

— NOVA SCOTIA PROVINCIAL —
LOTTERIES & CASINO CORPORATION

QUARTERLY REPORT

For the quarter ended December 31, 2015

FINANCIAL HIGHLIGHTS

For the third quarter ended
December 31, 2015 (unaudited)

In the third quarter of 2015-16, the total Payment to Province was \$40.2 million, \$7.9 million higher than the same quarter in the previous year due primarily to an increase in revenue in Ticket and Video Lottery.

The Ticket Lottery business line accounted for \$16.2 million of the Payment to Province, \$3.3 million higher than the previous year. This increase was due primarily to higher revenue in Lotto Max, Lotto 6/49 and their related games TAG and Twist, and Scratch'n Win products.

The Video Lottery business line accounted for \$21.1 million of the Payment to Province, \$5.0 million higher than the previous year. The increase was due to an increase in revenues 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 \$4.7 million, comparable to the same quarter in the previous year. Payment to Province from the Sydney casino was \$1.8 million, \$0.1 million lower 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 comparable to 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 third quarter in support of responsible gambling and prevention programming initiatives, research and treatment of problem gambling. This was \$0.1 million lower than the previous year. The allocation of the \$1.5 million is as follows:

	Quarter ended December 31, 2015	Quarter ended December 31, 2014
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>NSPLCC</i>	\$ 66,000 <u>66,000</u> 132,000	\$ 60,500 <u>60,500</u> 121,000
Responsible Gambling Programs	256,000	334,000
Contribution to Department of Health and Wellness	<u>1,100,000</u>	<u>1,100,000</u>
Total Contributions	\$ <u>1,488,000</u>	\$ <u>1,555,000</u>

OPERATIONAL HIGHLIGHTS

For the third quarter ended
December 31, 2015 (unaudited)

During the third quarter, Casino Nova Scotia hosted the first annual Music Hall of Fame gala which included inductees Anne Murray, Rita MacNeil, Portia White, John Allan Cameron and Brookes Diamond Productions. The event, which took place at the Halifax casino, honoured the first inductees into the Casino Nova Scotia Music Hall of Fame with featured performances by Bruce Guthro, Heather Rankin, Dave Gunning and Reeny Smith.

The Halifax casino presented two New Year's Eve shows: Matt Anderson and The Mellotones at the Schooner Showroom and Big Fish at the Harbourfront Lounge while the Sydney casino hosted The Andrew Doyle Band.

The Responsible Gambling Resource Centres, located at both Casino Nova Scotia locations, distributed approximately 990 pieces of responsible gambling information material to casino patrons. The centres saw a slight decrease in visitors in the third quarter.

There were seven Lotto Max \$50+ million plus MAXMILLION draws in the third quarter. An individual from Bedford, Nova Scotia won \$1 million in the December 11th draw and two individuals from Nova Scotia won \$0.5 million and \$0.2 million respectively from the November 6th draw. Two of the Lotto 6/49 guaranteed \$1 million prizes were awarded in Nova Scotia during the third quarter.

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. The total number of new purchasing players in the third quarter was 10,550, and included 55,700 transactions totaling \$0.5 million in sales.

In the third quarter, the *Support4Communities* program hosted a Spotlight on Bingo seminar which took place on October 17th in Sydney. The seminar was presented by NSPLCC to help community organizations with their fundraising efforts. 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.

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 is on track to provide \$4.1 million in dedicated profits.

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 is on track to provide \$2.3 million 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>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 19,597	\$ 14,922
Cash – restricted	6,383	6,855
Disputed HST assessments	43,938	36,452
Trade and other receivables	2,116	2,103
Prepaid expenses	4,986	4,981
Inventories	1,858	2,172
	<u>78,878</u>	<u>67,485</u>
Non-current assets		
Property, plant and equipment	93,023	100,173
Cash – casino capital replacement reserve	9,523	5,232
Investment in Atlantic Lottery Corporation Inc.	1,266	-
Investment in Interprovincial Lottery Corporation	1	1
	<u>103,813</u>	<u>105,406</u>
	<u>\$ 182,691</u>	<u>\$ 172,891</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 387	\$ 341
Trade and other payables	25,954	23,474
Deferred revenue	1,413	869
Liabilities for unclaimed prizes	6,383	6,855
Due to Atlantic Gaming Equipment Limited	1,743	2,317
Other liabilities	909	1,009
Due to Province of Nova Scotia	97,485	88,157
	<u>134,274</u>	<u>123,022</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	34,849	37,198
Investment in Atlantic Lottery Corporation Inc.	-	4,620
Other long term liabilities - asset retirement obligation	267	254
	<u>35,116</u>	<u>42,072</u>

EQUITY

Casino capital replacement reserve	16,208	14,187
Retained deficit	(2,907)	(6,390)
	<u>13,301</u>	<u>7,797</u>
	<u>\$ 182,691</u>	<u>\$ 172,891</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	\$ 62,580	\$ 33,848	\$ 14,296	\$ 4,802	\$ -	\$ -	\$ 115,526	\$ 334,007	\$ 56,195	\$ 30,707	\$ 14,156	\$ 4,964	\$ -	\$ -	\$ 106,022	\$ 298,144
Expenses	<u>46,374</u>	<u>12,719</u>	<u>12,063</u>	<u>3,870</u>	<u>256</u>	<u>917</u>	<u>76,199</u>	<u>222,265</u>	<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>
Net Income before Contributions	16,206	21,129	2,233	932	(256)	(917)	39,327	111,742	12,889	16,148	2,250	974	(334)	(613)	31,314	87,968
Contributions to Community Programs	-	-	-	-	<u>1,232</u>	<u>1,224</u>	<u>2,456</u>	<u>10,308</u>	-	-	-	-	<u>1,221</u>	<u>1,194</u>	<u>2,415</u>	<u>9,109</u>
Net Income	16,206	21,129	2,233	932	(1,488)	(2,141)	36,871	101,434	12,889	16,148	2,250	974	(1,555)	(1,807)	28,899	78,859
Win Tax	-	-	<u>2,502</u>	<u>866</u>	-	-	<u>3,368</u>	<u>10,798</u>	-	-	<u>2,485</u>	<u>895</u>	-	-	<u>3,380</u>	<u>10,614</u>
Payment to Province	\$ <u>16,206</u>	\$ <u>21,129</u>	\$ <u>4,735</u>	\$ <u>1,798</u>	\$ <u>(1,488)</u>	\$ <u>(2,141)</u>	\$ <u>40,239</u>	\$ <u>112,232</u>	\$ <u>12,889</u>	\$ <u>16,148</u>	\$ <u>4,735</u>	\$ <u>1,869</u>	\$ <u>(1,555)</u>	\$ <u>(1,807)</u>	\$ <u>32,279</u>	\$ <u>89,473</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	2015		2014	
	3rd Quarter	Year to date	3rd Quarter	Year to date
Casino Capital Replacement Reserve				
Casino capital replacement reserve balance, beginning of period	\$ 15,069	\$ 14,187	\$ 12,898	\$ 12,398
Change in reserve	<u>1,139</u>	<u>2,021</u>	<u>1,289</u>	<u>1,789</u>
Casino capital replacement reserve, end of period	<u>16,208</u>	<u>16,208</u>	<u>14,187</u>	<u>14,187</u>
Retained Deficit				
Retained deficit balance, beginning of period	(4,132)	(6,390)	(7,583)	(17,065)
Net and comprehensive income	40,239	112,232	32,279	89,473
Change in investment in Atlantic Lottery Corporation Inc.	1,225	3,483	1,193	10,675
Payment to province	<u>(40,239)</u>	<u>(112,232)</u>	<u>(32,279)</u>	<u>(89,473)</u>
Retained deficit balance, end of period	<u>(2,907)</u>	<u>(2,907)</u>	<u>(6,390)</u>	<u>(6,390)</u>
Equity, end of period	\$ <u>13,301</u>	\$ <u>13,301</u>	\$ <u>7,797</u>	\$ <u>7,797</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>2015</u>	<u>2014</u>
Operating		
Net Income	\$ 40,239	\$ 28,898
Allocation of income to Province	(40,239)	(28,898)
Depreciation	3,340	2,249
Loss on disposal of capital assets	68	2,747
Net transfers of property, plant and equipment	487	(4,679)
Net changes in non-cash working capital	<u>2,587</u>	<u>3,361</u>
	<u>6,482</u>	<u>3,678</u>
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	<u>2,040</u>	<u>2,801</u>
Investing		
Purchases of capital assets, net additions	(5,622)	(2,813)
Change in investment of Atlantic Lottery Corporation Inc.	160	290
Increase in Casino Capital Replacement Reserve, net of cash	<u>163</u>	<u>327</u>
	<u>(5,299)</u>	<u>(2,196)</u>
Net increase in cash & cash equivalents	3,223	4,283
Cash & cash equivalents, beginning of quarter	<u>15,987</u>	<u>10,298</u>
Cash & cash equivalents, end of quarter	\$ <u>19,210</u>	\$ <u>14,581</u>