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**QUARTERLY REPORT**  
For the First Quarter Ended June 30, 2005  
*(unaudited)*



## Balance Sheet

As at June 30, 2005 (unaudited)  
(in thousands)

### ASSETS

	<u>2005</u>	<u>2004</u>
<b>Current</b>		
Cash & Short-term Investments	\$ 16,041	\$ 13,657
Cash Restricted	2,100	2,821
Inventory, at cost	1,460	1,867
Prepays	<u>439</u>	<u>487</u>
	<u>20,040</u>	<u>18,832</u>
<b>Long-term</b>		
Cash - Casino Replacement Reserve	3,436	4,790
Deferred Charges	310	447
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital Assets	<u>109,281</u>	<u>122,892</u>
	<u>113,029</u>	<u>128,131</u>
	<u>\$133,069</u>	<u>\$146,963</u>

### LIABILITIES

<b>Current</b>		
Accounts Payable	\$ 2,769	\$ 931
Deferred Lottery Revenue	437	283
Liabilities for Unclaimed Prizes	2,100	2,821
Capital Obligation - Current Portion	37,858	38,381
Due to Operators	10,558	7,528
Due to Atlantic Gaming Equipment Limited - Current Portion	12,798	14,904
Due to Nova Scotia Gaming Foundation	152	84
Due to Province of Nova Scotia	<u>31,762</u>	<u>27,090</u>
	<u>98,434</u>	<u>92,022</u>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited	14,595	21,750
Capital Obligation	<u>10,937</u>	<u>24,255</u>
	<u>25,532</u>	<u>46,005</u>

### EQUITY

Casino Capital Replacement Reserve	<u>9,103</u>	<u>8,936</u>
	<u>\$133,069</u>	<u>\$146,963</u>



## Statement of Income and Payment to Province

For the First Quarter Ended June 30, 2005 (unaudited)  
(in thousands)

	2005							2004						
	LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL	LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL
	Ticket Lottery	Video Lottery	HFX	SYD			1st Quarter and Year to date	Ticket Lottery	Video Lottery	HFX	SYD			1st Quarter and Year to date
Revenues	\$50,146	\$49,254	\$18,670	\$5,145	\$ -	\$ 61	\$123,276	\$48,407	\$50,675	\$17,561	\$ 5,266	\$ -	\$ 47	\$121,956
Expenses	<u>41,791</u>	<u>17,400</u>	<u>16,652</u>	<u>4,705</u>	<u>1,430</u>	<u>1,571</u>	<u>83,549</u>	<u>41,292</u>	<u>17,474</u>	<u>16,505</u>	<u>4,781</u>	<u>595</u>	<u>1,435</u>	<u>82,082</u>
Net Income	8,355	31,854	2,018	440	(1,430)	(1,510)	39,727	7,115	33,201	1,056	485	(595)	(1,388)	39,874
Win Tax	-	-	<u>3,347</u>	<u>953</u>	-	-	<u>4,300</u>	-	-	<u>3,126</u>	<u>969</u>	-	-	<u>4,095</u>
Payment to Province	<u>\$ 8,355</u>	<u>\$31,854</u>	<u>\$ 5,365</u>	<u>\$1,393</u>	<u>\$ (1,430)</u>	<u>\$(1,510)</u>	<u>\$ 44,027</u>	<u>\$ 7,115</u>	<u>\$33,201</u>	<u>\$ 4,182</u>	<u>\$ 1,454</u>	<u>\$(595)</u>	<u>\$(1,388)</u>	<u>\$ 43,969</u>

## Statement of Retained Earnings

For the First Quarter Ended June 30, 2005 (unaudited)  
(in thousands)

	2005	2004
	1 <sup>st</sup> QUARTER & YEAR TO DATE	1 <sup>st</sup> QUARTER & YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -
Net Income	39,727	39,874
Net Income paid to Province	<u>(39,727)</u>	<u>(39,874)</u>
Retained earnings, end of period	\$ -	\$ -



## Statement of Cash Flows

For the First Quarter Ended June 30, 2005 (unaudited)  
(in thousands)

	<u>2005</u>	<u>2004</u>
<b>Operating</b>		
Net Income	\$ 39,727	\$ 39,874
Allocation of income to Province	(39,727)	(39,874)
Amortization	4,862	4,934
Net changes in working capital	<u>4,189</u>	<u>166</u>
	<u>9,051</u>	<u>5,100</u>
<b>Financing</b>		
Increase/(decrease) in obligation to Atlantic Gaming Equipment Limited	(1,966)	494
Reduction of capital obligation	<u>(3,347)</u>	<u>(2,874)</u>
	<u>(5,313)</u>	<u>(2,380)</u>
<b>Investing</b>		
Purchases of capital assets	(2,025)	(4,684)
Increase in Casino Capital Replacement Reserve, net of cash	<u>240</u>	<u>851</u>
	<u>(1,785)</u>	<u>(3,833)</u>
Net increase/(decrease) in cash & cash equivalents	1,953	(1,113)
Cash, beginning of quarter	<u>14,088</u>	<u>14,770</u>
Cash, end of quarter	<u>\$16,041</u>	<u>\$13,657</u>



## FINANCIAL HIGHLIGHTS

FOR THE FIRST QUARTER ENDED JUNE 30, 2005 (unaudited)

In the first quarter, the total payment to the Province was \$44.0 million, marginally higher than the prior year.

The lottery business lines accounted for \$40.2 million of the Payment to the Province, which was \$0.1 million lower than the previous year. Higher ticket lottery revenue due to timing of new products and new promotions was offset by lower video lottery revenues due to fewer software upgrades in the 1<sup>st</sup> quarter of 2005-06 when compared to the same quarter in the prior year.

The Halifax casino payment to the Province was \$5.3 million, \$1.2 million higher than the previous year, primarily due to the increase in table game revenues, specifically poker.

The Sydney casino payment to the Province was \$1.4 million, \$0.1 million

lower than the previous year, due to lower volumes of slot play.

The first quarterly instalment of \$0.8 million representing NSGC's additional funding to the Office of Health Promotion in the amount of \$3.0 million annually as set out in the Province's Gaming Strategy is included in Responsible Gaming expense and accounts for the increase compared to the prior year.

Win tax of \$4.3 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, the Nova Scotia Gaming Corporation also made financial contributions to assist in the treatment of and research about problem gambling as follows:

	Quarter ended June 30, 2005	Quarter ended June 30, 2004
Nova Scotia Gaming Foundation <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 160,000 <u>160,000</u> 320,000	\$127,000 <u>127,000</u> 254,000
Responsible Gaming Operations	110,000	91,000
Contribution to Office of Health Promotion	<u>1,000,000</u>	<u>250,000</u>
<b>Total Contributions</b>	<b><u>\$1,430,000</u></b>	<b><u>\$595,000</u></b>



## OPERATIONAL HIGHLIGHTS

FOR THE FIRST QUARTER ENDED JUNE 30, 2005 (unaudited)

The first quarter saw the release of A Better Balance: Nova Scotia's first Gaming Strategy. This is a five-year strategy designed to set a new course for gaming in the province. It is intended to be a comprehensive, cohesive, integrated strategy which will be the first step in building a better, more balanced gaming environment in Nova Scotia with the particular focus on enhanced treatment and prevention designed to reduce problem gambling.

Great Canadian Gaming Corporation officially became the owner/operator of the Halifax and Sydney casinos on May 31, 2005.

Also in the first quarter work continued on the research into a new responsible gaming device. This device utilizes card-based technology and has the ability to provide new responsible gaming features to players. Stage I of the Responsible Gaming Device Pilot took place in Windsor and Mount Uniacke and was completed June 30, 2005.

The purpose of Stage I was to gather data from players and identify any potential system problems or issues. Stage II will evaluate the data gathered and is scheduled for completion by September 2005.

Software upgrades to the IGT terminals began in June 2005.

In April, Eastlink Television broadcasted the first locally produced Texas Hold 'Em Poker Tournament finals which were filmed at the Halifax Casino. The finals were rebroadcast throughout the month of April. The Casino plans to hold similar events in the coming year.

Other highlights in the first quarter included a Super 7 Jackpot series which ran from April 8 to May 13, 2005, and offered six jackpots ranging from \$12.5 – \$25 million. For the second year in a row, 10 Atlantic Canadians will scratch the World's Biggest Scratch n' Win ticket for a chance to win \$100,000.



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## CERTIFICATION

FOR THE FIRST QUARTER ENDED JUNE 30, 2005 (unaudited)

I have evaluated the effectiveness of NSGC's disclosure controls and procedures as of the end of the period covered by the Quarterly Report and conclude that such disclosure controls and procedures have been effective.

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Marie T. Mullally, C.A.  
President & CEO

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Robert MacKinnon, C.A.  
Director, Corporate Services

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