



QUARTERLY REPORT
For the First Quarter Ended June 30, 2003
(unaudited)



Balance Sheet

As at June 30, 2003 (unaudited)
(in thousands)

ASSETS

	<u>2003</u>	<u>2002</u>
Current		
Cash & Short-term Investments	\$ 14,382	\$ 14,935
Cash – Restricted	5,859	8,862
Due from Province of Nova Scotia	17,794	30,644
Inventory	2,767	2,680
Prepays	487	1,465
	<u>41,289</u>	<u>58,586</u>
Long-term		
Cash – Casino Replacement Reserve	5,893	5,784
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital Assets	133,204	133,923
	<u>139,099</u>	<u>139,709</u>
	<u>\$180,388</u>	<u>\$198,295</u>

LIABILITIES

Current		
Accounts Payable	\$ 1,989	\$ 644
Deferred Lottery Revenue	307	528
Liabilities for Unclaimed Prizes	5,859	8,862
Capital Obligation – Current Portion	34,621	33,827
Due to Operators	9,123	9,611
Due to Atlantic Gaming Equipment Limited – Current Portion	42,455	37,509
Due to Nova Scotia Gaming Foundation	74	74
	<u>94,428</u>	<u>91,055</u>
Long-term		
Capital Obligation	39,700	54,809
	<u>134,128</u>	<u>145,864</u>

EQUITY

Casino Capital Replacement Reserve	8,461	7,804
Retained Earnings	37,799	44,627
	<u>46,260</u>	<u>52,431</u>
	<u>\$180,388</u>	<u>\$198,295</u>



Statement of Income and Payment to Province

For the First Quarter Ended June 30, 2003 (unaudited)
(in thousands)

	2003							2002						
	LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL	LOTTERIES		CASINOS		RESP. GAMING	OTHER	TOTAL
	Ticket Lottery	Video Lottery	Halifax	Sydney			1 st Qtr and Year to Date	Ticket Lottery	Video Lottery	Halifax	Sydney			1 st Qtr and Year to Date
Revenues	\$48,295	\$44,527	\$18,109	\$ 6,217	\$ ----	\$ 73	\$117,221	\$58,826	\$44,668	\$18,148	\$ 7,887	\$ ----	\$ 451	\$129,980
Expenses	<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>	<u>44,888</u>	<u>14,258</u>	<u>18,508</u>	<u>5,864</u>	<u>508</u>	<u>1,327</u>	<u>85,353</u>
Net income	9,777	28,534	237	1,062	(517)	(1,294)	37,799	13,938	30,410	(360)	2,023	(508)	(876)	44,627
Win tax	-----	-----	<u>3,254</u>	<u>1,162</u>	----	----	<u>4,416</u>	-----	-----	<u>3,273</u>	<u>1,486</u>	----	----	<u>4,759</u>
Payment to Province	<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>	<u>\$13,938</u>	<u>\$30,410</u>	<u>\$ 2,913</u>	<u>\$ 3,509</u>	<u>\$(508)</u>	<u>\$(876)</u>	<u>\$ 49,386</u>

Statement of Retained Earnings

For the First Quarter Ended
(in thousands)

	2003		2002	
	1 st Quarter and Year to Date		1 st Quarter and Year to Date	
Retained earnings, beginning of period	\$ -		\$ -	
Net Income	<u>37,799</u>		<u>44,627</u>	
Retained earnings, end of period	<u>\$37,799</u>		<u>\$44,627</u>	



Statement of Cash Flows

For the First Quarter Ended June 30, 2003 (unaudited)
(in thousands)

	<u>2003</u>	<u>2002</u>
Increase (decrease) in cash and cash equivalents		
Operating		
Net Income	\$ 37,799	\$ 44,627
Depreciation and amortization	1,758	1,911
Net changes in short-term assets and liabilities	<u>(41,967)</u>	<u>(45,756)</u>
	<u>(2,410)</u>	<u>782</u>
Financing		
Increase (decrease) in obligation to Atlantic Gaming Equipment Limited	(3,424)	8,663
Reduction of capital obligation	<u>(2,089)</u>	<u>(1,503)</u>
	<u>(5,513)</u>	<u>7,160</u>
Investing		
Increase (decrease) in capital assets, net additions	3,130	(9,062)
Increase in Casino Capital Replacement Reserve, net of cash increase	<u>133</u>	<u>219</u>
	<u>3,263</u>	<u>(8,843)</u>
Net Increase (decrease) in cash & cash equivalents	(4,660)	(901)
Cash, beginning of quarter	<u>19,042</u>	<u>15,836</u>
Cash, end of quarter	<u>\$ 14,382</u>	<u>\$ 14,935</u>



FINANCIAL HIGHLIGHTS

FOR THE FIRST QUARTER ENDED JUNE 30, 2003 (unaudited)

The Nova Scotia Gaming Corporation (NSGC) revenues were \$117.2 million, down \$12.8 million from the same quarter last year, due mainly to lower ticket lottery and Sydney casino revenues and no growth in the video lottery business line.

NSGC's total payment to the Province was \$42.2 million, which is \$7.2 million lower than last year's payment.

The lottery business lines accounted for \$38.3 million, \$6.0 million lower than the prior year, due mainly to lower ticket lottery revenues as a result of lower jackpots in both Lotto 6/49 and Super 7. VLT net income has dropped as a result of higher lease expenses associated with the investment in new terminals.

Halifax casino revenue was \$18.1 million, which was the same as the first quarter last year. Halifax casino payment to the Province was \$3.5 million, \$0.6 million higher than the prior year, due to a decrease in expenses, including interest payments.

Sydney casino revenue was \$6.2 million, \$1.7 million lower than the prior year, due to a decline in overall volume of play. As a result, the Sydney casino payment to the Province was \$2.2 million, \$1.3 million lower than the prior year.

Win tax of \$4.4 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 made the following financial contributions to assist in the treatment and research of problem gambling:

	Quarter ended June 30, 2003	Quarter ended June 30, 2002
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$111,500	\$111,500
<i>Nova Scotia Gaming Corp.</i>	<u>111,500</u>	<u>111,500</u>
	223,000	223,000
Contribution to NS Department of Health from casino revenues	<u>250,000</u>	<u>250,000</u>
Total Contributions	<u>\$473,000</u>	<u>\$473,000</u>



OPERATIONAL HIGHLIGHTS

FOR THE FIRST QUARTER ENDED JUNE 30, 2003 (unaudited)

NSGC has finalized plans to modify its VLT responsible gaming features during the first quarter. The effectiveness of the new mix of features will be assessed during a pilot which is scheduled to be launched in October 2003.

In June, a collaborative partnership with the Nova Scotia Office of Health Promotion and the Western Shared Services District of Addiction Services was struck to bring to fruition a pilot project that will assess the feasibility of a video lottery self-exclusion program for problem gamblers. The pilot is expected to run in the Annapolis Valley and Digby area beginning in October 2003.

Also in June, planning began for Nova Scotia's second annual Responsible Gaming Awareness Week to be held October 19 – 25, 2003. In addition, ALC partnered with Atlantic Wholesalers to promote a \$5 lottery superpack. With

the purchase of a \$5 superpack, players received a free \$1 scratch ticket. ALC also partnered with Ultramar in June for their "Reveal a Deal" contest.

During the quarter, 1,190 Spielo Powerstation 5 VLTs were upgraded with the new Bullfroggin' game. It is now one of the most popular games with players.

The Halifax Casino began a Summer Games promotion, which runs until the end of August. The promotion was kicked off by two performances by Davy Jones on June 6 and 7. There are different events each day of the week, including two-for-one meals and chances to win cash and prizes. There were three outdoor concerts held in late June, which included performances by Tom Cochrane, The Daughter's and Trooper.

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