



First Quarter Report
2010

For the three month period ended March 31, 2010

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CORPORATE OVERVIEW

The Saskatchewan Gaming Corporation (SaskGaming) was established in 1994 as a Treasury Board Crown Corporation to operate casino gaming on behalf of the province. 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, and is connected via pedestrian walkway to Temple Gardens Mineral Spa. It has table games, slot machines, a lounge/snack bar 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 premier destination for casino entertainment, setting the standards for Five Star Service experience and properties.

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 March 31, 2010. This discussion should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes. The Board of Directors for SaskGaming has approved these interim financial statements. For additional information relative to its operations and financial position, refer to the Corporation's Annual Report for the period ended December 31, 2009.

This discussion includes forward looking statements about the corporate direction and financial objectives of SaskGaming. Due to the risks and uncertainties inherent in any forecast, the actual results could differ materially from those anticipated.

In February 2008, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian generally accepted accounting principles (GAAP) for interim and annual reporting in the fiscal year beginning January 1, 2011, including comparative figures for the prior year. In September 2009, the Public Sector Accounting Board approved an amendment to the

introduction to the Public Sector Accounting Handbook confirming the direction which requires Government Business Enterprises, including Sask Gaming, to adopt IFRS. Sask Gaming has commenced an IFRS conversion project, including initiating development of a high level IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of the differences between current Canadian GAAP and IFRS as they relate to the Corporation. Based on the analysis to date, the most significant areas of differences are related to accounting for property, plant and equipment, and promotional allowances. The impact of the transition to IFRS on the financial statements continues to be assessed.

Outlook

The Corporation's net income before payment to GRF target for 2010 is \$50.5 million. Despite some softening in Net Revenues during the first quarter, SGC remains confident that the net income before payment to GRF target will be met. Additional marketing initiatives during the remainder of the year are expected to yield increased guest visits and gaming spend.

FINANCIAL RESULTS

The following information provides details of the corporation's financial performance for the period January 1 to March 31, 2010, with comparable figures for the same period last year.

	2010	Three months ended March 31 2009	Change	%
(in 000's)				
Net Revenue	31,509	32,242	(733)	-2.3%
Expenses	19,883	19,710	173	0.9%
Income before payment to General Revenue Fund	11,626	12,532	(906)	-7.2%
Payment to GRF	5,813	6,266	(453)	
Net Income	5,813	6,266	(453)	

SaskGaming's net income for the first quarter of 2010 was \$5.8 million, a decrease over the same period in 2009 of \$453,000. Net revenues decreased \$733,000, and expenses increased \$173,000.

1. Net Revenue

Net revenue for the first quarter was \$31.5 million, a decrease of \$733,000 over the same period in 2009. The decrease in net revenue is due primarily to a decrease in slot revenues of \$642,000. Guest visits have decreased 5.4% over last year. The largest decrease in guest count was experienced by Non Players Club guests for both properties. Table revenues are also down \$188,000.

2. Expenses

Expenses were \$19.9 million in the first quarter, an increase of \$173,000 from the same period in 2009. The primary reason for the increase is due to increased amortization expense resulting from the property refresh that was completed in 2009.

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at (in 000's)	(Unaudited) March 31, 2010	(Audited) December 31, 2009
Assets		
Current assets:		
Cash	\$ 14,219	\$ 14,482
Accounts receivable	304	345
Inventory	352	357
Prepaid expenses	647	433
	<u>15,522</u>	<u>15,617</u>
Property, plant and equipment	<u>63,062</u>	<u>62,794</u>
	<u>\$ 78,584</u>	<u>\$ 78,411</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,415	\$ 9,123
Payable to the General Revenue Fund	5,814	5,564
Dividend payable	6,309	5,818
Current portion of long term debt	5,591	5,490
Current portion of capital lease obligation	900	900
	<u>29,029</u>	<u>26,895</u>
Long term debt	14,587	16,023
Capital lease obligation	6,752	6,781
	<u>50,368</u>	<u>49,699</u>
Equity advance	19,805	19,805
Retained earnings	8,411	8,907
	<u>28,216</u>	<u>28,712</u>
	<u>\$ 78,584</u>	<u>\$ 78,411</u>

(See accompanying notes)

Consolidated Statement of Operations and Comprehensive Income

(Unaudited) (in 000's)	Three months ended March 31	
	2010	2009
Revenue:		
Gaming revenues	\$ 29,961	\$ 30,792
Ancillary revenues	4,236	4,007
	<u>34,197</u>	<u>34,799</u>
Less:		
Promotional allowances	1,955	1,734
Ancillary cost of goods sold	733	823
	<u>31,509</u>	<u>32,242</u>
Operating Expenses:		
Direct operating expenses	15,911	15,885
GST	475	450
Interest	489	542
Amortization	1,840	1,652
Property taxes	414	427
Contractual obligations	754	754
Total expenses	<u>19,883</u>	<u>19,710</u>
Income before payment to GRF	11,626	12,532
Payment to GRF	<u>5,813</u>	<u>6,266</u>
Net Income	5,813	6,266
Other comprehensive income	-	-
Comprehensive income	<u>\$ 5,813</u>	<u>\$ 6,266</u>

Consolidated Statement of Retained Earnings

(Unaudited) (in 000's)	Three months ended March 31	
	2010	2009
Retained earning, beginning of period	8,907	3,830
Net income	5,813	6,266
Dividends	6,309	5,080
Retained earnings, end of period	<u>\$ 8,411</u>	<u>\$ 5,016</u>

(See accompanying notes)

Consolidated Statement of Cashflows

(Unaudited) (in 000's)	Three months ended March 31	
	2010	2009
Operating activities:		
Net income	\$ 5,813	\$ 6,266
Items not involving cash:		
Amortization	1,823	1,622
Loss on sale of property, plant and equipment	17	30
Net change in non-cash working capital balances	1,374	356
	<u>9,027</u>	<u>8,274</u>
Investing activities:		
Additions to property, plant and equipment	(2,108)	(518)
	<u>(2,108)</u>	<u>(518)</u>
Financing activities:		
Dividends paid	(5,818)	(5,298)
Repayment of capital lease obligation	(29)	(26)
Repayment of long-term debt	(1,335)	(1,242)
	<u>(7,182)</u>	<u>(6,566)</u>
Net (decrease) increase in cash	(263)	1,190
Cash, beginning of period	14,482	23,780
Cash, end of period	<u>\$ 14,219</u>	<u>\$ 24,970</u>
Supplemental Information:		
Cash interest paid	\$ 256	\$ 349

(See accompanying notes)

March 31, 2010

(Unaudited)

Notes to Consolidated Financial Statements

1. Description of Business

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.

Effective April 1, 2008, SaskGaming operates under the direction of the Crown Investments Corporation of Saskatchewan (CIC). As a CIC Crown, SaskGaming's fiscal year end changed to December 31. SaskGaming is required to make payments to the General Revenue Fund to the extent required to meet the Government's obligations under the Act to the First Nations Trust, the Community Initiatives Fund, and the Métis Development Fund. In addition SaskGaming will now pay dividends to the CIC as per its directions.

The consolidated financial statements combine the accounts of the SaskGaming and its wholly-owned subsidiary, SGC Holdings Inc. which is incorporated under The Business Corporations Act (Saskatchewan). All intercompany transactions and accounts have been eliminated on consolidation.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with those used and described in the December 31, 2009 annual report.