



QUARTERLY REPORT
For the First Quarter Ended June 30, 2004
(unaudited)



Balance Sheet

As at June 30, 2004 (unaudited)
(in thousands)

ASSETS

	<u>2004</u>	<u>2003</u>
Current		
Cash and short-term investments	\$ 13,657	\$ 14,382
Cash – restricted	2,821	5,859
Inventory, at cost	1,867	2,174
Prepays	<u>487</u>	<u>487</u>
	<u>18,832</u>	<u>22,902</u>
Long-term		
Cash – Casino Capital Replacement Reserve	4,790	5,893
Deferred charges	447	593
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>122,892</u>	<u>133,204</u>
	<u>128,131</u>	<u>139,692</u>
	<u>\$146,963</u>	<u>\$162,594</u>

LIABILITIES

Current		
Accounts payable	\$ 931	\$ 1,989
Accounts payable – Operators	7,528	9,123
Deferred lottery revenue	283	307
Liabilities for unclaimed prizes	2,821	5,859
Capital obligation – current portion	38,381	34,621
Due to Atlantic Gaming Equipment Limited – current portion	14,904	14,367
Due to Nova Scotia Gaming Foundation	84	74
Due to Province of Nova Scotia	<u>27,090</u>	<u>20,005</u>
	<u>92,022</u>	<u>86,345</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	21,750	28,088
Capital obligation	<u>24,255</u>	<u>39,700</u>
	<u>46,005</u>	<u>67,788</u>
	<u>138,027</u>	<u>154,133</u>

EQUITY

Casino Capital Replacement Reserve	<u>8,936</u>	<u>8,461</u>
	<u>\$146,963</u>	<u>\$162,594</u>



Statement of Income and Payment to Province

For the First Quarter Ended June 30, 2004 (unaudited)
(in thousands)

	2004							2003						
	LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL	LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL
	Ticket Lottery	Video Lottery	Halifax	Sydney			1 st Quarter and Year to date	Ticket Lottery	Video Lottery	Halifax	Sydney			1 st Quarter and Year to date
Revenues	\$48,407	\$50,675	\$17,561	\$5,266	\$ -	\$ 47	\$121,956	\$48,295	\$44,527	\$18,109	\$6,217	\$ -	\$ 73	\$117,221
Expenses	<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>	<u>38,518</u>	<u>15,993</u>	<u>17,872</u>	<u>5,155</u>	<u>517</u>	<u>1,367</u>	<u>79,422</u>
Net income	7,115	33,201	1,056	485	(595)	(1,388)	39,874	9,777	28,534	237	1,062	(517)	(1,294)	37,799
Win tax	---	---	<u>3,126</u>	<u>969</u>	---	---	<u>4,095</u>	---	---	<u>3,254</u>	<u>1,162</u>	---	---	<u>4,416</u>
Payment to Province	<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>	<u>\$9,777</u>	<u>\$28,534</u>	<u>\$3,491</u>	<u>\$2,224</u>	<u>\$(517)</u>	<u>\$(1,294)</u>	<u>\$42,215</u>

Statement of Retained Earnings

For the First Quarter Ended June 30, 2004 (unaudited)
(in thousands)

	2004	2003
	1 st Quarter and Year to date	1 st Quarter and Year to Date
Retained earnings, beginning of period	\$ -	\$ -
Net income	39,874	37,799
Net income paid to Province	<u>(39,874)</u>	<u>(37,799)</u>
Retained earnings, end of period	\$ ---	\$ ---



Statement of Cash Flows

For the First Quarter Ended June 30, 2004 (unaudited)
(in thousands)

	<u>2004</u>	<u>2003</u>
Operating		
Net income	\$39,874	\$37,799
Allocation of income to Province	(39,874)	(37,799)
Depreciation and amortization	1,587	1,758
Net changes in working capital	<u>166</u>	<u>(4,168)</u>
	<u>1,753</u>	<u>(2,410)</u>
Financing		
Increase (decrease) in obligation to Atlantic Gaming Equipment Limited	494	(3,424)
Reduction of capital obligation	<u>(2,874)</u>	<u>(2,089)</u>
	<u>(2,380)</u>	<u>(5,513)</u>
Investing		
(Purchase of) decrease in capital assets, net additions	(1,337)	3,130
Increase in Casino Capital Replacement Reserve, net of cash increase	<u>851</u>	<u>133</u>
	<u>(486)</u>	<u>3,263</u>
Net increase in cash & cash equivalents	(1,113)	(4,660)
Cash, beginning of quarter	<u>14,770</u>	<u>19,042</u>
Cash, end of quarter	<u>\$13,657</u>	<u>\$14,382</u>



FINANCIAL HIGHLIGHTS

FOR THE FIRST QUARTER ENDED JUNE 30, 2004 (unaudited)

In the first quarter, the total payment to the Province was \$44.0 million, which was \$1.8 million higher than the prior year due to strong results at the Halifax casino and within the video lottery business line.

The lottery business lines accounted for \$40.3 million of the payment to the Province, which was \$2.0 million higher than the prior year. Video lottery performed well which is the result of game software upgrades that were made late last year and which continue into 2004-05.

The Halifax casino payment to the Province was \$4.2 million, \$0.7 million higher than the prior year due to lower

costs including interest expense on the costs of the casino construction, which decreases as the balance to be repaid is reduced, and favourable expense variances related to HST. There is also a reduction in salaries and benefits due to a reduction in table game hours of operation.

The Sydney casino payment to the Province was \$1.5 million, \$0.8 million lower than the prior year due to a decline in revenues.

Win tax of \$4.1 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 June 30, 2004	Quarter ended June 30, 2003
Nova Scotia Gaming Foundation		
Video Lottery Retailers	\$127,000	\$111,500
Nova Scotia Gaming Corp.	<u>127,000</u>	<u>111,500</u>
	254,000	223,000
Responsible Gaming Operations	91,000	44,000
Contribution to Office of Health Promotion	<u>250,000</u>	<u>250,000</u>
Total Contributions	<u>\$595,000</u>	<u>\$517,000</u>



OPERATIONAL HIGHLIGHTS

FOR THE FIRST QUARTER ENDED JUNE 30, 2004 (unaudited)

One of the most significant operational highlights during the first quarter was the launch of the enhanced Lotto 6/49 game in late May. This was the first revamp to Lotto 6/49 since its introduction in 1982. The enhanced game offers bigger jackpots and more prizes. The jackpots are expected to grow to \$10 million or more on approximately half the draws annually and to reach \$25 million several times during the year. There is also a new prize category where players can win \$5 for matching two of the six regular numbers plus the Bonus number. The cost of Lotto 6/49 tickets increased from \$1 to \$2.

Along with this change, Atlantic 6/49 was renamed Atlantic 49 and can be played as a stand-alone game or as an add-on to Lotto 6/49. The new enhancements will also allow players to pick their own numbers and play TAG on Atlantic 49 purchases.

The Big Scratch event was held at the Empire IMAX Theatre in Halifax on May 27. Ten people from across the region were selected from thousands of ALC players, who had mailed in non-winning scratch tickets for a chance to scratch the world's largest Scratch'n Win ticket. Prizes included a \$100,000 grand prize, two \$30,000 prizes and seven \$5,000 prizes.

In video lottery, software upgrades on the PowerStation 5 terminals were completed. New games included in this

upgrade were Cherry Rain and Knight's Quest.

At the casino, the new Governor's Grill restaurant opened on June 10 offering a privateer-themed atmosphere. Concerts included two shows by Sheena Easton in April, two sold out concerts by Rita MacNeil in late May and two shows by the Ink Spots in June. Other events at the casino during the first quarter included three sold out shows for the Halifax Comedy Festival and two performances by the Amazing Kreskin.

Progress on a number of responsible gaming research initiatives was made during the first quarter. The data collection phase of both the VLT Self-Exclusion Program Process Test and the responsible gaming features enhancement pilot was completed. As well, progress was made on the Responsible Gaming Product Assessment Model. When completed, the model will allow for assessment of new gaming products from an economic and social feasibility standpoint.

Lastly, NSGC's President & CEO was a guest speaker at the Perspectives on Prevention Symposium that took place in Toronto in April. The focus of the speech was the importance of social responsibility and corporate citizenry.