



Second Quarter Report
2018

For the six months ended September 30, 2017

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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:

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 six month period ended September 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 year ended March 31, 2017.

FINANCIAL RESULTS

The following information provides details of the Corporation's financial performance for the periods July 1, 2017 to September 30, 2017 and April 1, 2017 to September 30, 2017 with comparative information for 2016.

	Three months ended September 30				Six months ended September 30			
	2017	2016	Change	%	2017	2016	Change	%
(Thousands of Dollars)								
Revenue	\$ 31,429	\$ 31,536	\$ (107)	-0.3%	\$ 61,900	\$ 63,104	\$ (1,204)	-1.9%
Expenses	17,947	19,046	(1,099)	-5.8%	35,778	37,984	(2,206)	-5.8%
Income before payment to General Revenue Fund	13,482	12,490	992	7.9%	26,122	25,120	1,002	4.0%
Payment to GRF	6,741	6,245	496	7.9%	13,061	12,560	501	4.0%
Net Income	\$ 6,741	\$ 6,245	\$ 496	7.9%	\$ 13,061	\$ 12,560	\$ 501	4.0%

SaskGaming's year to date income before payment to the GRF for the second quarter of fiscal 2018 was \$26.1 million, an increase over the same period in fiscal 2017 of \$1.0 million. Revenues decreased \$1.2 million, offset by a decrease in expenses of \$2.2 million.

1. Revenue

Revenue for the second quarter was \$31.4 million, a decrease of \$0.1 million over the same period in fiscal 2017. Year to date revenue was \$61.9 million, a decrease of \$1.2 million over the same period in fiscal 2017. Gaming revenues decreased \$0.8 million from fiscal 2017. The gaming revenue decrease is largely due to a \$0.5 million decline in slot revenue and a \$0.3 million decrease in table revenues. Guest counts at Casino Regina increased 4.1% from the prior year and at Casino Moose Jaw guest counts increased 7.2%, which resulted in an overall increase in guest counts year to date of 4.7% from fiscal 2017. Although overall guest counts have increased, the average spend per slot guest is below fiscal 2017 levels.

2. Expenses

Total expenses for the second quarter were \$17.9 million, a decrease year over year of \$1.1 million. Year to date expenses were \$35.8 million, a decrease year over year of \$2.2 million. The decrease is due primarily to reductions in SaskGaming's salaries, wages & benefits of \$0.6 million, advertising & promotions of \$0.4 million and repairs & maintenance of \$0.3 million.

OUTLOOK

The Corporation's income before payment to GRF was \$13.5 million for the three month period and \$26.1 million year to date. At the end of the second quarter, income before payment to GRF is above budget by \$1.8 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)	September 30, 2017 <hr/> (Unaudited)	March 31, 2017 <hr/> (Audited)
ASSETS		
Current assets:		
Cash	\$ 14,551	\$ 21,705
Accounts receivable	485	131
Inventory	256	281
Prepaid expenses	1,207	440
	<hr/>	<hr/>
	16,499	22,557
Property, plant and equipment	<hr/>	<hr/>
	57,069	56,948
	<hr/>	<hr/>
	\$ 73,568	\$ 79,505
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	\$ 8,677	\$ 8,951
Payable to the General Revenue Fund	6,741	5,786
Dividend payable	4,707	14,803
Current portion of finance lease obligation	364	346
	<hr/>	<hr/>
	20,489	29,886
Finance lease obligation	<hr/>	<hr/>
	5,598	5,785
	<hr/>	<hr/>
	26,087	35,671
Retained earnings	<hr/>	<hr/>
	47,481	43,834
	<hr/>	<hr/>
	\$ 73,568	\$ 79,505
	<hr/> <hr/>	<hr/> <hr/>

(See accompanying notes)

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

(Thousands of Dollars)	Three months ended September 30		Six months ended September 30	
	2017	2016	2017	2016
Revenue	\$ 31,429	\$ 31,536	\$ 61,900	\$ 63,104
Operating expenses	14,937	15,981	29,769	31,848
Depreciation	1,413	1,395	2,773	2,768
Taxes	690	743	1,419	1,505
Contractual obligations	754	754	1,508	1,508
Finance expense	153	173	309	355
	<u>17,947</u>	<u>19,046</u>	<u>35,778</u>	<u>37,984</u>
Income before payment to the General Revenue Fund	13,482	12,490	26,122	25,120
Payment to the General Revenue Fund	<u>6,741</u>	<u>6,245</u>	<u>13,061</u>	<u>12,560</u>
Net income	6,741	6,245	13,061	12,560
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ 6,741</u>	<u>\$ 6,245</u>	<u>\$ 13,061</u>	<u>\$ 12,560</u>

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended September 30
(Unaudited)

(Thousands of Dollars)	2017	2016
Retained earnings, beginning of period	\$ 43,834	\$ 48,959
Comprehensive income	13,061	12,560
Dividends	<u>(9,414)</u>	<u>(9,948)</u>
Retained earnings, end of period	<u>\$ 47,481</u>	<u>\$ 51,571</u>

(See accompanying notes)

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

(Thousands of Dollars)	<u>2017</u>	<u>2016</u>
Operating activities:		
Net income	\$ 13,061	\$ 12,560
Adjustments for:		
Finance expense	309	355
Depreciation	2,761	2,753
Loss on sale of property, plant and equipment	12	15
Changes in non-cash working capital balances:		
Accounts receivable	(354)	(26)
Inventory	25	21
Prepaid expenses	(767)	(788)
Trade and other payables	(274)	(997)
Payable to the General Revenue Fund	955	419
	<u>15,728</u>	<u>14,312</u>
Investing activities:		
Proceeds from sale of property, plant and equipment	-	1
Purchases of property, plant and equipment	(2,894)	(2,004)
	<u>(2,894)</u>	<u>(2,003)</u>
Financing activities:		
Dividends paid	(19,510)	(9,634)
Interest paid	(309)	(355)
Repayment of finance lease obligation	(169)	(152)
Repayment of long-term debt	-	(837)
	<u>(19,988)</u>	<u>(10,978)</u>
Change in cash	(7,154)	1,331
Cash, beginning of period	<u>21,705</u>	<u>17,721</u>
Cash, end of period	<u>\$ 14,551</u>	<u>\$ 19,052</u>

(See accompanying notes)

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended September 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 audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 16, 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 six months ended September 30
(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 financial statements.

4. 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 values 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.

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

4. Fair Value (Continued)

(Thousands of Dollars)			September 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	5,962	6,964	6,131	7,339

¹Classification:

OFL - Other financial liabilities