



First Quarter Report  
2013

For the three months ended March 31, 2013

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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 in Saskatchewan.*

## **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, 2013. 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 December 31, 2012.

## **FINANCIAL RESULTS**

The following information provides details of the Corporation's financial performance for the period January 1 to March 31, 2013 with comparative figures for 2012.

	Three months ended March 31			
	2013	2012	Change	%
(in 000's)				
Revenue	\$ 30,794	\$ 33,048	\$ (2,254)	(6.8%)
Expenses	20,294	20,602	(308)	(1.5%)
Income before payment to General Revenue Fund	10,500	12,446	(1,946)	(15.6%)
Payment to GRF	5,250	6,223	(973)	(15.6%)
Net Income	\$ 5,250	\$ 6,223	\$ (973)	(15.6%)

SaskGaming's net income for the first quarter of 2013 was \$5.2 million, a decrease from the same period in 2012 by \$1.0 million. Revenues decreased \$2.2 million and expenses decreased \$0.3 million.

1. Revenue

Revenue for the first quarter was \$30.8 million, a decrease of \$2.2 million over the same period in 2012. Gaming revenues decreased \$2.2 million. Slot revenues decreased \$2.4 million, offset by an increase in table revenue of \$0.2 million. Guest counts at Casino Regina decreased 9.8% year over year in the first quarter. Casino Moose Jaw guest counts decreased 10.9%. The decrease can be attributed to the adverse winter conditions experienced in 2013 and increasing competition for the gaming public's attention.

2. Expenses

Expenses for the first quarter were \$20.3 million, a decrease year over year of \$0.3 million. SaskGaming continues to manage its expenses in response to the declining revenues which resulted in operating expenses decreasing from the prior year by \$0.1 million. FTE (full time equivalent) management has resulted in a reduction of FTEs, contributing to maintaining salary costs near the prior year level.

## **OUTLOOK**

The Corporation's net income before payment to GRF target for 2013 is \$52.8 million. At the end of the first quarter, net income before payment to GRF is below budget by \$1.6 million. At this time, SaskGaming believes it will be challenging to achieve its net income target for 2013.

**SASKATCHEWAN GAMING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Unaudited)**

As at: (in 000s)	March 31, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash	\$ 8,584	\$ 10,583
Accounts receivable	390	397
Inventory	297	320
Prepaid expenses	695	666
	9,966	11,966
Property, plant and equipment	68,308	66,721
	<b>\$ 78,274</b>	<b>\$ 78,687</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 11,464	\$ 10,345
Payable to the General Revenue Fund	5,250	6,185
Dividend payable	5,280	5,455
Current portion of long-term debt	1,407	1,385
Current portion of finance lease obligation	955	955
	24,356	24,325
Long-term debt	10,362	10,722
Finance lease obligation	6,253	6,307
	40,971	41,354
Equity advance	4,000	4,000
Retained earnings	33,303	33,333
	<b>\$ 78,274</b>	<b>\$ 78,687</b>

(See accompanying notes)

**SASKATCHEWAN GAMING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the three months ended March 31**  
**(Unaudited)**

(in 000s)	2013	2012
Revenue	\$ 30,794	\$ 33,048
Operating expenses	16,836	16,931
Depreciation	1,579	1,724
Taxes	802	845
Contractual obligations	754	754
Finance expense	323	348
Income before payment to the General Revenue Fund	10,500	12,446
Payment to the General Revenue Fund	5,250	6,223
Net income	5,250	6,223
Other comprehensive income	---	---
Comprehensive income	\$ 5,250	\$ 6,223

(See accompanying notes)

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

(in 000s)	March 31, 2013			March 31, 2012		
	Retained Earnings	Equity Advance	Total	Retained Earnings	Equity Advance	Total
Balance as at January 1	\$ 33,333	\$ 4,000	\$ 37,333	\$ 28,071	\$ 12,805	\$ 40,876
Comprehensive income	5,250	---	5,250	6,223	---	6,223
Dividends	(5,280)	---	(5,280)	(5,121)	---	(5,121)
Balance as at March 31	\$ 33,303	\$ 4,000	\$ 37,303	\$ 29,173	\$ 12,805	\$ 41,978

(See accompanying notes)

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

(in 000s)	2013	2012
Operating activities:		
Net income	\$ 5,250	\$ 6,223
Adjustments for:		
Finance expense	323	348
Depreciation	1,576	1,724
Loss on sale of property, plant and equipment	3	---
Changes in non-cash working capital balances:		
Accounts receivable	7	21
Inventory	23	21
Prepaid expenses	(29)	330
Trade and other payables	1,119	619
Payable to the General Revenue Fund	(935)	77
	7,337	9,363
Investing activities:		
Proceeds from sale of property, plant and equipment	25	---
Purchases of property, plant and equipment	(3,191)	(475)
	(3,166)	(475)
Financing activities:		
Dividends paid	(5,455)	(5,366)
Interest paid	(323)	(305)
Repayment of finance lease obligation	(54)	(35)
Repayment of long-term debt	(338)	(317)
	(6,170)	(6,023)
(Decrease) increase in cash	(1,999)	2,865
Cash, beginning of period	10,583	13,221
Cash, end of period	\$ 8,584	\$ 16,086

(See accompanying notes)

**SASKATCHEWAN GAMING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2013**  
**(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 were authorized for issue by the Board of Directors on May 24, 2013.

**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 conformity with IFRSs 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 the Corporation in these condensed consolidated interim financial statements are consistent with those applied by the Corporation in its December 31, 2012 annual financial statements, except as described in Note 4.

### **4. Application of Revised International Financial Reporting Standards**

The following new standards, and amendments to standards, effective for annual periods beginning on or after January 1, 2013, have been applied in preparing these condensed consolidated interim financial statements:

- IFRS 10 "Consolidations"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- Amendments to IAS 32 "Financial Instruments: Presentation" and
- Amendments to IFRS 7 "Financial Instruments: Disclosures"

The adoption of these standards had no material impact on the consolidated financial statements. The new disclosure requirements will be provided in the 2013 annual consolidated financial statements.

### **5. 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.

(in 000s)			<u>March 31, 2013</u>		<u>December 31, 2012</u>	
Financial Instruments	Classification <sup>1</sup>	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	OFL	Level Two	11,769	12,443	12,107	12,792
Finance Lease obligation	OFL	Level Two	7,208	8,971	7,262	9,003

<sup>1</sup> Classification:

OFL - Other financial liabilities