



Third Quarter Report  
2015

For the nine months ended September 30, 2015

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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 nine month period ended September 30, 2015. 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, 2014.

## **FINANCIAL RESULTS**

The following information provides details of the Corporation's financial performance for the periods July 1 to September 30, 2015 and January 1 to September 30, 2015 with comparative information for 2014.

	Three months ended September 30				Nine months ended September 30			
	2015	2014	Change	%	2015	2014	Change	%
(in 000s)								
Revenue	\$ 33,138	\$ 33,087	\$ 51	0.2%	\$ 95,679	\$ 96,314	\$ (635)	(0.7%)
Expenses	18,444	19,011	(567)	(3.0%)	55,599	58,406	(2,807)	(4.8%)
Income before payment to General Revenue Fund	14,694	14,076	618	4.4%	40,080	37,908	2,172	5.7%
Payment to GRF	7,347	7,038	309	4.4%	20,040	18,954	1,086	5.7%
Net Income	\$ 7,347	\$ 7,038	\$ 309	4.4%	\$ 20,040	\$ 18,954	\$ 1,086	5.7%

SaskGaming's income before payment to the GRF for the third quarter of 2015 was \$14.7 million, an increase over the same period in 2014 of \$0.6 million. Revenues increased \$0.1 million, and expenses decreased \$0.6 million.

Year to date income before payment to the GRF was \$40.1 million, an increase of \$2.2 million. Revenues decreased \$0.6 million and expenses decreased \$2.8 million.

1. Revenue

Revenue for the third quarter was \$33.1 million, an increase of \$0.1 million over the same period in 2014. Year to date revenue was \$95.7 million, a decrease of \$0.6 million from 2014 due to a \$0.8 million decline in gaming revenues, offset slightly by a \$0.2 million increase in ancillary revenues. The gaming revenue decrease is due to a \$1.3 million decline in slot revenues offset by a \$0.5 million increase in table revenues. Guest counts at Casino Regina increased 0.4% from the prior year and at Casino Moose Jaw guest counts decreased 0.1%, which resulted in an overall increase in guest counts year to date of 0.3% from 2014.

2. Expenses

Total expenses for the third quarter were \$18.4 million, a decrease year over year of \$0.6 million. Year to date expenses were \$55.6 million, a decrease of \$2.8 million from 2014. The decrease is due primarily to a reduction in SaskGaming's advertising & promotions of \$0.5 million, printing & postage of \$0.4 million, and depreciation of \$1.0 million.

## **OUTLOOK**

The Corporation's income before payment to GRF target for 2015 is \$53.1 million. At the end of the third quarter, income before payment to GRF is above budget by \$0.2 million. Net revenues are below budget by \$2.5 million. SaskGaming has continued to experience a mature gaming market, which includes a decreased guest spend. The casino gaming market in Saskatchewan and across Canada has matured, resulting in flattening or declining revenues in most jurisdictions.

The Corporation has used strong expense management to achieve its income before payment to the GRF target through Q3. The Corporation will continue to monitor expenses closely in the last quarter of the year although it does not anticipate significant savings in expenses. Accordingly, SaskGaming has reduced its forecasted income before payment to GRF for 2015 to \$51.3 million.

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

As at (in 000s)	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash	\$ 16,099	\$ 10,343
Accounts receivable	318	257
Inventory	280	285
Prepaid expenses	1,240	588
	<u>17,937</u>	<u>11,473</u>
Property, plant and equipment	<u>59,994</u>	<u>61,521</u>
	<u>\$ 77,931</u>	<u>\$ 72,994</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 9,836	\$ 9,785
Payable to the General Revenue Fund	7,347	5,948
Dividend payable	4,831	4,802
Current portion of long-term debt	1,648	1,572
Current portion of finance lease obligation	297	275
	<u>23,959</u>	<u>22,382</u>
Long-term debt	429	1,674
Finance lease obligation	<u>6,291</u>	<u>6,516</u>
	<u>30,679</u>	<u>30,572</u>
Retained earnings	<u>47,252</u>	<u>42,422</u>
	<u>\$ 77,931</u>	<u>\$ 72,994</u>

(See accompanying notes)

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

(in 000s)	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenue	\$ 33,138	\$ 33,087	\$ 95,679	\$ 96,314
Operating expenses	15,375	15,414	46,179	47,644
Depreciation	1,372	1,788	4,342	5,339
Taxes	737	776	2,174	2,294
Contractual obligations	753	753	2,261	2,261
Finance expense	207	280	643	868
Income before payment to the General Revenue Fund	14,694	14,076	40,080	37,908
Payment to the General Revenue Fund	7,347	7,038	20,040	18,954
Net income	7,347	7,038	20,040	18,954
Other comprehensive income	---	---	---	---
Comprehensive income	<u>\$ 7,347</u>	<u>\$ 7,038</u>	<u>\$ 20,040</u>	<u>\$ 18,954</u>

(See accompanying notes)

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

(in 000s)	September 30, 2015			September 30, 2014		
	Retained Earnings	Equity Advance	Total	Retained Earnings	Equity Advance	Total
Balance as at January 1	\$ 42,422	\$ ---	\$ 42,422	\$ 37,442	\$ 4,000	\$ 41,442
Comprehensive income	20,040	---	20,040	18,954	---	18,954
Dividends	(15,210)	---	(15,210)	(15,120)	---	(15,120)
Balance as at September 30	<u>\$ 47,252</u>	<u>\$ ---</u>	<u>\$ 47,252</u>	<u>\$ 41,276</u>	<u>\$ 4,000</u>	<u>\$ 45,276</u>

(See accompanying notes)

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

(in 000s)	2015	2014
Operating activities:		
Net income	\$ 20,040	\$ 18,954
Adjustments for:		
Finance expense	643	868
Depreciation	4,258	5,245
Loss on sale of property, plant and equipment	84	94
Changes in non-cash working capital balances:		
Accounts receivable	(61)	51
Inventory	5	29
Prepaid expenses	(652)	(941)
Trade and other payables	51	(2,023)
Payable to the General Revenue Fund	1,399	3,771
	25,767	26,048
Investing activities:		
Proceeds from sale of property, plant and equipment	79	23
Purchases of property, plant and equipment	(2,894)	(608)
	(2,815)	(585)
Financing activities:		
Dividends paid	(15,181)	(11,658)
Interest paid	(643)	(868)
Repayment of short term advance	---	(3,000)
Repayment of finance lease obligation	(203)	(183)
Repayment of long-term debt	(1,169)	(1,098)
	(17,196)	(16,807)
Increase in cash	5,756	8,656
Cash, beginning of period	10,343	10,841
Cash, end of period	\$ 16,099	\$ 19,497

(See accompanying notes)

**SASKATCHEWAN GAMING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2015**  
**(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 December 31, 2014 annual audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 26, 2015.

**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 December 31, 2014 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.

(in 000s)		September 30, 2015		December 31, 2014		
Financial Instruments	Classification <sup>1</sup>	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	OFL	Level Two	\$ 2,077	\$ 2,146	\$ 3,246	\$ 3,400
Finance Lease obligation	OFL	Level Two	6,588	8,095	6,791	8,283

<sup>1</sup> Classification:

OFL - Other financial liabilities