

—— NOVA SCOTIA PROVINCIAL ——
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended March 31, 2016

**FINANCIAL
HIGHLIGHTS**
For the fourth quarter ended
March 31, 2016 (unaudited)

In the fourth quarter of 2015-16, the total Payment to Province was \$29.2 million, \$4.9 million lower than the same quarter in the previous year due primarily to an increase in expenses in Ticket and Video Lottery.

The Ticket Lottery business line accounted for \$10.9 million of the Payment to Province, \$1.3 million lower than the previous year. This decrease was due to an increase in operating expenses from implementation of new information technology systems.

The Video Lottery business line accounted for \$16.7 million of the Payment to Province, \$3.6 million lower than the previous year. This decrease was primarily due to an increase in operating expenses, including the write off of Techlink video lottery terminals.

Payment to Province from the Halifax casino was \$4.2 million, \$0.6 million higher than the same quarter in the previous year. Payment to Province from the Sydney casino was \$1.7 million, \$0.2 million higher than the previous year.

Win Tax of \$3.1 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was \$0.2 million higher than the same quarter in the previous year and is a calculation of 20% of casino gaming revenues.

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

	Quarter ended March 31, 2016	Quarter ended March 31, 2015
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 59,500 <u>59,500</u> 119,000	\$ 56,000 <u>56,000</u> 112,000
Responsible Gambling Programs	380,000	336,000
Contribution to Department of Health and Wellness	<u>1,037,000</u>	<u>1,012,000</u>
Total Contributions	\$ <u>1,536,000</u>	\$ <u>1,460,000</u>

OPERATIONAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2016 (unaudited)

During the fourth quarter, Casino Nova Scotia introduced its players to a refreshed Player's Club rewards program. Information on the four tiered program of rewards and privileges was provided and implemented in both casino locations starting on February 1. Entertainment offerings of East Coast Country Nights and Saturday Night Dance Bands continue to be popular among players in the Harbourfront Lounge at the Halifax Casino.

The Responsible Gambling Resource Centres, located at both Casino Nova Scotia locations, distributed approximately 900 pieces of responsible gambling information material to casino patrons. The centres saw a slight decrease in visitors in the fourth quarter.

There were eight Lotto Max \$50+ million plus MAXMILLION draws in the fourth quarter and a Lotto 6/49 Super Draw was held on February 13th. In addition, a couple from Wolfville won \$675,000 on a Set for Life Scratch'n Win ticket.

The purchase of lottery tickets in Nova Scotia on alc.ca was supported by the launch of a mobile app for Apple devices which has been available for download to all Canadian App Store users since March 31, 2015. There were 65,000 transactions in the fourth quarter totaling \$0.5 million in sales.

Also in the fourth quarter, the "Get your Fun On" campaign was launched in video lottery retail sites around the province. The campaign celebrates the 25th anniversary of regulated video lottery in Nova Scotia including the growth and success achieved in providing responsible gambling tools for players who choose to play video lottery.

Support4Sport is the most significant source of funding for amateur sport in Nova Scotia with 100% of the proceeds from *Support4Sport* designated products in Nova Scotia going to amateur sport. The funding program, managed by Sport Nova Scotia, helps to develop community and provincial sporting programs and provide training and development opportunities for athletes, coaches and officials. The program provided \$4.1 million in dedicated profit in 2015-16.

The *Support4Culture* Program is a source of funding for Nova Scotia's artistic, heritage and cultural communities with 100% of proceeds from *Support4Culture* designated products going to support initiatives sponsored by the program. The program provided \$2.3 million in 2015-16 to help support initiatives such as the Artistic Innovation Program, the Built Heritage Development Fund and the Mi'kmaq Cultural Activities Program.

In the fourth quarter, the *Support4Communities* program hosted five Spotlight on Monte Carlo seminars which took place from late February to March, 2016 in Kentville, Yarmouth, Dartmouth, Port Hawkesbury and Stellarton. The program was developed in 2006 and has since offered a number of seminars focusing on various topics which are intended to provide community leaders with learning and networking opportunities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31 (unaudited)
(in thousands)

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 6,025	\$ 5,792
Cash – restricted	5,766	5,552
Trade and other receivables	1,588	1,444
Prepaid expenses	5,123	5,071
Inventories	1,976	1,979
	<u>20,478</u>	<u>19,838</u>
Non-current assets		
Property, plant and equipment	85,499	95,543
Cash – casino capital replacement reserve	10,392	6,636
Disputed HST assessments	45,781	38,169
Investment in Interprovincial Lottery Corporation	1	1
	<u>141,673</u>	<u>140,349</u>
	<u>\$ 162,151</u>	<u>\$ 160,187</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 798	\$ 357
Trade and other payables	15,668	13,775
Deferred revenue	1,152	984
Liabilities for unclaimed prizes	5,766	5,552
Due to Atlantic Gaming Equipment Limited	9,318	8,122
Other liabilities	940	873
Due to Province of Nova Scotia	91,509	91,784
	<u>125,151</u>	<u>121,447</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	22,061	30,004
Investment in Atlantic Lottery Corporation Inc.	833	2,311
Other long term liabilities - asset retirement obligation	269	267
	<u>23,163</u>	<u>32,582</u>

EQUITY

Casino capital replacement reserve	14,294	12,638
Retained deficit	(457)	(6,480)
	<u>13,837</u>	<u>6,158</u>
	<u>\$ 162,151</u>	<u>\$ 160,187</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fourth quarter ended March 31 (unaudited)
(in thousands)

	2016								2015							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			4th Quarter	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			4th Quarter	Year to date
Revenues	\$ 56,307	\$ 33,400	\$ 12,905	\$ 4,445	\$ -	\$ 7	\$ 107,064	\$ 441,071	\$ 51,905	\$ 30,449	\$ 11,875	\$ 4,268	\$ -	\$ 6	\$ 98,503	\$ 396,647
Expenses	<u>45,361</u>	<u>16,679</u>	<u>11,046</u>	<u>3,600</u>	<u>380</u>	<u>1,159</u>	<u>78,225</u>	<u>300,489</u>	<u>39,731</u>	<u>10,131</u>	<u>10,411</u>	<u>3,569</u>	<u>336</u>	<u>877</u>	<u>65,055</u>	<u>275,231</u>
Net Income before Contributions	10,946	16,721	1,859	845	(380)	(1,152)	28,839	140,582	12,174	20,318	1,464	699	(336)	(871)	33,448	121,416
Contributions to Community Programs	-	-	-	-	<u>1,156</u>	<u>1,591</u>	<u>2,747</u>	<u>13,056</u>	-	-	-	-	<u>1,124</u>	<u>1,150</u>	<u>2,274</u>	<u>11,383</u>
Net Income	10,946	16,721	1,859	845	(1,536)	(2,743)	26,092	127,526	12,174	20,318	1,464	699	(1,460)	(2,021)	31,174	110,033
Win Tax	-	-	<u>2,329</u>	<u>806</u>	-	-	<u>3,135</u>	<u>13,933</u>	-	-	<u>2,093</u>	<u>785</u>	-	-	<u>2,878</u>	<u>13,492</u>
Payment to Province	\$ <u>10,946</u>	\$ <u>16,721</u>	\$ <u>4,188</u>	\$ <u>1,651</u>	\$ <u>(1,536)</u>	\$ <u>(2,743)</u>	\$ <u>29,227</u>	\$ <u>141,459</u>	\$ <u>12,174</u>	\$ <u>20,318</u>	\$ <u>3,557</u>	\$ <u>1,484</u>	\$ <u>(1,460)</u>	\$ <u>(2,021)</u>	\$ <u>34,052</u>	\$ <u>123,525</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the fourth quarter ended March 31 (unaudited)
(in thousands)

	2016		2015	
	4th Quarter	Year to date	4th Quarter	Year to date
Casino Capital Replacement Reserve				
Casino capital replacement reserve balance, beginning of period	\$ 16,208	\$ 12,638	\$ 14,187	\$ 10,220
Change in reserve	<u>(1,914)</u>	<u>1,656</u>	<u>(1,549)</u>	<u>2,418</u>
Casino capital replacement reserve, end of period	<u>14,294</u>	<u>14,294</u>	<u>12,638</u>	<u>12,638</u>
Retained Deficit				
Retained deficit balance, beginning of period	(2,907)	(6,480)	(6,390)	(9,970)
Net and comprehensive income	29,227	141,459	34,052	123,525
Payment to Province	(29,227)	(141,459)	(34,052)	(123,525)
Change in investment in Atlantic Lottery Corporation Inc.	<u>2,450</u>	<u>6,023</u>	<u>(90)</u>	<u>3,490</u>
Retained deficit balance, end of period	<u>(457)</u>	<u>(457)</u>	<u>(6,480)</u>	<u>(6,480)</u>
Equity, end of period	\$ <u>13,837</u>	\$ <u>13,837</u>	\$ <u>6,158</u>	\$ <u>6,158</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fourth quarter ended
March 31 (unaudited)
(in thousands)

	<u>2016</u>	<u>2015</u>
Operating		
Net Income	\$ 29,227	\$ 34,052
Allocation of income to Province	(29,227)	(34,052)
Depreciation	9,406	5,316
Loss on disposal of capital assets	53	261
Net transfers of property, plant and equipment	(382)	(546)
Net changes in non-cash working capital	<u>(18,062)</u>	<u>(7,301)</u>
	<u>(8,985)</u>	<u>(2,270)</u>
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	<u>(5,211)</u>	<u>(1,122)</u>
Investing		
Purchases of capital assets, net additions	(1,553)	(402)
Change in investment of Atlantic Lottery Corporation Inc.	4,549	(2,399)
Increase in Casino Capital Replacement Reserve, net of cash	<u>(2,783)</u>	<u>(2,953)</u>
	<u>213</u>	<u>(5,754)</u>
Net decrease in cash and cash equivalents	(13,983)	(9,146)
Cash and cash equivalents, beginning of quarter	<u>19,210</u>	<u>14,581</u>
Cash and cash equivalents, end of quarter	\$ <u>5,227</u>	\$ <u>5,435</u>