



Third Quarter Report  
2021

For the nine months ended December 31, 2020

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## **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.

Casinos Regina and Moose Jaw were closed during the period of April 1, 2020 to July 8, 2020 and as a result no revenues from gaming were earned during the period. The casinos reopened on July 9, 2020 and operated in accordance with public health orders and restrictions. The casinos closed on December 19, 2020 in accordance with updated public health orders. As of the issuance of this report the date for casino reopening is not known.

SaskGaming's vision is as follows:

*We are the number one entertainment choice in our markets.*

## **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 nine month period ended December 31, 2020. 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 March 31, 2020.

## **FINANCIAL RESULTS**

The following information provides details of the Corporation's financial performance for the period October 1, 2020 to December 31, 2020 and April 1, 2020 to December 31, 2020 with comparative information for 2019.

(Thousands of Dollars)	Three months ended December 31				Nine months ended December 31			
	2020	2019	Change	%	2020	2019	Change	%
Revenue	\$ 12,145	\$ 30,425	\$ (18,280)	-60.1%	\$ 30,853	\$ 90,834	\$ (59,981)	-66.0%
Expenses	13,769	19,019	(5,250)	-27.6%	36,707	55,668	(18,961)	-34.1%
Income (loss) before payment to General Revenue Fund	(1,624)	11,406	(13,030)	-114.2%	(5,854)	35,166	(41,020)	-116.6%
Payment to GRF	-	5,703	(5,703)	-100.0%	-	17,583	(17,583)	-100.0%
Net income (loss)	\$ (1,624)	\$ 5,703	\$ (7,327)	-128.5%	\$ (5,854)	\$ 17,583	\$ (23,437)	-133.3%

In response to the COVID-19 pandemic the Government of Saskatchewan declared a provincial state of emergency on March 11, 2020. On the advice of the Saskatchewan Health Authority and the Chief Medical Officer, SaskGaming temporarily closed Casinos Regina and Moose Jaw at the end of gaming day on March 16, 2020. The casinos remained closed throughout the first quarter ending June 30, 2020. Casinos Regina and Moose Jaw reopened on July 9, 2020 at a reduced capacity following guidelines provided by the Provincial Government. SaskGaming again closed Casinos Regina and Moose Jaw on December 19, 2020 in accordance with public health orders. As of the issuance of this report a reopening date for the casinos is not known.

Revenue for the third quarter was \$12.1 million and \$30.9 million year to date, a decrease of \$18.3 million from the same period in fiscal 2020 and \$60.0 million year to date. Revenues were primarily driven by slot revenue, electronic table games revenue, as well as in-person table games. In-person table games returned on October 8, 2020 with restrictions. From October 1, 2020 to November 27, 2020, SaskGaming operated at a capacity of 318 customers in Regina and 69 customers in Moose Jaw. On November 27, 2020 following Saskatchewan Health Authority directives, SaskGaming reduced its capacity to 30 customers at both Casinos Regina and Moose Jaw. The capacity decrease reduced revenue by approximately 75 percent from previous capacity restrictions. SaskGaming operated under this capacity restriction until the closure of Casinos Regina and Moose Jaw on December 19, 2020.

Expenses for the third quarter also decreased from the same period in fiscal 2020 by \$5.3 million to \$13.8 million. Year to date expenses were \$36.7 million, a decrease year over year of \$19.0 million. Reductions in expenses from the prior year occurred across all expense categories due to the casino closures during the year and restrictions in place after reopening. The expenses with the largest decreases included salaries, wages and benefits, advertising and promotions, entertainment, food & beverage cost of goods sold, and lease and rental.

SaskGaming continued to move forward with several capital projects to continue modernizing the gaming floor and improving guest experience. These projects included renovations to the gaming floor, technology upgrades and improvements to ensure guest and employee safety in the casinos.

## **OUTLOOK**

At the end of the third quarter SaskGaming's year to date loss was \$5.9 million. At this time, SaskGaming continues to assess the impacts of COVID-19 on its earnings forecast.

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

As at (Thousands of Dollars)	<u>Note</u>	<u>December 31, 2020 (Unaudited)</u>	<u>March 31, 2020 (Audited)</u>
<b>ASSETS</b>			
Current assets:			
Cash		\$ 14,071	\$ 20,069
Accounts receivable		101	188
Inventory		56	147
Prepaid expenses		<u>616</u>	<u>626</u>
		14,844	21,030
Property, plant and equipment		<u>61,416</u>	<u>63,103</u>
		<u>\$ 76,260</u>	<u>\$ 84,133</u>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Trade and other payables		\$ 8,708	\$ 11,875
Short-term debt		4,995	5,000
Payable to the General Revenue Fund		-	2,498
Current portion of lease liabilities		<u>509</u>	<u>471</u>
		14,212	19,844
Lease liabilities		<u>4,118</u>	<u>4,505</u>
		<u>18,330</u>	<u>24,349</u>
Equity advance	4	4,000	-
Retained earnings		<u>53,930</u>	<u>59,784</u>
		<u>57,930</u>	<u>59,784</u>
		<u>\$ 76,260</u>	<u>\$ 84,133</u>
Description of business	1		

**SASKATCHEWAN GAMING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)**  
For the three and nine months ended December 31  
(Unaudited)

(Thousands of Dollars)	Three months ended December 31		Nine months ended December 31	
	2020	2019	2020	2019
Revenue	\$ 12,145	\$ 30,425	\$ 30,853	\$ 90,834
Operating expenses	10,565	15,715	27,162	45,930
Depreciation	1,699	1,728	5,054	4,988
Contractual obligations	753	753	2,261	2,261
Taxes	627	691	1,847	2,087
Finance expense	125	132	383	402
	<u>13,769</u>	<u>19,019</u>	<u>36,707</u>	<u>55,668</u>
Income (loss) before payment to the General Revenue Fund	(1,624)	11,406	(5,854)	35,166
Payment to the General Revenue Fund	<u>-</u>	<u>5,703</u>	<u>-</u>	<u>17,583</u>
Net income (loss)	(1,624)	5,703	(5,854)	17,583
Other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Comprehensive income (loss)	<u>\$ (1,624)</u>	<u>\$ 5,703</u>	<u>\$ (5,854)</u>	<u>\$ 17,583</u>

(See accompanying notes)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the nine months ended December 31  
(Unaudited)

(Thousands of Dollars)	2020			2019		
	Retained Earnings	Equity Advance	Total	Retained Earnings	Equity Advance	Total
Retained earnings, beginning of period	\$ 59,784	-	\$ 59,784	\$ 52,974	-	\$ 52,974
Comprehensive (loss) income	(5,854)	-	(5,854)	17,583	-	17,583
Dividends	-	-	-	(23,271)	-	(23,271)
Equity advance	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained earnings, end of period	<u>\$ 53,930</u>	<u>\$ 4,000</u>	<u>\$ 57,930</u>	<u>\$ 47,286</u>	<u>\$ -</u>	<u>\$ 47,286</u>

**SASKATCHEWAN GAMING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the nine months ended December 31**  
**(Unaudited)**

(Thousands of Dollars)	<b>2020</b>	<b>2019</b>
<b>Operating activities:</b>		
Net (loss) income	\$ (5,854)	\$ 17,583
Adjustments for:		
Finance expense	383	402
Depreciation	5,054	5,056
Loss on sale of property, plant and equipment	-	(68)
Changes in non-cash working capital balances:		
Accounts receivable	87	(202)
Inventory	91	18
Prepaid expenses	10	89
Trade and other payables	(3,167)	(377)
Payable to the General Revenue Fund	(2,498)	583
	(5,894)	23,084
<b>Investing activities:</b>		
Purchases of property, plant and equipment	(3,367)	(5,473)
<b>Financing activities:</b>		
Equity advance	4,000	-
Dividends paid	-	(13,423)
Interest paid	(388)	(402)
Repayment of lease liabilities	(349)	(314)
	3,263	(14,139)
Change in cash	(5,998)	3,472
Cash, beginning of period	20,069	18,195
Cash, end of period	\$ 14,071	\$ 21,667

(See accompanying notes)

**SASKATCHEWAN GAMING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine months ended December 31**  
**(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 taxes. As well, SaskGaming is not subject to provincial 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.

On March 11, 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a global pandemic. The pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. On the advice of Saskatchewan Health Authority and the Chief Medical Officer, SaskGaming suspended operations at the close of gaming day on March 16, 2020. The decision to temporarily close operations was in line with other jurisdictions in Canada which temporarily suspended casino operations. SaskGaming responded to these events and conditions by reducing employees except for those essential to the continued management of assets and continuation of corporate responsibilities. Under the Reopen Saskatchewan Plan Casinos Regina and Moose Jaw reopened on July 9, 2020. The casinos operated following public health guidelines and restrictions through to December 19, 2020 when public health advice again required the closure of Casinos Regina and Moose Jaw. As of the date of issuance of this report a reopening date for the casinos is not known.

**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, 2020 audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 25, 2021.



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

**2. Basis of Preparation (Continued)**

**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.

**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, 2020 financial statements.

**4. Equity Advance**

As a Saskatchewan provincial Crown corporation, SaskGaming's equity financing is in the form of equity advances of \$4,000,000 (2019 - nil) from CIC.

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

**5. Fair Value**

Fair values approximate amounts at which financial instruments could be exchanged in an orderly transaction between market participants 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 value of the short-term debt is considered to approximate its carrying value due to its short-term nature.

The fair value of the finance lease obligation is 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.

(Thousands of Dollars)		Fair Value Hierarchy	December 31, 2020 (Unaudited)		March 31, 2020 (Audited)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments	Classification <sup>1</sup>					
Cash	FVTPL	Level One	\$ 14,071	\$ 14,071	\$ 20,069	\$ 20,069
Accounts receivable	AC	Level Two	101	101	188	188
Trade and other payables	OL	Level Two	8,708	8,708	11,875	11,875
Short-term debt	OL	Level Two	4,995	4,995	5,000	5,000
Payable to the GRF	OL	Level Two	-	-	2,498	2,498

<sup>1</sup> Classification:

FVTPL - Fair value through profit and loss

AC - Amortized cost

OL - Other liabilities