



**QUARTERLY REPORT**  
**For the Third Quarter Ended December 31, 2003**  
*(unaudited)*



## Balance Sheet

As at December 31, 2003 (unaudited)  
(in thousands)

### ASSETS

	<u>2003</u>	<u>2002</u>
<b>Current</b>		
Cash & Short-term Investments	\$ 13,801	\$ 14,737
Cash – Restricted	6,027	7,975
Due from Province of Nova Scotia	96,220	115,238
Inventory	2,914	3,571
Prepays	<u>1,317</u>	<u>287</u>
	<u>120,279</u>	<u>141,808</u>
<b>Long-term</b>		
Cash – Casino Replacement Reserve	5,492	5,608
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital Assets	<u>125,811</u>	<u>141,297</u>
	<u>131,305</u>	<u>146,907</u>
	<u>\$251,584</u>	<u>\$288,715</u>

### LIABILITIES

<b>Current</b>		
Accounts Payable	\$ 1,187	\$ 1,091
Accounts Payable - Operators	10,495	9,597
Deferred Lottery Revenue	304	864
Liabilities for Unclaimed Prizes	6,027	7,975
Capital Obligation – Current Portion	35,484	35,632
Due to Atlantic Gaming Equipment Limited – Current Portion	14,815	14,126
Due to Nova Scotia Gaming Foundation	<u>77</u>	<u>76</u>
	<u>68,389</u>	<u>69,361</u>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited	23,183	34,032
Capital Obligation	<u>31,977</u>	<u>47,130</u>
	<u>55,160</u>	<u>81,162</u>
	<u>123,549</u>	<u>150,523</u>

### EQUITY

Casino Capital Replacement Reserve	7,986	7,712
Retained Earnings	<u>120,049</u>	<u>130,480</u>
	<u>128,035</u>	<u>138,192</u>
	<u>\$251,584</u>	<u>\$288,715</u>



## Statement of Income and Payment to Province

For the Third Quarter Ended December 31, 2003 (unaudited)  
(in thousands)

	2003								2002							
	LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL		LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	Halifax	Sydney			3 <sup>rd</sup> Qtr	Year to date	Ticket Lottery	Video Lottery	Halifax	Sydney			3 <sup>rd</sup> Qtr	Year to date
Revenues	\$54,957	\$47,086	\$17,394	\$ 5,531	\$ -	\$ 68	\$125,036	\$360,641	\$51,729	\$47,325	\$16,264	\$6,298	\$ -	\$ 69	\$121,685	\$379,013
Expenses	<u>43,971</u>	<u>16,235</u>	<u>16,551</u>	<u>4,679</u>	<u>788</u>	<u>502</u>	<u>82,726</u>	<u>240,592</u>	<u>41,091</u>	<u>16,341</u>	<u>16,460</u>	<u>5,119</u>	<u>707</u>	<u>381</u>	<u>80,099</u>	<u>248,533</u>
Net income	10,986	30,851	843	852	(788)	(434)	42,310	120,049	10,638	30,984	(196)	1,179	(707)	(312)	41,586	130,480
Win tax	<u>0</u>	<u>0</u>	<u>3,120</u>	<u>998</u>	<u>0</u>	<u>0</u>	<u>4,118</u>	<u>13,378</u>	<u>-</u>	<u>-</u>	<u>2,916</u>	<u>1,159</u>	<u>-</u>	<u>-</u>	<u>4,075</u>	<u>14,212</u>
Payment to Province	<u>\$10,986</u>	<u>\$30,851</u>	<u>\$ 3,963</u>	<u>\$ 1,850</u>	<u>\$(788)</u>	<u>\$(434)</u>	<u>\$ 46,428</u>	<u>\$133,427</u>	<u>\$10,638</u>	<u>\$30,984</u>	<u>\$2,720</u>	<u>\$2,338</u>	<u>\$(707)</u>	<u>\$(312)</u>	<u>\$ 45,661</u>	<u>\$ 144,692</u>

## Statement of Retained Earnings

For the Third Quarter December 31, 2003 (unaudited)  
(in thousands)

	2003		2002	
	3 <sup>rd</sup> Quarter	Year to date	3 <sup>rd</sup> Quarter	Year to date
Retained earnings, beginning of period	\$ 77,739	\$ -	\$88,894	\$ -
Net Income	<u>42,310</u>	<u>120,049</u>	<u>41,586</u>	<u>130,480</u>
Retained earnings, end of period	<u>\$120,049</u>	<u>\$120,049</u>	<u>\$130,480</u>	<u>\$130,480</u>



## Statement of Cash Flows

For the Third Quarter Ended December 31, 2003 (unaudited)  
(in thousands)

	<u>2003</u>	<u>2002</u>
<b>Operating</b>		
Net Income	\$ 42,310	\$ 41,586
Depreciation and amortization	1,761	1,849
Net changes in short-term assets and liabilities	<u>(44,423)</u>	<u>(42,342)</u>
	<u>(352)</u>	<u>1,093</u>
<b>Financing</b>		
Decrease in obligation to Atlantic Gaming Equipment Limited	(2,836)	(2,566)
Reduction of capital obligation	<u>(2,709)</u>	<u>(1,660)</u>
	<u>(5,545)</u>	<u>(4,226)</u>
<b>Investing</b>		
Increase in capital assets, net additions	3,099	2,390
Decrease in Casino Capital Replacement Reserve, net of cash increase	<u>(473)</u>	<u>(21)</u>
	<u>2,626</u>	<u>2,369</u>
Net decrease in cash & cash equivalents	(3,271)	(764)
Cash, beginning of quarter	<u>17,072</u>	<u>15,501</u>
Cash, end of quarter	\$ <u>13,801</u>	\$ <u>14,737</u>



## FINANCIAL HIGHLIGHTS

FOR THE THIRD QUARTER ENDED DECEMBER 31, 2003 (unaudited)

While revenues rose by \$3.4 million compared to the prior year's third quarter, year-to-date revenues have declined by \$18.4 million for the same nine months period. This downward trend is expected to continue in the fourth quarter of this fiscal year.

In the third quarter, Total Payment to the Province was \$46.4 million, which was \$0.8 million higher than last year's payment.

The lottery business lines accounted for \$41.8 million in income, \$0.2 million higher than the prior year. Video lottery revenue declined slightly due to a number of factors, including greater competition for the entertainment dollar and the impact of smoking bans across the Province.

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:

Halifax casino revenue was \$17.4 million, \$1.1 million higher than the same quarter last year due to an increase in overall play. Halifax casino payment to the Province was \$4.0 million, \$1.2 million higher than the prior year.

Sydney casino revenue was \$5.5 million, \$0.8 million lower than the prior year. As a result, the Sydney casino payment to the Province was \$1.9 million, \$0.5 million lower than the prior year.

Win tax of \$4.1 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

	Quarter ended December 31, 2003	Quarter ended December 31, 2002
Nova Scotia Gaming Foundation <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$118,000 <u>118,000</u> 236,000	\$118,500 <u>118,500</u> 237,000
Responsible Gaming Operations	302,000	220,000
Contribution to Office of Health Promotion	<u>250,000</u>	<u>250,000</u>
<b>Total Contributions</b>	<b><u>\$788,000</u></b>	<b><u>\$707,000</u></b>



## OPERATIONAL HIGHLIGHTS

FOR THE THIRD QUARTER ENDED DECEMBER 31, 2003 (unaudited)

The third quarter brought several unique promotions and prizes in the ticket lottery business line.

In October, Lotto 6/49 held a bonus event whereby players had a chance to win one of 45 cars from General Motors. Also in the third quarter, exciting changes were announced for the long running Lotto 6/49 game. Beginning in June 2004, there will be more chances to win and bigger jackpots. To support this change, the ticket price will rise to \$2 effective June 2004.

The jackpot for the other national game, Super 7, rose to \$30 million, which greatly increased sales for that week. The jackpot was split between three winners, none of which were from Atlantic Canada.

ALC's Rewards program – eClub – celebrated its one-year anniversary in November. Since its launch a year ago, it has offered members 19 promotions, which resulted in 195 contest winners. Winners collect prizes such as ALC shirts, sports bags, etc.

"The Price is Right" ticket, based on the long running and popular television show was launched in December and has been well-received.

Casino Nova Scotia hosted a number of well-received acts, including the Northern Pikes, the Irish Descendents and Laugh & Tango. The Halifax casino promoted an amateur boxing event, which featured boxers from Nova Scotia and Ireland.

Three new slot games were launched – The Munsters, Price Check and Money Storm – and the promotional game Clinko (based on the "Price is Right" game "Plinko") wrapped up with the awarding of a \$10,000 top prize at the grand prize party.

New Year's Eve is typically one of the busiest days throughout the year for both casinos and 2003 held true to that trend. Nearly 12,000 people visited the Halifax casino and almost 4,500 came to the Sydney casino on December 31, which was more than double when compared to an average day.

The second annual Responsible Gaming Awareness Week was held from October 19 – 25. More than 400 gaming employees attended sessions that provided awareness building about what gaming responsibly means and highlighted other responsible gaming initiatives throughout Canada. There were also displays in ten shopping malls across Nova Scotia which provided interactive information about what would be considered risky or excessive gambling behaviour.

Also in the area of responsible gaming, NSGC has continued to conduct research on various player management tools and specific features. For example, in late October, a pilot test to determine the effectiveness of modified and new responsible gaming features on VLTs began at 40 licensed establishments along the South Shore and will continue into 2004-05. Other relevant research will be conducted on an on-going basis.