

—— NOVA SCOTIA PROVINCIAL ——
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended December 31, 2012

**FINANCIAL
HIGHLIGHTS**
For the third quarter ended
December 31, 2012 (unaudited)

In the third quarter of 2012-13, the total Payment to Province was \$35.0 million, \$2.9 million lower than the same quarter in the previous year due primarily to decreased revenue performance in the Video Lottery business line.

The Video Lottery business line accounted for \$18.7 million of the Payment to Province, \$4.7 million lower than the previous year. This decrease was due to a reduction in revenue as a result of continuing poor economic conditions and mandatory enrolment of the My-Play System becoming effective April 1, 2012, as per the 2011 Responsible Gaming Strategy.

The Ticket Lottery business line accounted for \$12.4 million of the Payment to Province, \$1.6 million higher than the previous year. This increase was a result of higher Lotto Max revenue than the previous year due to a greater number of \$50 million plus Maxmillion jackpot rolls compared to the prior year.

Payment to Province from the Halifax casino was \$5.0 million, \$0.1 million lower than the same quarter in the previous year. Payment to Province from the Sydney casino was \$2.0 million, comparable to the previous year.

Win Tax of \$3.5 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was comparable to the same quarter of the previous year and is a calculation of 20% of casino gaming revenues.

Contributions and expenditures of \$1.5 million were incurred in the third quarter in support of responsible gambling and prevention programming initiatives, and research and treatment of problem gambling. This was \$0.2 million lower than the previous year due to changes in initiatives. The allocation of the \$1.5 million is as follows:

	Quarter ended December 31, 2012	Quarter ended December 31, 2011
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 57,500 <u>57,500</u> 115,000	\$ 66,000 <u>66,000</u> 132,000
Responsible Gambling/Prevention Programming Programs	323,000	584,000
Contribution to Department of Health and Wellness	<u>1,100,000</u>	<u>1,000,000</u>
Total Contributions	\$ <u>1,538,000</u>	\$ <u>1,716,000</u>

OPERATIONAL HIGHLIGHTS

For the third quarter ended
December 31, 2012 (unaudited)

Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC) received the Industry Partner and Leader (Regulatory) award from the Atlantic Convenience Stores Association (ACSA) at its 4th Annual State of the Industry Conference & Awards Gala Dinner, held on November 8, 2012. The award was presented to NSPLCC in recognition of its Responsible Gambling Training Program for Ticket Lottery Retailers, an online program that helps retailers and their employees understand what it means for their customers to use gambling products in a safe and entertaining way.

On November 11, 2012, Casino Nova Scotia was the recipient of Music Nova Scotia's Corporate Sponsor of the Year Award. Casino Nova Scotia has a year-round partnership with Music Nova Scotia whereby each Friday night the Halifax Casino hosts New Music Fridays in the Harbourfront Lounge. This series features new and emerging musical artists from across the province.

NSPLCC continues to evaluate options to improve My-Play card retention and increase full enrolments in the system. Since implementation, there have been 6,538 full enrolments and over 636,000 light enrolments. The high number of light enrolments indicates that players are frequently re-enrolling in the system.

Rollout of replacement video lottery terminals occurred throughout the third quarter with a total of 210 replacement terminals going into market. The terminals include the Blast terminal developed by Cape Breton's Techlink Entertainment.

September 30th to October 6th was Nova Scotia's 11th annual Responsible Gambling Awareness Week (RGAW). This year's media campaign, *Fellowship of Fun*, brought to life the idea that gambling is more fun when it is done responsibly. Members of the "Fellowship" formed a street team that travelled across the province visiting six featured communities. The team had more than 1,340 meaningful interactions with Nova Scotians in these communities.

As part of RGAW, the Responsible Gambling Resource Centres, located at both Casino Nova Scotia locations, each held an open house, which combined attracted more than 200 patrons. Additionally, yourbestbet.ca, NSPLCC's responsible gambling website, received 1,150 visits during RGAW, a significant increase over its usual traffic.

Nova Scotians entered nearly 360,000 non-winning Scratch'N Win tickets during the third quarter for a chance of winning a portion of \$0.5 million in prize that is available in the 2nd Chance Program. Nova Scotia had 6 winners of \$1,000 each and 41 winners of \$100 each in the quarter. The \$250,000 top prize will be drawn in the fourth quarter.

The *Support4Sport* Program is the most significant source of funding for amateur sport in Nova Scotia, with 100% of the proceeds from *Support4Sport* branded tickets going to amateur sport. In the third quarter, nearly \$1.0 million was raised to help develop community and provincial sporting programs and provide training and development opportunities for athletes, coaches, and officials.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (unaudited)
(in thousands)

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 7,062	\$ 21,109
Cash – restricted	6,465	6,599
Trade and other receivables	1,481	771
Prepaid expenses	1,596	1,854
Inventories	<u>2,733</u>	<u>2,588</u>
	<u>19,337</u>	<u>32,921</u>
Non-current assets		
Property, plant and equipment	96,088	84,646
Cash – casino capital replacement reserve	2,080	456
Investment in Interprovincial Lottery Corporation	<u>1</u>	<u>1</u>
	<u>98,169</u>	<u>85,103</u>
	<u>\$ 117,506</u>	<u>\$ 118,024</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 378	\$ 1
Trade and other payables	27,811	14,857
Deferred revenue and recovery	861	12,556
Liabilities for unclaimed prizes	6,465	6,599
Due to Atlantic Gaming Equipment Limited	4,784	5,935
Other liabilities	1,219	1,065
Due to Province of Nova Scotia	<u>56,053</u>	<u>60,563</u>
	<u>97,571</u>	<u>101,576</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	11,319	11,428
Investment in Atlantic Lottery Corporation Inc.	<u>11,885</u>	<u>9,816</u>
	<u>23,204</u>	<u>21,244</u>
EQUITY		
Casino capital replacement reserve	9,982	8,734
Retained deficit	<u>(13,251)</u>	<u>(13,530)</u>
	<u>\$ 117,506</u>	<u>\$ 118,024</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the third quarter ended December 31 (unaudited)
(in thousands)

	2012								2011							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			3rd Quarter	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			3rd Quarter	Year to date
Revenues	\$ 58,581	\$ 28,650	\$ 14,613	\$ 5,130	\$ -	\$ -	\$ 106,974	\$ 312,686	\$ 54,940	\$ 34,014	\$ 14,505	\$ 5,224	\$ -	\$ -	\$ 108,683	\$ 322,192
Expenses	<u>46,155</u>	<u>9,909</u>	<u>12,230</u>	<u>4,072</u>	<u>323</u>	<u>539</u>	<u>73,228</u>	<u>215,290</u>	<u>44,102</u>	<u>10,597</u>	<u>11,941</u>	<u>4,130</u>	<u>584</u>	<u>645</u>	<u>71,999</u>	<u>215,852</u>
Net Income before Contributions	12,426	18,741	2,383	1,058	(323)	(539)	33,746	97,396	10,838	23,417	2,564	1,094	(584)	(645)	36,684	106,340
Contributions to Community Programs	-	-	-	-	<u>1,215</u>	<u>1,001</u>	<u>2,216</u>	<u>6,663</u>	-	-	-	-	<u>1,132</u>	<u>1,186</u>	<u>2,318</u>	<u>7,874</u>
Net Income	12,426	18,741	2,383	1,058	(1,538)	(1,540)	31,530	90,733	10,838	23,417	2,564	1,094	(1,716)	(1,831)	34,366	98,466
Win Tax	-	-	<u>2,575</u>	<u>931</u>	-	-	<u>3,506</u>	<u>11,160</u>	-	-	<u>2,568</u>	<u>941</u>	-	-	<u>3,509</u>	<u>11,533</u>
Payment to Province	<u>\$ 12,426</u>	<u>\$ 18,741</u>	<u>\$ 4,958</u>	<u>\$ 1,989</u>	<u>\$ (1,538)</u>	<u>\$ (1,540)</u>	<u>\$ 35,036</u>	<u>\$ 101,893</u>	<u>\$ 10,838</u>	<u>\$ 23,417</u>	<u>\$ 5,132</u>	<u>\$ 2,035</u>	<u>\$ (1,716)</u>	<u>\$ (1,831)</u>	<u>\$ 37,875</u>	<u>\$ 109,999</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the third quarter ended December 31 (unaudited)
(in thousands)

	2012		2011	
	3rd Quarter	Year to date	3rd Quarter	Year to date
Retained earnings, beginning of period	\$ (13,251)	\$ (13,257)	\$ (13,533)	\$ (12,029)
Change in investment in ALC	-	6	3	(1,501)
Net income	31,530	90,733	34,366	98,466
Net income paid to Province	<u>(31,530)</u>	<u>(90,733)</u>	<u>(34,366)</u>	<u>(98,466)</u>
Retained earnings, end of period	<u>\$ (13,251)</u>	<u>\$ (13,251)</u>	<u>\$ (13,530)</u>	<u>\$ (13,530)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the third quarter ended
December 31 (unaudited)
(in thousands)

	<u>2012</u>	<u>2011</u>
Operating		
Net Income	\$ 31,530	\$ 32,554
Allocation of income to Province	(31,530)	(32,554)
Amortization	1,984	2,983
Net changes in working capital	<u>12,009</u>	<u>(5)</u>
	<u>13,993</u>	<u>2,978</u>
Financing		
Increase/(decrease) in obligation to Atlantic Gaming Equipment Limited	<u>1,676</u>	<u>(1,354)</u>
Investing		
Purchases of capital assets	(19,649)	(2,603)
Change in investment of Atlantic Lottery Corporation Inc.	202	(495)
Increase in Casino Capital Replacement Reserve, net of cash	<u>435</u>	<u>2,460</u>
	<u>(19,012)</u>	<u>(638)</u>
Net (decrease)/increase in cash & cash equivalents	(3,343)	986
Cash & cash equivalents, beginning of quarter	<u>10,027</u>	<u>20,122</u>
Cash & cash equivalents, end of quarter	\$ <u>6,684</u>	\$ <u>21,108</u>