



First Quarter Report
2018

For the three months ended June 30, 2017

Contents

CORPORATE OVERVIEW..... 3

MANAGEMENT’S DISCUSSION AND ANALYSIS 3

OUTLOOK..... 4

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS..... 8

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 very best at providing our guests with an engaging and entertaining experience at Casinos Regina and Moose Jaw.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis highlights the primary factors that impacted the operations and financial results of SaskGaming for the three month period ended June 30, 2017. 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 period ended March 31, 2017.

FINANCIAL RESULTS

The following information provides details of the Corporation's financial performance for the period April 1 to June 30, 2017 with comparative information for 2016.

(Thousands of Dollars)	Three months ended June 30			
	2017	2016	Change	%
Revenue	\$ 30,471	\$ 31,568	\$ (1,097)	-3.5%
Expenses	17,831	18,938	(1,107)	-5.8%
Income before payment to General Revenue Fund	12,640	12,630	10	0.1%
Payment to GRF	6,320	6,315	5	0.1%
Net Income	\$ 6,320	\$ 6,315	\$ 5	0.1%

SaskGaming's income before payment to the GRF for the first quarter of fiscal 2018 was \$12.6 million, consistent with the same period in fiscal 2017. Revenues decreased by \$1.1 million, offset by a decrease in expenses of \$1.1 million.

1. Revenue

Revenue for the first quarter was \$30.5 million, a decrease of \$1.1 million over the same period in fiscal 2017. Gaming revenues decreased \$0.9 million from fiscal 2017. The gaming revenue decrease is largely due to a \$0.6 million decline in slot revenue and a \$0.3 decline in table revenues. Guest counts at Casino Regina increased 9.3% from the prior year and at Casino Moose Jaw guest counts decreased 4.3%, which resulted in an overall increase in guest counts year to date of 6.6% from fiscal 2017. Although overall guest counts have increased, the average spend per guest is below fiscal 2017 levels.

2. Expenses

Total expenses for the first quarter were \$17.8 million, a decrease year over year of \$1.1 million. The decrease is due primarily to reductions in SaskGaming's salaries, wages & benefits of \$0.2 million, advertising & promotions of \$0.4 million and repairs & maintenance of \$0.2 million.

OUTLOOK

The Corporation's income before payment to GRF for the three month period was \$12.6 million. At the end of the first quarter, income before payment to GRF is above budget by \$1.2 million. At this time, SaskGaming believes it will achieve its income before payment to GRF target for fiscal 2018.

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at (Thousands of Dollars)	<u>June 30, 2017</u> (Unaudited)	<u>March 31, 2017</u> (Audited)
ASSETS		
Current assets:		
Cash	\$ 13,437	\$ 21,705
Accounts receivable	240	131
Inventory	262	281
Prepaid expenses	<u>1,801</u>	<u>440</u>
	15,740	22,557
Property, plant and equipment	<u>56,561</u>	<u>56,948</u>
	<u>\$ 72,301</u>	<u>\$ 79,505</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	\$ 9,780	\$ 8,951
Payable to the General Revenue Fund	6,320	5,786
Dividend payable	4,707	14,803
Current portion of finance lease obligation	<u>355</u>	<u>346</u>
	21,162	29,886
Finance lease obligation	<u>5,692</u>	<u>5,785</u>
	26,854	35,671
Retained earnings	<u>45,447</u>	<u>43,834</u>
	<u>\$ 72,301</u>	<u>\$ 79,505</u>

(See accompanying notes)

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended June 30
(Unaudited)

(Thousands of Dollars)	<u>2017</u>	<u>2016</u>
Revenue	\$ 30,471	\$ 31,568
Operating expenses	14,832	15,867
Depreciation	1,360	1,373
Taxes	729	762
Contractual obligations	754	754
Finance expense	156	182
	<u>17,831</u>	<u>18,938</u>
Income before payment to the General Revenue Fund	12,640	12,630
Payment to the General Revenue Fund	<u>6,320</u>	<u>6,315</u>
Net income	6,320	6,315
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ 6,320</u>	<u>\$ 6,315</u>

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended June 30
(Unaudited)

(Thousands of Dollars)	<u>2017</u>	<u>2016</u>
Retained earnings, beginning of period	\$ 43,834	\$ 48,959
Comprehensive income	6,320	6,315
Dividends	<u>(4,707)</u>	<u>(4,974)</u>
Retained earnings, end of period	<u>\$ 45,447</u>	<u>\$ 50,300</u>

(See accompanying notes)

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended June 30
(Unaudited)

(Thousands of Dollars)	<u>2017</u>	<u>2016</u>
Operating activities:		
Net income	\$ 6,320	\$ 6,315
Adjustments for:		
Finance expense	156	182
Depreciation	1,357	1,364
Loss on sale of property, plant and equipment	3	9
Changes in non-cash working capital balances:		
Accounts receivable	(109)	9
Inventory	19	8
Prepaid expenses	(1,361)	(1,057)
Trade and other payables	829	(1,376)
Payable to the General Revenue Fund	534	489
	<u>7,748</u>	<u>5,943</u>
Investing activities:		
Purchases of property, plant and equipment	<u>(973)</u>	<u>(747)</u>
	<u>(973)</u>	<u>(747)</u>
Financing activities:		
Dividends paid	(14,803)	(4,660)
Interest paid	(156)	(182)
Repayment of finance lease obligation	(84)	(76)
Repayment of long-term debt	-	(416)
	<u>(15,043)</u>	<u>(5,334)</u>
Change in cash	(8,268)	(138)
Cash, beginning of period	<u>21,705</u>	<u>17,721</u>
Cash, end of period	<u>\$ 13,437</u>	<u>\$ 17,583</u>

(See accompanying notes)

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended June 30
(Unaudited)

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 to establish and operate casinos in Saskatchewan; conduct and manage games of chance in casinos; and to establish and operate or to provide for the establishment and operation of any business or activity that it considers reasonably related to operating a casino. 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 is an agent of Her Majesty in Right of the Province of Saskatchewan, and, as a provincial Crown corporation, is not subject to provincial or federal income and capital taxes.

SaskGaming operates under the direction of its owner, Crown Investments Corporation of Saskatchewan (CIC). CIC is the Government of Saskatchewan'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 March 31, 2017 annual audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 17, 2017.

b) 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.

c) Functional and presentation currency

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

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended December 31
(Unaudited)

2. Basis of Preparation (Continued)

d) 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 March 31, 2017 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.

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended December 31
(Unaudited)

4. Fair Value (Continued)

(Thousands of Dollars)			June 30, 2017 (Unaudited)		March 31, 2017 (Audited)	
Financial Instruments	Classification ¹	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Finance lease obligation	OFL	Level Two	6,047	7,205	6,131	7,339

¹ Classification:

OFL - Other financial liabilities