

—— NOVA SCOTIA PROVINCIAL ——
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended December 31, 2013

**FINANCIAL
HIGHLIGHTS**
For the third quarter ended
December 31, 2013 (unaudited)

In the third quarter of 2013-14, the total Payment to Province was \$33.4 million, \$1.6 million lower than the same quarter in the previous year due primarily to decreased revenue in the Video Lottery business line.

The Video Lottery business line accounted for \$16.7 million of the Payment to Province, \$2.1 million lower than the previous year. The reduction in revenue is a result of continuing weak economic factors, mandatory enrolment in the My-Play System, as well as reduced revenue from the under-performance of replacement terminals introduced at the end of last fiscal year.

The Ticket Lottery business line accounted for \$13.8 million of the Payment to Province, \$1.3 million higher than the previous year. This increase is due to favourable results in Lotto 6/49 and Proline Sports compared to the previous year.

Payment to Province from the Halifax casino was \$4.7 million, \$0.3 million lower than the same quarter in the previous year. Payment to Province from the Sydney casino was \$1.8 million, \$0.2 million lower than the previous year. This decrease is due to a general revenue decline in both the Halifax and Sydney locations.

Win Tax of \$3.3 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 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 comparable to the previous year. The allocation of the \$1.5 million is as follows:

	Quarter ended December 31, 2013	Quarter ended December 31, 2012
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 53,000 <u>53,000</u> 106,000	\$ 57,500 <u>57,500</u> 115,000
Responsible Gambling/Prevention Programming Programs	312,000	323,000
Contribution to Department of Health and Wellness	<u>1,100,000</u>	<u>1,100,000</u>
Total Contributions	\$ <u>1,518,000</u>	\$ <u>1,538,000</u>

OPERATIONAL HIGHLIGHTS

For the third quarter ended
December 31, 2013 (unaudited)

In the third quarter, Casino Nova Scotia, welcomed Billy Ocean, Loverboy, Hanson, Sons of Maxwell, John Gracie, Matt Mays, Joel Plaskett and others at its Halifax casino, continuing its role in bringing top notch entertainment to the community.

Nova Scotia's 12th annual Responsible Gambling Awareness Week (RGAW) was held from September 29th to October 5th. The week included a province-wide media campaign and street teams that travelled across the province visiting six featured communities (Halifax, Sydney, Antigonish, Truro, Bridgewater, and Wolfville). The street teams interacted with over 13,000 Nova Scotians in these communities, engaging them with interactive responsible gambling quizzes and promotional items. Of the people surveyed, 83% indicated they supported RGAW.

Coinciding with RGAW, the Responsible Gambling Resource Centres, located at both Casino Nova Scotia locations, each held an open house which attracted more than 270 patrons. Additionally, yourbestbet.ca, NSPLCC's responsible gambling website, received 1,930 visits during RGAW, a significant increase over its regular traffic levels.

During its regular draw on December 25th, Lotto 6/49 had additional bonus draws (five in total) of guaranteed prizes of \$1 million each for that date.

Since implementation, the My-Play system has had approximately 7,000 full enrolments and almost 1,700,000 light enrolments, an increase of approximately 500 full and 1,100,000 light enrolments over last year. The high number of light enrolments indicates that players are frequently re-enrolling in the system.

The *Support4Communities* Spotlight on Bingo took place on October 26 in Dartmouth and November 2 in Sydney. These full-day seminars were offered at no-cost to charitable and non-profit organizations to help improve grassroots fundraising efforts. Topics included a session on the recently revised *Bingo Regulations*, Responsible Gambling Tips for Bingos, and three Case Studies to share success stories of other organizations. More than 92% of attendees gave an excellent or good rating to the helpfulness of the information and 100% of participants agreed that the seminars are an effective way for NSPLCC to assist the charitable sector.

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 support amateur sport. Almost \$0.8 million was raised in the third quarter, which will help develop community and provincial sporting programs and provide training and development opportunities for athletes, coaches, and officials.

The *Support4Culture* Program, launched on July 2, raised \$0.8 million in the third quarter. The program was established to support artistic, heritage, cultural and community interests across Nova Scotia and is expected to raise \$2.0 million in the current fiscal year.

Also in the third quarter, NSPLCC helped four organizations in Canso, Bridgewater, Yarmouth and Halifax raise more than \$35,000 through the *Support4Communities* Casino Nights program, which provides in-kind support to licensed Monte Carlo fundraisers. Almost \$100,000 has been raised at these events this year, and more than \$700,000 since the program's inception.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (unaudited)
(in thousands)

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 9,851	\$ 7,062
Cash – restricted	7,177	6,465
Trade and other receivables	1,828	1,481
Prepaid expenses	3,776	1,596
Inventories	2,398	2,733
	<u>25,030</u>	<u>19,337</u>
Non-current assets		
Property, plant and equipment	105,694	96,088
Cash – casino capital replacement reserve	4,155	2,080
Investment in Interprovincial Lottery Corporation	1	1
	<u>109,850</u>	<u>98,169</u>
	<u>\$ 134,880</u>	<u>\$ 117,506</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 403	\$ 378
Trade and other payables	18,001	27,811
Deferred revenue and recovery	1,241	861
Liabilities for unclaimed prizes	7,177	6,465
Due to Atlantic Gaming Equipment Limited	2,951	4,784
Other liabilities	901	1,219
Due to Province of Nova Scotia	54,251	56,053
	<u>84,925</u>	<u>97,571</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	39,680	11,319
Investment in Atlantic Lottery Corporation Inc.	14,942	11,885
	<u>54,622</u>	<u>23,204</u>
EQUITY		
Casino capital replacement reserve	12,398	9,982
Retained deficit	<u>(17,065)</u>	<u>(13,251)</u>
	<u>\$ 134,880</u>	<u>\$ 117,506</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2013								2012							
	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	\$ 60,009	\$ 26,494	\$ 13,945	\$ 4,868	\$ -	\$ -	\$ 105,316	\$ 304,336	\$ 58,581	\$ 28,651	\$ 14,613	\$ 5,130	\$ -	\$ -	\$ 106,974	\$ 312,686
Expenses	<u>46,255</u>	<u>9,837</u>	<u>11,717</u>	<u>3,919</u>	<u>312</u>	<u>735</u>	<u>72,775</u>	<u>213,875</u>	<u>46,155</u>	<u>9,909</u>	<u>12,230</u>	<u>4,071</u>	<u>323</u>	<u>539</u>	<u>73,228</u>	<u>215,290</u>
Net Income before Contributions	13,754	16,657	2,228	949	(312)	(735)	32,541	90,461	12,426	18,742	2,383	1,059	(323)	(539)	33,746	97,396
Contributions to Community Programs	-	-	-	-	<u>1,206</u>	<u>1,317</u>	<u>2,523</u>	<u>7,824</u>	-	-	-	-	<u>1,215</u>	<u>1,001</u>	<u>2,216</u>	<u>6,663</u>
Net Income	13,754	16,657	2,228	949	(1,518)	(2,052)	30,018	82,637	12,426	18,742	2,383	1,059	(1,538)	(1,540)	31,530	90,733
Win Tax	-	-	<u>2,461</u>	<u>885</u>	-	-	<u>3,346</u>	<u>11,053</u>	-	-	<u>2,575</u>	<u>931</u>	-	-	<u>3,506</u>	<u>11,160</u>
Payment to Province	<u>\$ 13,754</u>	<u>\$ 16,657</u>	<u>\$ 4,689</u>	<u>\$ 1,834</u>	<u>\$ (1,518)</u>	<u>\$ (2,052)</u>	<u>\$ 33,364</u>	<u>\$ 93,690</u>	<u>\$ 12,426</u>	<u>\$ 18,742</u>	<u>\$ 4,958</u>	<u>\$ 1,990</u>	<u>\$ (1,538)</u>	<u>\$ (1,540)</u>	<u>\$ 35,036</u>	<u>\$ 101,893</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

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

	2013		2012	
	3rd Quarter	Year to date	3rd Quarter	Year to date
Retained earnings, beginning of period	\$ (18,089)	\$ (18,794)	\$ (13,251)	\$ (13,257)
Change in investment in ALC	1,024	1,729	-	6
Net income	30,018	82,637	31,530	90,733
Net income paid to Province	<u>(30,018)</u>	<u>(82,637)</u>	<u>(31,530)</u>	<u>(90,733)</u>
Retained earnings, end of period	\$ <u>(17,065)</u>	\$ <u>(17,065)</u>	\$ <u>(13,251)</u>	\$ <u>(13,251)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>2013</u>	<u>2012</u>
Operating		
Net Income	\$ 30,018	\$ 31,530
Allocation of income to Province	(30,018)	(31,530)
Amortization	2,269	1,984
Net changes in working capital	<u>4,389</u>	<u>12,009</u>
	<u>6,658</u>	<u>13,993</u>
Financing		
(Decrease) increase in obligation to Atlantic Gaming Equipment Limited	<u>(1,401)</u>	<u>1,676</u>
Investing		
Purchases of capital assets	(2,026)	(19,649)
Change in investment of Atlantic Lottery Corporation Inc.	(2,343)	202
Increase in Casino Capital Replacement Reserve, net of cash	<u>548</u>	<u>435</u>
	<u>(3,821)</u>	<u>(19,012)</u>
Net increase (decrease) in cash & cash equivalents	1,436	(3,343)
Cash & cash equivalents, beginning of quarter	<u>8,012</u>	<u>10,027</u>
Cash & cash equivalents, end of quarter	\$ <u>9,448</u>	\$ <u>6,684</u>