



Second Quarter Report  
2023

For the six months ended September 30, 2022

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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.

In the comparative period, Casinos Regina and Moose Jaw were closed during the period of April 1, 2021 to June 19, 2021 and as a result limited revenues from gaming were earned during the first quarter.

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, 2022. 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, 2022.

## **FINANCIAL RESULTS**

The following information provides details of the Corporation's financial performance for the period July 1, 2022 to September 30, 2022 and April 1, 2022 to September 30, 2022 with comparative information for 2021.

(Thousands of Dollars)	Three months ended September 30				Six months ended September 30			
	2022	2021	Change	%	2022	2021	Change	%
Revenue	\$ 29,410	\$ 28,565	\$ 845	3.0%	\$ 57,811	\$ 30,682	\$ 27,129	88.4%
Expenses	18,304	16,118	2,186	13.6%	36,075	24,486	11,589	47.3%
Income (loss) before payment to General Revenue Fund	11,106	12,447	(1,341)	-10.8%	21,736	6,196	15,540	250.8%
Payment to GRF	5,553	6,224	(671)	-10.8%	10,868	3,098	7,770	250.8%
Net income (loss)	\$ 5,553	\$ 6,223	\$ (670)	-10.8%	\$ 10,868	\$ 3,098	\$ 7,770	250.8%

SaskGaming's year to date income before payment to the GRF for the second quarter of fiscal 2022 was \$21.7 million, an increase of \$15.5 million from the same period in the prior year. The increase was primarily due to the temporary casino closures during most of the first quarter of the prior year.

Revenue is primarily driven by slot machine play and electronic and live table games. Revenue for the second quarter was \$29.4 million, an increase of \$1.0 million from the same period in fiscal 2022. Year to date revenue was \$57.8 million, an increase of \$27.1 million over the same period in the prior year. The increase over the prior year is largely due to the temporary closure of the casinos due to public health measures for most of the first quarter in fiscal 2022.

Expenses for the second quarter also increased from the same period in fiscal 2022 by \$2.2 million to \$18.3 million. Year to date expenses were \$36.1 million, an increase of \$11.6 million over the same period in the prior year. Increases in expenses from the prior year occurred across most expense categories due primarily the temporary casino closures for most of the first quarter in fiscal 2022. The expenses with the largest increases included salaries, wages and benefits, entertainment, food & beverage cost of goods sold, lease & rental, and cleaning services & supplies.

SaskGaming's capital investment for fiscal 2023 continues to focus on property and technology modernization. Several capital projects are in progress, including slot machine replacement, computer and network refresh, security camera replacement and the continuation of the renovations to modernize the Casino Regina property, which are expected to conclude by the end of the year.

## **OUTLOOK**

SaskGaming's income before payment to the GRF for the three month period was \$11.1 million and \$21.7 million year to date. During the year a contract was signed by SaskGaming, Saskatchewan Indian Gaming Authority (SIGA) and British Columbia Lottery Corporation (BCLC), for BCLC to provide an online gaming platform in Saskatchewan. SIGA will act as the operator, SaskGaming will be the Conduct and Management agency and BCLC will be the vendor for online gaming. At this time SaskGaming continues to assess the impacts of online gaming on its earnings forecast.

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

As at (Thousands of Dollars)	<u>Note</u>	<u>September 30, 2022</u> (Unaudited)	<u>March 31, 2022</u> (Audited)
<b>ASSETS</b>			
Current assets:			
Cash		\$ 25,274	\$ 22,299
Accounts receivable		103	90
Inventory		134	120
Prepaid expenses		<u>1,861</u>	<u>857</u>
		27,372	23,366
Property, plant and equipment		<u>66,985</u>	<u>68,565</u>
		<u>\$ 94,357</u>	<u>\$ 91,931</u>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Trade and other payables		\$ 10,882	\$ 12,780
Payable to the General Revenue Fund		5,553	3,563
Dividend payable		2,493	-
Current portion of lease liabilities		<u>609</u>	<u>579</u>
		19,537	16,922
Lease liabilities		<u>3,092</u>	<u>3,404</u>
		<u>22,629</u>	<u>20,326</u>
Equity advance	4	11,700	15,700
Retained earnings		<u>60,028</u>	<u>55,905</u>
		<u>71,728</u>	<u>71,605</u>
		<u>\$ 94,357</u>	<u>\$ 91,931</u>
Description of business	1		

**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	
	2022	2021	2022	2021
Revenue	\$ 29,410	\$ 28,565	\$ 57,811	\$ 30,682
Operating expenses	14,526	12,628	28,489	17,845
Depreciation	2,134	1,929	4,243	3,570
Contractual obligations	754	754	1,508	1,508
Taxes	794	694	1,639	1,334
Finance expense	96	113	196	229
	<u>18,304</u>	<u>16,118</u>	<u>36,075</u>	<u>24,486</u>
Income before payment to the General Revenue Fund	11,106	12,447	21,736	6,196
Payment to the General Revenue Fund	<u>5,553</u>	<u>6,224</u>	<u>10,868</u>	<u>3,098</u>
Net income	5,553	6,223	10,868	3,098
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ 5,553</u>	<u>\$ 6,223</u>	<u>\$ 10,868</u>	<u>\$ 3,098</u>

(See accompanying notes)

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

(Thousands of Dollars)	2022			2021		
	Retained Earnings	Equity Advance	Total	Retained Earnings	Equity Advance	Total
Retained earnings, beginning of period	\$ 55,905	15,700	\$ 71,605	\$ 46,356	4,000	\$ 50,356
Comprehensive income (loss)	10,868	-	10,868	3,098	-	3,098
Dividends	(6,745)	-	(6,745)	-	-	-
Equity advance	-	-	-	-	11,700	11,700
Repayment of equity advance	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained earnings, end of period	<u>\$ 60,028</u>	<u>\$ 11,700</u>	<u>\$ 71,728</u>	<u>\$ 49,454</u>	<u>\$ 15,700</u>	<u>\$ 65,154</u>

(See accompanying notes)

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

(Thousands of Dollars)	<b>2022</b>	<b>2021</b>
Operating activities:		
Net income	\$ 10,868	\$ 3,098
Adjustments for:		
Finance expense	196	229
Depreciation	4,243	3,507
Loss on sale of property, plant and equipment	-	63
Changes in non-cash working capital balances:		
Accounts receivable	(13)	(38)
Inventory	(14)	(43)
Prepaid expenses	(1,004)	(804)
Trade and other payables	(1,898)	1,027
Payable to the General Revenue Fund	1,990	3,098
	14,368	10,137
Investing activities:		
Purchases of property, plant and equipment	(2,663)	(2,846)
Financing activities:		
Dividends paid	(4,252)	-
Repayment of equity advance	(4,000)	-
Equity advance	-	11,700
Interest paid	(196)	(223)
Repayment of lease liabilities	(282)	(254)
	(8,730)	11,223
Change in cash	2,975	18,514
Cash, beginning of period	22,299	4,711
Cash, end of period	\$ 25,274	\$ 23,225

**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 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.

In the comparative period, Casinos Regina and Moose Jaw were closed for most of the first quarter due to the global pandemic, as required by public health advice. The casinos remained closed until June 20, 2021, when they were permitted to re-open in accordance with direction from the Chief Medical Health Officer, with a 150 person maximum capacity. On July 11, 2021 all restrictions were lifted, including capacity restrictions and social distancing requirements within the casinos. On September 17, 2021 a mandatory masking mandate was reinstated and effective October 1, 2021 all guests were required to be fully vaccinated or show a recent negative COVID-19 test. These remaining measures were lifted by the end of February 2022 and the casinos began operating with no restrictions.



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

**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, 2022 audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 24, 2022.

**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, 2022 financial statements.

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

**4. Equity Advance**

SaskGaming does not have share capital. However, SaskGaming has received equity advances from CIC to form its equity capitalization. The advances reflect an equity investment in SaskGaming by CIC. SaskGaming has equity advances of \$11,700,000 (March 31, 2022 - \$15,700,000) in equity advances from CIC.

**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 following table presents the carrying amount and fair value of SaskGaming's financial instruments. The table also identifies the financial instrument category and fair value hierarchy.

(Thousands of Dollars)		Fair Value Hierarchy	September 30, 2022 (Unaudited)		March 31, 2022 (Audited)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments	Classification <sup>1</sup>					
Cash	FVTPL	Level One	\$ 25,274	\$ 25,274	\$ 22,299	\$ 22,299
Accounts receivable	AC	Level Two	103	103	90	90
Trade and other payables	AC	Level Two	10,882	10,882	12,780	12,780
Payable to the GRF	AC	Level Two	5,553	5,553	3,563	3,563
Dividend payable	AC	Level Two	2,493	2,493	-	-

<sup>1</sup> Classification:

FVTPL - Fair value through profit and loss

AC - Amortized cost