



QUARTERLY REPORT
For the Fourth Quarter Ended March 31, 2004
(unaudited)



Balance Sheet

As at March 31, 2004 (unaudited)
(in thousands)

ASSETS

	<u>2004</u>	<u>2003</u>
Current		
Cash & short-term investments	\$ 14,770	\$ 19,042
Cash – restricted	5,113	6,704
Inventory, at cost	2,135	2,571
Prepays	<u>1,285</u>	<u>404</u>
	<u>23,303</u>	<u>28,721</u>
Long-term		
Cash – Casino Replacement Reserve	5,287	5,746
Deferred charges	480	516
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>123,142</u>	<u>138,092</u>
	<u>128,911</u>	<u>144,356</u>
	<u>\$152,214</u>	<u>\$173,077</u>

LIABILITIES

Current		
Accounts payable	1,451	\$ 2,226
Deferred lottery revenue	358	928
Liabilities for unclaimed prizes	5,113	6,704
Capital obligation – current portion	37,394	32,849
Due to operators	11,462	14,105
Due to Atlantic Gaming Equipment Limited – current portion	14,808	13,539
Due to Nova Scotia Gaming Foundation	85	74
Due to Province of Nova Scotia	<u>23,493</u>	<u>18,570</u>
	<u>94,164</u>	<u>88,995</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	21,352	32,340
Capital obligation	<u>28,116</u>	<u>43,561</u>
	<u>49,468</u>	<u>75,901</u>
	<u>143,632</u>	<u>164,896</u>

EQUITY

Casino Capital Replacement Reserve	<u>8,582</u>	<u>8,181</u>
	<u>\$152,214</u>	<u>\$173,077</u>



Statement of Income and Payment to Province

For the Fourth Quarter Ended March 31, 2004 (unaudited)
(in thousands)

	2004								2003							
	LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL		LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	Halifax	Sydney			4 th Qtr	Year to date	Ticket Lottery	Video Lottery	Halifax	Sydney			4 th Qtr	Year to date
Revenues	\$56,377	\$46,420	\$16,352	\$ 4,984	\$ -	\$ 57	\$124,190	\$484,831	\$51,475	\$42,666	\$16,012	\$ 5,670	\$ -	\$ 66	\$115,889	\$494,902
Expenses	<u>47,356</u>	<u>16,552</u>	<u>16,087</u>	<u>4,615</u>	<u>900</u>	<u>916</u>	<u>86,426</u>	<u>327,018</u>	<u>40,911</u>	<u>16,482</u>	<u>11,137</u>	<u>3,795</u>	<u>532</u>	<u>530</u>	<u>73,387</u>	<u>321,920</u>
Net income	9,021	29,868	265	369	(900)	(859)	37,764	157,813	10,564	26,184	4,875	1,875	(532)	(464)	42,502	172,982
Win tax	<u>-</u>	<u>-</u>	<u>2,967</u>	<u>912</u>	<u>-</u>	<u>-</u>	<u>3,879</u>	<u>17,257</u>	<u>-</u>	<u>-</u>	<u>2,832</u>	<u>1,033</u>	<u>-</u>	<u>-</u>	<u>3,865</u>	<u>18,077</u>
Payment to Province	<u>\$ 9,021</u>	<u>\$29,868</u>	<u>\$ 3,232</u>	<u>\$ 1,281</u>	<u>\$(900)</u>	<u>\$(859)</u>	<u>\$ 41,643</u>	<u>\$175,070</u>	<u>\$10,564</u>	<u>\$26,184</u>	<u>\$ 7,707</u>	<u>\$ 2,908</u>	<u>\$(532)</u>	<u>\$(464)</u>	<u>\$ 46,367</u>	<u>\$191,059</u>

Statement of Retained Earnings

For the Fourth Quarter March 31, 2004 (unaudited)
(in thousands)

	2004		2003	
	4 th Quarter	Year to date	4 th Quarter	Year to date
Retained earnings, beginning of period	\$ 120,049	\$ -	\$ 130,480	\$ -
Net income	37,764	157,813	42,502	172,982
Net income paid to Province	<u>(157,813)</u>	<u>(157,813)</u>	<u>(172,982)</u>	<u>(172,982)</u>
Retained earnings, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Statement of Cash Flows

For the Fourth Quarter Ended March 31, 2004 (unaudited)
(in thousands)

	<u>2004</u>	<u>2003</u>
Operating		
Net income	\$ 37,764	\$ 42,502
Allocation of income to Province	(157,813)	(172,982)
Depreciation and amortization	1,741	1,779
Net changes in working capital	<u>121,337</u>	<u>139,880</u>
	<u>3,029</u>	<u>11,179</u>
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	(1,838)	(2,279)
Reduction of capital obligation	<u>(1,951)</u>	<u>(6,352)</u>
	<u>(3,789)</u>	<u>(8,631)</u>
Investing		
Decrease in capital assets, net additions	928	1,426
Increase in Casino Capital Replacement Reserve, net of cash increase	<u>801</u>	<u>331</u>
	<u>1,729</u>	<u>1,757</u>
Net increase in cash & cash equivalents	969	4,305
Cash, beginning of quarter	<u>13,801</u>	<u>14,737</u>
Cash, end of quarter	\$ <u>14,770</u>	\$ <u>19,042</u>



FINANCIAL HIGHLIGHTS

FOR THE FOURTH QUARTER ENDED MARCH 31, 2004 (unaudited)

Overall, revenues for the year ended March 31, 2004, have declined by \$10.1 million over the prior year due to such environmental factors as product maturation in some business lines and increased competition for the entertainment dollar as well as heightened responsible gaming awareness. Revenues are expected to be approximately the same in 2004-05.

In the fourth quarter, Total Payment to the Province was \$41.6 million, which was \$4.7 million lower than last year's payment.

The lottery business lines accounted for \$38.9 million in payment to Province, \$2.1 million higher than the prior year. Ticket lottery performed strongly; however, expenses were higher due to

an increase in prize expense as a result of large jackpots during the quarter.

Halifax casino payment to the Province was \$3.2 million; \$4.5 million lower than the prior year due to significant HST rebates received in the fourth quarter last year.

The Sydney casino payment to the Province was \$1.3 million, \$1.6 million lower than the prior year due to the revenue decline and HST rebates received last year.

Win tax of \$3.9 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 March 31, 2004	Quarter ended March 31, 2003
Nova Scotia Gaming Foundation	\$116,000	\$106,500
Video Lottery Retailers	<u>116,000</u>	<u>106,500</u>
Nova Scotia Gaming Corp.	232,000	213,000
Responsible Gaming Operations	418,000	69,000
Contribution to Office of Health Promotion	<u>250,000</u>	<u>250,000</u>
Total Contributions	<u>\$900,000</u>	<u>\$532,000</u>



OPERATIONAL HIGHLIGHTS

FOR THE FOURTH QUARTER ENDED MARCH 31, 2004 (unaudited)

One of the most significant operational highlights in the fourth quarter was the finalization of the new ticket lottery central system. The system, which was subsequently launched in early April, provides a much more efficient delivery and sale of lottery tickets, both from a retailer and customer perspective. It also enabled new games to be launched (i.e. Atlantic Payday) more efficiently and for changes to be integrated for existing tickets (i.e. enhanced Lotto 6/49). Over 1,300 retailers were trained on the new system and, at the same time, were taken through a responsible gaming training program pertaining to the sale of tickets.

Also in the ticket lottery business line, several new games and promotions were launched including the popular “Set for Life” game, a National “Extravaganza” game and the “Big Scratch” promotion. At the casino, new games were offered on some slots – “Munsters” and the “Price is Right”. The casino also hosted some popular acts including Dr. Hook, The Supremes, and April Wine.

From a responsible gaming perspective, a number of initiatives were undertaken that will help shape NSGC’s future activities. A review of youth and senior awareness programs in other jurisdictions was conducted from the view of potentially adapting them for Nova Scotia. Data collection for the VLT Self-Exclusion Program Process Test began. This research project involved apprising VLT retailers in the Annapolis Valley and Digby

areas about their role in identifying people who had been listed as “self-excluders” or people who had asked to be banned from playing VLTs, and then actively testing the process over a three month period. Before a VLT Self-Exclusion Program can be contemplated for this province, it is important that there are processes available that would appropriately support a player’s declaration of “self-exclusion”. Results of this will be reviewed this summer. Lastly, significant progress was made on the development of a Responsible Gaming Product Assessment Model, which is intended to serve as an assessment of gaming products from an economic and social viability perspective. When the model is completed, it will represent a tangible integration of responsible gaming in the gaming operations.

The fourth quarter also saw an important change integrated within NSGC’s operations in response to federal legislation introduced in January 2004 called the *Personal Information Protection and Electronic Documents Act* (PIPEDA). The *Act* is intended to protect the privacy rights of individuals by placing restrictions on organizations’ collection, use, storage and disclosure of personal information as they carry out their commercial activities. In response, a Privacy Management Plan was prepared and subsequent policies adopted to ensure that NSGC and its operators are compliant with the *Act*.