

Saskatchewan Gaming Corporation • Annual Report 2007-2008

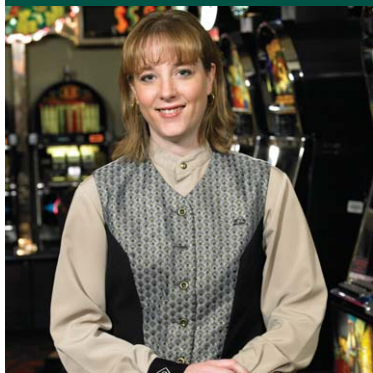


Table of Contents

1	Corporate Overview
2	2007-2008 Results at a Glance
3	Mandate, Vision, Mission and Values
4	Minister's Letter of Transmittal
5	Chair of the Board's Message
6	Report from the President & CEO
8	Always Entertaining - A Record of Success
12	Strategic Directions
20	Corporate Governance
22	Board of Directors and Executive Team
28	2008-2009 Outlook
30	Financial Statements



Operating as Casinos Regina & Moose Jaw

Corporate Overview

- Casino Regina, located in Regina's historic Union Station, opened to the public on January 26, 1996. Casino Regina's Show Lounge opened in November 2001. Casino Regina is conveniently located in the heart of Regina's downtown and is connected to the Delta Regina and the Cornwall Centre by a pedestrian walkway.
- Casino Regina is open seven days a week. It has 788 slot machines, including specialty games and multi-line games in one cent, two cent, five cent, 25 cent, \$1 and \$2 credits. It has 26 table games and eight poker tables plus 12 additional tables in the tournament room. There is full food and beverage service, a Show Lounge and parkade.
- Casino Moose Jaw, also located downtown, opened September 6, 2002 and is connected, via pedestrian walkway, to Temple Gardens Mineral Spa.
- Casino Moose Jaw is open seven days a week. It operates six table games, two poker tables and 207 slot machines, as well as a lounge/snack bar and parking facilities.
- One hundred per cent of SGC's profits are delivered to the province's General Revenue Fund. An amount equal to 25 per cent of SGC's profit is distributed to non-profit community organizations through the Community Initiatives Fund. Similarly, 25 per cent is allocated to the First Nations Trust Fund to fund initiatives in First Nations communities. Fifty per cent is distributed to important provincial programs through the General Revenue Fund.
- As of March 31, 2008, the total combined workforce for Casinos Regina and Moose Jaw is comprised of 1,050 employees. Employees of Aboriginal heritage represent 42 per cent of the total workforce. Women represent 55 per cent of the total. Visible minorities represent 11 per cent and people with disabilities represent six per cent.
- In-scope gaming operation, customer service and bank staff at Casino Regina are represented by the Public Service Alliance of Canada (PSAC). In-scope food and beverage employees at Casino Regina and all in-scope employees at Casino Moose Jaw are represented by the Retail, Wholesale and Department Store Union (RWDSU). Sound and lighting technicians in the Show Lounge are represented by the International Alliance of Theatrical Stage Employees (IATSE).

2007-2008 Results at a Glance

- Revenues were: \$128.7 million
- Operating expenses were: \$75.7 million
- Slot revenues were: \$104.1 million
- Table revenues were: \$10.4 million
- The average daily attendance for Casino Regina was 6,639
Casino Moose Jaw averaged 1,588 per day
- Annual payroll of: \$35.8 million
- Capital expenditures of: \$5.2 million
- Capital assets of: \$58.5 million
- The payout percentage on slot machines has remained stable at 93%



Mandate, Vision, Mission and Values

Mandate

To offer casino entertainment in a socially responsible manner, generating quality employment, economic benefit to the community, and profit for Saskatchewan people.

Vision

We are the first choice entertainment destination - delivering memorable experiences worth sharing and repeating. We lead the industry through innovative casino entertainment...even our competitors come to play.

Mission

To provide every guest with an outstanding casino experience. Our passion for guest service excellence is in the details.

Values

Respect

We embrace diverse backgrounds. People matter and we treat everyone as we expect to be treated.

Integrity

We are honest, fair and honour our commitments. We accept responsibility for our actions, both personally and professionally.

Passion

We feel strongly about achieving our goals and it shows in our enthusiasm for everything we say and do.

Innovation

We understand that to secure our place in the future, measured risks need to be taken today. To that end, we encourage and support cutting edge ideas that move us toward our goals.

Minister's Letter of Transmittal



To His Honour
The Honourable Gordon Barnhart
Lieutenant Governor of Saskatchewan

Your Honour,

I am pleased to submit the annual report of the Saskatchewan Gaming Corporation (SGC) for the period ending March 31, 2008. This report includes the financial statements in the form required by Treasury Board and in accordance with the Saskatchewan Gaming Corporation Act, 1994.

This past year, SGC has made valuable contributions to a vibrant tourism industry and healthy provincial economy. SGC was also recognized by *Maclean's* magazine as a Top 100 Employer in Canada and as a Top 10 Employer in Saskatchewan, for the second time. SGC is a recognized leader in the gaming industry and as having one of the most inclusive and diverse workforces in the country.

One hundred per cent of SGC's net profits are paid to the province's General Revenue Fund (GRF), available to fund priorities like roads, hospitals, education and other enhancement projects. An amount equal to 25 per cent of the net profits goes to the Community Initiatives Fund and Métis Development Fund supporting non-profit and community and economic development organizations in Saskatchewan. A further 25 per cent goes to the First Nations Trust Fund for initiatives in First Nation communities. Fifty per cent of the net profits remain in the GRF, funding provincial priorities.

Congratulations to the employees of SGC, Casino Regina and Casino Moose Jaw for their valued contributions to our provincial economy and for being Saskatchewan's number one tourist destination.

Respectfully submitted,

Bill Hutchinson

Bill Hutchinson
Minister Responsible for the Saskatchewan Gaming Corporation

Chair of the Board's Message

Regina, Saskatchewan

The Honourable Bill Hutchinson
Minister Responsible for the Saskatchewan Gaming Corporation

Mr. Minister,

On behalf of the Board of Directors, I am pleased to submit the 2007-2008 annual report of the Saskatchewan Gaming Corporation (SGC) for the period ending March 31, 2008.

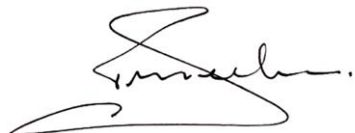
During the year under review, SGC continued to focus on delivering an outstanding entertainment experience and making positive contributions to Saskatchewan. SGC has achieved a number of milestones related to its business goals. The corporation was named a Top 100 Employer by *Maclean's* magazine and maintained a strong Aboriginal complement of staff. The corporation has made strides to strengthen its commitment to delivering guest service excellence and continues to lead the gaming industry with new and exciting gaming choices. Strong efforts in these areas have resulted in the corporation successfully meeting its business goal of financial sustainability.

SGC's outstanding financial success over the past year has contributed positively to the Saskatchewan economy. The employees and corporation have also demonstrated a strong dedication to enhance the province with valued community relations and staff volunteerism programming.

We will continue to be accountable to the people of this province and to maintain our reputation as the number one tourism destination in Saskatchewan.

On behalf of the past Board of Directors and new 2008 Board, we look forward to continuing to build on these achievements and maintain our position as an employer of choice and valued corporate citizen in the province.

Respectfully submitted,



Wes Becker
Chair of the Board
Saskatchewan Gaming Corporation



Report from the President and CEO



I am pleased and proud to share that the fiscal year 2007-2008 was an outstanding year for the Saskatchewan Gaming Corporation (SGC). Our strong financial performance is a tribute to the men and women of SGC and Casino Regina and Casino Moose Jaw in their efforts to deliver Five Star service. Their approach to doing business and attention to detail is an inspiration to me.

This was an important year for SGC in many respects. First, we were named a Top 100 Employer in Canada and a Top 10 Employer in Saskatchewan as chosen by *Maclean's* Magazine. We are firmly on track toward achieving our goal of being recognized as a Top 50 Employer of Choice in Canada through the Hewitt Associates/Globe and Mail annual survey.

We are becoming even more guest-focused, introducing the Net Promoter Score and embracing the Mystery Shopper as tools to help us measure progress. The results are promising. We have laid the foundation to entrench service standards across the organization and also introduced our service motto, "It's Show Time All The Time!"

We concluded our efforts to convert from a Treasury Board Crown to a Crown Investments Corporation Crown effective April 1, 2008. This will provide us with a governance and performance management model that is more conducive to a revenue and bottom line-based organization in a competitive environment.

We became a member of the Canadian Gaming Association. This will provide us with the opportunity to better address common issues across the industry like responsible gaming and also provides SGC with a benchmark to measure ourselves against.

It was an important year for us financially. This fiscal year, revenue hit an all-time high of \$128.7 million, a 15 per cent increase over the previous year. Our impressive financial performance can be directly attributed to our deliberate focus on engaging our employees and guest service excellence - paying attention to the details. The economy provided some momentum to the upswing, but no more than the wind to a ship that had charted its course and set its sails.

Our Marketing department came up with new ways to generate energy, excitement and promotions and our Operations group met the call to action and delivered on the floor and at the door. Our other functional areas played major roles behind the scenes making sure all the right things were happening at the right time, on time to effectively and efficiently put on the show. We are indeed becoming an "army of one".

Wowing our guests like no one else is at the root of everything we do. Energy, excitement, promotions and prizes is what we're all about as we fulfill our brand promise of Always Entertaining. That promise is upheld by some of the most thoughtful and guest-centric people in the industry. Every day and night, the people working at SGC and Casinos Regina and Moose Jaw come to work ready to do the right things and move us closer to reaching our overall goal of establishing a reputation for Five Star service in Five Star properties.

At the outset of joining SGC, I concluded that our strengths are our people and our properties - it turns out they're also our competitive advantage. We will continue to build on those strengths and cultivate the elements of competitive advantage. In my position for a little over three years now, I have become acquainted with almost every employee in this organization and have a great deal of confidence that we will continue to make favourable strides toward achieving our business goals.

We have committed and driven people who want to be part of the winning team and be recognized as leaders in the industry. These are great people in relentless pursuit of delivering a total quality experience for our guests. I thank all of our employees for progress towards the overall goal. It's no small challenge, but we all know we can do it.

In closing, I'd like to also thank our guests, our Board of Directors, and once again, all of our employees and their families for their continued support.

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the bottom.

M.L. (Marty) Klyne
President and Chief Executive Officer
Saskatchewan Gaming Corporation



*FIVE STAR SERVICE IN
FIVE STAR PROPERTIES*

Since Casino Regina first opened its doors in January 1996, the Saskatchewan Gaming Corporation (SGC) has grown steadily to become an important part of the province's tourism industry. When Casino Moose Jaw opened for business in September 2002, it quickly became a major attraction in the city and celebrated five years of success in 2007, also welcoming its three millionth visitor.

Through the years, numerous improvements and expansions ensured that Casino Regina and Casino Moose Jaw remained top entertainment destinations. SGC continues to lead the way in introducing the latest gaming innovations to the province. Non-gaming operations, such as the Casino Regina Show Lounge, the Mae Wilson Theatre in Moose Jaw and top-notch food and beverage facilities offer entertainment options that appeal to a wide variety of interests. Casino Regina food and beverage revenues increased 15 per cent over the previous year. Sales revenues from 2007 – 2008 topped \$8 million, making Casino Regina one of Saskatchewan's largest food and beverage operations.

At the end of the last fiscal year, SGC employed 1,050 people – up from 1,010 the year before. The average daily guest count for Casino Regina was 6,639. Casino Moose Jaw's average guest count was 1,588 people per day. Revenues were \$128.7 million – up from \$112 million.

SGC continued to receive industry accolades, winning Romero Awards for industry excellence and Saskatchewan Awards for Communications Excellence for their Rolling Stones and Odds campaigns.

Casino Regina's valet and shuttle service continues to grow in popularity. Sold out shows and major events in the Show Lounge contributed to 8,276 guests using the valet parking service during its first full year of operation, and the shuttle service transported 37,244 guests, up 8,005 from 2006-2007.

SGC's record of financial success and guest service excellence has shown growth and improvement throughout the corporation's history. SGC continues to be a successful business, strong community contributor, and an employer of choice in Saskatchewan and Canada.

Committed to Staff

In today's vibrant economy and tight job market, employers must be prepared when it comes to attracting, retaining and engaging employees. Those employers who excel are named one of Canada's Top 100 Employers, an honour SGC received this year.

Recipients were selected on a wide scope of criteria, including the workplaces' physical environment, work atmosphere, health benefits, financial benefits and compensation, family-friendly benefits, vacation policy, internal communications, performance management, continuing education and professional development, and community involvement.

SGC has also been named one of Saskatchewan's Top 10 Employers for the second consecutive year. This special designation recognizes the Saskatchewan employers that lead their industries in offering exceptional places to work.

One of SGC's business goals is to be named one of the Top 50 Employers in Canada, as measured through the Hewitt Associates/Globe and Mail annual survey. SGC's employee engagement score, as measured through a survey completed by 710 employees, was 53 per cent, up from 40 per cent in 2006. The results of this survey will help SGC build on areas where we are succeeding and focus efforts on areas where improvement is needed.



SGC staff are also encouraged to recognize each other for outstanding service. The employee-driven Double Diamond rewards and recognition program is overseen by a committee that comprises a cross-section of staff. The program allows staff to nominate each other for outstanding service acts, whether internal or external. Managers are asked to sign off on nominations, and nominees are entered into a draw for a monthly prize package worth \$500. Casino Regina and Casino Moose Jaw have separate committees to best represent the interests of each property. This fiscal year, 2,844 nominations were received under the program, an increase of 67 from last year.

SGC has proven its commitment to staff development in a variety of ways. SGC, in agreement with the Federation of Saskatchewan Indian Nations, has a mandate to have a representative workforce with at least half of employees being people of Aboriginal ancestry. SGC has one of the country's most inclusive workforces, and other employers look to our example. Human Resources and recruiting activities are geared towards achieving and maintaining that goal.

Learning and development opportunities are available to all staff at SGC, and are a key function of the Human Resources department. All employees undergo extensive job-related and guest service excellence training. Everyone takes courses such as responsible gaming, responsible service of alcohol and Dazzling the Customer.

An on-site Employee Development Consultant is available to work with all staff in developing plans to reach their career goals by identifying training needs and assisting with resumé writing and interview skills. This fiscal year a total of 391 employees had formal meetings, drop-ins, phone calls and/or email inquiries with the consultant. This was a 48 per cent increase over the previous year.

A tuition reimbursement program is also in place to assist staff in furthering their careers. Staff may be reimbursed for tuition fees, examination fees and books costs for courses offered through a recognized educational institution.

SGC is committed to having over 60 per cent of eligible staff nationally certified in their trades. This includes servers, bartenders, cooks and ambassadors. SGC works with the Saskatchewan Trades Education Council to assist staff in achieving these certifications. Certification requires a huge individual effort and the dedicated assistance of coaches and learning consultants.



Committed to Tourism

Casino Regina and Casino Moose Jaw have become integral parts of the tourism industry in their respective communities. SGC realizes that in order for the industry to grow, local attractions and destinations must work together to draw guests. Both casinos have partnered with local businesses to create Stay and Play packages where guests can enjoy special deals at partnering hotels and attractions, as well as local shopping centres.

Casino Regina and Casino Moose Jaw have been major sponsors for cultural and sporting events happening in their cities, and the Show Lounge and Mae Wilson Theatre are often venues for these events.

SGC's Marketing department provided over \$400,000 in sponsorships in the areas of entertainment, arts and culture, sports and tourism to a number of events including the Canadian Country Music Awards, Craven Country Jamboree, Saskatchewan Roughriders, Scotties Tournament of Hearts and the Saskatchewan International Tattoo, to name a few.

SGC is also Tourism Regina's number one community partner, and is always striving to bring visitors to the province and the city. Many employees sit on boards with Tourism Regina and Tourism Saskatchewan.

Committed to Community

SGC is committed to helping the communities we do business in. One hundred per cent of SGC's profits go to the province's General Revenue Fund (GRF). The GRF then delivers an amount equal to 25 per cent of SGC's profits to the Community Initiatives Fund (CIF) and an amount equal to 25 per cent to the First Nations Trust Fund. This year, the CIF and First Nations Trust Fund each received \$10,565,438 for important provincial programs and services.

The CIF was created by the provincial government to ensure that Saskatchewan communities received tangible benefits from casino profits. The CIF is managed by an independent government-appointed board. Board members all have extensive experience as community volunteers. This fund provides grants to community initiatives that enhance human development and community vitality, focusing on: development opportunities for children, youth and families; increased positive activities for young people at the local level, including physical activity, arts and culture activities; increased community leadership capacity, particularly leadership opportunities for youth and inclusion of First Nations and Métis people as leaders in delivery of community activities.

The First Nations Trust Fund distributes funding to all First Nations in the province in areas like economic development, social development, justice, educational development, recreational facilities operation and development, senior and youth programs, cultural development, community infrastructure development and maintenance, health initiatives, and other charitable purposes.

Additionally, every year over 200 local events and organizations benefit from SGC's Community Relations program. From April 1, 2007 to March 31, 2008, nearly \$240,000 in sponsorships was given to 294 community organizations. Major sponsorships included the Oskana Cup, CNIB Visions Luncheon, Regina Aboriginal Professionals Association, the Saskatchewan Tourism Education Council, The Circle Project Inc.'s National Aboriginal Day celebration, the Moose Jaw charity road race to benefit the Moose Jaw Health Foundation and the File Hills Qu'Appelle Tribal Council for the First Nations Winter Games Shane Yellowbird fundraising concert.

Each year, SGC provides scholarships to encourage students to pursue full-time post-secondary education. Students demonstrating commitments to balancing education, family, work, and being active in the community are rewarded for their excellence.

In 2007, 15 Saskatchewan students were awarded scholarships totaling \$13,000, including a \$2,500 Community Leadership Award.

SGC sponsors and supports staff participation in events like the Moose Jaw Firefighters Combat Challenge, City Chase, Moose Jaw and the KidSport Corporate Challenge.

SGC actively pursues volunteer activities for staff. For example, in 2007-2008 staff participated in a Habitat for Humanity build, volunteered at the National Aboriginal Day celebration, and served Christmas dinner to hundreds of guests at the Regina Aboriginal Friendship Centre. SGC knows that creating a spirit of volunteerism throughout the corporation is just as important as providing financial support to events and organizations.

Committed to Responsible Gaming

Responsible gaming is one of the top issues facing the gaming industry, and SGC is committed to making every reasonable effort toward the safety of players at Casino Regina and Casino Moose Jaw.

The effort toward responsible gaming education at most other properties in the industry includes captive signs and responsible gaming messages on slot machines. SGC has gone further, adding messaging on ATMs and creating branded materials such as brochures that are available throughout both of our properties.

SGC also has a number of tools in place to make responsible gaming part of everyday operations including the country's second only Responsible Gaming Information Centre (RGIC) which is located prominently on the gaming floor at Casino Regina. The RGIC's role is a highly proactive and positive one with a significantly higher incidence of one on one interaction with active players on the floor and with anyone who visits the RGIC. This interaction is a positive dialogue whereby players and visitors are provided with education, information and resources to help them learn more about the games played including randomness, house advantage and how slot machines work; all towards education and distilling the myths of gaming. Staff are also available to provide information as to where someone might find counseling or assistance for the player concerned about his or her own play or that of another.

SGC will continue to develop, implement and execute its responsible gaming strategy to ensure it is employing best practices in the area of responsible gaming.



ATTENTION TO DETAILS

2007-2008 Performance Results

The 2007-2008 Performance Results illustrate the SGC's progress in achieving the goals and objectives outlined in the 2007-2008 business goals.

The key objectives presented in the 2007-2008 business plan are listed, followed by a report on actual progress.

Our Results

Representative workforce

Measure	Target	Actual
Aboriginal	51%	42%
People with disabilities	5%	6%
Visible minorities	7.5%	11%
Women	46%	55%

Employer of Choice

We will be ranked among the Top 50 Employers in the country, as an organization's only real source of success is inspired people. Managers will have a deep understanding and appreciation for employee engagement, and they will understand and accept their role in creating an environment that cultivates an engaged workplace.

SGC will successfully recruit, staff, train, develop and retain a winning team that meets the current and future needs of the corporation. Each employee will understand the overall goal, where they fit in, and what they need to do. SGC will have a workforce that is not only representative of the communities in which it operates, but exceeds 50 per cent Aboriginal.

How We Got There

Staff training is a vital component to SGC's goal of becoming an employer of choice. Directors and managers are at various stages of the Professional Leadership Certificate offered through the Centre for Continuing Education at the University of Regina, and participate in orientation, responsible gaming and project management training.

Learning opportunities and employee development services continue to be strong factors in employee retention. The Learning and Development unit has worked to create foundational and skill-enhancing courses.

In order to facilitate communication and enhance performance, gaming floor managers and staff hold "alley rallies" to ensure the delivery of corporate messages to teams at all levels. Unit managers also meet with department union representatives monthly to discuss and resolve minor issues. All teams have an approximate ratio of one manager to 15 employees (or less), and employee performance reviews are held quarterly.

The nature of the responsibilities for various jobs at SGC has undergone significant changes, and it is necessary to reflect these in job descriptions. The Job Evaluation Committee had a successful year, evaluating all out-of-scope positions. This has resulted in a logical hierarchy and has created a foundation for compensation that is consistent and collaborative. Work descriptions have been completed for all out-of-scope positions, which include the core competencies for each position. As well a "talent management" database has been completed. This maintains information about all employees' career development plans, education, past work experience and career aspirations. It will be used for matching people with positions, and to support succession planning.

SGC also believes in recognizing employees for their valued contributions. This includes the Five Star Awards gala, children's Christmas parties, an open house at Casino Regina and Casino Moose Jaw for children on December 24, which is one of only two days the casinos are closed (the other is December 25), and Family Fun Days are held for all employees each summer.

A variety of internal communications pieces are distributed to all SGC staff to meet different needs, including: *On Track* magazine (quarterly), the *All Aboard* employee newsletter (bi-weekly), *Week at a Glance* (weekly), and an employee bulletin to update all staff on new promotions or initiatives, as needed. Town Halls were held three times this year for all SGC employees, so that everyone at all levels of the corporation is able to receive, provide, and share information.



Where We're Headed

SGC has developed a "Resourcing our Future" plan to address workforce planning and effective recruitment. One Aboriginal Recruitment Specialist has been hired, with a second planned for early in the new fiscal year. The specialists will be responsible for developing and implementing a comprehensive Aboriginal recruitment strategy. They will have strong ties with Aboriginal communities and will build relationships through attending community events and career fairs. A recruitment brand has been developed as part of an aggressive advertising and media plan, and work has begun on the development of new recruitment materials.

The completion rate for performance reviews has risen dramatically. This is important for employees, as it gives them the ability to see progress in their own abilities and helps managers focus on areas for coaching. SGC is currently recruiting for a Performance Management and Engagement Manager, who will take the project to the next level.

SGC's Succession Management Plan takes an integrated, systematic approach to cultivate talent for key areas. The project charter has been completed and will move forward pending completion of SGC's job evaluation process and talent management database. This initiative will be fully functioning by the end of the next fiscal year.

The Compensation Steering Committee has been working on benchmarking and salary structure design, which will be complemented by new salary policies implemented in the next fiscal year.

With the completion of out-of-scope work descriptions, work on the in-scope work descriptions will begin in the fall of 2008.



Guest Service Excellence

We protect the three R's (reputation, repeat and referral business) with the highest customer satisfaction index in the Canadian gaming industry. Employees will share in the deep understanding of customers' desires, be able to anticipate customer's needs and be equipped to serve up a total quality experience from the moment a customer approaches our property, right up until they leave.

Safety, Courtesy, Show and Efficiency are the guiding principles for all employees in their deliberations and actions when dealing with each other and dealing with our customers. SGC will create an environment that is safe for our guests and our employees, including giving due care and attention to an environment that supports responsible gaming.

Our Results

Measure	Target	Actual
Net Promoter Score	Set baseline	Increase of 11% over the year
% of guest interactions with players exhibiting high risk behaviour	Set baseline	55%

How We Got There

To enhance customer intimacy and create long-term guest relationships, SGC has developed and implemented opportunities for staff-guest interactions, including on-floor Players Club signups, birthday compliments, Hot Seat promotions, slot jackpots, product launches and promotions. This year, a Players Club office opened on the gaming floor at Casino Regina, expanding the services available to guests, and a new Players Club program was introduced.

The weekly tournament schedule at Casino Regina has been refined to allow for "Ladies Only" tournaments each Monday. Promotions were also held throughout the year that saw top tournament players win their way into the BC Ladies Poker Classic and the World Series of Poker in Las Vegas.

The Net Promoter Score was introduced as a corporate-wide metric, replacing the customer satisfaction, willingness to recommend and overall experience index. These scores measure a willingness to recommend SGC as an entertainment destination. Players Club members are asked to rate on a 10 point scale. The score is based on percentage of respondents who give a score of nine or 10, minus the percentage who gave a score of zero to six.

SGC's responsible gaming goal is to provide quality casino entertainment in a safe environment of fun, excitement and customer care. We have been mandated since our opening to implement policies and procedures that will identify persons exhibiting behaviour reasonably evidencing a problem with gaming and to provide those persons with information respecting appropriate intervention programs. This includes the operation of a Responsible Gaming Information Centre (RGIC) and the iCare software.

The RGIC's focus is a positive one, increasing player awareness and keeping gambling fun. The Responsible Gaming Resource Person provides information about gaming, so guests are educated about how the games work, randomness, house advantage and the costs of different kinds of gambling.

The iCare product, comprised of state-of-the-art computer software and comprehensive staff training, is a one-of-a-kind creation that works to help casinos integrate responsible gaming into day to day floor operations, as part of a commitment to complete customer care. Slot Shift Managers at Casino Regina and Operational Shift Managers at Casino Moose Jaw are required to interact with a specific number of guests identified through iCare. SGC has also entered into an agreement with the University of Regina to conduct statistical analysis on the impact of iCare interactions. Research demonstrated that interactions have a statistically significant positive impact on reducing player risk levels.

Where We're Headed

The Players Club plan will be further refined in the coming year, including plans to celebrate jackpot wins.

To enhance staff and guest safety, a number of state-of-the-art upgrades to surveillance technology are underway.

An employee health and wellness program will be developed in the coming year. SGC is currently in the process of hiring an employee wellness consultant who will be responsible for the development of this program. Work will begin in June 2008.

SGC will also develop an overall, corporation wide responsible gaming communications strategy, and an advertising campaign will be part of that strategy. As well, a goal has been set to have at least one interaction with 80 per cent of our players who are exhibiting high risk behaviours.

Recognized Leaders

We will be recognized as leaders on two fronts: entertainment and gaming; and, tourism and community development. SGC will grow its business in a manner that enhances the success of the core business (gaming and entertainment) and enhances employees' career opportunities.

SGC will work closely with strategic partners (and take the lead where/when necessary) to assist in or augment the tourism and community development initiatives that support our communities and are a good strategic fit for our business.

Work processes, policies and procedures will support productivity and getting the job done right the first time, on time, every time. SGC will execute a comprehensive research agenda that ensures we have a deep understanding of our customers' needs, wants and desires. This research is mission-critical, serving as the major basis for developing and/or considering: products, services, programs, excitement, promotions and prizes, and business formats.

Our Results

Measure	Target	Actual
Market share of SK casino revenues (in %)	48.5	50
Dividends as a % of net revenue	50	50
Annual core revenue growth	+ 4.5	+ 4.4
Net income (in \$ millions)	32.5	33.6
Operating income as a % of revenue	31.8	31.4



How We Got There

SGC strives to lead the casino industry in our slot and table games offerings. In slots, Casino Regina and Casino Moose Jaw introduced many Canadian and North American “firsts,” including *Extreme Mystery*, *Monopoly SMG*, *Wizard of Oz*, *Super Jackpot Stampede*, *Mysteries of the Nile* and *27 Ways*. Table games products are continually reviewed through trade shows and monthly periodicals. A review of electronic table games, such as poker and roulette, also took place.

SGC was presented with a number of awards in 2007-2008, including: *MacLean's* Top 100 Employers in Canada and Top 10 Employer in Saskatchewan; 2007 Aboriginal Government Employees Network Achievement Award; 2007 Training for Excellence Award (Career Enhancement category, Saskatchewan Labour Market Commission); finalist for the Tourism Industry Association of Canada Business of the Year.

To enhance its role as a good corporate citizen, SGC participates regularly in news conferences, sends regular media releases and conducts a monthly analysis of local, national and international media to gauge the amount and tone of media coverage. As well, advertising opportunities are sought to recognize SGC's commitment to being an employer of choice, and the corporation's commitment to community. SGC also hosts a number of events for guests, stakeholders and staff, such as a community barbecue in Moose Jaw with members of the Board of Directors and Executive, and anniversary celebrations each year at both properties.

In 2007-2008, Casino Regina hosted 24 charity poker tournaments, raising \$58,500 for local non-profit organizations.

SGC has partnered with several major events, including Habitat for Humanity, the Oskana Cup Aboriginal Hockey Tournament, Moose Jaw's Prairie Arts Festival, Saskatchewan International Tattoo, and First Nations Winter Games. SGC produced the Saskatchewan Roughrider Labour Day Classic halftime show, with staff participation, and hosted a barbecue and entertainment for Players Club guests, partners and out of town guests, as well as developing a package for sale to out of town markets, including game tickets and accommodation. SGC also hosted the Craven Colossal giveaway, which awarded a VIP RV package and event tickets.

Spontaneous entertainment has been added throughout the gaming floor in the CPR Lounge, Central Hall, Show Lounge lobby and The Last Spike at Casino Regina and in the front lobby and lounge at Casino Moose Jaw. The Casino Regina Show Lounge hosted 273 events with over 173,000 guests in attendance, and Casino Moose Jaw presented 30 shows at the Mae Wilson Theatre in The Moose Jaw Cultural Centre with over 7,100 guests attending. The *Ticketmaster* system was also implemented at both properties.

SGC continues to post quarterly financial reports and its annual report on www.casinoregina.com and www.casinomoosejaw.com, as well as the Government of Saskatchewan website.

SGC has established a Business Development Unit, and has completed a scan of the gaming environment to be incorporated into future strategic planning.

SGC conducts a telephone survey annually, with community perception and corporate citizenship addressed. The most recent survey in November 2007 indicated that 60.9 per cent of respondents said they strongly agree or agree with the statement “Casino Regina gives back to the community.” For the statement, “Casino Regina is a good corporate citizen,” 69.3 per cent said they strongly agree or agree.

In Moose Jaw, 54.2 per cent of those who responded strongly agreed or agreed with “Casino Moose Jaw gives back to the community,” and 55.9 per cent strongly agreed or agreed with “Casino Moose Jaw is a good corporate citizen.”

Where We're Headed

SGC has a number of initiatives planned for the upcoming year to further its goal of becoming a recognized leader in gaming and tourism. The Power Bonus plan and its execution are designed to encourage repeat visits and play; a new brand has been developed and the "Random Riches" program will be launched this year.

Updating of all department manuals is in progress, to be completed by the end of 2008. Manuals will include an orientation guide for review, procedures specific to the employee's department and service standards.

A comprehensive community relations strategy is being finalized and will be presented to the Board of Directors in summer 2008.

The High Line Corporation and SGC reviewed the current Human Resources Information system and made the decision to proceed with upgrading to a web-based version of the software called ePersonality. This year, users will be able to use the system effectively, efficiently and with integrity.

SGC's facility renewal plan will be presented to the Board of Directors in Spring 2008. Other initiatives planned for the year include the development and expansion of an Aboriginal supplier base, developing an organization-wide risk management system, and conducting reviews and recommendations around SGC's financial reporting system.





*WOWING GUESTS
LIKE NO ONE ELSE*

Authority

The Saskatchewan Gaming Corporation (SGC) was established as a Treasury Board Corporation pursuant to *The Saskatchewan Gaming Corporation Act, 1994*. Legislation was passed to convert SGC to a CIC Crown on April 1, 2008.

The corporation operates Casino Regina and Casino Moose Jaw under the regulatory authority of *The Criminal Code of Canada*, *The Saskatchewan Gaming Corporation Casino Regulations, 2002* and *The Alcohol and Gaming Regulations Act, 1997*. The corporation is responsible to the Saskatchewan Government through a Board of Directors appointed by Cabinet. The Board of Directors is composed of seven members, three of whom are nominated by the Federation of Saskatchewan Indian Nations (FSIN). The corporation operates Casino Regina and Casino Moose Jaw under the regulatory authority and supervision of the Saskatchewan Liquor and Gaming Authority (SLGA).

Role of the Board of Directors

The Board of Directors functions as stewards of the corporation, and has statutory authority and an obligation to manage the affairs and business of the corporation. In satisfaction of this obligation, the Board provides oversight while delegating to management the responsibility for the day-to-day operations of the corporation. The fundamental objective of the Board is to act in the best interests of the corporation, taking into account the public policy and business objectives of the corporation, with a view to enhancing shareholder value.

The primary responsibility of the Board of Directors is to foster the long-term success of the corporation consistent with the Board's responsibilities to its shareholders.

The Board has the responsibility to oversee the conduct of the business of the corporation and to supervise management, which is responsible for the day-to-day conduct of business. In performing its functions, the Board also considers the legitimate interests others such as employees, suppliers, customers, communities and all levels of government have in the corporation. In supervising the conduct of the business, the Board, through the President and CEO, will set the standards of conduct for the corporation and exercise oversight regarding the operations.

For the purpose of the payment of per diems or partial per diems, directors may receive remuneration when engaged in work for the corporation which consists of the performance of any duties on behalf of the corporation or as a member of a committee of the Board in addition to those provided for attendance at meetings of the Board and its committees.

For this fiscal year, SGC was a Treasury Board Crown corporation. Treasury Board approves the compensation rates for Board members based on the level of responsibility of the Board. Treasury Board has set the responsibility level for SGC's Board as high. The maximum per diem to be paid at this responsibility level is as follows:

- Chair.....\$235
- Director.....\$155

Code of Conduct

The members of the SGC Board of Directors are guided by a Code of Conduct, guidelines for conduct required of all directors of subsidiary Crown corporations. The objective is to assist boards to more effectively fulfill their statutory and fiduciary obligations and maintain a reputation for the highest standards of public trust and confidence in serving the interests of all stakeholders.

Our Board is committed to conducting business in an environment which:

- recognizes that SGC is an agent of the provincial government, and that directors must act in the best interests of the corporation while taking into account the public policy and business objectives of the corporation;
- appreciates that public enterprise plays a vital role in the provincial economy and in the lives of Saskatchewan people;
- conducts business in a socially and environmentally responsible manner, working for the betterment of all Saskatchewan people;
- values the trust of customers, employees and stakeholders, demonstrating honesty, integrity, fairness and respect in all activities;
- thrives on cooperation, coordination and the pursuit of common goals;
- values workforce diversity and supports employees in achieving corporate and personal potential;
- operates in a businesslike and financially responsible way, measuring and monitoring corporate operations to continuously improve performance; and

- recognizes the directors' role within the corporation to provide leadership and direction respecting these guidelines and similar guidelines applicable to corporate employees.

Board Composition

The *Saskatchewan Gaming Corporation Act* provides, in part, as follows:

- 6 (1) The corporation shall consist of seven persons appointed by the Lieutenant Governor in Council.
- (2) The Lieutenant Governor in Council shall appoint as members:
 - (a) Three persons nominated by the Chief's Legislative Assembly of the Federation of Saskatchewan Indian Nations
 - (b) Four other persons

Committees

The Board shall appoint any committees that it considers necessary for the efficient conduct of the affairs and business of the corporation and to prescribe the scope, duties and responsibilities of any committee it appoints through Terms of Reference for the committee.

The Board has three standing committees: Audit and Finance, Human Resources/Compensation and Governance.

Audit and Finance

The mandate of the Audit and Finance Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the adequacy and integrity of the Saskatchewan Gaming Corporation's financial reporting, internal control systems, risk management, relationships with external auditors and other financial matters. The Audit and Finance Committee is directly responsible for the internal audit function, approving the internal audit charter, plan and resources and reviewing audit results.

Further, it is empowered to:

- oversee the work of the internal auditor and the external auditor;
- approve the annual audit plan of the internal auditor

- and any significant mid-year changes to that plan;
- resolve any disagreements between management and auditors regarding financial reporting;
- retain independent counsel, accountants or others to advise the committee from time to time or to assist in the conduct of an investigation; and,
- seek any information it requires from external parties or employees – all of whom are directed to co-operate with the committee's requests.

The committee shall have the authority to authorize investigations into any matter referred to it by the Board or other matters within the committee's scope of responsibilities. The Audit and Finance Committee is empowered to retain independent legal, accounting or other consultants. This committee met five times last year.

This committee will meet in-camera with the Director of Internal Audit, as necessary, to gain further understanding of information presented by Internal Audit or to discuss other pertinent issues.

Human Resources/Compensation

The Human Resources/Compensation is responsible for approving and or recommending the Saskatchewan Gaming Corporation's human resource management policies, guidelines, procedures and systems and reporting changes in policy to the Board, as well as recommending the ratification of collective agreements. This committee met three times last year.

Governance

The committee is responsible for the development, review and effectiveness of SGC's corporate governance practices, and serves as ethics advisory for the board.



Board of Directors



From left to right: Blair Ross – Vice Chair; Kevin Missens; Ron Bruck; Wes Becker – Chair; Ron Martin; Wendy Dean – Corporate Secretary; Bill Jameson

Wes Becker

Chair of the Board

Regina, Saskatchewan

- Fellow of Institute of Canadian Bankers Professional Banking Program.
- Retired from CIBC after beginning his career in 1966 with various positions throughout Saskatchewan and Winnipeg.
- After holding various management positions in Regina, including within CIBC's Commercial Banking division, moved on to become program director of the Agricultural Value-Added Loan Program, working in partnership with Western Economic Diversification.
- Past volunteer commitments include Regina Chamber of Commerce, Boy Scouts of Canada, the Canadian Liver Foundation, the Heart and Stroke Foundation, and the Parents Advisory Board for Riffel High School in Regina.

Blair Ross

Vice-Chair

Regina, Saskatchewan

- President & COO, co-founder of SRG Security Resource Group.
- Company was created in March 1996 by Vision Security and Investigations Inc. to accommodate a security consulting and private investigations business. SRG has since grown to include information technology security services.
- Played a major role in a number of high profile events, managing security for the 1995 Grey Cup in Regina, the 1995 International Conference on AIDS in Vancouver, the 1997 APEC Summit, and the 1999 Pan Am Games in Winnipeg.
- Previously volunteered with the Regina Big Brothers as a board member, winning a Honourary Lifetime Big Brother award, and co-chairs the Sandra Schmirler Charity Golf Classic.

BOARD OF DIRECTORS AND EXECUTIVE TEAM

Ron Bruck

Moose Jaw, Saskatchewan

- Retired from Royal Canadian Mounted Police in 2006.
- Served in detachments in Fillmore, Hudson Bay, Moose Jaw, Melfort and Nipawin before returning to Moose Jaw in 1998 as a Sergeant and Detachment Commander.
- Awards include the RCMP 25 year Long Service Medal Gold Clasp, the Commanding Officer's Commendation, Queen's Golden Jubilee Medal and Saskatchewan Protective Services Medal.
- Volunteer commitments include Boy Scouts Canada, the Saskatchewan Minor Hockey Association, Royal Canadian Legion, Rural Crime Watch, Neighbourhood Watch, Moose Jaw Regional Inter-Sectoral Committee and Victim Services Board of Directors

Bill Jameson

Moose Jaw, Saskatchewan

- President, JGL Livestock Ltd.
- President, Saskatchewan Cattle Feeders Association.
- Past President of the Saskatchewan Livestock Markets Association.
- Founding director of Temple Gardens Mineral Spa.

Chief Lindsey Kequahtooway

Grenfell, Saskatchewan

- Chief, Sakimay First Nation (first elected in 1993).
- Six years working with Yorkton Tribal Council Child Services, moving on to the Department of Community Resources and Employment in Regina.
- Studied Social Work at the Saskatchewan Indian Federated College at the University of Regina (now the First Nations University of Canada).

Dr. Ron Martin

Fort Qu'Appelle, Saskatchewan

- Member of the Fond-du-Lac First Nation.
- Holds a Bachelor of Arts in Sociology (Advanced) and a Bachelor of Science in Anatomy (Advanced) from the University of Saskatchewan.
- Opened Dene Dental in Fort Qu'Appelle, in 1995, providing dental services to that community, as well as surrounding areas and First Nations communities throughout Saskatchewan.

Kevin Missens

Fort Qu'Appelle, Saskatchewan

- Past member of Royal Canadian Mounted Police, serving in St. Walburg (1983-1987), Turtleford (1987-1989) and Little Pine-Poundmaker (1989-1992).
- Joined the Touchwood File Hills Qu'Appelle Tribal Council (now known as File Hills Qu'Appelle Tribal Council) as a court worker in 1995, later transferring to a community justice worker.
- Boards and committees include: Qu'Appelle Policing Agreement (chair); Qu'Appelle Child and Family Services Inc. (chair); Pasqua Indian Child and Family Services; Pasqua Health and Pasqua Justice.

BOARD OF DIRECTORS AND EXECUTIVE TEAM

Executive Team



From left to right: Marty Klyne – President & CEO; Blaine Pilatzke – Vice President, Human Resources and Aboriginal Relations; Gerry Fischer – Senior Vice President, Operations; Twyla Meredith – Senior Vice President, Finance and Business Development; Bill Davies – Vice President, Corporate Affairs; Tony Coppola – Senior Vice President, Marketing and Product Development; Bob Arlint – Vice President, Security

M.L. (Marty) Klyne **President and CEO**

- Prior to becoming President & CEO of SGC in 2004, was President and Chief Operating Officer of the Regina Regional Economic Development Authority and Executive Vice-President of MAACO Systems Canada. He also served as President and Chief Executive Officer of Sasknative Economic Development Corporation following management positions with Royal Trust Corporation of Canada and the Mercantile Bank of Canada.
- Serves on a number of committees and boards including the Regina Regional Economic Development Authority Board, the SaskFilm Board, the First Nations and Métis Committee for the Regina Chamber of Commerce, and the Entrepreneurship and Small Business Program Advisory Committee (SIASST).
- Past commitments include Chairman of the National Aboriginal Economic Development Board, Vice-Chair of the Access to Capital Board, Vice-Chair of SaskPower's Board, member of the Regina & District Food Bank's Capital Campaign committee, and member of the Clarence Campeau Development Fund Board.
- Served as President of Grey Cup 2003, Inc., which served up the 'best ever' Grey Cup celebration in the history of the CFL.
- Distinguished graduate of the University of Regina with a Bachelor of Administration (Finance).

Twyla Meredith **Senior Vice President, Finance and Business Development**

- Prior to joining SGC in 1996, held positions at the Department of Justice, the Department of Finance and Saskatchewan Government Insurance.
- Oversaw project teams that executed the expansion of Casino Regina with the addition of the Show Lounge, pedway and parking garage; led the project team that opened Casino Moose Jaw.
- Community involvement includes: Saskatchewan Roughriders Board of Directors, the CIS Women's Basketball Championship (Chair), the Board of Directors for Capital Pension, Regina Downtown (Finance Chair), Financials Executives International and the Hospitals of Regina Foundation.
- Served as Grey Cup Gala Event Chair in 2003.
- Graduate of the University of Regina (Bachelor of Administration) and is a Certified Management Accountant (CMA).
- Member of various local clubs and organizations, including the University of Regina Alumni Association and the Wascana Country Club.

Gerry Fischer

Senior Vice President, Operations

- Began with Casino Regina as the Director of Sales and Promotions in 1995, becoming Vice President of Marketing in 1996 and took current position in 2005.
- Background in corporate fundraising and event organization, working with organizations such as the Hospitals of Regina Foundation, the Canadian Master's Summer Sports Festival and the Children's Health Foundation.
- Volunteer activities have included: Admin Students Alumni (Chair), Prairie Fire Board of Directors, Tourism Regina (Vice Chair), 2005 Grey Cup (Vice President of Marketing), Tourism Moose Jaw, Regina Downtown, McCain TSN Skins Game (Marketing Chair), Juvenile Diabetes Foundation.
- Graduated from the University of Regina with an Advanced degree in Economics and a Bachelor of Administration.

Tony Coppola

Senior Vice President, Marketing and Product Development

- Before joining SGC in June 2006, completed a 20 year career at SaskTel, where he served in a variety of roles including regulatory, financial analysis, marketing of the wireless portfolio, business development for wireless, a SaskTel International project and SaskTel's business diversification initiatives.
- Currently serving on the Boards of Tourism Regina and Tourism Saskatchewan in support of SGC's commitment to be leaders in tourism and community development.
- Completed his BA Honours Degree in Economics at University of Regina Campion College and his Masters degree in Economics at Simon Fraser University. Continuing education has included completion of the Executive Program at Ivey and the Queen's Leadership program.

Bob Arlint

Vice President, Security

- Completed education in Northwest Territories before studying Social Work at Red Deer College.
- Returned to the Northwest Territories to work for the Government of NWT Department of Social Services.
- Past member of RCMP, beginning in the Northwest Territories before being transferred to Saskatchewan with various postings throughout the province.
- After 25 years of service with the RCMP, Bob joined SGC in 2001 as a Gaming Control Officer (GCO). Vice President of Security since July 2006.
- Community involvement includes fundraising for the Regina Humane Society, and volunteering at the Regina Food Bank and Habitat for Humanity.

BOARD OF DIRECTORS AND EXECUTIVE TEAM

Bill Davies

Vice President, Corporate Affairs

- Broad range of work experience within the Government of Saskatchewan, including working in the former Department of Tourism, Industry and Commerce, the Department of Health, and the Department of Post-Secondary Education (now SaskLearning), as well as working with the Minister responsible for Finance, Labour, Crown Investments Corporation, Intergovernmental Affairs, and Gaming.
- Participated in the development, analysis, and evaluation of public policy in such diverse areas as labour legislation, gaming policy, aboriginal post-secondary partnerships, the Western College of Veterinary Medicine inter-provincial agreement, and the development of on-line learning at the post-secondary level.
- Received a Bachelor of Arts and Master's Degree from the University of Saskatchewan and a Ph.D. in English Literature from the University of Alberta.
- Has taught English at the University of Alberta, the University of Regina, the Saskatchewan Indian Federated College as well as the Gabriel Dumont Institute.

Blaine Pilatzke

Vice President, Human Resources and Aboriginal Relations

- Worked for the Federal Department of Agriculture in the Food Production and Inspection as a Primary Products Inspector. There, he became active in the union local and in 1987 was hired as a Regional Representative with the Public Service Alliance of Canada.
- Spent the next 17 years working in the Labour Relations field before coming to the Saskatchewan Gaming Corporation in October 2004 as the Director of Labour Relations.
- From January to August 2007, was Acting Vice President of Human Resources and Aboriginal Relations becoming permanent in September 2007.



GUEST SERVICE EXCELLENCE

2008-2009 OUTLOOK

It is clear 2007-2008 was successful for SGC. Now, as we look ahead, we are excited to see how our ever-changing and often challenging environment will shape the weeks, months and years ahead.

It is an exciting time to be in Saskatchewan. We are leading the country in many key areas such as economic growth, construction, and population growth and this momentum is being felt across the province, in large and small centres.

SGC's revenue performance is closely tied to the economy, specifically personal discretionary spending. The provincial economy is expected to remain on a positive upswing, and we can assume our revenues will follow. While this is good news, there are questions as we operate in an increasingly tight labour market. We are committed to responding quickly to increasing demands to uphold our service standards.

These service standards will continue to be a key area of focus for us in the coming months as we strive towards providing Five Star service at Casino Regina and Casino Moose Jaw. Greater demand for guest service excellence and VIP treatment at every turn is expected, with the increase in competition. Our guests have many alternatives and substitutes for entertainment, gaming and discretionary dollars. But we're ready for that, and we've been getting ready for some time now. We have the right people in place to follow through and deliver.

We will continue to develop our workforce, raising the level of employee skills at all levels. It's important to ensure our people know what they're accountable and responsible for, and then support this by providing the right tools, equipment and environment to get the job done right, the first time, on time, every time. The skill level of our organization is steadily advancing and we will continue to invest in our staff. When we all can make a connection to the organization, our guests and the future, we can all understand our overall goal, where we fit in and the impact every single person, on the front line and behind the scenes can make at SGC.

To thank our loyal guests, we have enhanced our Players Club reward program. Highlights include the addition of rewards for table games players as well as increased player rewards for redemption in areas including Food and Beverage and the Show Lounge. The coming months will bring further enhancements as we continue to refine our plan and bring additional rewards to slot and table players.

Our tagline is "Always Entertaining," and part of living up to that is keeping our properties fresh and exciting. SGC is currently undergoing a master planning process that will outline the projects we expect to undertake in the next 10 years, and facility renewals are part of that process. In 2008, Casino Regina will refresh its coffee shop and CPR Lounge as a complement to the previous upgrades to make them even more guest-friendly and exciting.

SGC is committed to retain and increase our leadership in the area of responsible gaming. In the year ahead we are going to make a further investment in strides already made on our responsible gaming program.

Environmental responsibility is on everyone's mind during these changing times. SGC has a history of being efficient and far from frivolous, but we need to go further. Environmental awareness is on our agenda and we will be investigating environmental and conservation initiatives. In 2008, we will establish some baseline data to begin measuring progress in ensuing years.

As a result of our conversion from a Treasury Board Crown to a Crown Investments Corporation Crown, our fiscal period will change. Previously we reported on the 12-month period beginning April 1 and ending March 31. We will now be reporting on the 12-month period beginning January 1 and ending December 31.

As a result, for 2008 we will only be reporting on the nine-month period from April 1 to December 31. As we look forward, we are aiming for an increase in net revenues of \$9.754 million or 10.9 per cent to \$99.237 million; and an increase in net operating income before payment to the General Revenue Fund of \$1.772 million or 5.29 per cent to \$35.241 million (on a nine-month period April 1 to December 31). This solid performance will be the result of our great people in relentless pursuit of guest service excellence.

The dedication of our staff and commitment to providing an outstanding entertainment experience will carry Casino Regina and Casino Moose Jaw forward as we work towards our vision of becoming a premier entertainment destinations.



*IT'S SHOW TIME
ALL THE TIME*

MANAGEMENT REPORT

The accompanying financial statement and related financial information presented throughout the Annual Report have been prepared by management using Canadian generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

The financial statements for the year ending March 31, 2008 have been approved by the Saskatchewan Gaming Corporation's Board of Directors.

Management of the corporation has established (and maintains) a system of internal controls, providing assurance that transactions are recorded and executed in compliance with legislation and authority, assets are safeguarded, there is an effective segregation of duties and responsibilities, and reliable records are maintained. An auditing function exists within the corporation that objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined the corporation's financial statements as at March 31, 2008. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion of fairness of presentation of the corporation's financial statement in accordance with Canadian generally accepted accounting principles.



M.L. (Marty) Klyne
President and CEO



Twyla Meredith
Senior Vice President
Finance and Business Development

May 2, 2008

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of SGC Holdings Inc. as at March 31, 2008 and the statements of operations and retained earnings, and cash flows for the year then ended. The Corporation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
May 2, 2008

Fred Wendel, CMA, CA
Provincial Auditor

STATEMENT 1 • SGC HOLDINGS INC.

Statement of Financial Position as at March 31

Assets

	2008	2007
Current assets:		
Cash	\$ 120,606	\$ 137,578
Prepaid expenses	---	179,898
Current portion of lease receivable (Note 3)	<u>8,591,337</u>	<u>9,090,066</u>
	8,711,943	9,407,542
Long-term lease receivable (Note 3)	<u>25,886,323</u>	<u>31,328,656</u>
Total assets	<u>\$ 34,598,266</u>	<u>\$ 40,736,198</u>

Liabilities and Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 204,050	\$ 848,239
Due to SGC (Note 4)	10,222,946	11,170,655
Current portion of long-term debt (Note 5)	<u>4,834,508</u>	<u>4,498,567</u>
	15,261,504	16,517,461
Long-term debt (Note 5)	<u>19,375,677</u>	<u>24,208,934</u>
Total liabilities	<u>34,637,181</u>	<u>40,726,395</u>
Equity:		
Share capital (Note 6)	1,000	1,000
Retained earnings (deficit) (Statement 2)	<u>(39,915)</u>	<u>8,803</u>
	<u>(38,915)</u>	<u>9,803</u>
Total liabilities and equity	<u>\$ 34,598,266</u>	<u>\$ 40,736,198</u>

(See accompanying notes to the financial statements)

STATEMENT 2 • SGC HOLDINGS INC.

Statement of Operations and Retained Earnings For the Year Ended March 31

	<u>2008</u>	<u>2007</u>
Revenue:		
Bank interest and other	<u>\$ 16,095</u>	<u>\$ 17,991</u>
Expenses:		
Bank charges and other	222	287
Exchange loss	<u>55,788</u>	<u>8,901</u>
	<u>56,010</u>	<u>9,188</u>
Net (loss) income	(39,915)	8,803
Retained earnings, beginning of the year	<u>8,803</u>	<u>(225,243)</u>
	(31,112)	(216,440)
Less transfer (to) from SGC	<u>(8,803)</u>	<u>225,243</u>
Retained earnings (deficit), end of the year (Statement 1)	<u>\$ (39,915)</u>	<u>\$ 8,803</u>

(See accompanying notes to the financial statements)

STATEMENT 3 • SGC HOLDINGS INC.

Statement of Cash Flow For the Year Ended March 31

	<u>2008</u>	<u>2007</u>
Cash flow provided by (used in) operating activities:		
Net (loss) income	\$ (39,915)	\$ 8,803
Changes in non-cash working capital balances:		
Accounts receivable	---	112,088
Prepaid expenses	179,898	(168,273)
Accounts payable and accrued liabilities	<u>(644,189)</u>	<u>431,907</u>
	<u>(504,206)</u>	<u>384,525</u>
Cash flow provided by (used in) investing activities:		
Purchase of capital assets for lease	(5,196,178)	(6,972,745)
Lease payments received from SGC	<u>11,137,240</u>	<u>8,779,352</u>
	<u>5,941,062</u>	<u>1,806,607</u>
Cash flow provided by (used in) financing activities:		
Transfer (to) from SGC	(8,803)	225,243
(Decrease) increase in due to SGC	(947,709)	1,785,347
Repayment of debt	<u>(4,497,316)</u>	<u>(4,187,497)</u>
	<u>(5,453,828)</u>	<u>(2,176,907)</u>
Net (decrease) increase in cash	(16,972)	14,225
Cash, beginning of year	<u>137,578</u>	<u>123,353</u>
Cash, end of year	<u>\$ 120,606</u>	<u>\$ 137,578</u>

(See accompanying notes to the financial statements)

1. Description of Business

SGC Holdings Inc. (SGC Holdings) was incorporated under *The Business Corporations Act (Saskatchewan)* and is a wholly owned subsidiary of the Saskatchewan Gaming Corporation (SGC). As a subsidiary of a Treasury Board Crown Corporation, SGC Holdings is not subject to federal or provincial income tax. Since its inception, SGC Holdings purchased capital assets and leased them to SGC for the operation of Casino Regina and Casino Moose Jaw. The financial results of SGC Holdings are included in the consolidated financial statements of SGC.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Translation gains and losses on foreign currency denominated monetary items are taken into income in the current year.

b) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported value of assets and liabilities and the disclosure of contingent liabilities and commitments at the date of the financial statements and the amounts of revenues and expenses for the year then ended. Actual results could differ from those estimates.

c) Financial Instruments

Effective April 1, 2007, SGC Holdings adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 – Financial Instruments – Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured. This change in accounting policy did not have a significant impact on SGC Holding's financial statements at the time of adoption.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Cash is classified as held-for-trading and is recorded at fair value. Lease receivable is classified as loans and receivables and is recorded at amortized cost. Amortized cost approximates fair value due to the nature of this instrument (see Note 3).

Accounts payable and accrued liabilities and due to SGC are classified as other liabilities and are recorded at amortized cost. Amortized cost approximates fair value due to the short-term nature of these instruments. Long-term debt is classified as other liabilities and is recorded at amortized cost. An estimate of fair value is disclosed in Note 5.

SGC Holdings does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be separately valued.

d) Recent Accounting Pronouncements

Effective April 1, 2008, SGC Holdings will be required to adopt CICA Handbook Sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which SGC Holdings is exposed, and how the risks are managed by SGC Holdings. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. SGC Holdings does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Long-term Lease Receivable

SGC Holdings entered into a direct financing lease agreement with SGC for building and equipment. SGC Holdings records the cost of the leased assets as lease receivable from SGC and SGC records the equivalent amount as capital assets. The receivable is non-interest bearing and has minimum repayments as follows:

	<u>2008</u>	<u>2007</u>
Year ending March 31		
2008	\$ ---	\$ 9,090,066
2009	8,591,337	7,961,536
2010	8,067,986	7,438,186
2011	7,220,759	6,590,959
2012	3,348,252	2,718,452
2013	1,953,703	1,323,903
2014 and subsequent	<u>5,295,623</u>	<u>5,295,620</u>
Total minimum payments receivable	34,477,660	40,418,722
Less current portion	<u>8,591,337</u>	<u>9,090,066</u>
	<u>\$ 25,886,323</u>	<u>\$ 31,328,656</u>

Due to the nature of this receivable, its fair value has not been determined.

4. Due to SGC

Amounts due to SGC are non-interest bearing and payable on demand. These amounts represent payments made by SGC on behalf of SGC Holdings which have not yet been reimbursed.

5. Long-Term Debt

	<u>2008</u>	<u>2007</u>
Land and Building Loan, repayable in monthly installments of \$256,715 including interest at 9.2%, due April 1, 2011	\$ 8,242,818	\$ 10,453,363
Building Loan, repayable in monthly installments of \$76,572 including interest at 6.48%, due December 1, 2016	6,124,478	6,628,607
Building Loan, repayable in monthly installments of \$67,790 including interest at 6.17%, due December 1, 2016	5,489,597	5,948,870
Equipment Loan, repayable in monthly installments of \$129,529 including interest at 4.527%, due March 28, 2011	<u>4,353,292</u>	<u>5,676,661</u>
	24,210,185	28,707,501
Less current portion	<u>4,834,508</u>	<u>4,498,567</u>
	<u>\$ 19,375,677</u>	<u>\$ 24,208,934</u>

The above loans are secured by assets and shares of SGC Holdings. The above loans may only be repaid early with a penalty. Principal repayments required in the next five years are as follows:

2009	\$	4,834,508
2010		5,197,989
2011		5,590,486
2012		1,497,137
2013		1,321,176
2014 and subsequent		<u>5,768,889</u>
		<u>24,210,185</u>

Under an agreement between SGC and SGC Holdings, SGC is responsible for paying the interest portion of the loans directly to the lenders. Accordingly, these financial statements do not show the cost of servicing this debt. For the year ended March 31, 2008, SGC's financial statements include interest expense of \$1,847,921 (2007 - \$2,156,951) for this debt.

The fair value of the long-term debt is approximately \$25,963,623 (2007 - \$30,397,736). The fair value is determined by discounting the future contractual cash flows using rates currently available for debt of similar terms and maturities.

6. Share Capital

	<u>2008</u>	<u>2007</u>
Authorized		
Unlimited voting common shares with no par value		
Unlimited non-voting preferred shares with no par value		
Issued and outstanding		
100 common shares	<u>\$ 1,000</u>	<u>\$ 1,000</u>

7. Related Party Transactions

These financial statements include transactions with related parties. SGC Holdings is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-Crown agencies that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms.

SGC Holdings has not been charged with administration costs. These costs have been absorbed by SGC.

In addition, SGC Holdings pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Subsequent Event

Effective April 1, 2008, SGC Holdings' parent, SGC, operates under the direction of the Crown Investments Corporation of Saskatchewan (CIC). As a CIC Crown, SGC's and consequently SGC Holdings' fiscal year end will change to December 31.

9. Comparative Figures

Certain of the 2007 balances have been reclassified to conform with the current year's presentation.

MANAGEMENT REPORT

The accompanying financial statement and related financial information presented throughout the Annual Report have been prepared by management using Canadian generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

The financial statements for the year ending March 31, 2008 have been approved by the Saskatchewan Gaming Corporation's Board of Directors.

Management of the corporation has established (and maintains) a system of internal controls, providing assurance that transactions are recorded and executed in compliance with legislation and authority, assets are safeguarded, there is an effective segregation of duties and responsibilities, and reliable records are maintained. An auditing function exists within the corporation that objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined the corporation's financial statements as at March 31, 2008. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion of fairness of presentation of the corporation's financial statement in accordance with Canadian generally accepted accounting principles.



M.L. (Marty) Klyne
President and CEO



Twyla Meredith
Senior Vice President
Finance and Business Development

May 2, 2008

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the consolidated statement of financial position of the Saskatchewan Gaming Corporation as at March 31, 2008 and the consolidated statements of operations and retained earnings, and cash flows for the year then ended. The Corporation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
May 2, 2008

Fred Wendel, CMA, CA
Provincial Auditor

STATEMENT 1 • SGC

Consolidated Statement of Financial Position as at March 31

Assets

	2008	(in 000's)	2007
Current assets:			
Cash	\$ 11,207		\$ 9,201
Accounts receivable	229		149
Inventory	252		176
Prepaid expenses	204		160
	<u>11,892</u>		<u>9,686</u>
Capital assets (Note 3)	<u>58,501</u>		<u>62,564</u>
Total assets	<u>\$ 70,393</u>		<u>\$ 72,250</u>

Liabilities and Equity

Current liabilities:			
Accounts payable and accrued liabilities	\$ 8,515		\$ 7,948
Current portion of long-term debt (Note 4)	4,835		4,499
Current portion of capital lease obligation (Note 5)	<u>900</u>		<u>900</u>
	14,250		13,347
Due to General Revenue Fund (Note 1)	29,805		27,641
Long-term liabilities:			
Long-term debt (Note 4)	19,375		24,209
Capital lease obligation (Note 5)	<u>6,963</u>		<u>7,053</u>
	26,338		31,262
Retained earnings (Statement 2)	<u>---</u>		<u>---</u>
Total liabilities and retained earnings	<u>\$ 70,393</u>		<u>\$ 72,250</u>
Commitments (Note 6)			

(See accompanying notes to the financial statements)

STATEMENT 2 • SGC

Consolidated Statement of Operations and Retained Earnings For the Year Ended March 31

	<u>2008</u>	(in 000's)	<u>2007</u>
Revenue: (Note 7)			
Gross revenues	\$ 128,711		\$ 112,230
Less:			
Promotional allowances	6,112		7,553
Ancillary cost of goods sold	<u>3,161</u>		<u>2,669</u>
	119,438		102,008
Operating expenses (Notes 7 & 8):	<u>75,666</u>		<u>67,146</u>
Net income	43,772		34,862
Retained earnings, beginning of the year	---		---
Change in accounting policy (Note 2i)	(1,510)		---
Transfer to General Revenue Fund (Note 1)	<u>42,262</u>		<u>34,862</u>
Retained earnings, end of the year to Statement 1	<u>\$ ---</u>		<u>\$ ---</u>

(See accompanying notes to the financial statements)

STATEMENT 3 • SGC

Consolidated Statement of Cash Flows For the Year Ended March 31

	2008	2007
	(in 000's)	
Cash flows provided by (used in) operating activities:		
Net income	\$ 43,772	\$ 34,862
Items not involving cash:		
Amortization of capital assets	7,336	6,981
Loss (gain) on sale of capital assets	350	(32)
Changes in non-cash working capital balances:		
Accounts receivable	(80)	262
Prepaid expenses	(44)	604
Inventories	(76)	10
Accounts payable and accrued liabilities	567	1,348
	<u>51,825</u>	<u>44,035</u>
Cash flows provided by (used in) investing activities:		
Proceeds from sale of capital assets	63	292
Purchase of capital assets	<u>(5,196)</u>	<u>(6,973)</u>
	<u>(5,133)</u>	<u>(6,681)</u>
Cash flows used in financing activities:		
Payment to General Revenue Fund	(40,098)	(32,415)
Repayment of capital lease obligation	(90)	(84)
Repayment of long-term debt	<u>(4,498)</u>	<u>(4,187)</u>
	<u>(44,686)</u>	<u>(36,686)</u>
Net increase in cash	2,006	668
Cash, beginning of the year	<u>9,201</u>	<u>8,533</u>
Cash, end of the year	<u>\$ 11,207</u>	<u>\$ 9,201</u>

(See accompanying notes to the financial statements)

1. Description of Business

The Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina and Casino Moose Jaw. SGC was established under *The Saskatchewan Gaming Corporation Act, 1994 (Act)*. Under Section 13 of the Act, SGC, unless directed otherwise by Treasury Board, shall pay its net profits for each fiscal year to the General Revenue Fund. As a Treasury Board Crown Corporation, SGC is not subject to federal or provincial income taxes.

SGC was established to provide for separation of regulatory and operational aspects of gaming. SGC 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 SGC's operations is controlled by the separately constituted Saskatchewan Liquor and Gaming Authority.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant policies which have been adopted are described below.

a) Basis of Consolidation

The consolidated financial statements combine the accounts of Saskatchewan Gaming Corporation 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.

b) Revenue

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and pay-outs by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

c) Players Club Program

As part of its customer loyalty initiative, SGC offers a players club program to patrons. Under the program, club members accumulate reward points or dollars based on the amounts wagered and time spent playing on slot machines and tables. Members can redeem their points for cash or vouchers. SGC records the points earned as a reduction of gaming revenue.

d) Promotional Allowances

The retail value of goods and services furnished to casino guests without charge is included in revenue and then deducted as promotional allowances.

e) Inventory

Inventory is stated at the lower of cost and net realizable value. The cost of inventory is determined using the most recent cost.

f) Capital Assets

Capital assets are stated at cost less accumulated amortization. Assets are amortized commencing in the year in which assets are placed in service using the straight-line method over their useful lives as follows:

Building and renovations	Five to forty years
Gaming equipment	Three to five years
Computer equipment	Three to five years
Furniture and equipment	Three to five years

g) Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Translation gains and losses on foreign currency denominated monetary items are taken into income in the current year.

h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported value of assets and liabilities and the disclosure of contingent liabilities and commitments at the date of the financial statements and the amounts of revenues and expenses for the year then ended. Actual results could differ from those estimates.

i) Change in Capitalization Policy

Effective March 31, 2008, SGC changed its threshold for capitalizing furniture and equipment from \$1,000 to \$10,000. This accounting change has been retrospectively applied through a cumulative adjustment to the opening retained earnings of \$1.51 million. The effect on the consolidated statement of financial position at April 1, 2007 is as follows:

	Decrease (in 000's)
Capital assets	\$1,510
Retained earnings	\$1,510

Also, for the current year, this accounting change decreased capital assets by \$1 million and increased expenses by \$1 million.

j) Financial Instruments

Effective April 1, 2007, SGC adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 – Financial Instruments – Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured. This change in accounting policy did not have a significant impact on SGC's financial statements at the time of adoption.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Cash is classified as held-for-trading and is recorded at fair value. Accounts receivable are classified as loans and receivables and are recorded at amortized cost. Amortized cost approximates fair value due to the short-term nature of these instruments.

Accounts payable and accrued liabilities and due to General Revenue Fund are classified as other liabilities and are recorded at amortized cost. Amortized cost approximates fair value due to the short-term nature of these instruments. Long-term debt is classified as other liabilities and is recorded at amortized cost. An estimate of fair value is disclosed in Note 4.

SGC does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be separately valued.

k) Recent Accounting Pronouncements

Effective April 1, 2008, SGC will be required to adopt CICA Handbook Sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which SGC is exposed, and how the risks are managed by SGC. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. SGC does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Building and renovations	\$ 58,961	\$ 18,759	\$ 40,202	\$ 41,261
Gaming equipment	12,675	5,718	6,957	7,291
Land	5,218	---	5,218	5,218
Computer equipment	8,745	4,743	4,002	5,843
Furniture and equipment	4,620	2,498	2,122	2,951
	<u>\$ 90,219</u>	<u>\$ 31,718</u>	<u>\$ 58,501</u>	<u>\$ 62,564</u>

Included in the above are the following assets under capital lease:

Building	\$ 7,277	\$ 1,016	\$ 6,261	\$ 6,443
Land	990	---	990	990
Total assets under capital lease	<u>\$ 8,267</u>	<u>\$ 1,016</u>	<u>\$ 7,251</u>	<u>\$ 7,433</u>

4. Long-Term Debt

	2008	2007
	(in 000's)	
Land and Building Loan, repayable in monthly installments of \$256,715 including interest at 9.2%, due April 1, 2011	\$ 8,243	\$ 10,453
Building Loan, repayable in monthly installments of \$76,572 including interest at 6.48%, due December 1, 2016	6,124	6,629
Building Loan, repayable in monthly installments of \$67,790 including interest at 6.17%, due December 1, 2016	5,490	5,949
Equipment Loan, repayable in monthly installments of \$129,529 including interest at 4.527%, due March 28, 2011	4,353	5,677
	24,210	28,708
Less current portion	4,835	4,499
	<u>\$ 19,375</u>	<u>\$ 24,209</u>

The above loans are secured by assets and shares of SGC Holdings Inc. The loans may only be repaid early with a penalty. Principal repayments required in the next five years are as follows:

	(in 000's)
2009	\$ 4,835
2010	5,198
2011	5,591
2012	1,497
2013	1,321
2014 and subsequent	<u>5,768</u>
	<u>\$ 24,210</u>

The fair value of the long-term debt is approximately \$26 million (2007 - \$30.4 million). The fair value is determined by discounting the future contractual cash flows using rates currently available for debt of similar terms and maturities.

5. Capital Lease Obligation

On July 31, 2001, SGC made an agreement with a private company for the construction of Casino Moose Jaw. Beginning in September 2002, SGC leased the property from that company for 25 years at an annual cost of \$900,000 for the first ten years, and \$955,000 annually thereafter. At the end of the lease, SGC will acquire the property for the sum of one dollar.

The minimum lease payments under the capital lease obligation are as follows:

	<u>Building</u>	<u>Land</u> (in 000's)	<u>Total</u>
2009	\$ 792	\$ 108	\$ 900
2010	792	108	900
2011	792	108	900
2012	792	108	900
2013	820	112	932
2014 and subsequent	12,120	1,648	13,768
Total minimum lease payments	16,108	2,192	18,300
Amount representing interest at 10.3%	(9,187)	(1,250)	(10,437)
Balance of the obligation	6,921	942	7,863
Less current portion	(792)	(108)	(900)
	<u>\$ 6,129</u>	<u>\$ 834</u>	<u>\$ 6,963</u>

The fair value of the capital lease obligation is approximately \$8.9 million (2007 - \$8.9 million). The fair value is determined by discounting the future contractual cash flows using rates currently available for debt of similar terms and maturities.

6. Commitments

a) Agreement with Regina Exhibition Association (Association)

On April 1, 1997, SGC entered into an agreement with the Association to fulfill previous commitments made to the Association regarding the maintenance of a certain level of its income.

The Association terminated the agreement effective November 23, 1997. Under the termination provisions of the agreement, SGC agreed to pay the Association monthly payments of \$235,417 for the first year following termination of the agreement and, subject to certain conditions, monthly payments of \$216,667 until 2027.

b) Agreement with Moose Jaw Exhibition Company Ltd. (MJEX)

On July 31, 2001, SGC entered into an agreement with MJEX regarding the maintenance of a certain level of income upon the opening of Casino Moose Jaw.

Under this agreement, SGC agreed to pay MJEX \$34,583 monthly, subject to certain conditions, starting in 2003 and continuing until 2028.

7. Segmented Information

The operations of SGC's two casinos have been segmented in the table below. Corporate revenue consists of rental, interest income and GST recoveries. Corporate expenses include general head office administration expenses. These expenses have not been allocated to the casino operations because of their nature.

	Casino Regina	Casino Moose Jaw	Corporate (in 000's)	2008 Total	2007 Total
Slot machine revenue	\$ 84,950	\$ 19,180	\$ ---	\$ 104,130	\$ 89,934
Table games revenue	9,413	990	---	10,403	9,470
Ancillary revenue:					
Food & Beverage	8,453	870	---	9,323	8,123
Parking	1,434	139	---	1,573	1,477
Show lounge	1,782	171	---	1,953	1,896
Other	884	179	---	1,063	912
Corporate other revenue	---	---	266	266	418
	<u>106,916</u>	<u>21,529</u>	<u>266</u>	<u>128,711</u>	<u>112,230</u>
Less:					
Promotional allowances	4,921	1,191	---	6,112	7,553
Ancillary cost of goods sold	<u>2,875</u>	<u>286</u>	<u>---</u>	<u>3,161</u>	<u>2,669</u>
	<u>7,796</u>	<u>1,477</u>	<u>---</u>	<u>9,273</u>	<u>10,222</u>
Casino operating expenses	51,548	11,063	---	62,611	56,661
Corporate expenses	---	---	13,055	13,055	10,485
	<u>51,548</u>	<u>11,063</u>	<u>13,055</u>	<u>75,666</u>	<u>67,146</u>
Net income (loss)	<u>\$ 47,572</u>	<u>\$ 8,989</u>	<u>\$ (12,789)</u>	<u>\$ 43,772</u>	<u>\$ 34,862</u>

8. Expenses by Object

	2008	2007
	(in 000's)	
Salaries and benefits	\$ 35,817	\$ 29,694
Marketing, communication and entertainment	8,518	8,157
Utilities, insurance, supplies and maintenance	7,715	6,552
Amortization and asset write down	7,686	7,055
Contractual obligations (Notes 6 a & 6 b)	3,015	3,015
Interest – long-term debt	1,848	2,157
Interest – capital lease obligation and other	810	818
Taxes (Note 9)	3,642	3,527
Professional services	1,177	1,413
Uniforms, recruitment and training	2,208	1,927
Lease and rental	2,235	1,957
Other operating expenses	995	874
Total expenses	<u>\$ 75,666</u>	<u>\$ 67,146</u>

9. Taxes

SGC is on the prescribed list of lottery corporations pursuant to Section 188 of *The Federal Excise Tax Act*. In lieu of collecting Goods and Services Tax (GST) on revenue at the retail level, SGC calculates and remits GST according to a formula prescribed by the Canada Revenue Agency (CRA). The formula requires SGC to pay 10% (12% up to January 2008) on the purchase of goods and services related to gaming activities.

GST and provincial sales tax on leased equipment is expensed over the term of the lease. Also included in taxes are grants in lieu of property tax.

10. Pension Plan

Substantially all of SGC's permanent employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan administered by the Plan's Board of Directors, using staff and facilities provided by Crown Investments Corporation of Saskatchewan. The amount required to be contributed by employees is 5.5% of salary. SGC's financial obligation is limited to making the employer's required contributions. During the year, SGC expensed \$1,458,245 (2007 - \$1,174,673) for the employer's required contributions.

11. Bank Indebtedness

SGC has established a line of credit of \$2 million with a bank. The line of credit is unsecured. Interest is charged on the line of credit at the bank's prime rate.

While SGC used the line of credit during the year, at the year-end, SGC did not have any amount owing on the line of credit.

12. Related Party Transactions

These consolidated financial statements include transactions with related parties. SGC is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, SGC is related to non-Crown agencies that the Government jointly controls or significantly influences.

In addition, one of SGC's directors is a partner in an organization which provided professional services to SGC. During the current year these services amounted to \$47,757 (2007 - \$58,207).

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. These transactions are as follows:

	2008	2007
	(in 000's)	
Category:		
Salaries and benefits	\$ 2,519	\$ 1,714
Utilities, insurance, supplies and maintenance	1,918	1,879
Restaurant - cost of sales	879	722
Other operating expenses	170	111
Accounts payable and accrued liabilities	595	212

In addition, SGC pays provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. SGC also collects liquor consumption tax from customers and remits to the Saskatchewan Ministry of Finance.

Other transactions with related parties and amounts due to/from them are described separately in the consolidated financial statements and the notes thereto.

13. Subsequent Event

Effective April 1, 2008, SGC operates under the direction of the Crown Investments Corporation of Saskatchewan (CIC). As a CIC Crown, SGC's fiscal year end will change to December 31. Also, SGC will pay its net profits to the General Revenue Fund to the extent required to meet the Government's obligations under the *The Saskatchewan Gaming Corporation Act, 1994* to the First Nations Trust, the Community Initiatives Fund, and the Métis Development Fund. In addition, SGC will now pay dividends to the CIC as per its directions.