

—— NOVA SCOTIA PROVINCIAL ——
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended June 30, 2015

**FINANCIAL
HIGHLIGHTS**
For the first quarter ended
June 30, 2015 (unaudited)

In the first quarter of 2015-16, the total Payment to Province was \$35.1 million, \$8.2 million higher than the same quarter in the previous year due primarily to an increase in revenues in the Ticket and Video Lottery businesses and timing of funding for the harness racing industry.

The Ticket Lottery business line accounted for \$12.4 million of the Payment to Province, \$2.6 million higher than the previous year. This increase was due to higher Lotto Max revenue than the previous year as a result of higher jackpot amounts.

The Video Lottery business line accounted for \$20.4 million of the Payment to Province, \$4.7 million higher than the previous year. The increase was due primarily to an increase in revenue from the removal of the My-Play system, acceptance of replacement terminals and standardization of payout rates.

Payment to Province from the Halifax casino was \$4.9 million, \$0.1 million higher than the same quarter in the previous year. Payment to Province from the Sydney casino was \$1.9 million, comparable to the previous year.

Win Tax of \$3.4 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 in the previous year and is a calculation of 20% of casino gaming revenues.

Contributions and expenditures of \$2.0 million were incurred in the first 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 \$2.0 million is as follows:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 80,500 <u>80,500</u> 161,000	\$ 65,500 <u>65,500</u> 131,000
Responsible Gambling Programs	172,000	165,000
Contribution to Department of Health and Wellness	<u>1,700,000</u>	<u>1,700,000</u>
Total Contributions	\$ <u>2,033,000</u>	\$ <u>1,996,000</u>

OPERATIONAL HIGHLIGHTS

For the first quarter ended
June 30, 2015 (unaudited)

During the quarter, Casino Nova Scotia, in conjunction with Music Nova Scotia, announced that the Halifax and Sydney casinos would become the home for a newly created East Coast Music Hall of Fame. These installations will be free to the public and feature memorabilia from all of the inductees. The Halifax site is set to open in the fall of 2015, with the Sydney site following in 2016.

The Artist in Residence program at the Halifax casino awards one Nova Scotia based musician or group with \$20,000 in funding to assist with developing their career through recording, marketing and live performance opportunities. In June, Casino Nova Scotia awarded its second Artist in Residence program title to Reeny Smith, a singer and pianist from North Preston. She was selected as the winner from six finalists who were chosen from over 35 applicants.

There were eight Lotto Max \$50 million plus MAXMILLION draws in the first quarter, including two draws of \$50 million plus \$50 MAXMILLIONS.

The Lotto 6/49 draw on June 17th saw the additional guaranteed \$1 million prize won by someone from Cumberland County, Nova Scotia.

The first quarter also saw some significant Scratch'N Win ticket launches including Classic White 2, Royal Spins and a \$2 Bingo game. The Cashtag instant ticket was also launched, which includes a Twitter component where players can use Twitter to enter additional draws.

The Atlantic Lottery mobile app for Apple devices has been available for download to all Canadian App Store users since March 30, 2015. The total number of unique purchasing players in the first quarter was over 4,000, which was 19% of all alc.ca purchasing players.

The Nova Scotia Office of the Auditor General (OAG) completed their performance audit of the Province's responsible gambling, prevention and treatment programs. The final OAG report was released to the public on June 17th along with NSPLCC's final responses to their relevant sections.

The *Support4Sport* Program 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. In the first quarter, \$2.0 million was raised, which will help develop community and provincial sporting programs and provide training and development opportunities for athletes, coaches and officials.

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. During the quarter, \$0.8 million was raised to help support initiatives such as the Artistic Innovation Program, the Built Heritage Development Fund and the Mi'kmaq Cultural Activities Program.

In the first quarter of 2015-16, NSPLCC supported five Monte Carlo nights as part of the *Support4Communities* Casino Nights Program, including events in support of the Sydney YMCA, the Kentville Skate Park and the Mulgrave Volunteer Fire Department.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30 (unaudited)
(in thousands)

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 10,931	\$ 12,008
Cash – restricted	5,968	6,137
Disputed HST assessments	40,072	33,193
Trade and other receivables	1,980	1,478
Prepaid expenses	5,443	5,442
Inventories	1,887	2,746
	<u>66,281</u>	<u>61,004</u>
Non-current assets		
Property, plant and equipment	93,364	93,479
Cash – casino capital replacement reserve	7,466	4,306
Investment in Interprovincial Lottery Corporation	1	1
	<u>100,831</u>	<u>97,786</u>
	<u>\$ 167,112</u>	<u>\$ 158,790</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 839	\$ 1
Trade and other payables	18,984	21,665
Deferred revenue	1,123	739
Liabilities for unclaimed prizes	5,968	6,137
Due to Atlantic Gaming Equipment Limited	1,909	2,131
Other liabilities	950	844
Due to Province of Nova Scotia	92,871	85,184
	<u>122,644</u>	<u>116,701</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	34,410	31,492
Investment in Atlantic Lottery Corporation Inc.	1,313	7,711
Other long term liabilities - asset retirement obligation	267	177
	<u>35,990</u>	<u>39,380</u>

EQUITY

Casino capital replacement reserve	13,767	11,485
Retained deficit	(5,289)	(8,776)
	<u>8,478</u>	<u>2,709</u>
	<u>\$ 167,112</u>	<u>\$ 158,790</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first quarter ended June 30 (unaudited)
(in thousands)

	2015							2014						
	LOTTERIES		CASINOS		RG	OTHER	TOTAL	LOTTERIES		CASINOS		RG	OTHER	TOTAL
	Ticket Lottery	Video Lottery	HFX	SYD			1st Quarter and Year to date	Ticket Lottery	Video Lottery	HFX	SYD			1st Quarter and Year to date
Revenues	\$ 55,551	\$ 33,462	\$ 14,134	\$ 4,852	\$ -	\$ -	\$ 107,999	\$ 50,536	\$ 26,596	\$ 13,802	\$ 5,041	\$ -	\$ -	\$ 95,975
Expenses	<u>43,129</u>	<u>13,106</u>	<u>11,821</u>	<u>3,886</u>	<u>172</u>	<u>816</u>	<u>72,930</u>	<u>40,731</u>	<u>10,933</u>	<u>11,502</u>	<u>4,032</u>	<u>165</u>	<u>729</u>	<u>68,092</u>
Net Income before Contributions	12,422	20,356	2,313	966	(172)	(816)	35,069	9,805	15,663	2,300	1,009	(165)	(729)	27,883
Contributions to Community Programs	-	-	-	-	<u>1,861</u>	<u>1,585</u>	<u>3,446</u>	-	-	-	-	<u>1,831</u>	<u>2,594</u>	<u>4,425</u>
Net Income	12,422	20,356	2,313	966	(2,033)	(2,401)	31,623	9,805	15,663	2,300	1,009	(1,996)	(3,323)	23,458
Win Tax	-	-	<u>2,559</u>	<u>887</u>	-	-	<u>3,446</u>	-	-	<u>2,488</u>	<u>928</u>	-	-	<u>3,416</u>
Payment to Province	<u>\$ 12,422</u>	<u>\$ 20,356</u>	<u>\$ 4,872</u>	<u>\$ 1,853</u>	<u>\$ (2,033)</u>	<u>\$ (2,401)</u>	<u>\$ 35,069</u>	<u>\$ 9,805</u>	<u>\$ 15,663</u>	<u>\$ 4,788</u>	<u>\$ 1,937</u>	<u>\$ (1,996)</u>	<u>\$ (3,323)</u>	<u>\$ 26,874</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the first quarter ended June 30 (unaudited)
(in thousands)

	2015	2014
	First Quarter & Year to date	First Quarter & Year to date
Casino Capital Replacement Reserve		
Casino capital replacement reserve balance, beginning of period	\$ 12,638	\$ 10,220
Change in reserve	<u>1,129</u>	<u>1,265</u>
Casino capital replacement reserve, end of period	<u>13,767</u>	<u>11,485</u>
Retained Deficit		
Retained deficit balance, beginning of period	(6,480)	(9,970)
Net and comprehensive income	35,069	26,874
Change in investment in Atlantic Lottery Corporation Inc.	1,191	1,194
Payment to province	<u>(35,069)</u>	<u>(26,874)</u>
Retained deficit balance, end of period	<u>(5,289)</u>	<u>(8,776)</u>
Equity, end of period	\$ <u>8,478</u>	\$ <u>2,709</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first quarter ended
June 30 (unaudited)
(in thousands)

	<u>2015</u>	<u>2014</u>
Operating		
Net Income	\$ 35,069	\$ 26,874
Allocation of income to Province	(35,069)	(26,874)
Depreciation	2,372	2,233
Loss on disposal of capital assets	18	-
Net transfers of property, plant and equipment	34	5,348
Net changes in non-cash working capital	<u>889</u>	<u>(336)</u>
	<u>3,313</u>	<u>7,245</u>
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	<u>(1,807)</u>	<u>(12,135)</u>
Investing		
Purchases of capital assets, net additions	(245)	4,518
Change in investment of Atlantic Lottery Corporation Inc.	193	985
Increase in Casino Capital Replacement Reserve, net of cash	<u>299</u>	<u>922</u>
	<u>247</u>	<u>6,425</u>
Net increase in cash & cash equivalents	1,753	1,535
Cash & cash equivalents, beginning of quarter	<u>8,339</u>	<u>10,472</u>
Cash & cash equivalents, end of quarter	\$ <u>10,092</u>	\$ <u>12,007</u>