

—— NOVA SCOTIA PROVINCIAL ——
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended December 31, 2014

**FINANCIAL
HIGHLIGHTS**
For the third quarter ended
December 31, 2014 (unaudited)

In the third quarter of 2014-15, the total Payment to Province was \$32.3 million; \$1.1 million lower than the same quarter in the previous year due primarily to a decrease in revenues in the Ticket Lottery business.

The Ticket Lottery business line accounted for \$12.9 million of the Payment to Province, \$0.9 million lower than the previous year. This decrease was due to lower Lotto Max and Lotto 6/49 revenue than the previous year as a result of lower sales and jackpot amounts combined with under-performance in the Scratch'n Win products.

The Video Lottery business line accounted for \$16.1 million of the Payment to Province, \$0.6 million lower than the previous year. The decrease was due primarily to an increase in operating expenses as a result of the write-off of My-Play related assets, offset partially by increased revenues from the removal of the My-Play system and acceptance of replacement terminals.

Payment to Province from the Halifax casino was \$4.7 million, comparable to the same quarter in the previous year. Payment to Province from the Sydney casino was \$1.9 million, \$0.1 million higher than 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 \$0.1 million higher than the same quarter in the previous year and is a calculation of 20% of casino gaming revenues.

Contributions and expenditures of \$1.6 million were incurred in the third quarter in support of responsible gambling and prevention programming initiatives, research and treatment of problem gambling. This was \$0.1 million higher than the previous year. The allocation of the \$1.6 million is as follows:

	Quarter ended December 31, 2014	Quarter ended December 31, 2013
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 60,500 <u>60,500</u> 121,000	\$ 53,000 <u>53,000</u> 106,000
Responsible Gambling Programs	334,000	312,000
Contribution to Department of Health and Wellness	<u>1,100,000</u>	<u>1,100,000</u>
Total Contributions	\$ <u>1,555,000</u>	\$ <u>1,518,000</u>

OPERATIONAL HIGHLIGHTS

For the third quarter ended
December 31, 2014 (unaudited)

In the third quarter, Casino Nova Scotia, continuing its role in bringing top notch entertainment to the community welcomed many exciting performers, such as America, Moist and Richard Marx to the Schooner Showroom. The casino also presented another instalment of its always popular Song Writers Circle, two Christmas themed shows from The Trailer Park Boys and two New Year's Eve shows by The Trews. Casino Nova Scotia also hosted an evening of comedy starring Colin Mochrie in support of the Society for the Prevention of Cruelty to Animals (SPCA).

Nova Scotia's 13th annual Responsible Gambling Awareness Week (RGAW) was held September 28th to October 4th. Street teams travelled across the province, visiting four featured communities and having more than 16,000 interactions with Nova Scotians. Coinciding with RGAW, the Responsible Gambling Resource Centres, located at both Casino Nova Scotia locations, each held an open house which attracted more than 247 patrons. Additionally, yourbestbet.ca, NSPLCC's responsible gambling website, received 5,102 visits during RGAW, a significant increase over its regular traffic levels.

Atlantic Lottery continued its successful 2nd Chance Contest in the third quarter, which offers players a chance to win a total of \$0.5 million in prize by entering select non-winning tickets online. The Summer Sizzle prize of \$30,000 was awarded in the third quarter to a player from Nova Scotia. The program is offering several contests for entry including: a \$50,000 Crossword contest and a grand prize of \$250,000 at year-end.

During its regular draw on December 24th, Lotto 6/49 had additional bonus draws (five in total) of guaranteed prizes of \$1 million each for that date. One of the five prizes was won by a player from Cape Breton, Nova Scotia.

Phase 2 of the Video Lottery terminal replacement project was completed during the third quarter. All legacy terminals were removed from the market and replaced with a modernized fleet. As replacement terminals were installed at each retail location, My-Play system equipment was removed, in accordance with the government announcement on August 20th. The My-Play System is now completely decommissioned.

Also in the third quarter, NSPLCC presented the Spotlight on Monte Carlo Fundraisers, a fundraising seminar. This seminar was offered, at no cost to charities and non-profits, in four communities across the province. Over 80 registered attendees signed up for these seminars.

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 amateur sport. Almost \$0.7 million was raised in the third quarter of 2014-15, 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, \$0.2 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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (unaudited)
(in thousands)

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 14,922	\$ 9,851
Cash – restricted	6,855	7,177
Disputed HST assessments	36,452	-
Trade and other receivables	2,103	1,828
Prepaid expenses	4,981	3,776
Inventories	2,172	2,398
	<u>67,485</u>	<u>25,030</u>
Non-current assets		
Property, plant and equipment	100,173	105,694
Cash – casino capital replacement reserve	5,232	4,155
Investment in Interprovincial Lottery Corporation	1	1
	<u>105,406</u>	<u>109,850</u>
	<u>\$ 172,891</u>	<u>\$ 134,880</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 341	\$ 403
Trade and other payables	23,728	18,001
Deferred revenue and recovery	869	1,241
Liabilities for unclaimed prizes	6,855	7,177
Due to Atlantic Gaming Equipment Limited	2,317	2,951
Other liabilities	1,009	901
Due to Province of Nova Scotia	88,157	54,251
	<u>123,276</u>	<u>84,925</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	37,198	39,680
Investment in Atlantic Lottery Corporation Inc.	4,620	14,942
	<u>41,818</u>	<u>54,622</u>

EQUITY

Casino capital replacement reserve	14,187	12,398
Retained deficit	<u>(6,390)</u>	<u>(17,065)</u>
	<u>\$ 172,891</u>	<u>\$ 134,880</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2015								2014							
	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	\$ 56,194	\$ 30,707	\$ 14,156	\$ 4,964	\$ -	\$ -	\$ 106,021	\$ 298,144	\$ 60,009	\$ 26,494	\$ 13,945	\$ 4,868	\$ -	\$ -	\$ 105,316	\$ 304,336
Expenses	<u>43,306</u>	<u>14,559</u>	<u>11,906</u>	<u>3,990</u>	<u>334</u>	<u>613</u>	<u>74,708</u>	<u>210,176</u>	<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>
Net Income before Contributions	12,888	16,148	2,250	974	(334)	(613)	31,313	87,968	13,754	16,657	2,228	949	(312)	(735)	32,541	90,461
Contributions to Community Programs	-	-	-	-	<u>1,221</u>	<u>1,194</u>	<u>2,415</u>	<u>9,109</u>	-	-	-	-	<u>1,206</u>	<u>1,317</u>	<u>2,523</u>	<u>7,824</u>
Net Income	12,888	16,148	2,250	974	(1,555)	(1,807)	28,898	78,859	13,754	16,657	2,228	949	(1,518)	(2,052)	30,018	82,637
Win Tax	-	-	<u>2,485</u>	<u>895</u>	-	-	<u>3,380</u>	<u>10,614</u>	-	-	<u>2,461</u>	<u>885</u>	-	-	<u>3,346</u>	<u>11,053</u>
Payment to Province	<u>\$ 12,888</u>	<u>\$ 16,148</u>	<u>\$ 4,735</u>	<u>\$ 1,869</u>	<u>\$ (1,555)</u>	<u>\$ (1,807)</u>	<u>\$ 32,278</u>	<u>\$ 89,473</u>	<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>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

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

	2015		2014	
	3rd Quarter	Year to date	3rd Quarter	Year to date
Retained earnings, beginning of period	\$ (7,583)	\$ (9,970)	\$ (18,088)	\$ (18,794)
Change in investment in ALC	1,193	3,580	1,023	1,729
Net income	28,898	78,859	30,018	82,637
Net income paid to Province	<u>(28,898)</u>	<u>(78,859)</u>	<u>(30,018)</u>	<u>(82,637)</u>
Retained earnings, end of period	\$ <u>(6,390)</u>	\$ <u>(6,390)</u>	\$ <u>(17,065)</u>	\$ <u>(17,065)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>2014</u>	<u>2013</u>
Operating		
Net Income	\$ 28,898	\$ 30,018
Allocation of income to Province	(28,898)	(30,018)
Depreciation	2,249	2,269
Loss on disposal of capital assets	2,747	51
Net transfers of capital assets	(4,679)	(245)
Net changes in working capital	<u>3,361</u>	<u>4,389</u>
	<u>3,678</u>	<u>6,464</u>
Financing		
Increase/(Decrease) in obligation to Atlantic Gaming Equipment Limited	<u>2,801</u>	<u>(1,401)</u>
Investing		
Purchase of capital assets, net additions	(2,813)	(1,832)
Change in investment of Atlantic Lottery Corporation Inc.	290	(2,343)
Increase in Casino Capital Replacement Reserve, net of cash	<u>327</u>	<u>548</u>
	<u>(2,196)</u>	<u>(3,627)</u>
Net increase in cash & cash equivalents	4,283	1,436
Cash & cash equivalents, beginning of quarter	<u>10,298</u>	<u>8,012</u>
Cash & cash equivalents, end of quarter	\$ <u>14,581</u>	\$ <u>9,448</u>