

—— NOVA SCOTIA PROVINCIAL ——  
**LOTTERIES & CASINO CORPORATION**

**QUARTERLY REPORT**

For the quarter ended September 30, 2014

**FINANCIAL  
HIGHLIGHTS**  
For the second quarter ended  
September 30, 2014 (unaudited)

In the second quarter of 2014-15, the total Payment to Province was \$30.3 million, \$0.9 million higher than the same quarter in the previous year due primarily to a decrease in operating expenses in the Video Lottery business.

The Video Lottery business line accounted for \$16.1 million of the Payment to Province, \$1.3 million higher than the previous year. The increase was due to a reduction in expenses as a result of one-time terminal improvements made in the prior year.

The Ticket Lottery business line accounted for \$9.9 million of the Payment to Province, \$0.5 million lower than the previous year. This decrease was due to lower Lotto 6/49 and Lotto Max revenue than the previous year as a result of lower jackpot amounts combined with under-performance in Scratch'n Win products.

Payment to Province from the Halifax casino was \$5.3 million, \$0.5 million lower than the same quarter in the previous year. This decrease is due to a general revenue decline in the Halifax location. Payment to Province from the Sydney casino was \$2.1 million, comparable to the previous year.

Win Tax of \$3.8 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was \$0.2 million lower than the same quarter in the previous year and is a calculation of 20% of casino gaming revenues.

Contributions and expenditures of \$1.2 million were incurred in the second quarter in support of responsible gambling programming initiatives, research and treatment of problem gambling. This was \$0.1 million lower than the previous year due to lower operating expenses and timing for funding of programs. The allocation of the \$1.2 million is as follows:

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 57,000 <u>57,000</u> 114,000	\$ 59,500 <u>59,500</u> 119,000
Responsible Gambling Programs	199,000	254,000
Contribution to Department of Health and Wellness	<u>900,000</u>	<u>900,000</u>
<b>Total Contributions</b>	<b>\$ <u>1,213,000</u></b>	<b>\$ <u>1,273,000</u></b>

## OPERATIONAL HIGHLIGHTS

For the second quarter ended  
September 30, 2014 (unaudited)

Casino Nova Scotia continued its role as one of the leading entertainment destinations in Atlantic Canada. During the second quarter, the casino featured a Natal Day Blues festival, two installments of the Casinos' ever popular Songwriters' Circle series and shows from George Canyon and Blues Traveller.

The Responsible Gambling Resource Centres, located at both Casino Nova Scotia locations, received over 973 visitors and distributed more than 614 pieces of responsible gambling informational material. The quarterly Open House event, held on July 2, 2014, drew awareness to the centre's and the many tools and resources they offered by engaging over 150 patrons.

Also in the second quarter, Atlantic Lottery continued its successful 2<sup>nd</sup> Chance Contest, which offers players a chance to win a total of \$0.5 million in prizes by entering their select non-winning tickets online. The program is offering several contests for entry including: Trip or Treat, with a prize of a trip for two to Cuba or \$3,000 cash; a \$50,000 Crossword contest; and, a grand prize of \$250,000. The early bird prize of \$20,000 was awarded in the second quarter.

On August 20, 2014 it was announced that My-Play would transition to voluntary usage, and removal began September 8, 2014 as the system was not meeting its objectives. Phase two of the video lottery terminal replacement project is underway and expected to be complete by the end of the fourth quarter along with the removal and write-off of the My-Play assets.

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 in Nova Scotia going to amateur sport. In the second quarter, \$0.8 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 culture communities with 100% of proceeds from *Support4Culture* branded tickets going to support initiatives sponsored by the program. During the quarter, \$0.7 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.

During the second quarter of 2014-15, NSPLCC supported community casino fundraisers through the *Support4Communities* Casino Nights program and helped the Mulgrave Fire Department and the Mulgrave Legion raise funds towards the purchase of a new medical first responder vehicle.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30 (unaudited)  
(in thousands)

## ASSETS

	<u>2014</u>	<u>2013</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 11,467	\$ 8,457
Cash – restricted	6,278	5,945
Disputed HST assessments	34,716	-
Trade and other receivables	2,066	1,350
Prepaid expenses	5,360	4,070
Inventories	<u>2,572</u>	<u>2,612</u>
	<u>62,459</u>	<u>22,434</u>
<b>Non-current assets</b>		
Property, plant and equipment	97,677	105,937
Cash – casino capital replacement reserve	4,270	3,447
Investment in Interprovincial Lottery Corporation	<u>1</u>	<u>1</u>
	<u>101,948</u>	<u>109,385</u>
	<u>\$ 164,407</u>	<u>\$ 131,819</u>

## LIABILITIES and EQUITY

<b>Current liabilities</b>		
Bank indebtedness	\$ 1,169	\$ 445
Trade and other payables	21,045	13,563
Deferred revenue and recovery	907	796
Liabilities for unclaimed prizes	6,278	5,945
Due to Atlantic Gaming Equipment Limited	2,507	2,812
Other liabilities	757	782
Due to Province of Nova Scotia	<u>86,699</u>	<u>54,894</u>
	<u>119,362</u>	<u>79,237</u>
<b>Non-current liabilities</b>		
Due to Atlantic Gaming Equipment Limited	34,207	41,220
Investment in Atlantic Lottery Corporation Inc.	<u>5,523</u>	<u>18,309</u>
	<u>39,730</u>	<u>59,529</u>

## EQUITY

Casino capital replacement reserve	12,898	11,142
Retained deficit	<u>(7,583)</u>	<u>(18,089)</u>
	<u>\$ 164,407</u>	<u>\$ 131,819</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the second quarter ended September 30 (unaudited)  
(in thousands)

	2014								2013							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			2nd Quarter	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			2nd Quarter	Year to date
Revenues	\$ 48,866	\$ 26,316	\$ 15,234	\$ 5,731	\$ -	\$ -	\$ 96,147	\$ 192,122	\$ 49,927	\$ 26,641	\$ 16,327	\$ 5,782	\$ -	\$ -	\$ 98,677	\$ 199,019
Expenses	<u>38,919</u>	<u>10,222</u>	<u>12,637</u>	<u>4,690</u>	<u>199</u>	<u>708</u>	<u>67,375</u>	<u>135,467</u>	<u>39,548</u>	<u>11,808</u>	<u>13,521</u>	<u>4,726</u>	<u>254</u>	<u>555</u>	<u>70,412</u>	<u>141,099</u>
Net Income before Contributions	9,947	16,094	2,597	1,041	(199)	(708)	28,772	56,655	10,379	14,833	2,806	1,056	(254)	(555)	28,265	57,920
Contributions to Community Programs	-	-	-	-	<u>1,014</u>	<u>1,255</u>	<u>2,269</u>	<u>6,694</u>	-	-	-	-	<u>1,019</u>	<u>1,869</u>	<u>2,888</u>	<u>5,302</u>
Net Income	9,947	16,094	2,597	1,041	(1,213)	(1,963)	26,503	49,961	10,379	14,833	2,806	1,056	(1,273)	(2,424)	25,377	52,618
Win Tax	-	-	<u>2,741</u>	<u>1,077</u>	-	-	<u>3,818</u>	<u>7,234</u>	-	-	<u>2,960</u>	<u>1,082</u>	-	-	<u>4,042</u>	<u>7,707</u>
Payment to Province	\$ <u>9,947</u>	\$ <u>16,094</u>	\$ <u>5,338</u>	\$ <u>2,118</u>	\$ <u>(1,213)</u>	\$ <u>(1,963)</u>	\$ <u>30,321</u>	\$ <u>57,195</u>	\$ <u>10,379</u>	\$ <u>14,833</u>	\$ <u>5,766</u>	\$ <u>2,138</u>	\$ <u>(1,273)</u>	\$ <u>(2,424)</u>	\$ <u>29,419</u>	\$ <u>60,325</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the second quarter ended September 30 (unaudited)  
(in thousands)

	2014		2013	
	2nd Quarter	Year to date	2nd Quarter	Year to date
Retained earnings, beginning of period	\$ (8,776)	\$ (9,970)	\$ (18,794)	\$ (18,794)
Change in investment in ALC	1,193	2,387	705	705
Net income	26,503	49,961	25,377	52,618
Net income paid to Province	<u>(26,503)</u>	<u>(49,961)</u>	<u>(25,377)</u>	<u>(52,618)</u>
Retained earnings, end of period	\$ <u>(7,583)</u>	\$ <u>(7,583)</u>	\$ <u>(18,089)</u>	\$ <u>(18,089)</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the second quarter ended  
September 30 (unaudited)  
(in thousands)

	<u>2014</u>	<u>2013</u>
<b>Operating</b>		
Net Income	\$ 26,503	\$ 25,377
Allocation of income to Province	(26,503)	(25,377)
Amortization	1,982	2,454
Net changes in working capital	<u>(879)</u>	<u>(1,471)</u>
	<u>1,103</u>	<u>983</u>
<b>Financing</b>		
Increase/(decrease) in obligation to Atlantic Gaming Equipment Limited	<u>3,091</u>	<u>(2,970)</u>
<b>Investing</b>		
Purchases of capital assets	(1,040)	(723)
Transfer of capital assets	(5,140)	1,254
Change in investment of Atlantic Lottery Corporation Inc.	(1,172)	1,637
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,449</u>	<u>540</u>
	<u>(5,903)</u>	<u>2,708</u>
Net (decrease)/increase in cash & cash equivalents	(1,709)	721
Cash & cash equivalents, beginning of quarter	<u>12,007</u>	<u>7,291</u>
Cash & cash equivalents, end of quarter	\$ <u>10,298</u>	\$ <u>8,012</u>