



Fourth Quarter Report  
2015

For the twelve months ended December 31, 2015

**Contents**

LETTER OF TRANSMITTAL ..... 3

CORPORATE OVERVIEW..... 4

MANAGEMENT’S DISCUSSION AND ANALYSIS ..... 4

OUTLOOK ..... 5

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ..... 6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS..... 9

LETTER OF TRANSMITTAL

Regina, Saskatchewan  
February 29, 2016

To Her Honour,  
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.  
Lieutenant Governor of Saskatchewan

Madam:

I have the honour to submit herewith the 2015 Fourth Quarter Report of Saskatchewan Gaming Corporation for the year ended December 31, 2015, in accordance with *The Crown Corporations Act, 1993*. The Financial Statements included in this Report are in the form approved by the Treasury Board.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nancy Heppner". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Honourable Nancy Heppner  
Minister Responsible for Saskatchewan Gaming Corporation

## **CORPORATE OVERVIEW**

The Saskatchewan Gaming Corporation (SaskGaming or the Corporation) was established in 1994 as a Treasury Board Crown Corporation to operate casino gaming on behalf of the province of Saskatchewan. It currently operates Casino Regina and Casino Moose Jaw. Effective April 1, 2008, SaskGaming came under the direction of the Crown Investments Corporation of Saskatchewan (CIC). SaskGaming operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority (SLGA).

Casino Regina, located in Regina's historic Union Station, opened to the public on January 26, 1996 and is a full-service entertainment facility offering slot machines, table games, a Show Lounge, restaurant, and on-site parking.

Casino Moose Jaw opened September 6, 2002. It offers guests table games, slot machines, food and beverage services and parking facilities. Entertainment is offered to Moose Jaw customers through a partnership with the Mae Wilson Theatre.

SaskGaming's vision is as follows:

*SaskGaming is the recognized leader in providing gaming entertainment to our guests.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Corporation has been directed to change its fiscal year end to March 31 to coincide with that of its owner. The first complete fiscal period will consist of the fifteen (15) months ending March 31, 2016. The Management's Discussion and Analysis highlights the primary factors that impacted the operations and financial results of SaskGaming for the twelve month period ended December 31, 2015. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes. For additional information relative to its operations and financial position, refer to the Corporation's Annual Report for the year ended December 31, 2014.

## **FINANCIAL RESULTS**

The following information provides details of the Corporation's financial performance for the periods September 30 to December 31, 2015 and January 1 to December 31, 2015 with comparative information for 2014.

	Three months ended December 31				Twelve months ended December 31			
	2015	2014	Change	%	2015	2014	Change	%
(in 000s)								
Revenue	\$ 32,415	\$ 31,714	\$ 701	2.2%	\$ 128,094	\$ 128,028	\$ 66	0.1%
Expenses	18,785	19,818	(1,033)	(5.2%)	74,384	78,224	(3,840)	(4.9%)
Income before payment to General Revenue Fund	13,630	11,896	1,734	14.6%	53,710	49,804	3,906	7.8%
Payment to GRF	6,815	5,948	867	14.6%	26,855	24,902	1,953	7.8%
Net Income	\$ 6,815	\$ 5,948	\$ 867	14.6%	\$ 26,855	\$ 24,902	\$ 1,953	7.8%

SaskGaming's income before payment to the GRF for the fourth quarter of 2015 was \$13.6 million, an increase over the same period in 2014 of \$1.7 million. Revenues increased \$0.7 million, and expenses decreased \$1.0 million.

Year to date income before payment to the GRF was \$53.7 million, an increase of \$3.9 million. Revenues increased \$0.1 million and expenses decreased \$3.8 million.

1. Revenue

Revenue for the fourth quarter was \$32.4 million, an increase of \$0.7 million over the same period in 2014. Year to date revenue was \$128.1 million, an increase of \$0.1 million from 2014 due to a \$0.1 million increase in ancillary revenues. Guest counts at Casino Regina decreased 0.7% from the prior year and at Casino Moose Jaw guest counts increased 2.7%, which resulted in an overall decrease in guest counts year to date of 0.1% from 2014.

2. Expenses

Total expenses for the fourth quarter were \$18.8 million, a decrease year over year of \$1.0 million. Year to date expenses were \$74.4 million, a decrease of \$3.8 million from 2014. The decrease is due primarily to a reduction in SaskGaming's advertising & promotions of \$0.7 million, printing & postage of \$0.4 million, salaries, wages & benefits of \$0.4 million and depreciation of \$1.3 million.

## **OUTLOOK**

The Corporation's income before payment to GRF for the twelve month period was \$53.7 million. Due to the change of SaskGaming's fiscal year end, the Corporation is expecting the income before payment to GRF to be \$62.4 million for the fifteen month fiscal period ending March 31, 2016.

**SASKATCHEWAN GAMING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at (in 000s)	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash	\$ 17,387	\$ 10,343
Accounts receivable	358	257
Inventory	292	285
Prepaid expenses	454	588
	<u>18,491</u>	<u>11,473</u>
Property, plant and equipment	<u>59,733</u>	<u>61,521</u>
	<u>\$ 78,224</u>	<u>\$ 72,994</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 9,152	\$ 9,785
Payable to the General Revenue Fund	6,815	5,948
Dividend payable	6,274	4,802
Current portion of long-term debt	1,674	1,572
Current portion of finance lease obligation	304	275
	<u>24,219</u>	<u>22,382</u>
Long-term debt	---	1,674
Finance lease obligation	<u>6,212</u>	<u>6,516</u>
	<u>30,431</u>	<u>30,572</u>
Retained earnings	<u>47,793</u>	<u>42,422</u>
	<u>\$ 78,224</u>	<u>\$ 72,994</u>

(See accompanying notes)

**SASKATCHEWAN GAMING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the three and twelve months ended December 31**

(in 000s)	Three months ended December 31		Twelve months ended December 31	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Audited)
Revenue	\$ 32,415	\$ 31,714	\$ 128,094	\$ 128,028
Operating expenses	15,738	16,383	61,917	64,027
Depreciation	1,350	1,628	5,692	6,967
Taxes	745	795	2,919	3,089
Contractual obligations	754	754	3,015	3,015
Finance expense	198	258	841	1,126
Income before payment to the General Revenue Fund	13,630	11,896	53,710	49,804
Payment to the General Revenue Fund	6,815	5,948	26,855	24,902
Net income	6,815	5,948	26,855	24,902
Other comprehensive income	---	---	---	---
Comprehensive income	<u>\$ 6,815</u>	<u>\$ 5,948</u>	<u>\$ 26,855</u>	<u>\$ 24,902</u>

(See accompanying notes)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the twelve months ended December 31**

(in 000s)	December 31, 2015 (Unaudited)			December 31, 2014 (Audited)		
	Retained Earnings	Equity Advance	Total	Retained Earnings	Equity Advance	Total
Balance as at January 1	\$ 42,422	\$ ---	\$ 42,422	\$ 37,442	\$ 4,000	\$ 41,442
Comprehensive income	26,855	---	26,855	24,902	---	24,902
Dividends	(21,484)	---	(21,484)	(19,922)	---	(19,922)
Repayment of equity advance	---	---	---	---	(4,000)	(4,000)
Balance as at December 31	<u>\$ 47,793</u>	<u>\$ ---</u>	<u>\$ 47,793</u>	<u>\$ 42,422</u>	<u>\$ ---</u>	<u>\$ 42,422</u>

(See accompanying notes)

**SASKATCHEWAN GAMING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the twelve months ended December 31**

(in 000s)	2015 <u>(Unaudited)</u>	2014 <u>(Audited)</u>
Operating activities:		
Net income	\$ 26,855	\$ 24,902
Adjustments for:		
Finance expense	841	1,126
Depreciation	5,608	6,872
Loss on sale of property, plant and equipment	84	95
Changes in non-cash working capital balances:		
Accounts receivable	(101)	162
Inventory	(7)	36
Prepaid expenses	134	50
Trade and other payables	(633)	(2,025)
Payable to the General Revenue Fund	867	2,681
	<u>33,648</u>	<u>33,899</u>
Investing activities:		
Proceeds from sale of property, plant and equipment	79	22
Purchases of property, plant and equipment	<u>(3,983)</u>	<u>(1,872)</u>
	<u>(3,904)</u>	<u>(1,850)</u>
Financing activities:		
Dividends paid	(20,012)	(16,698)
Interest paid	(841)	(1,126)
Repayment of short term advance	---	(3,000)
Repayment of equity advance	---	(4,000)
Repayment of finance lease obligation	(275)	(247)
Repayment of long-term debt	<u>(1,572)</u>	<u>(7,476)</u>
	<u>(22,700)</u>	<u>(32,547)</u>
Increase (decrease) in cash	7,044	(498)
Cash, beginning of period	<u>10,343</u>	<u>10,841</u>
Cash, end of period	<u>\$ 17,387</u>	<u>\$ 10,343</u>

(See accompanying notes)



**SASKATCHEWAN GAMING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2015**

**1. Description of Business**

The Saskatchewan Gaming Corporation (SaskGaming) is a corporation domiciled in Canada. The address of SaskGaming's registered office and principal place of business is 1880 Saskatchewan Drive, Regina, SK, S4P 0B2.

SaskGaming manages and operates Casino Regina and Casino Moose Jaw. SaskGaming was established under *The Saskatchewan Gaming Corporation Act, 1994* (Act) to provide for separation of regulatory and operational aspects of gaming. SaskGaming must operate in accordance with statutory provisions established under Section 207 of the *Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1997*. Regulation of SaskGaming's operations is controlled by the separately constituted Saskatchewan Liquor and Gaming Authority.

SaskGaming operates under the direction of its owner, the Crown Investments Corporation of Saskatchewan (CIC). CIC is the provincial government's holding corporation for its commercial Crown corporations. The financial results of SaskGaming are included in the consolidated financial statements of CIC.

**2. Basis of Preparation**

**a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and accordingly should be read in conjunction with the December 31, 2014 annual audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 25, 2016.

**b) Change of year end**

The Corporation has been directed to change its fiscal year end to March 31 to coincide with that of its owner. The first complete fiscal period will consist of the fifteen (15) months ending March 31, 2016.

**c) Basis of measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments which are classified as fair value through profit and loss, which are measured at fair value.

**d) Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Canadian dollars, which is SaskGaming's functional currency.

**e) Use of estimates and judgements**

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include: useful lives of property, plant and equipment and the customer loyalty program.

**3. Significant Accounting Policies**

The accounting policies applied by SaskGaming in these condensed consolidated interim financial statements are consistent with those applied by SaskGaming in its December 31, 2014 annual financial statements.

**4. Fair Value**

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk and remaining maturities. Fair value measurements are subjective in nature, and represent point-in-time estimates which may not reflect fair value in the future.

The methods and assumptions used to develop fair value measurements have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in Level one that are observable for the asset or liability. Level three includes inputs that are not based on observable market data.

The fair values of long term debt and finance lease obligation are estimated by discounting the expected future cash flows using the interest rate of a Government of Canada bond with similar terms, adjusted for an appropriate risk premium.

(in 000s)		Fair Value Hierarchy	December 31, 2015 (Unaudited)		December 31, 2014 (Audited)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments	Classification <sup>1</sup>					
Long-term debt	OFL	Level Two	\$ 1,674	\$ 1,720	\$ 3,246	\$ 3,400
Finance Lease obligation	OFL	Level Two	6,516	7,991	6,791	8,283

<sup>1</sup> Classification:

OFL - Other financial liabilities