	2 nd Quarter	Year to date
Retained earnings, beginning of period	\$37,799	\$ -	\$44,627	\$ -
Net Income	<u>39,940</u>	<u>77,739</u>	<u>44,267</u>	<u>88,894</u>
Retained earnings, end of period	\$ <u>77,739</u>	\$ <u>77,739</u>	\$ <u>88,894</u>	\$ <u>88,894</u>



Statement of Cash Flows

For the Second Quarter Ended September 30, 2003 (unaudited)
(in thousands)

	<u>2003</u>	<u>2002</u>
Operating		
Net Income	\$ 39,940	\$ 44,267
Depreciation and amortization	1,756	1,868
Net changes in short-term assets and liabilities	<u>(34,410)</u>	<u>(41,194)</u>
	<u>7,286</u>	<u>4,941</u>
Financing		
Increase (decrease) in obligation to Atlantic Gaming Equipment Limited	(1,621)	13,215
Reduction of capital obligation	<u>(4,151)</u>	<u>(4,214)</u>
	<u>(5,772)</u>	<u>9,001</u>
Investing		
Increase (decrease) in capital assets, net additions	777	(13,481)
Increase in Casino Capital Replacement Reserve, net of cash increase	<u>399</u>	<u>105</u>
	<u>1,176</u>	<u>(13,376)</u>
Net Increase in cash & cash equivalents	2,690	566
Cash, beginning of quarter	<u>14,382</u>	<u>14,935</u>
Cash, end of quarter	\$ <u>17,072</u>	\$ <u>15,501</u>



FINANCIAL HIGHLIGHTS

FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2003 (unaudited)

The Nova Scotia Gaming Corporation (NSGC) revenues were \$118.4 million, down \$9.0 million from the same quarter last year, due to lower revenues in all three business lines.

NSGC's total payment to the Province was \$44.8 million, which was \$4.9 million lower than last year's payment.

The lottery business lines accounted for \$37.2 million in income, \$3.0 million lower than the prior year, due to lower ticket and video lottery revenues. Ticket lottery revenues were down as a result of lower jackpots in both Lotto 6/49 and Super 7. Video lottery revenue declined due to a number of factors, including greater competition within the entertainment market, less discretionary income due to rising costs and the impact of smoking bans across the Province.

Halifax casino revenue was \$20.0 million, \$1.2 million lower than the same quarter last year due to a decline in the overall volume of play. Halifax casino payment to the Province was \$5.8 million, \$0.3 million lower than the prior year.

Sydney casino revenue was \$6.8 million, \$1.6 million lower than the prior year, due to a decline in overall volume of play. As a result, the Sydney casino payment to the Province was \$2.8 million, \$1.4 million lower than the prior year.

Win tax of \$4.8 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

In addition to corporate initiatives aimed at promoting responsible use of its products, NSGC also made financial contributions to assist in the treatment and research of problem gambling. The following highlights the responsible gaming costs:

	Quarter ended September 30, 2003	Quarter ended September 30, 2002
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$112,000	\$118,500
<i>Nova Scotia Gaming Corp.</i>	<u>112,000</u>	<u>118,500</u>
	224,000	237,000
Responsible Gaming Operations	207,000	14,000
Contribution to Office of Health Promotion	<u>247,000</u>	<u>250,000</u>
Total Contributions	<u>\$678,000</u>	<u>\$501,000</u>



OPERATIONAL HIGHLIGHTS

FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2003 (unaudited)

The second quarter brought an array of entertainment to the Halifax Casino. Player Club members and the public at large could choose from four shows at the Schooner Room including the Village People, Abbamania and Stayin' Alive, Eddie Money and Herman's Hermit.

As part of its summer games promotion, Casino Nova Scotia had daily and nightly games and prizes at both the Halifax and Sydney casinos. Events included special draws, on-going chances to win a Mercedes-Benz, card tournaments and lots of local entertainment.

In ticket lottery, a new Scratch n' Win game called Instant Millionaire was launched. It offers players a chance to instantly win \$1 million. As an added value to the game, there is also a draw component to the ticket. The draw will take place on December 12, 2003, whereby a player could win \$1 million. A number of other games were launched including "Gas for a Year", "Twister" and "Monopoly". As well, there was a special promotion for the sports game "Over/Under" run in July and August that included a chance to win a trip for two to see a major league baseball game anywhere in North America.

Atlantic Lottery Corporation changed the time of its scheduled ticket draws for on-line games from 9:00 p.m. to 10:00 p.m. to provide better flexibility for customers. This allows players an additional hour to purchase their tickets on draw days.

The second quarter was busy in the area of Responsible Gaming. Work continued on the Responsible Gaming Awareness Week to be held October 19 – October 25.

NSGC secured the rights to a VLT player management program that will help players become more aware of how much time and money they are spending on gaming.

NGC will conduct focus group tests on proposed responsible gaming features from Techlink Entertainment to determine the potential/feasibility for these types of features in the Nova Scotia marketplace.