



Second Quarter Report
2021

For the six months ended September 30, 2020

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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.

Casinos Regina and Moose Jaw were closed during the period of April 1, 2020 to July 8, 2020 and as a result no revenues from gaming were earned during the period.

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, 2020. 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, 2020.

FINANCIAL RESULTS

The following information provides details of the Corporation's financial performance for the period July 1, 2020 to September 30, 2020 and April 1, 2020 to September 30, 2020 with comparative information for 2019.

<u>(Thousands of Dollars)</u>	<u>Three months ended September 30</u>				<u>Six months ended September 30</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Revenue	\$ 18,658	\$ 29,507	\$ (10,849)	-36.8%	\$ 18,708	\$ 60,409	\$ (41,701)	-69.0%
Expenses	13,574	18,445	(4,871)	-26.4%	22,938	36,649	(13,711)	-37.4%
Income (loss) before payment to General Revenue Fund	5,084	11,062	(5,978)	-54.0%	(4,230)	23,760	(27,990)	-117.8%
Payment to GRF	-	5,531	(5,531)	-100.0%	-	11,880	(11,880)	-100.0%
Net income (loss)	\$ 5,084	\$ 5,531	\$ (447)	-8.1%	\$ (4,230)	\$ 11,880	\$ (16,110)	-135.6%

In response to the COVID-19 pandemic the Government of Saskatchewan declared a provincial state of emergency on March 11, 2020. On the advice of the Saskatchewan Health Authority and the Chief Medical Officer, SaskGaming temporarily closed Casinos Regina and Moose Jaw at the end of gaming day on March 16, 2020. The casinos remained closed throughout the first quarter ending June 30, 2020. Casinos Regina and Moose Jaw reopened on July 9, 2020 at a reduced capacity following guidelines provided by the Provincial Government.

The reopening of Casinos Regina and Moose Jaw resulted in positive net income before payment to the GRF for the second quarter of \$5.1 million. This reduced SaskGaming's year to date loss to \$4.2 million.

Revenue for the second quarter and year to date was \$18.7 million, a decrease of \$10.8 million from the same period in fiscal 2020 and \$41.7 million year to date. Revenues in the second quarter were primarily driven by slot revenue and electronic table games revenue. Restrictions on capacity and social distancing measures remained in place throughout the quarter.

Expenses for the second quarter also decreased from the same period in fiscal 2020 by \$4.9 million to \$13.6 million. Year to date expenses were \$22.9 million, a decrease year over year of \$13.7 million. Reductions in expenses from the prior year occurred across all expense categories due to the casino closures during the first quarter and restrictions in place after reopening. The expenses with the largest decreases included salaries, wages and benefits, advertising and promotions, food & beverage cost of goods sold, and lease and rental.

SaskGaming continued to move forward with several capital projects to continue modernizing the gaming floor and improving guest experience. These projects included renovations to the gaming floor, technology upgrades and improvements to ensure guest and employee safety in the casinos.

OUTLOOK

At the end of the second quarter SaskGaming's year to date loss was reduced to \$4.2 million. SaskGaming estimates lost revenues related to COVID-19 to be approximately \$42 million year to date. At this time, SaskGaming continues to assess the impacts of COVID-19 on its earnings forecast.

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at (Thousands of Dollars)	<u>Note</u>	<u>September 30, 2020 (Unaudited)</u>	<u>March 31, 2020 (Audited)</u>
ASSETS			
Current assets:			
Cash		\$ 15,135	\$ 20,069
Accounts receivable		40	188
Inventory		82	147
Prepaid expenses		<u>1,164</u>	<u>626</u>
		16,421	21,030
Property, plant and equipment		<u>61,433</u>	<u>63,103</u>
		<u>\$ 77,854</u>	<u>\$ 84,133</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables		\$ 8,563	\$ 11,875
Short-term debt		4,990	5,000
Payable to the General Revenue Fund		-	2,498
Current portion of lease liabilities		<u>496</u>	<u>471</u>
		14,049	19,844
Lease liabilities		<u>4,251</u>	<u>4,505</u>
		<u>18,300</u>	<u>24,349</u>
Equity advance	4	4,000	-
Retained earnings		<u>55,554</u>	<u>59,784</u>
		<u>59,554</u>	<u>59,784</u>
		<u>\$ 77,854</u>	<u>\$ 84,133</u>
Description of business	1		

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

(Thousands of Dollars)	Three months ended September 30		Six months ended September 30	
	2020	2019	2020	2019
Revenue	\$ 18,658	\$ 29,507	\$ 18,708	\$ 60,409
Operating expenses	10,363	15,227	16,597	30,215
Depreciation	1,699	1,636	3,355	3,260
Contractual obligations	754	754	1,508	1,508
Taxes	631	695	1,220	1,396
Finance expense	127	133	258	270
	13,574	18,445	22,938	36,649
Income (loss) before payment to the General Revenue Fund	5,084	11,062	(4,230)	23,760
Payment to the General Revenue Fund	-	5,531	-	11,880
Net income (loss)	5,084	5,531	(4,230)	11,880
Other comprehensive income (loss)	-	-	-	-
Comprehensive income (loss)	\$ 5,084	\$ 5,531	\$ (4,230)	\$ 11,880

(See accompanying notes)

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

(Thousands of Dollars)	2020			2019		
	Retained Earnings	Equity Advance	Total	Retained Earnings	Equity Advance	Total
Retained earnings, beginning of period	\$ 59,784	-	\$ 59,784	\$ 52,974	-	\$ 52,974
Comprehensive (loss) income	(4,230)	-	(4,230)	11,880	-	11,880
Dividends	-	-	-	(8,847)	-	(8,847)
Equity advance	-	4,000	4,000	-	-	-
Retained earnings, end of period	\$ 55,554	\$ 4,000	\$ 59,554	\$ 56,007	\$ -	\$ 56,007

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

(Thousands of Dollars)	2020	2019
Operating activities:		
Net (loss) income	\$ (4,230)	\$ 11,880
Adjustments for:		
Finance expense	258	270
Depreciation	3,355	3,258
Loss on sale of property, plant and equipment	-	2
Changes in non-cash working capital balances:		
Accounts receivable	148	(196)
Inventory	65	20
Prepaid expenses	(538)	(763)
Trade and other payables	(3,312)	604
Payable to the General Revenue Fund	(2,498)	411
	(6,752)	15,486
Investing activities:		
Purchases of property, plant and equipment	(1,685)	(4,165)
Financing activities:		
Equity advance	4,000	-
Dividends paid	-	(8,944)
Interest paid	(268)	(270)
Repayment of lease liabilities	(229)	(207)
	3,503	(9,421)
Change in cash	(4,934)	1,900
Cash, beginning of period	20,069	18,195
Cash, end of period	\$ 15,135	\$ 20,095

(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 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.

On March 11, 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a global pandemic. The pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. On the advice of Saskatchewan Health Authority and the Chief Medical Officer, SaskGaming suspended operations at the close of gaming day on March 16, 2020. The decision to temporarily close operations was in line with other jurisdictions in Canada which temporarily suspended casino operations. SaskGaming responded to these events and conditions by reducing employees except for those essential to the continued management of assets and continuation of corporate responsibilities. Under the Reopen Saskatchewan Plan Casinos Regina and Moose Jaw reopened on July 9, 2020.

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, 2020 audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 26, 2020.

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

2. Basis of Preparation (Continued)

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, 2020 financial statements.

4. Equity Advance

As a Saskatchewan provincial Crown corporation, SaskGaming's equity financing is in the form of equity advances of \$4,000,000 (2019 - nil) from CIC.

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

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 fair value of the short-term debt is considered to approximate its carrying value due to its short-term nature.

The fair value 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.

(Thousands of Dollars)		Fair Value Hierarchy	September 30, 2020 (Unaudited)		March 31, 2020 (Audited)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments	Classification ¹					
Cash	FVTPL	Level One	\$ 15,135	\$ 15,135	\$ 20,069	\$ 20,069
Accounts receivable	AC	Level Two	40	40	188	188
Trade and other payables	OL	Level Two	8,563	8,563	11,875	11,875
Short-term debt	OL	Level Two	4,990	4,990	5,000	5,000
Payable to the GRF	OL	Level Two	-	-	2,498	2,498

¹ Classification:

FVTPL - Fair value through profit and loss

AC - Amortized cost

OL - Other liabilities