



First Quarter Report  
2017

For the three months ended June 30, 2016

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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. 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 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, 2016. 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, 2016.

## **FINANCIAL RESULTS**

The following information provides details of the Corporation's financial performance for the period April 1 to June 30, 2016 with comparative information for 2015.

(Thousands of Dollars)	Three months ended June 30			
	2016	2015	Change	%
Revenue	\$ 31,568	\$ 32,210	\$ (642)	(2.0%)
Expenses	18,938	18,608	330	1.8%
Income before payment to General Revenue Fund	12,630	13,602	(972)	(7.1%)
Payment to GRF	6,315	6,801	(486)	(7.1%)
Net Income	\$ 6,315	\$ 6,801	\$ (486)	(7.1%)

SaskGaming's income before payment to the GRF for the first quarter of fiscal 2017 was \$12.6 million, a decrease over the same period in fiscal 2016 of \$1.0 million. Revenues decreased \$0.6 million, and expenses increased \$0.3 million.

1. Revenue

Revenue for the first quarter was \$31.6 million, a decrease of \$0.6 million over the same period in fiscal 2016. Gaming revenues decreased \$0.4 million from fiscal 2016. The gaming revenue decrease is largely due to a \$0.5 million decline in slot revenue offset slightly by an increase in table revenues. Guest counts at Casino Regina decreased 2.1% from the prior year and at Casino Moose Jaw guest counts increased 2.4%, which resulted in an overall decrease in guest counts year to date of 1.2% from fiscal 2016.

2. Expenses

Total expenses for the first quarter were \$18.9 million, an increase year over year of \$0.3 million. The increase is due primarily to an increase in SaskGaming's professional fees of \$0.2 million and salaries, wages & benefits of \$0.1 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 below budget by \$0.9 million. At this time, SaskGaming believes it will achieve its income before payment to GRF target for fiscal 2017.

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

As at (Thousands of Dollars)	June 30, 2016 (Unaudited)	March 31, 2016 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash	\$ 17,583	\$ 17,721
Accounts receivable	196	205
Inventory	275	283
Prepaid expenses	1,492	435
	<u>19,546</u>	<u>18,644</u>
Property, plant and equipment	<u>58,436</u>	<u>59,062</u>
	<u>\$ 77,982</u>	<u>\$ 77,706</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 9,176	\$ 10,552
Payable to the General Revenue Fund	6,315	5,826
Dividend payable	4,974	4,660
Current portion of long-term debt	850	1,266
Current portion of finance lease obligation	320	312
	<u>21,635</u>	<u>22,616</u>
Finance lease obligation	<u>6,047</u>	<u>6,131</u>
	<u>27,682</u>	<u>28,747</u>
Retained earnings	<u>50,300</u>	<u>48,959</u>
	<u>\$ 77,982</u>	<u>\$ 77,706</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>2016</u>	<u>2015</u>
Revenue	<u>\$ 31,568</u>	<u>\$ 32,210</u>
Operating expenses	15,867	15,451
Depreciation	1,373	1,455
Taxes	762	734
Contractual obligations	754	754
Finance expense	<u>182</u>	<u>214</u>
	<u>18,938</u>	<u>18,608</u>
Income before payment to the General Revenue Fund	12,630	13,602
Payment to the General Revenue Fund	<u>6,315</u>	<u>6,801</u>
Net income	6,315	6,801
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ 6,315</u>	<u>\$ 6,801</u>

(See accompanying notes)

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

(Thousands of Dollars)	<u>2016</u>	<u>2015</u>
Retained earnings, beginning of period	\$ 48,959	\$ 43,125
Comprehensive income	6,315	6,801
Dividends	<u>(4,974)</u>	<u>(5,189)</u>
Retained earnings, end of period	<u>\$ 50,300</u>	<u>\$ 44,737</u>

(See accompanying notes)

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

(Thousands of Dollars)	2016	2015
Operating activities:		
Net income	\$ 6,315	\$ 6,801
Adjustments for:		
Finance expense	182	214
Depreciation	1,364	1,393
Loss on sale of property, plant and equipment	9	62
Changes in non-cash working capital balances:		
Accounts receivable	9	(22)
Inventory	8	(7)
Prepaid expenses	(1,057)	(775)
Trade and other payables	(1,376)	(1,191)
Payable to the General Revenue Fund	489	909
	5,943	7,384
Investing activities:		
Proceeds from sale of property, plant and equipment	-	79
Purchases of property, plant and equipment	(747)	(940)
	(747)	(861)
Financing activities:		
Dividends paid	(4,660)	(5,189)
Interest paid	(182)	(214)
Repayment of finance lease obligation	(76)	(68)
Repayment of long-term debt	(416)	(391)
	(5,334)	(5,862)
(Decrease) increase in cash	(138)	661
Cash, beginning of period	17,721	12,158
Cash, end of period	\$ 17,583	\$ 12,819

(See accompanying notes)

**SASKATCHEWAN GAMING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2016**  
**(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, 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 March 31, 2016 annual audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 11, 2016.

**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, 2016 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.

(Thousands of Dollars)		Fair Value Hierarchy	June 30, 2016 (Unaudited)		March 31, 2016 (Audited)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments	Classification <sup>1</sup>					
Long-term debt	OFL	Level Two	\$ 850	\$ 863	\$ 1,266	\$ 1,292
Finance Lease obligation	OFL	Level Two	6,367	7,899	6,443	7,948

<sup>1</sup> Classification:

OFL - Other financial liabilities