Saskatchewan Liquor and Gaming Authority




Annual Report for 2018-19

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Government of Saskatchewan

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Letters of Transmittal

The Honourable Gene Makowsky
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Office of the Lieutenant Governor of Saskatchewan

I respectfully submit the Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2019. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997*.

The Government of Saskatchewan is committed to increased accountability, to honouring its commitments and to managing expenditures responsibly on behalf of Saskatchewan people. The annual report measures progress against the commitments outlined in SLGA's 2018-19 Plan.

The 2018-19 financial statements show a total comprehensive income of $483.7 million. SLGA will continue to deliver the Government's commitments to the people of Saskatchewan and be a positive contributor to the growth and prosperity of the province in the years ahead.

Gene Makowsky
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Clare Isman
President & CEO
Saskatchewan Liquor and Gaming Authority

The Honourable Gene Makowsky,
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Dear Minister:

I have the honour of submitting the Annual Report of the Saskatchewan Liquor and Gaming Authority for the fiscal year ending March 31, 2019.

On behalf of SLGA, I acknowledge responsibility for this report and am pleased to provide assurance on the accuracy, completeness and reliability of the information contained within it. I also acknowledge responsibility for the financial administration and management control of SLGA.

This annual report highlights SLGA's many achievements in 2018-19 and reflects the positive contributions to Government by the organization.

Clare Isman
President & CEO
Saskatchewan Liquor and Gaming Authority

Introduction

This annual report for the Saskatchewan Liquor and Gaming Authority (SLGA) presents SLGA's results for the fiscal year ending March 31, 2019. It provides results of publicly committed strategies, key actions and performance measures identified in the *SLGA Plan for 2018-19*. It also reflects progress toward commitments from the Government Direction for 2018-19, the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, throne speeches and activities of SLGA.

The annual report demonstrates SLGA's commitment to effective public performance reporting, transparency and accountability to the public.

Alignment with Government's Direction

SLGA's activities in 2018-19 align with Saskatchewan's vision and four goals:

Saskatchewan's Vision

"… to be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life."

Sustaining growth and opportunities for Saskatchewan people

Meeting the challenges of growth

Securing a better quality of life for all Saskatchewan people

Delivering responsive and responsible government

Together, all organizations support the achievement of Government's four goals and work towards a secure and prosperous Saskatchewan.

Overview

SLGA's Mission Statement

We serve Saskatchewan people with excellence, contributing to economic growth through the socially responsible distribution of liquor and gaming products and the regulation of liquor, gaming and cannabis products.

About SLGA

SLGA is a Treasury Board Crown Corporation. SLGA is responsible for the distribution of liquor and gaming products and the regulation of liquor, gaming and cannabis products across the province. SLGA achieves its mandate through socially responsible, fair and effective services at offices in Regina and Saskatoon and a liquor distribution centre in Regina. SLGA Retail Inc. oversees the operation of 36 SLGA retail liquor stores in Saskatchewan.

In 2018-19, SLGA delivered the second full year of an expanded private liquor retail system that took effect October 9, 2016. As of March 31, 2019, there were 640 Retail Store Permittees (RSPs) operating throughout the province.

SLGA issued 3,050 commercial liquor permits as of March 31, 2019. A total of 13,821 special occasion permits were issued to individuals or organizations to sell liquor products at special events.

SLGA manages the majority of the province's electronic gaming machines, including the province's network of video lottery terminals (VLTs) and the slot machines at First Nations casinos. As of March 31, 2019, VLTs were located at 575 sites throughout the province. SLGA also plays an important role in regulating VLT sites and the province's nine casinos, including seven First Nations casinos operated by the Saskatchewan Indian Gaming Authority (SIGA) and two casinos operated by SaskGaming. Most other forms of gaming are licensed and regulated by SLGA including bingos, raffles, breakopen tickets, Texas Hold'em poker, Monte Carlo events and the provincial horse racing industry.

The federal legalization of cannabis in 2018-19 expanded SLGA's operations to include the regulation of cannabis that is wholesaled and retailed by the private sector. SLGA played a considerable role in the preparation and implementation of the cannabis framework that was released by the Government of Saskatchewan in 2017-18. The framework outlined a plan for the legal and responsible distribution, sale and use of cannabis in the province. As of March 31, 2019, there were 21 cannabis retail store permits issued in Saskatchewan along with four wholesale permits and 38 licensed producer registrations.

As of March 31, 2019, SLGA employed 673 staff throughout the province. The majority of staff work in SLGA's 36 retail liquor stores.

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997* with several partners and stakeholders as shown in Appendix B.

SLGA's corporate structure is as follows:

- ⇨ The Liquor Wholesale and Distribution Division manages SLGA's customer relations, liquor pricing and procurement processes including transportation, product listings, customs and excise, special orders and the distribution centre.
- ⇨ The Regulatory Services Division is responsible for the licensing, inspection and monitoring of liquor, cannabis, horse racing and most gaming activities in the province. The division manages the charitable gaming grant program, internal audit services and provides community information and education seminars.
- ⇨ The Corporate Services and Gaming Operations Division is responsible for financial services, policy and legislation, privacy/freedom of information, social responsibility, information technology, human resources, payroll, organizational development and employee health and safety. In addition, the division has oversight of SIGA operations and manages the province's VLT program.
- ⇨ The President's Office is responsible for communications, project management and strategy and business improvement across the organization.
- ⇨ SLGA Retail Inc. is a subsidiary that manages and oversees SLGA's retail liquor stores in communities across the province as well as merchandising, marketing and property management.

Progress in 2018-19

Government Goals

Sustaining growth and opportunities for Saskatchewan people	Meeting the challenges of growth	Securing a better quality of life for all Saskatchewan people	Delivering responsive and responsible government

Strategic priority from the *Saskatchewan Plan for Growth*: fiscal responsibility to support growth; financial performance.

SLGA Goal

Ensure SLGA's net income meets or exceeds budgeted payment to the province's General Revenue Fund (GRF).

Strategy

Improve liquor net income.

Key Actions and Results

Implement, assess and amend strategies for SLGA Retail Inc. as needed to ensure objectives are being met.

- SLGA Retail Inc. is committed to providing excellent customer service and product selection to increase the number of customers entering its stores and to have them return again in the future. Some changes made during the year to achieve this include:
  - Select stores increased their hours of operation to offer additional customer service.
  - SLGA Retail Inc. continued to present product knowledge training opportunities for employees in 2018-19 to provide information to customers so they can make informed purchasing decisions.
  - In 2018-19, SLGA Retail Inc. expanded its product choices by sourcing 185 specialty products that are unique to SLGA stores.
  - SLGA Retail Inc. provided discounts on approximately 350 products on a monthly basis.

Strategy

Improve gaming net income.

Key Actions and Results

Analyze performance of strategies to increase Video Lottery Terminal (VLT) revenue and assess if improvements are required.

- The VLT sector, along with other gaming sectors, has been experiencing a softening of its market making additional revenue generation year over year challenging. While an increase in revenue was not realized by the implemented VLT strategies such as the VLT replacement and billboard promotion of the progressive jackpot at year-end, these measures may have prevented a significant decline in revenues. SLGA will continue implementation of strategies in an effort to improve revenues.
- The progressive games on the VLT network provide a modern gaming experience for players and the potential to win a grand prize jackpot of up to $1.5 million. In 2018-19, there were five winners of the grand prize jackpot with the largest amount won being $1.2 million. In total, there were over 6,900 jackpot wins and $7.2 million in prizes awarded to players of progressive jackpot games in fiscal 2018-19.

Jackpot	Number of wins	Total dollar amount won	Largest jackpot won
Grand Jackpot- Province wide ($500,000 to $1,500,000)	5	$4,017,251	$1,212,008
Major Jackpot- Regional ($5,000 to $25,000)	85	$1,161,750	$24,875
Minor Jackpot- Site ($100 to $500)	6,823	$2,032,178	$500

Source: SLGA

Work collaboratively with Saskatchewan Indian Gaming Authority (SIGA) on the completion of a new casino in Lloydminster.

⇨ Gold Horse casino opened its doors on December 20, 2018. In the first few months of operation the casino achieved a net income above budget that was driven by higher than expected revenues. The Lloydminster casino provides an enhanced gaming and entertainment experience to the people of Lloydminster and surrounding area. The casino includes slot machines, table games, a lounge/restaurant and a multi-purpose entertainment facility making it one of Lloydminster's premiere tourist attractions. The casino also provides employment to over 100 people while supporting many local suppliers.

Performance Measure

Comprehensive Income (CI)

Comprehensive income reflects net income plus gain/losses for interest rate and pension obligation changes. SLGA's CI is generated from liquor wholesale sales, VLT activity, slot machines in SIGA operated casinos and SLGA Retail Inc. net income.

Challenging economic factors in the province resulted in decreased net income for VLTs and SIGA which was not offset by an increase in liquor net income. As a result SLGA's overall CI decreased compared to the prior year but did exceed the budgeted amount.

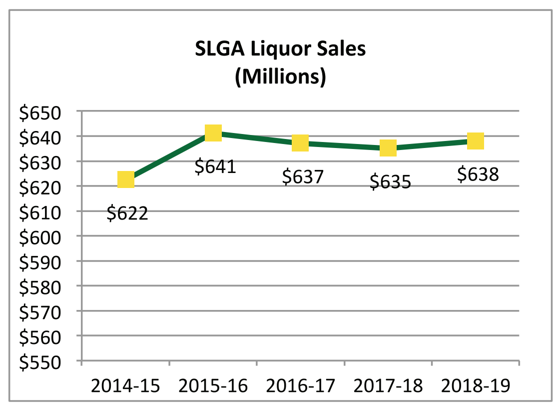
Fiscal Year	Budgeted CI	Actual CI
2018-19	$481.4M	$483.7M
2017-18	$523.3M	$494.9M
2016-17	$511.0M	$478.9M
2015-16	$500.0M	$505.1M
2014-15	$491.8M	$488.0M

Source: SLGA

SLGA 2018-19 net income was $485.1M, exceeding budgeted net income. In the last five years, SLGA has provided more than $2.4 billion to the General Revenue Fund in the form of a dividend in support of government programs and services.

Liquor Sales (Wholesale and SLGA Retail Inc.)

Liquor sales represent wholesale product sold through SLGA's distribution centre, the three licenced private beer distributors and retail sales through SLGA Retail Inc. stores. Total liquor sales have been fairly consistent during the last three years but increased slightly in 2018-19. The introduction of new liquor retailers into the market may explain some of the increase as these new retailers build up their inventory. A breakdown by category (Appendix C) shows that the sales volume for beer declined year over year while spirits, wine and refreshment beverages increased. The beer decline can be partially attributed to changing demographics, innovation within other liquor categories and a growing consumer preference for craft beer purchased from Saskatchewan microbreweries which is not reflected in these sales figures.



Source: SLGA
Changes to reporting in 2016-17 will impact the comparability of results in later years.

VLT Revenue and Site Commission

SLGA owns all of the VLTs in the province and contracts with the Western Canada Lottery Corporation (WCLC) to operate the VLT program. Gross VLT revenue is the amount of VLT activity prior to payment of program operating expenses and a commission to sites. SLGA supports local businesses through a 15 per cent VLT site commission paid to liquor-permitted establishments that host VLTs. In 2018-19, VLT revenue continued to decline. A softer economy and a shift in the gaming habits of the population are thought to be the main drivers of the decline.

Fiscal Year	Gross VLT Revenue	VLT Site Commission
2018-19	$220.6M	$33.6M*
2017-18	$224.1M	$34.1M
2016-17	$232.1M	$35.2M
2015-16	$240.9M	$36.6M*
2014-15	$245.9M	$37.3M*

Source: SLGA

**Amount presented is the actual VLT site commission. Prior year adjustments were recorded in 2018-19 reflecting the difference from the financial statements.*

SIGA Comprehensive Income (CI)

The CI generated by SIGA is distributed according to the revenue sharing formula in the 2002 Gaming Framework Agreement (GFA) between the Province and the Federation of Sovereign Indigenous Nations (FSIN).

Under the revenue sharing formula, the GRF retains 25 per cent of SIGA's net profits, after defined payments, in support of broader provincial objectives. The remaining 75 per cent is distributed back to communities via the First Nations Trust (FNT) and Community Development Corporations (CDCs). The FNT supports economic and social development, justice, health, education, culture and other First Nations initiatives. The CDCs fund similar initiatives among First Nations and non-First Nations organizations in and around the communities where the casinos are located.

SIGA Comprehensive Income				
2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
$82.8M	$87.1M	$82.8M	$86.4M	$83.0M

Source: SLGA
Profit sharing is based on net income prior to the accounting adjustment made for an interest rate swap ($82.7 million in 2018-19).

Under the GFA, payments are made from SIGA profits to Indigenous Gaming Regulators Inc. ($3.3 million in 2018-19) to support its work in regulating charitable gaming on-reserve, and the First Nations Addictions Rehabilitation Foundation ($2.25 million) for problem gambling services. With the opening of a new casino, SIGA revenues increased compared to the prior year. However, the start-up costs of the casino led to an increase in expenses year over year resulting in a reduced net income in 2018-19.

Government Goals

Sustaining growth and opportunities for Saskatchewan people	Meeting the challenges of growth	Securing a better quality of life for all Saskatchewan people	**Delivering responsive and responsible government**

Strategic priority from the *Saskatchewan Plan for Growth:* building a better quality of life for Saskatchewan people; social responsibility.

SLGA Goal

Alcohol and gaming products are used responsibly.

Strategy

Increase availability of information to allow individuals to make informed decisions.

Key Actions and Results

Standard drink size information will be distributed to the public through Retail Store Permittees (RSPs).

- ⇨ Standard drink size information was developed and provided to all RSPs in March 2019. Educating consumers about the responsible consumption of alcohol can help promote responsible choices.

Perform a follow up survey on standard drink size and establish a baseline for low risk drinking guidelines.

- ⇨ SLGA conducted an online survey of SLGA Retail liquor consumers in 2017-18 to gain an understanding of their awareness of standard drink size. A follow-up survey was planned to occur in 2018-19 to determine if the distributed information helped to increase consumer awareness about standard drink size. As the information was only distributed to RSPs in March 2019, a decision was made to delay the follow-up survey to the fall of 2019. The results of this 2019-20 survey will form a baseline to compare future survey results in an effort to increase consumer awareness of responsible drinking.

SLGA Goal

Alcohol, gaming and cannabis products are provided safely and fairly.

Strategy

Improve refusal of service to minors and individuals that appear to be intoxicated.

Key Actions and Results

Evaluate potential expansion of Minors as Test Shoppers to ensure cannabis sales to minors are conducted in accordance with regulations.

- ⇨ The Minors as Test Shoppers program hires and trains individuals to be test shoppers and attempt to purchase alcohol products to determine if retailers are complying with the prohibition of serving individuals under the age of 19. Currently, all cannabis retail customers must produce age identification to purchase cannabis products. With this measure in place, SLGA has delayed a review of the expansion of the Minors as Test Shoppers program to cannabis until the 2019-20 fiscal year.

Strategy

Improve the safe and fair provision of alcohol, gaming and cannabis products.

Key Actions and Results

Develop and implement a regulatory framework for the distribution and retailing of cannabis in the province.

- ⇨ Cannabis legislation and regulations came into force on October 17, 2018. To prepare for legalization SLGA ensured a licensing and inspection team of employees was in place, evaluated just under 1,500 proposals for 51 retail store opportunities and developed and implemented a responsible sale and service program. As of March 31, 2019, SLGA issued 21 of 51 (41 per cent) of the retail store permits, along with four wholesale permits and 38 licensed producer registrations. As well, SLGA conducted 193 inspections of permitted retail and wholesale establishments. SLGA continues to work with federal and provincial counterparts to identify gaps and opportunities for improvement on policies, operational issues and reporting.

Update online responsible gaming content for VLT site operators.

- ⇨ SLGA provides a training program for VLT site operators and staff that is designed to help operators understand the differences between responsible and problem gambling and how to provide information to players seeking help. A review of the program material was conducted in 2018-19 and updates to VLT content are planned for 2019-20.

Performance Measures

Identification Check/Refusal at Point of Sale

SLGA's Check 25 program requires SLGA Retail Inc. liquor store employees to ask customers that appear 25 years of age or younger for proof of age identification (ID). SLGA Retail Inc. employees also refuse service to individuals that appear intoxicated. SLGA Retail Inc. has set a target to ask for ID from at least six per cent of customers who approach the till to make purchases in its retail stores. During the past year, SLGA Retail Inc. employees asked for ID from 5.9 per cent of customers. Five per cent of those customers were refused service due to having insufficient ID or appearing to be intoxicated.

Compliance with VLT Responsible Gaming Training

SLGA provides online training for the responsible operation of VLTs. The training is a mandatory requirement for at least one owner or manager from each site to complete. Upon completion of the training the certification is valid for a period of five years. As of March 31, 2019, SLGA met its goal and had 100 per cent of sites compliant with the mandatory requirement of this training program.

Government Goals

Sustaining growth and opportunities for Saskatchewan people	Meeting the challenges of growth	Securing a better quality of life for all Saskatchewan people	**Delivering responsive and responsible government**

Strategic priority from the *Saskatchewan Plan for Growth*: increasing Saskatchewan's competitiveness; customer service excellence.

SLGA Goal

To provide a great customer experience.

Strategy

Exceed customer expectations.

Key Actions and Results

Engage customers and measure customer satisfaction.

- SLGA conducts customer satisfaction surveys in an effort to assess how satisfied customers are with the services SLGA offers. In 2018-19, SLGA obtained customer satisfaction results from four surveys that reached eight of SLGA's external customer groups. The satisfaction results ranged from a low of 73 per cent to a high of 92 per cent.

Analyze customer service results and develop and implement improvements to increase satisfaction where required.

- In 2018-19, SLGA reviewed the results of customer satisfaction surveys and implemented the following actions to improve areas of concern raised by liquor wholesale customers:
  - A catalogue of special order products purchased over the last four to six months is compiled and provided to RSPs so they can gain awareness of the types of liquor products being ordered in the province.
  - SLGA implemented changes to receive more frequent deliveries from one of its larger suppliers in an effort to reduce wait time for special order customers.
- The survey results for special occasion, regulatory and charitable gaming customers were obtained late in 2018-19 and are being analyzed to determine what improvements can be made to improve future customer satisfaction results.

Performance Measures

Customer Satisfaction

In 2018-19, SLGA conducted four customer satisfaction surveys. The results of these surveys will be used as benchmarks for future surveys. Below are the satisfaction questions that were asked of customers and the percentage of customers that chose the response satisfied or very satisfied.

Survey Questions	Result
How satisfied are you as a wholesale customer of SLGA?	84%
How satisfied are you with the level of customer service you receive from the special orders team?	73%
Overall, how satisfied were you with the special occasion permit process?	88%
Overall, I am satisfied with how my business/charity/event is regulated by SLGA (charitable gaming licencees and commercial liquor permittees).	92%

Government Goals

Sustaining growth and opportunities for Saskatchewan people	Meeting the challenges of growth	Securing a better quality of life for all Saskatchewan people	**Delivering responsive and responsible government**

Strategic priority from the *Saskatchewan Plan for Growth:* fiscal responsibility to support growth; continuous improvement.

SLGA Goal

Efficient, effective programs and services.

Strategy

Improve efficiency, effectiveness and relevancy of programs, processes and services.

Key Actions and Results

Analyze and implement improvement as necessary for the modernization of the liquor supply chain.

⇨ SLGA regularly reviews processes to improve business performance and to enhance customer satisfaction. Recent changes to SLGA's special order process resulted in reduced wait times for most products and increased information to RSPs. Product selection is important for retailers and, in 2018-19, SLGA's supply chain offered 8,900 unique products to the Saskatchewan market.

Strategy

Strengthen the corporate culture of continuous improvement.

Key Actions and Results

Continue to encourage employee idea submissions and increase the promotion of the tools available as needed.

⇨ SLGA has established two formal methods for employees to submit ideas for improvement. An idea board provides an informal place for employees to post and discuss ideas on a regular basis. The Idea Hub is an automated process where ideas are submitted electronically.

Performance Measures

Employee Ideas Submitted and Implemented

In 2018-19, SLGA received over 160 ideas from employees. All ideas are individually vetted and evaluated prior to implementation. In 2018-19, SLGA implemented 56 per cent of the ideas.

Distribution Centre Activity

SLGA's distribution centre processed 50,395 orders in 2018-19; an increase of approximately 17 per cent from 43,126 in 2017-18. This corresponds to approximately 2.6 million cases of beverage alcohol shipped from the distribution centre in 2018-19 which is consistent with the cases shipped over the last few years.

Government Goals

Sustaining growth and opportunities for Saskatchewan people	Meeting the challenges of growth	Securing a better quality of life for all Saskatchewan people	**Delivering responsive and responsible government**

Strategic priority from the *Saskatchewan Plan for Growth:* increasing Saskatchewan's competitiveness; workplace excellence.

SLGA Goal

Achieve a culture that consistently reflects SLGA's core values.

Strategy

Increase attraction and retention with a focus on the younger worker and diversity.

Key Actions and Results

Implement an updated representative workforce policy that includes a focus on the younger worker (age 19-30).

- ⇨ A new Inclusion Strategy that combined SLGA's Representative Workforce Strategy with initiatives focusing on the recruitment and retention of young workers was developed and approved in the first quarter of 2018-19. The strategy contains a three-year implementation plan and progressive goals for the increased representation of the four equity groups and young workers. The first year of implementation involved increased attendance at various post-secondary career fairs, reviewing the process for new external hires to ensure representative workforce applications are considered. The strategy continues to promote new grad and co-op opportunities within head office.

Strategy

Improve employee knowledge and experience.

Key Actions and Results

Implement a corporate manager training program for new managers and revitalized orientation program.

- ⇨ A revitalized eLearning orientation program for new employees was updated and launched in 2018-19.
- ⇨ A new managers training program is still under development and is scheduled to be launched in the first half of 2019-20.

Strategy

Improve employee health, wellness and workplace safety.

Key Actions and Results

SLGA Retail Inc. to initiate an "Everyday Safe" program to encourage employee safety and reduce injuries.

- ⇨ The SLGA Retail Inc. "Everyday Safe" program was launched in April 2018. The program is intended to raise employee awareness of potential workplace hazards so they can be managed before an injury occurs. The program addresses the three most common injury hazards that occur in retail stores: lifting (over exertion), trips and falls. In 2018-19, SLGA Retail Inc. realized a recordable injury frequency rate of 7.1 similar to the prior year (6.7 recordable injuries per 100 full time workers). Since 2010-11, SLGA Retail Inc. has seen a reduction of the recordable injury frequency rate by more than 73 per cent. SLGA Retail Inc. will continue with the Everyday Safe Program in 2019-20, striving to ensure the workspace is free of tripping or lifting hazards on a daily basis.

Performance Measures

Representative Workforce.

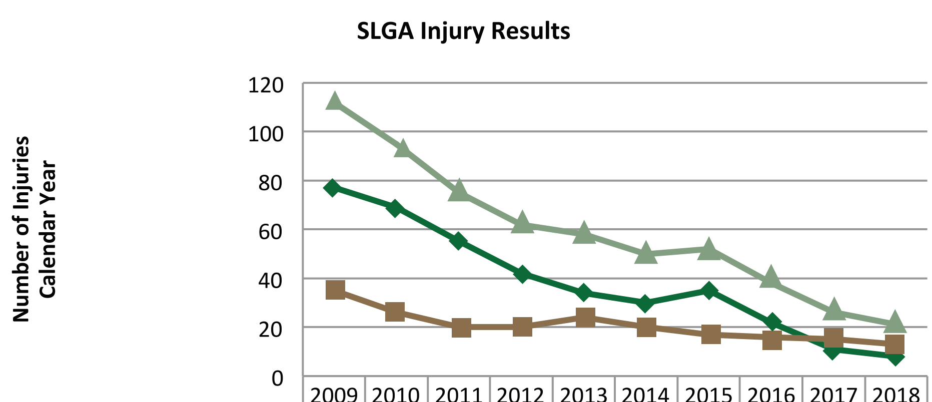
SLGA's Inclusion Strategy works toward increased recruitment efforts and initiatives to facilitate achievement of a representative workforce using the Saskatchewan Human Rights Commission's (SHRC) equity group employment targets as long-term goals. SLGA is above the SHRC target in two areas and has experienced declines in two areas. SLGA will continue with the implementation of its inclusion strategy to improve results in future years.

Fiscal Year	Aboriginal People	Women	Persons with Disabilities	Members of Visible Minorities	Younger Worker
SHRC Target	14.0%	46.0%	12.4%	6.6%	*
2018-19	9.8%	57.6%	6.4%	8.0%	8.6%
2017-18	10.1%	58.3%	7.7%	7.4%	*
2016-17	10.9%	61.4%	7.3%	5.9%	*
2015-16	11.9%	62.4%	6.6%	6.4%	*
2014-15	11.4%	63.3%	6.6%	5.2%	*

Source: SLGA
**2018-19 was the first year younger worker information was monitored.*
Younger worker is not a category monitored by the Saskatchewan Human Rights Council

Injury Results

SLGA has repetitive lifting occurring at the distribution centre and SLGA Retail Inc. stores which can lead to an increased probability of injuries. SLGA monitors the results of all injuries that occur whether they result in time away from work or a minor injury where an employee is able to continue to work. SLGA established a goal to see a 45 per cent reduction in injuries from 2015 to 2020. From 2015 to 2018, a reduction of 50 per cent had already occurred. The information that follows is compiled on a calendar year basis and shows that from 2009 to 2018, SLGA total injuries decreased by 81.2 per cent. Sustained emphasis on safety over the last few years focused on reducing risks, changes in process and regular discussions about safety have resulted in an improved safety culture and the significant reduction in injuries.



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Time Loss Injuries	77	69	55	42	34	30	35	22	11	8
No Time Loss Injuries	35	26	20	20	24	20	17	16	15	13
Total Injuries	112	95	75	62	58	50	52	38	26	21

Source: SLGA

2018-19 Financial Overview

SLGA Comprehensive Income (CI) to Budget

SLGA's CI reflects the accounts of SLGA and its wholly-owned subsidiaries, SLGA Retail Inc. and SLGA Holding Inc. As noted in the table, CI for 2018-19 was $2.3 million above SLGA's budget projection of $481.4 million. A shortfall of $28.4 million in liquor operations was offset by a $3.4 million increase in VLT operations, a $4.0 million increase from SIGA operations and an increase of $23.3 million in other gaming and cannabis CI.

	2017-18 Actual	2018-19 Budget	2018-19 Actual
Comprehensive Income	$494.9M	$481.4M	$483.7M
Liquor Operations	$253.8M	$283.7M	$255.3M
VLT	$169.7M	$155.5M	$158.9M
SIGA	$ 86.4M	$ 79.0M	$ 83.0M
Other Gaming	$(15.0)M	$(36.8)M	$(12.7)M
Cannabis	NA	NA	$ (0.8)M

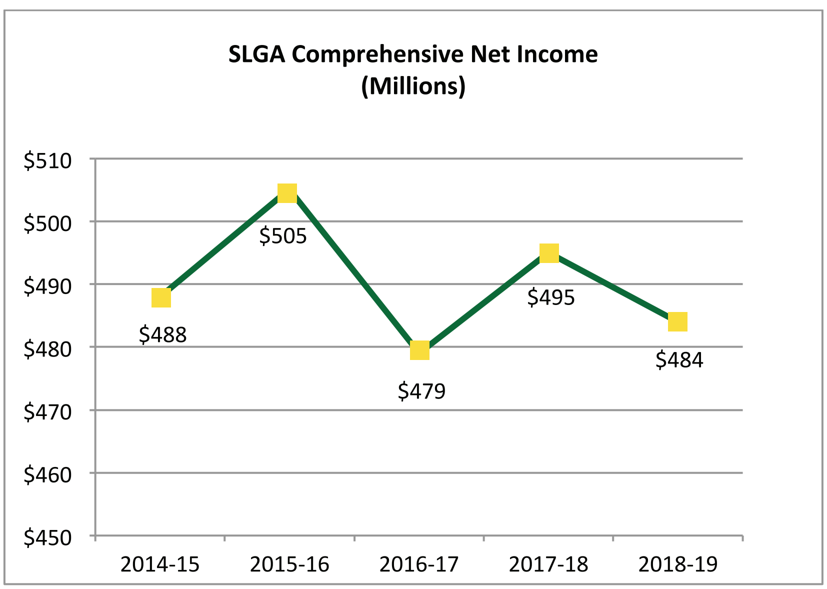
Source: SLGA

SLGA Comprehensive Income (CI) to Prior Year

As noted in the table above, SLGA's CI for 2018-19 was $483.7 million, a decrease of $11.2 million relative to 2017-18. The net impact was driven by a $1.5 million increase in CI from liquor operations, a $10.8 million decrease in VLT CI, a $3.4 million decrease in SIGA CI and a $1.5 million increase in other gaming CI.

SLGA Comprehensive Income (CI)

SLGA's CI is essential to providing sustainable funding in support of government programs and services. While SLGA's CI has fluctuated over the last five years, SLGA continues to be a large contributor to the summary financial statements of the Province of Saskatchewan.



Source: SLGA

MANAGEMENT'S REPORT

The accompanying financial statements, and related financial information throughout the Annual Report, have been prepared by management using International Financial Reporting Standards. Management is responsible for the integrity, objectivity and reliability of the financial statements.

SLGA's management has established and maintains a system of internal controls that provides reasonable 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 financial records are maintained. An auditing function exists within SLGA, which objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined SLGA's financial statements. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion on the fairness of presentation of SLGA's financial statements in accordance with International Financial Reporting Standards.

Clare Isman
President & CEO

Jim Engel
Vice-President, Corporate Services and Gaming Operations

Regina, Saskatchewan
May 31, 2019

Val Banilevic, CPA, CMA
Director, Financial Services

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Saskatchewan Liquor and Gaming Authority, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Saskatchewan Liquor and Gaming Authority as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Saskatchewan Liquor and Gaming Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Saskatchewan Liquor and Gaming Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Saskatchewan Liquor and Gaming Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Saskatchewan Liquor and Gaming Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ⇨ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and preform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ⇨ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Saskatchewan Liquor and Gaming Authority's internal controls.
- ⇨ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ⇨ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Saskatchewan Liquor and Gaming Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Saskatchewan Liquor and Gaming Authority to cease to continue as a going concern.
- ⇨ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ⇨ Obtain sufficient appropriate audit evidence regarding the financial information of the entities in the group audit to express an opinion on the Saskatchewan Liquor and Gaming Authority's consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We are solely responsible for the auditor's opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

Regina, Saskatchewan
May 31, 2019

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

Statement 1

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31

	Notes	2019 (000's)	2018 (000's) **(Note 26)**
Current assets:			
Cash		$ 1,774	$ 1,274
Due from General Revenue Fund	**4**	31,273	46,945
Trade and other receivables	**9**	81,175	76,802
Prepaid expenses		1,274	1,452
Inventory	**6**	24,113	23,053
Held for sale	**7 & 25**	1,356	1,871
Total current assets		140,965	151,397
Non-current assets:			
Property, plant and equipment	**7 & 10**	100,765	98,074
Intangible assets	**8**	22,387	27,438
Total non-current assets		123,152	125,512
Total Assets		$ 264,117	$ 276,909
Current liabilities:			
Trade and other payables		$ 26,248	$ 27,330
Payable to the General Revenue Fund	**5**	92,831	102,081
Goods and Services Tax payable	**10**	1,905	2,924
Provisions	**19**	1,150	1,075
Total current liabilities		122,134	133,410
Non-current liabilities:			
Promissory note debt	**24**	99,680	104,368
Accrued pension liability	**11**	43,873	43,985
Total non-current liabilities		143,553	148,353
Total Liabilities		265,687	281,763
Equity			
Retained earnings (deficit) and unrealized losses (Statement 3)		(1,570)	(4,854)
Total Equity		(1,570)	(4,854)
Total Liabilities & Equity		$ 264,117	$ 276,909

Commitments (Note 13)
Contingencies (Note 18)

(See the accompanying notes to the consolidated financial statements)

Statement 2

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended March 31

	Notes	2019 Budget (000's) (Note 15)	2019 Actual (000's)	2018 Actual (000's)
Operating				
Revenues:				
Liquor sales	14	$ 677,264	$ 638,017	$ 635,378
VLT		223,063	220,578	224,095
Slot machines	12	230,674	228,475	221,424
Licence, permit, and other income		4,428	7,521	5,704
		1,135,429	1,094,591	1,086,601
Cost of sales:				
Cost of liquor	6	348,608	321,055	318,195
VLT site commissions		33,199	34,476	34,104
		381,807	355,531	352,299
Gross profit on sales		753,622	739,060	734,302
Expenses (Schedule 1 & 2):				
VLT, liquor and other gaming		120,548	108,612	104,994
Slot machines expense		132,196	127,510	119,771
Other	12	19,478	18,306	17,079
Total expenses		272,222	254,428	241,844
Operating Income		481,400	484,632	492,458
Financing				
Gain (loss) on disposal of non-current assets		---	437	447
Financing Income		---	437	447
Net Income		481,400	485,069	492,905
Other Comprehensive Income (OCI)				
Net gain (loss) on interest rate swaps	12	---	329	1,790
Remeasurement of defined benefit obligation	11	---	(1,718)	178
Total OCI		---	(1,389)	1,968
Total Comprehensive Income		$ 481,400	$ 483,680	$ 494,873

(See the accompanying notes to the consolidated financial statements)

Statement 3

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended March 31

	Retained earnings (deficit)	Net gain (loss) on interest rate swaps	Net actuarial gain (loss) on defined benefit pension plans	Total
	(000's)	(000's)	(000's)	(000's)
	(Note 26)			
Equity				
Balance April 1, 2017	$ 2,592	$ (3,689)	$ (2,592)	$ (3,689)
Adjustment to equity	(84)	---	---	(84)
Net income	492,905	---	---	492,905
Other comprehensive income (loss)	---	1,790	178	1,968
Dividends	(495,954)	---	---	(495,954)
Balance March 31, 2018 (to Statement 1)	$ (541)	(1,899)	(2,414)	$ (4,854)
Net income	485,069	---	---	485,069
Other comprehensive income (loss)	---	329	(1,718)	(1,389)
Dividends	(480,396)	---	---	(480,396)
Balance March 31, 2019 (to Statement 1)	$ 4,132	$ (1,570)	$ (4,132)	$ (1,570)

(See the accompanying notes to the consolidated financial statements)

Statement 4

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2019	2018
	(000's)	(000's)
		(Note 26)
Operating		
Receipts from customers	$ 1,128,592	$ 1,115,506
Interest received	456	354
Payments to suppliers and other	(554,449)	(523,644)
Payments to employees	(44,120)	(49,110)
Payments to grant recipients	(8,928)	(8,597)
Payment of Goods and Services Tax	(17,444)	(18,139)
Net cash provided by operating activities	504,107	516,370
Investing		
Purchase of property, plant and equipment	(25,751)	(29,166)
Purchase of intangible assets	(1,631)	(3,048)
Proceeds from disposal of property, plant and equipment	---	447
Proceeds from sale of stores	2,437	---
Net cash (used in) investing activities	(24,945)	(31,767)
Financing		
Cash deposited in General Revenue Fund	(489,646)	(486,888)
Promissory note proceeds received	203,215	209,000
Promissory note repayments	(207,903)	(209,632)
Net cash (used in) financing activities	(494,334)	(487,520)
Net (decrease) increase in cash position	(15,172)	(2,917)
Cash position, beginning of year	48,219	51,136
Cash position, end of year	$ 33,047	$ 48,219
Cash position consists of:		
Cash	$ 1,774	$ 1,274
Due from General Revenue Fund	31,273	46,945
	$ 33,047	$ 48,219

(See the accompanying notes to the consolidated financial statements)

1. Description of Business

The Saskatchewan Liquor and Gaming Authority (SLGA) along with its subsidiaries SLGA Retail Inc. and SLGA Holding Inc. is a corporation located in Canada. The address of SLGA's registered office and principal place of business is 2500 Victoria Avenue, Regina, SK, S4P 3M3.

Effective Oct. 9, 2016 SLGA Retail Inc. operated as a wholly owned subsidiary under the direction of the SLGA.

Effective Sept. 30, 2018 SLGA Holding Inc. operated as a wholly owned subsidiary under the direction of the SLGA.

SLGA, SLGA Retail Inc. and SLGA Holding Inc. operate under *The Alcohol and Gaming Regulation Act, 1997*. SLGA's mandate is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

SLGA operates video lottery terminals and oversees the operation of retail liquor stores by SLGA Retail Inc. It also owns and manages the slot machines at the Saskatchewan Indian Gaming Authority's (SIGA) casinos. Revenue from slot machines at SIGA's casinos and related expenses are included in these consolidated statements.

SLGA operates as a Treasury Board Crown Corporation under the direction of the Government of Saskatchewan. As such, SLGA is not subject to federal or provincial income or capital taxes. The financial results of SLGA are included in the summary financial statements of the Province of Saskatchewan.

2. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). SLGA's board of directors approved these consolidated statements on May 31, 2019.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through profit and loss which are measured at fair value. Historical cost is generally based on fair value of the consideration given in exchange for assets or liabilities.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is SLGA's functional currency.

(d) Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Useful lives of property, plant and equipment (note 3(e), note 7); intangible assets (note 3(f), note 8)
- Measurement of defined benefit obligations (note 11(ii))
- Provisions (note 19)
- Cash generating units (CGUs) for SLGA are SLGA liquor operations and SLGA gaming operations (note 3(g)(ii)).

(e) Basis of Consolidation

The consolidated financial statements include the accounts of SLGA and its wholly-owned subsidiaries, SLGA Retail Inc. and SLGA Holding Inc. which are incorporated under *The Business Corporations Act (Saskatchewan)*. All intercompany transactions and accounts have been eliminated on consolidation.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

SLGA adopted IFRS 9, Financial Instruments effective April 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities as well as introduces a new impairment model for financial assets. IFRS 9 replaces the 'incurred loss' model in IAS 39. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant impact on SLGA's accounting policies related to financial assets or financial liabilities. Accounts receivable that were classified as loans and receivables under IAS 39 are now classified as amortized cost as they are being held to collect contractual cash flows and the payments are solely principal and interest.

As a result of the adoption of IFRS 9, SLGA adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019 but generally have not been applied to comparative information.

The standard has been applied retrospectively and had no impact on retained earnings at April 1, 2018.

SLGA adopted IFRS 15, Revenue from Contracts with Customers effective April 1, 2018. As a result, the standard replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, and IFRIC 13 – Customer Loyalty Programmes.

In accordance with the transition provisions of IFRS 15, SLGA has applied IFRS 15 using the cumulative effect method by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at April 1, 2018. Upon application of the new revenue standard, there was no cumulative effect adjustment required to be recognized at April 1, 2018. The comparative information has not been adjusted and continues to be reported under the accounting standards in effect for those periods.

Revenue is measured based on the consideration specified in a contract with a customer. SLGA recognizes revenue when control over a product or service has been transferred to a customer.

SLGA has determined that there has been no material impact on recognized revenue in the year ended March 31, 2019 from the adoption of the new revenue standard. SLGA's revenue recognition accounting policy in accordance with IFRS 15 is provided in Note 3(a).

(a) Revenue Recognition

SLGA evaluates all contractual arrangements it enters into and evaluates the nature of the promises it makes, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are concluded to be distinct from each other, the consideration SLGA expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices.

(i) Liquor sales

Sales are recorded net of returns, container deposits, Goods and Services Tax and Liquor Consumption Tax.

(ii) Licence fees

Liquor and gaming licence fees are recorded over the period of the licence.

(iii) Video lottery terminals (VLT)

Revenue is recorded net of prize payouts. VLT revenues are net of accruals for anticipated payouts of progressive jackpots.

(iv) Slot machines

Revenues from casino slot machines are recorded net of prize payouts. Slot revenues are net of accruals for anticipated payouts of progressive jackpots and promotional allowances.

(b) Promotional Allowances

SIGA offers a customer loyalty program to its patrons. As part of the program, club members accumulate points based on amounts wagered and can redeem their points for cash or vouchers for free or discounted goods or services. The cash value of the points accumulated is recorded as a reduction of gaming revenue. A liability is accrued by SIGA for the estimated cost of the earned points balance at the end of the period under the loyalty program. If the patron chooses to redeem their points for a voucher for free or discounted goods or services, the revenue is determined by the fair value of the undelivered goods and services and is deferred until the promotional consideration is provided.

(c) VLT Site Commission

Establishments where VLTs are located are entitled to a commission based on 15 per cent of the VLT revenue earned. The commission is recorded as the VLT revenue is earned.

(d) Inventories

Inventories of wines, coolers, spirits, beer and gaming machine parts are valued at the lower of average cost and net realizable value.

Cost for liquor inventories is determined using the weighted average cost method. Cost for gaming machine parts is determined on a first-in, first-out basis. Inventory cost includes the costs of purchase plus other costs, such as excise duties and taxes and transportation that are directly incurred to bring inventories to their present location. Previous write-downs of inventories to net realizable values are reversed when inventory values increase.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item, that are significant in comparison to the whole, of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are depreciated commencing in the year in which these assets are available for use on a straight-line basis at rates designed to allocate the cost of these assets over their estimated useful lives. Rates are as follows:

- Building 5 – 40 years
- Furniture & equipment 3 – 10 years
- VLT and slot machines 6 – 7 years

Leasehold improvements are depreciated over the lesser of the life of the asset or the term of the lease.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted as necessary.

Property, plant and equipment is derecognized on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in comprehensive income when the asset is derecognized.

Assets held for sale are valued at the lower of net book value and fair market value less selling costs.

(f) Intangible Assets

Intangible assets consist of software and are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful lives of three to seven years. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in comprehensive income when the asset is derecognized.

(g) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in comprehensive income and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through comprehensive income.

SLGA recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. SLGA measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased, SLGA performs a quantitative and qualitative analysis based on SLGA's historical experience and forward-looking information. SLGA assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. SLGA considers a financial asset to be in default when it is more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

(ii) Non-financial assets

The carrying amounts of SLGA's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to SLGA. All other leases are classified as operating leases.

As at March 31, 2019, SLGA does not have any finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(i) Provisions

Provisions are recognized when SLGA has a present obligation (legal or constructive) as a result of a past event, it is probable that SLGA will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks, uncertainties and timing surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(j) 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.

(k) Employee Benefits

(i) Defined benefit plan

A defined benefit plan is a post-employment plan other than a defined contribution plan. Total cost of the pension benefits earned by employees, who are members of SLGA's defined benefit plan (closed to new members since 1977), is determined using the projected unit credit method prorated on service. Remeasurements comprising of actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in the consolidated statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recorded in other comprehensive income will not be subsequently reclassified to comprehensive income. Past service cost is recognized in profit or loss in the period of plan amendment. Net interest is calculated by applying the discount rate to the net defined benefit liability. Defined benefit costs are split into three categories:

• Service cost, past-service cost, gains and losses on curtailments and settlements

• Net interest expense or income;

• Remeasurement

SLGA presents the first two components of defined benefit costs in the line item "Salaries, wages and benefits" in Schedule 2. Curtailments gains and losses are accounted for as past-service cost.

Remeasurements are recorded in other comprehensive income.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit in SLGA's defined benefit plan.

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefit payments. Pension plan assets are valued at fair value for the purposes of calculating the expected return on plan assets.

(ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the consolidated statement of comprehensive income when services are rendered by employees.

Employees hired after 1977 are members of a defined contribution pension plan. SLGA expenses contributions it is required to make for current service of those employees. SLGA's liability for these employees is limited to the required employer's contributions.

(iii) Other employee benefits

Long service gratuity is a benefit paid to employees over 50 upon retirement. The gratuity is calculated as one half of a day's pay for every year of employment with SLGA upon retirement. Changes in the provision for long service gratuity are included in comprehensive income.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(l) Grants

Grants are recognized when approved and eligibility criteria, if any, are met.

(m) Financial Instruments

(i) Non-derivative financial assets and liabilities

SLGA classifies its financial instruments into one of the following categories: fair value through profit or loss;

amortized cost; and other liabilities. All financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Cash and Due from General Revenue Fund are classified as fair value through profit or loss and are recorded at fair value. Cash denominated in foreign currency is translated at the foreign exchange rate in effect at year end.

Trade and other receivables are classified as amortized cost. Financial assets classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial assets measured at amortized costs using the effective interest model, less any impairment losses.

SLGA has the following non-derivative financial liabilities which are classified as other liabilities: trade and other payables, payable to the General Revenue Fund, goods and services tax payable, and promissory note debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

SLGA derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by SLGA is recognized as a separate asset or liability. SLGA derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, SLGA has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Derivatives

Pursuant to the Casino Operating Agreement (Note 12), SLGA authorized SIGA to enter into long-term debt arrangements. It also authorized SIGA to enter into interest rate swaps in order for SIGA to manage the interest rate exposure on its long-term debt. SLGA's exposure to the interest rate risk arising from this long-term debt, the interest rate swap arrangements and SIGA's other financial instruments is disclosed in Note 21. Changes in the fair value of the interest rate swaps are recorded as an unrealized gain or loss in comprehensive income in the year they occur.

(iii) Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in comprehensive income.

SLGA has not identified any material embedded derivatives in any of its financial instruments that are required to be separately valued.

(n) Finance Income

Finance income comprises of gains/losses on sale of non-current assets.

(o) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or development of qualifying assets are added to the costs of that asset, until it is available for use. Qualifying assets are those assets that take a substantial period of time to get ready for their intended use. SLGA capitalizes borrowing costs used for the purpose of obtaining a qualifying asset using the weighted average cost of debt. All other borrowing costs are recognized in finance expenses in the period in which they are incurred.

(p) New Standards and Interpretations Not Yet Adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after Jan. 1, 2019 or later periods. SLGA is assessing the impact of these pronouncements on its results and financial position. These include:

- IFRS 16 – On Jan. 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after Jan. 1, 2019. IFRS 16 will replace IAS 17 Leases and the related interpretations.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have also been impacted, including the definition of a lease. Transitional provisions have been provided. SLGA intends to adopt IFRS 16 in its financial statements for the annual period beginning on April 1, 2019. It is expected that IFRS 16 will have a significant impact, however SLGA is not able at this time to estimate reasonably the impact that IFRS 16 will have on the financial statements.

4. Due from General Revenue Fund

Most of SLGA's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. During the year, the General Revenue Fund did not pay interest on SLGA's bank accounts.

5. Disposition of Retained Earnings

Subsection 182(5) of *The Alcohol and Gaming Regulation Act, 1997* (Act) allows SLGA to provide interest free advances to the Minister of Finance for deposits in the General Revenue Fund (GRF) until Treasury Board determines the disposition of SLGA's retained earnings. Under subsection 182(1) of the Act, Treasury Board may, at any time, direct that all or any portion of SLGA's retained earnings be transferred to the GRF. Treasury Board has directed SLGA to transfer $480,396 thousand (2018 - $495,954 thousand) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2019 (000's)	2018 (000's)
Payable to GRF at beginning of year	$ 102,081	$ 93,015
Deposits during the year	(489,646)	(486,888)
Dividend to GRF	480,396	495,954
Payable to GRF at end of year	$ 92,831	$ 102,081

6. Inventories

	2019 (000's)	2018 (000's)
Wines, coolers and spirits in stores	$ 7,625	$ 6,551
Wines, coolers and spirits in warehouse	13,585	10,907
Beer in stores	2,057	2,626
Gaming machine parts	846	2,969
	$ 24,133	$ 23,053

The cost of liquor and gaming machine part inventories recognized as an expense during the year ended March 31, 2019 was $321,055 thousand and $1,070 thousand respectively. During the year, SLGA had no write-downs of inventory below cost and no reversals of inventories previously written down. As of March 31, 2019 there was no amount of inventory pledged as security.

7. Property, Plant and Equipment

(000's)	Land	Buildings	Slot Machines	VLT	Furniture and Equipment	Breakopen Vending Machines	Leasehold Improvements	Held for Sale	Total
Cost									
Balance, April 1, 2017	$ 4,672	$ 59,874	$ 68,502	$ 81,269	$ 23,656	$ ---	$ 8,711	$ ---	$ 246,684
Additions/adjustments	(243)	(5,301)	10,921	18,372	(199)	---	---	5,616	29,166
Disposals/ retirements	(164)	(2,765)	(3,296)	(394)	(673)	---	(407)	---	(7,699)
Balance, March 31, 2018	$ 4,265	$ 51,808	$ 76,127	$ 99,247	$ 22,784	$ ---	$ 8,304	$ 5,616	$ 268,151
Additions/adjustments	(427)	(634)	12,859	12,405	302	---	45	1,201	25,751
Disposals/ retirements	(36)	(4,742)	(6,351)	(10,140)	(667)	---	(397)	(4,379)	(26,712)
Balance, March 31, 2019	$ 3,802	$ 46,432	$ 82,635	$ 101,512	$ 22,419	$ ---	$ 7,952	$ 2,438	$ 267,190

(000's)	Land	Buildings	Slot Machines	VLT	Furniture and Equipment	Breakopen Vending Machines	Leasehold Improvements	Held for Sale	Total
Accumulated Depreciation									
Balance, April 1, 2017	$ ---	$ 24,742	$ 44,063	$ 64,694	$ 15,571	$ (3)	$ 8,331	$ ---	$ 157,398
Depreciation expense	---	1,497	6,232	7,125	2,706	---	138	132	17,830
Adjustments	---	(3,613)	---	---	---	---	---	3,613	---
Disposals/ retirements	---	(2,369)	(3,283)	(310)	(653)	---	(407)	---	(7,022)
Balance, March 31, 2018	$ ---	$ 20,257	$ 47,012	$ 71,509	$ 17,624	$ (3)	$ 8,062	$ 3,745	$ 168,206
Depreciation expense	---	1,407	8,181	9,359	2,524	---	93	---	21,564
Adjustments	---	(676)	---	---	---	---	---	676	---
Disposals/ retirements	---	(4,612)	(6,327)	(9,389)	(642)	3	(395)	(3,339)	(24,701)
Balance, March 31, 2019	$ ---	$ 16,376	$ 48,866	$ 71,479	$ 19,506	$ ---	$ 7,760	$ 1,082	$ 165,069

(000's)	Land	Buildings	Slot Machines	VLT	Furniture and Equipment	Breakopen Vending Machines	Leasehold Improvements	Held for Sale	Total
Net Book Value									
Balance, March 31, 2018	$ 4,265	$ 31,551	$ 29,115	$ 27,738	$ 5,160	$ 3	$ 242	$ 1,871	$ 99,945
Balance, March 31, 2019	$ 3,802	$ 30,056	$ 33,769	$ 30,033	$ 2,913	$ ---	$ 192	$ 1,356	$ 102,121

8. Intangible Assets

(000's)		Software Total
Cost		
Balance, April 1, 2017	$	48,068
Additions/adjustments		3,048
Disposals/retirements		(35)
Balance, March 31, 2018	$	51,081
Additions/adjustments		1,631
Disposals/retirements		(3,417)
Balance, March 31, 2019	$	49,296

Accumulated depreciation		
Balance, April 1, 2017	$	17,130
Depreciation expense		6,548
Disposals/retirements		(35)
Balance, March 31, 2018	$	23,643
Depreciation expense		6,682
Disposals/retirements		(3,417)
Balance, March 31, 2019	$	26,909

Net Book Value		
Balance, March 31, 2018	$	27,438
Balance, March 31, 2019	$	22,387

9. Trade and Other Receivables

		2019 (000's)		2018 (000's)
Slot machines receivable – SIGA	$	64,808	$	65,160
VLT receivable		9,121		6,008
Other		7,246		5,634
	$	81,175	$	76,802

10. Goods and Services Tax (GST)/Harmonized Sales Tax (HST)

SLGA is on the prescribed list of lottery corporations pursuant to Section 188 of the Federal *Excise Tax Act*. In lieu of collecting GST on VLT and slot revenue at the retail level, SLGA calculates and remits GST according to a formula prescribed by the Canada Revenue Agency.

The formula required SLGA to pay 10 per cent on the purchase of taxable goods and services related to gaming programs but only 5 per cent on VLT site contractor commissions.

The GST paid on property, plant and equipment for gaming is set up as part of the cost of the asset and is depreciated on a straight-line basis over the useful life of the property, plant and equipment.

SLGA also pays GST/HST to the Canada Revenue Agency and claims input tax credits on all its liquor and other taxable purchases.

11. Post Employment Benefits

SLGA sponsors a defined benefit pension plan and participates in a defined contribution pension plan covering substantially all of its employees.

(a) Defined Contribution Plan

The defined contribution plan is called the Public Employees Pension Plan (PEPP). SLGA is required to contribute a specified percentage of payroll costs to PEPP to fund the benefits. The only obligation of SLGA with respect to PEPP is to make the specified contributions. During the year, SLGA paid PEPP and expensed its required contributions of $2,673 thousand (2018 - $2,873 thousand).

(b) Defined Benefit Plan

The Liquor Board Superannuation Commission administers the defined benefit plan, Liquor Board Superannuation Plan (Plan), for SLGA. The Plan provides pensions calculated at 2 per cent of a member's average salary for the five years of highest salary, multiplied by the number of years of service to a maximum of 35. This Plan has been closed to new members since 1977.

AON Hewitt performed the valuation of the Plan as at Sept. 30, 2017 and extrapolated the valuation to March 31, 2019. The accrued benefit obligation is based on a number of assumptions about future events including: discount rate, rate of salary increases, mortality, retirement rates and inflation. The following significant assumptions were adopted in measuring the accrued benefit obligation:

	2019	2018
Expected long-term rate of return on plan assets	4.80%	4.50%
Inflation rate	2.25%	2.25%
Discount rate	3.20%	3.40%
Salary increases	---%	---%
Indexing increases to pensions as per cent of Consumer Price Index	70%	70%
Expected average remaining service life*	0 years	0 years

** SLGA does not have any contributing employees, all have reached 35 years of service.*

The following illustrates the effect of changing certain assumptions from assumed rate of: inflation 2.25 per cent and discount rate 3.20 per cent.

	Long-Term Assumptions			
	Inflation*		Discount Rate	
	3.25%	1.25%	4.2%	2.2%
(Decrease) increase in liability	(2.9%)	3.0%	(10.0%)	12.0%

** A change in the inflation rate of 1 per cent has a corresponding change in the discount rate of 1 per cent.*

SLGA's pension costs are included in salary, wages and benefits on Schedule 1 and OCI.

	2019 (000's)	2018 (000's)
Current service cost – defined contribution plan	$ 2,673	$ 2,873
Net interest expense	1,439	1,604
Components of pension costs recorded in profit or loss	4,112	4,477
Return on plan assets (excluding net interest expense)	(34)	61
Actuarial (gains) losses – assumption changes	1,752	(239)
Components of defined benefit costs recorded in OCI	1,718	(178)
Total of components of benefit cost	$ 2,394	$ 4,299

Information about SLGA's defined benefit plan is as follows:

	2019 (000's)	2018 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 54,752	$ 56,734
Interest cost	1,796	1,916
Benefits paid	(3,843)	(4,009)
Experience (gain) loss		
Change in financial assumptions	1,141	111
Change in mortality assumptions	---	---
	$ 53,846	$ 54,752
Plan Assets		
Fair value of plan assets, beginning of year	$ 10,767	$ 10,282
Actual return on plan assets	(177)	684
Employer contributions	3,303	3,788
Benefits paid	(3,920)	(3,987)
Fair value of plan assets, end of year	$ 9,973	$ 10,767
Accrued pension liability	$ 43,873	$ 43,985

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 21.2 per cent (2018 – 26.1 per cent) in a Canadian equity pooled fund, 27.8 per cent (2018 – 30.6 per cent) in foreign equity pooled funds, 47.6 per cent (2018 – 41.4 per cent) in a bond and debenture pooled fund and 3.4 per cent (2018 – 1.9 per cent) in a short term investment pooled fund.

The major categories of plan assets at the end of the reporting period for each category are as follows:

	2019 (000's)	2018 (000's)
Due from General Revenue Fund	$ 55	$ 32
TD Canadian Bond Index Fund	4,715	4,455
Equity Instruments		
- TD Canadian Equity Index Fund	2,101	2,801
- TD International Equity Index Fund	1,394	1,608
- TD US Market Index Fund	---	1,680
- TD Pooled US Fund	1,357	---
- TD Canadian Short Term Investment Fund	336	209
Total equity instruments	5,188	6,298
	$ 9,958	$ 10,785

The Plan limits its investment in foreign equities including foreign pooled funds to 38 per cent of the cost of the investment portfolio and is denominated in Canadian dollars. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

The TD Canadian Equity Index Fund, the TD US Market Index Fund and the TD International Equity Index Fund all may use derivative financial instruments such as forward and futures contracts, options and swaps, as permitted by the Canadian Securities legislation, to gain exposure to the S&P/TSX Composite Index, the S&P 500 Index and the MSCI EAFE Index and their underlying components respectively, to hedge against movements in currency exchange rates and equity indices, and to increase liquidity within the portfolio. Sufficient cash or securities will be held within each fund to cover all derivative obligations.

Derivative financial instruments are financial contracts that change in value resulting from changes in underlying assets or indices. Derivative transactions are conducted in over-the-counter markets directly between two counterparties or on regulated exchange markets. All derivative financial instruments are recorded at market value using market prices. Where market prices are not readily available, other valuation techniques are used to determine market value.

The total cash inflow is the amount of employer contributions expected to be received by the pension plan together with interest on investments of 4.8 per cent and employer contributions calculated as 77 per cent of total benefit payments. The total cash outflows are the amounts that are required to pay all pension obligations. Forecast of cash flows have been determined using the long-term assumptions used in the valuation. All amounts are based on actual dollar forecasts.

	($000's)			
	Contributions	Benefits Paid	Investment Return	Net Cash Outflow
2020	2,959	3,844	485	(400)
2021	2,841	3,690	467	(382)
2022	2,705	3,513	449	(359)
2023	2,629	3,415	433	(353)
2024	2,579	3,349	416	(354)
Total next 5 years	13,713	17,811	2,250	(1,848)
Total 5-10 years	12,132	15,759	1,829	(1,798)
Total 11-30 years	31,609	41,055	3,277	(6,169)
Total 31-50 years	2,816	3,658	116	(726)

12. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

Effective June 11, 2007 the Province and the Federation of Sovereign Indigenous Nations (FSIN) agreed to amend the 2002 Framework Agreement for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development within the parameters of *The Criminal Code of Canada*. This amendment also permitted SIGA to retain $5 million annually from slot machine operations as a capital reserve for the sole purpose of acquiring capital assets. This $5 million is a receivable due from SIGA and is included in slot machine receivable disclosed in Note 9.

The 2002 Framework Agreement expires in 2037. Similar to its predecessor, the 1995 Framework Agreement, the 2002 Framework Agreement requires the Province to retain a portion of the net profits from slot machines in the GRF and distribute the remaining profits to the First Nations Trust, and the Community Development Corporations.

To implement the 2002 Framework Agreement, SLGA and SIGA made agreements for casino operations and slot machine management. The Casino Operating Agreement requires SIGA to pay the net profits from slot machines to SLGA. This agreement also ensures SLGA recovers the cost of slot machines, the related computer system and interest over the useful life.

Also under the 2002 Framework Agreement, SIGA has granted a first charge security interest on all its present and after acquired assets to SLGA to secure contractual obligations of SIGA under the Agreement. However, the Agreement requires SLGA, upon joint written request by SIGA and its lenders, to postpone such security in favour of the lenders who require a prior charge relating to funds lent to SIGA for the financing of its operations carried out in accordance with the Agreement. As of March 31, 2019, SIGA owes $25,573 thousand under a $79,000 thousand long-term financing agreement with a financial institution (Bank) (Note 13). SLGA has postponed its security in regards to this financing agreement.

In order to manage its interest rate exposure, SIGA entered into separate interest rate swap arrangements for its long-term debt related to the Dakota Dunes, Living Sky and Painted Hand construction projects. The interest rate swaps came into effect on April 1, 2008, April 1, 2009, and April 4, 2013. These swap arrangements fixed the interest rates at 2.08 per cent to 5.09 per cent for the duration of the long-term debt (April 2023 and August 2024).

Under the Casino Operating Agreement between SIGA and SLGA, SIGA is permitted to charge its losses from table games and ancillary operations as an expense of slot machine operations. As well, the Casino Operating Agreement requires SIGA to pay to the Indigenous Gaming Regulators Inc. (IGR) funds equal to IGR's operating budget upon direction from SLGA.

Effective for the year ended March 31, 2008 and subsequent years, the Casino Operating Agreement between SIGA and SLGA has been amended to exclude unrealized gains and losses on the interest rate swaps initiated on Dec. 12, 2007, from the calculation of net Casino profits payable to SLGA. These unrealized gains and losses are netted against the slot machines receivable due from SIGA disclosed in Note 9. As of March 31, 2019, the unrealized gain included in the slot machines receivable was $329 thousand (2018 – $1,790 thousand gain).

In addition, under an agreement with Saskatoon Prairieland Park Corporation (SPPC), SIGA is required to pay SPPC compensation for the closure of its casino (Note 13).

During the year, SIGA's losses from table game and ancillary operations as well as SIGA's payments to IGR and SPPC are recorded as an expense of slot machine operations as follows:

	2019 (000's)	2018 (000's)
Table games revenues	$ 14,070	$ 12,627
Table games expenses	15,849	14,427
Net losses from table games	$ 1,779	$ 1,800
Ancillary operations gross profit	$ 15,706	$ 14,285
Ancillary operations expenses	26,333	23,664
Net losses from ancillary operations	$ 10,627	$ 9,379
Total losses expensed	$ 12,406	$ 11,179
IGR payment	3,300	3,300
SPPC payment	2,600	2,600
	$ 18,306	$ 17,079

13. Commitments

(a) SLGA

Leases: SLGA, as lessee, is committed to pay under operating leases on leased premises the following minimum amounts in future years:

Year Ending March 31	(000's)
Less than one year	$ 5,400
Between one and five years	10,622
More than five years	2,840
Total	$ 18,862

(b) SIGA Leases, Casino and Debt

Under the Casino Operating Agreement, SLGA allows SIGA to recover its costs for approved casino operating expenses, contractual obligations and commitments from SLGA's slot machine revenues. SIGA's contractual obligations and commitments are as follows:

Operating leases: SIGA has obligations under casino operating leases for buildings, equipment and vehicles. The minimum lease payments over the next five years are as follows:

Year Ending March 31		
		(000's)
Less than one year	$	4,933
Between one and five years		11,281
More than five years		2,169
	$	18,383

The above commitments include amounts committed to parties related to SIGA totalling $12,873 thousand for years 2020 through 2024 and $2,169 thousand for the years beyond 2024.

Finance leases: SIGA has entered into finance lease agreements for the Dakota Dunes, Living Sky, Gold Eagle, Painted Hand and Gold Horse Casinos with related parties. The minimum lease payments under these finance lease obligations are as follows:

Year Ending March 31		
		(000's)
Less than one year	$	10,849
Between one and five years		43,632
More than 5 years		58,841
Total	$	113,322

Due to the related party nature of the finance lease obligation, fair value information has not been disclosed as fair value cannot be reliably measured.

Long-term debt: In 2007, SIGA made a long-term financing agreement with a Bank for $79,000 thousand to finance new casino projects. As of March 31, 2019, SIGA owes $25,573 thousand (2018 - $30,976 thousand) under this agreement at interest rates varying from 2.08 per cent to 5.09 per cent. SIGA's principal repayments are as follows:

Year Ending March 31		
		(000's)
2020	$	5,402
2021		5,403
2022		5,403
2023		5,518
2024		2,607
Thereafter		1,240

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2020, the budgeted transfers are $3,300 thousand (2019 - $3,300 thousand).

As well, under an agreement with SPPC effective August 10, 2007, SIGA began paying SPPC $2,600 thousand annually, subject to certain conditions, for 30 years payable in monthly installments of $217 thousand. In 2019, SIGA paid $2,600 thousand (2018 - $2,600 thousand) to SPPC, which is recorded as part of the SIGA other operating expenses.

SIGA has also previously committed to providing sponsorship funding to various agencies.

14. Liquor Sales

	2019 (000's)	2018 (000's)
Wines, coolers and spirits		
-To the public via SLGA Retail stores	$ 159,530	$ 195,524
-To retail store permittees	192,841	156,230
	352,371	351,754
Beer		
-To the public via SLGA Retail stores	75,967	95,057
-To retail store permittees	209,679	188,567
	285,646	283,624
Total	$ 638,017	$ 635,378

15. 2019 Budget

These amounts represent the budget approved by Treasury Board.

16. Segmented Information

SLGA operates in five segments – liquor, VLT, slots in SIGA casinos, other gaming and cannabis.

The liquor segment reflects the retailing and licensing of beverage alcohol activities within the province.

The VLT segment reflects the operation of the VLT program under the authority of Section 207 of *The Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1997*.

The slots in SIGA casinos segment reflect the operations of SLGA's slot machines in SIGA casinos (see Note 12).

The Other Gaming segment reflects the licensing and support of charitable and religious organizations that conduct and manage bingos, casinos, raffles and the regulation and support of the horse racing industry.

The cannabis segment reflects the regulation of cannabis.

Key amounts by segment as follows:

	SEGMENTS						
	2019 (000's)						2018 (000's)
	Liquor	VLT	Slots in SIGA Casinos	Other Gaming	Cannabis	Total	Total
Revenues	$ 638,017	220,578	228,475	---	---	1,087,070	$ 1,080,897
Other income	5,332	23	---	765	1,838	7,958	6,151
Total revenues	643,349	220,601	228,475	765	1,838	1,095,028	1,087,048
Direct expenses	321,055	34,476	---	---	---	355,531	352,299
Operating expenses (Schedule 1 & 2)	65,261	27,194	145,816	13,489	2,668	254,428	241,844
Total expenses	386,316	61,670	145,816	13,489	2,668	609,959	594,143
Subtotal	257,033	158,931	82,659	(12,724)	(830)	485,069	492,905
Other comprehensive income	(1,718)	---	329	---	---	(1,389)	1,968
Total comprehensive income	255,315	158,931	82,988	(12,724)	(830)	483,680	494,873
Retained earnings (deficit) beginning of year	(2,955)	---	(1,899)	---	---	(4,854)	(3,689)
Adjustment to equity	---	---	---	---	---	---	(84)
Dividend to General Revenue Fund	252,360	158,931	82,659	(12,724)	(830)	480,396	495,954
Retained earnings (deficit) end of year	$ ---	---	(1,570)	---	---	(1,570)	$ (4,854)
Property, plant and equipment	$ 46,844	32,115	35,712	9,797	40	124,508	$ 127,383
Property, plant and equipment purchases	$ 2,263	12,732	12,054	310	23	27,382	$ 32,214
Depreciation	$ 4,886	10,705	10,549	2,102	4	28,246	$ 24,378

17. Related Parties

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to SLGA by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Government-related entities are exempt from providing disclosure about individual related party transactions, other than the transactions with key management personnel disclosed below. Instead, government-related entities are required to disclose the types and extent of individually or collectively significant transactions with related parties. In determining individually significant transactions, SLGA considers the size, type and terms of the transaction.

SLGA also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance, in 2019 SLGA paid $120 thousand (2018 - $5 thousand). Taxes paid are recorded as part of the cost of those purchases. SLGA also collects liquor consumption tax from customers and remits to the Saskatchewan Ministry of Finance, in 2019 SLGA paid $23,476 thousand (2018 - $28,786 thousand). All other transactions with related parties are routine operating transactions that are settled at prevailing market prices under normal trade terms.

SLGA's Key Management Personnel Compensation

Key management personnel include the president and vice presidents. The compensation paid (including benefits) to key management for employee services is shown below:

	2019 (000's)	2018 (000's)
Salaries and short-term employee benefits	$ 945	$ 939
Post-employment benefits	177	126
	$ 1,122	$ 1,065

18. Contingencies

	2019 (000's)	2018 (000's)
Court proceedings (i)	$ 5,000	$ 5,000

(i) As part of ongoing operations SLGA faces legal actions initiated by third parties and contract disputes.

At year-end there were actions outstanding against SLGA, which the likelihood of loss is unlikely. Settlements arising from the resolution of these actions will be accounted for in the year in which the settlements occur.

19. Provisions

	Short-term Employee Benefits (000's)
Balance, April 1, 2017	$ 1,075
Provisions made during the period	1,075
Provisions used during the period	(1,075)
Balance, March 31, 2018	$ 1,075
Provisions made during the period	1,150
Provisions used during the period	(1,075)
Balance, March 31, 2019	$ 1,150

Short-Term Employee Benefits

The provision for short-term employee benefits represents annual sick leave and long service gratuity entitlements.

20. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division (Division) of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of SLGA. WCLC provides accounting, purchasing, cash disbursements, human resources and technical services for the VLT program. Up to July 3, 2018 WCLC operated and generally maintained the slot machines and related computer system at the SIGA casinos for SLGA. For the year ended March 31, 2019, WCLC charged SLGA $18,085 thousand (2018 - $21,132 thousand) to operate the VLT and slot machine program for the year.

WCLC sponsors a defined benefit retirement plan for the employees of the Division. The current service and interest costs of the retirement plan are included in the amount paid to WCLC. During the year, SLGA paid WCLC and expensed a total of $928 thousand (2018 - $1,092 thousand) which is included in professional and contractual services on Schedule 1.

As of March 31, 2019, the retirement plan is in a deficit status of $3,189 thousand (2018 - $2,820 thousand deficit status)

21. Financial Risks

(a) Fair Value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk and remaining maturities. Fair value measurements are subjective in nature, and represent point-in-time estimates which may not reflect fair value in the future.

The methods and assumptions used to develop fair value measurements have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in level one that are observable for the asset or liability. Level three includes inputs that are not based on observable market data.

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

			2019 (000's)		2018 (000's)	
Financial Instruments	Classification[1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	$ 1,774	$ 1,774	$ 1,274	$ 1,274
Due from General Revenue Fund	FVTPL	Level One	31,273	31,273	46,945	46,945
Trade and other receivables	AC	N/A	81,175	81,175	76,802	76,802
Trade and other payables	OFL	N/A	26,248	26,248	27,330	27,330
Promissory Note debt	OFL	N/A	99,680	99,680	104,368	104,368
Payable to General Revenue Fund	OFL	N/A	92,831	92,831	102,081	102,081
GST Payable	OFL	N/A	1,905	1,905	2,924	2,924

[1] Classification:
FVTPL – Fair value through profit and loss, AC – Amortized Cost, OFL - Other financial liabilities

SLGA is exposed to a number of financial risks in the normal course of operations. SLGA's risks have not changed during the year.

(b) Credit and Interest Rate Risk

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. SLGA is exposed to interest rate risk on its promissory note debt and may be exposed to interest rate risk on future short-term and long-term borrowings. At year end, SLGA had $99,680 thousand of promissory note debt. Due to SLGA's use of promissory note debt, the interest rate risk SLGA is exposed to is minimal because interest rates are re-negotiated to a current rate annually.

SLGA is exposed to minimal credit risks from the potential non-payment of accounts receivable as most receivables are either short-term and are collected shortly after year end or are from SIGA. SLGA exerts significant influence over SIGA's operations and SIGA remits the amount owing to SLGA in accordance with the Casino Operating Agreement described in Note 12. The VLT receivable is collected shortly after March 31 in accordance with the agreement for services between SLGA and WCLC as described in Note 20.

The maximum credit risk from these financial instruments is limited to the carrying value of the financial assets summarized below:

	2019 (000's)	2018 (000's)
Cash	$ 1,774	$ 1,274
Due from General Revenue Fund	31,273	46,945
Trade and other receivables	81,175	76,802
	$ 114,222	$ 125,021

As described in Note 3(m), SLGA is exposed to SIGA's credit and interest rate risks. SIGA's financial risks arise mainly from its bank financing ($25,573 thousand – March 31, 2019; $30,976 thousand – March 31, 2018) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2019, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed $625 thousand.

As of March 31, 2019, there was no impairment required on any of the financial assets of SLGA and SIGA.

SLGA has evaluated the interest rate risk as low and has done nothing to mitigate the risk.

(c) Foreign Currency Exchange Risk

SLGA is exposed to foreign exchange risk due to purchase transactions for liquor and electronic gaming machines. As of March 31, 2019, SLGA had $446 thousand (2018 - $682 thousand) in United States (U.S.) financial liabilities. SLGA is also exposed to foreign exchange risks resulting from a U.S. dollar denominated cash deposit account. This U.S. dollar denominated cash deposit account is included in SLGA's Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. As of March 31, 2019, SLGA has $62 thousand (2018 – $3,422 thousand) in this account.

In 2019, SLGA recorded a $84 thousand loss (2018 - $51 thousand loss) due to the variation in the foreign exchange rates.

To date, SLGA has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

(d) Liquidity Risk

Liquidity risk is the risk that SLGA will not be able to meet its financial obligations as they fall due. The majority of SLGA operational activity involves cash sales and short-term accounts receivable. SLGA relies on funds generated from its operations and short-term debt to meet operating requirements and to finance capital investment.

Contractual cash flows - 2019
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 26,248	$ 26,248	$ 26,248	$ ---	$ ---	$ ---	$ ---
Payable to the GRF	92,831	92,831	92,831	---	---	---	---
GST payable	1,905	1,905	1,905	---	---	---	---
Provisions	1,150	1,150	1,150	---	---	---	---
Promissory note debt	99,680	99,680	---	5,000	5,000	15,000	74,680
Accrued pension liability	43,873	43,873	1,922	1,922	3,690	10,277	26,062
	$ 265,687	$ 265,687	$ 124,056	$ 6,922	$ 8,690	$ 25,277	$ 100,742

Contractual cash flows - 2018
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 27,330	$ 27,330	$ 27,330	$ ---	$ ---	$ ---	$ ---
Payable to the GRF	102,081	102,081	102,081	---	---	---	---
GST payable	2,924	2,924	2,924	---	---	---	---
Provisions	1,075	1,075	1,075	---	---	---	---
Promissory note debt	104,368	104,368	---	5,000	5,000	15,000	79,368
Accrued pension liability	43,985	43,985	1,973	1,973	3,842	10,614	25,583
	$ 281,763	$ 281,763	$ 135,383	$ 6,973	$ 8,842	$ 25,614	$ 104,951

22. Capital

SLGA's capital structure consists of current payables and post employment benefits, promissory note financing, cash and cash equivalents and retained earnings. Treasury Board determines the disposition of SLGA's retained earnings (Note 5). SLGA management's objectives to manage its capital are to use capital to provide an appropriate return on investment to the Government of Saskatchewan and to preserve financial flexibility in order to maintain SLGA's ability to meet financial obligations.

The Government of Saskatchewan facilitates the borrowing of capital for SLGA through various financial institutions. At the end of the year, SLGA had $99,680 thousand in promissory notes (Note 24).

SLGA does not set a target rate of return on capital for managing its operations but rather promotes year-over-year sustainable profitable growth. SLGA is not subject to any externally imposed capital requirements.

No borrowing costs associated with the promissory note debt from the GRF were capitalized during the year.

23. Funds Held in Trust

SLGA holds funds in trust on behalf of employees as part of SLGA's extended health care plan. At March 31, 2019, SLGA held $318 thousand (2018 - $452 thousand) on behalf of in-scope employees.

24. Promissory Notes

SLGA holds $99,680 thousand in a series of promissory notes with various financial institutions. SLGA has committed to distribute the full amount of dividend to the GRF. SLGA expects to continue to refinance the repayment of its current promissory notes by incurring new borrowing using new promissory notes. SLGA has not set repayment terms on the promissory notes and will make repayments as cashflows allow. As at March 31, 2019, the promissory notes are as follows:

Date of issue	Date of maturity	Interest rate (%)	Currency		Outstanding amount (000's)
29-OCT-2018	01-MAY-2019	2.040	CAD	$	9,982
01-NOV-2018	01-MAY-2019	2.080	CAD		48,410
30-NOV-2018	01-APR-2019	1.979	CAD		8,499
24-JAN-2019	22-JUL-2019	1.889	CAD		9,941
24-JAN-2019	23-JUL-2019	1.889	CAD		4,970
24-JAN-2019	23-JUL-2019	1.889	CAD		4,970
24-JAN-2019	24-JUL-2019	1.891	CAD		4,970
25-FEB-2019	26-AUG-2019	1.809	CAD		4,963
20-MAR-2019	17-SEP-2019	1.760	CAD		2,975
				$	99,680

Changes in promissory note debt during the year ended March 31, 2019 are as follows:

	2018
	(000's)
Opening balance	$104,368
Changes from financing cash flows:	
Proceeds received	203,215
Repayments	(205,745)
Interest Expense	(2,158)
Ending balance	$99,680

25. Liquor Retailing Changes

On Nov. 18, 2015, the Government of Saskatchewan announced its intent to make changes to liquor retailing in the province. The plan included creating a level playing field for all liquor retailers, moving to a wholesale model for the distribution of liquor and creating new private liquor retailing opportunities.

The level playing field for all liquor retailers was implemented on Oct. 9, 2016. This included creating a wholesale model for the distribution of liquor and converting all SLGA liquor stores, franchises, private stores and commercial permittees with offsale endorsements to retail store permittees. Retail store permittees are all eligible to access wholesale prices from SLGA's distribution centre. As well, the level playing field allowed all liquor retailers, retail store permittees and commercial permittees, to purchase liquor from any other liquor retailer in Saskatchewan.

In 2016-17 SLGA released RFPs for 50 retail store permittee opportunities. These opportunities were for communities with an existing SLGA store that would be closed as the new private stores open as well as the addition of 11 new retail opportunities.

(a) Assets held for sale

As part of the liquor retailing changes, SLGA is selling land and buildings related to discontinued SLGA retail stores. Assets related to closed stores have been reclassified in the current year to Held for sale (Note 7). Held for sale assets are expected to be sold within one year.

(b) Assets sold during 2018-19

During the year SLGA sold land and buildings from 13 discontinued retail stores. The net gain on the sale of assets is included in the Consolidated Statement of Comprehensive Income. The proceeds received from the sale of assets is included in the Consolidated Statement of Cash Flows.

26. Comparative Figures

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

Schedule 1

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
CONSOLIDATED SCHEDULE OF OPERATING EXPENSES

For the Year Ended March 31

	VLT, Liquor, Other Gaming & Cannabis		Slots in SIGA Casinos*		Total	
	2019	2018	2019	2018	2019	2018
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Salaries, wages and benefits	$ 44,190	$ 48,608	$ 54,856	$ 50,637	$ 99,046	$ 99,245
Depreciation	17,697	15,629	10,549	8,957	28,246	24,586
Professional and contractual services	14,966	12,933	4,855	3,340	19,821	16,273
Rent, utilities and insurance	8,571	8,055	10,218	9,541	18,789	17,596
Operations and maintenance	1,585	1,811	16,314	20,240	17,899	22,051
Advertising, printing and promotion	8	9	13,578	12,184	13,586	12,193
Service charges and interest	2,342	575	6,841	6,729	9,183	7,304
Grants (Note 3 (l))	8,999	7,411	---	---	8,999	7,411
Goods and Services Tax	2,084	1,983	3,164	2,671	5,248	4,654
Debit/Credit charges	3,385	2,731	---	---	3,385	2,731
Information technology	1,864	1,766	1,466	1,231	3,330	2,997
Stationery and supplies	731	759	1,973	1,190	2,704	1,949
Communications	388	414	1,654	1,339	2,042	1,753
Sundry	889	1,529	1,080	1,138	1,969	2,667
Travel and business	623	564	962	574	1,585	1,138
Customer service programs	220	160	---	---	220	160
Honoraria and related expenses	70	57	---	---	70	57
Indigenous Gaming Regulators (Note 12)	---	---	3,300	3,300	3,300	3,300
Saskatoon Prairieland Park Corporation (Note 12)	---	---	2,600	2,600	2,600	2,600
SIGA table and ancillary operation losses (Note 12)	---	---	12,406	11,179	12,406	11,179
	$ 108,612	$ 104,994	$ 145,816	$ 136,850	$ 254,428	$ 241,844

**Represents operating costs of SIGA casinos.*

Schedule 2

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
CONSOLIDATED SCHEDULE OF SEGMENTED EXPENSES

For the Year Ended March 31

	Liquor		Other Gaming		VLT		Cannabis		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Salaries, wages and benefits	$ 37,686	$ 41,330	$ 4,504	$ 7,278	$ ---	$ ---	$ 2,000	$ ---	$ 44,190	$ 48,608
Depreciation	6,973	7,072	10	84	10,705	8,473	9	---	17,697	15,629
Professional and contractual services	2,114	2,149	461	823	12,026	9,961	365	---	14,966	12,933
Grants (Note 3(l))	1,113	1,112	7,823	6,299	---	---	63	---	8,999	7,411
Rent, utilities and insurance	7,799	8,036	8	19	760	---	4	---	8,571	8,055
Debit/credit charges	3,361	2,720	24	11	---	---	---	---	3,385	2,731
Service charges and interest	577	239	37	42	1,719	294	9	---	2,342	575
Goods and Services Tax	---	---	100	63	1,984	1,920	---	---	2,084	1,983
Information technology	1,612	1,426	129	340	---	---	123	---	1,864	1,766
Operations and maintenance	1,500	1,718	80	93	---	---	5	---	1,585	1,811
Sundry	826	1,504	54	25	---	---	9	---	889	1,529
Stationary and supplies	697	714	22	45	---	---	12	---	731	759
Travel and business	458	386	121	178	---	---	44	---	623	564
Communications	291	320	73	94	---	---	24	---	388	414
Customer service programs	220	160	---	---	---	---	---	---	220	160
Honoraria and related expenses	28	31	42	26	---	---	---	---	70	57
Advertising, printing and promotion	6	7	1	2	---	---	1	---	8	9
	$ 65,261	$ 68,924	$ 13,489	$ 15,422	$ 27,194	$ 20,648	$ 2,668	$ ---	$ 108,612	$ 104,994

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of SLGA Retail Inc., which comprise the statement of financial position as at March 31, 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SLGA Retail Inc. as at March 31, 2019, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of SLGA Retail Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing SLGA Retail Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate SLGA Retail Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SLGA Retail Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SLGA Retail Inc.'s internal control.

- ⇨ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ⇨ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SLGA Retail Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SLGA Retail Inc. to cease to continue as a going concern.
- ⇨ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

Regina, Saskatchewan
May 31, 2019

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

Statement 1

SLGA RETAIL INC.
STATEMENT OF FINANCIAL POSITION
As at March 31

	Notes	2019 (000's)	2018 (000's) (Note 18)
Current assets:			
Cash		$ 369	$ 380
Due from General Revenue Fund	**4**	256,117	335,235
Trade and other receivables		793	239
Prepaid expenses		29	---
Inventory	**6**	19,817	18,502
Held for sale	**7 & 16**	935	1,759
Total current assets		278,060	356,115
Non-current assets:			
Property, plant and equipment	**7 & 11**	4,825	5,665
Intangible assets	**8**	930	345
Total non-current assets		5,755	6,010
Total Assets		$ 283,815	$ 362,125
Current liabilities:			
Trade and other payables		$ 1,934	$ 1,685
Payable to SLGA	**9 & 17**	268,741	355,167
Goods and Services Tax (GST) payable		243	275
Liquor Consumption Tax (LCT) payable		1,605	2,028
Current finance lease obligation	**11**	450	722
Total current liabilities		272,973	359,877
Non-current liabilities:			
Finance lease obligation	**11**	6,240	7,047
Total non-current liabilities		6,240	7,047
Total Liabilities		279,213	366,924
Equity			
Retained earnings (deficit) (Statement 3)		4,602	(4,799)
Total Equity		4,602	(4,799)
Total Liabilities & Equity		$ 283,815	$ 362,125

Commitments (Note 11)

(See the accompanying notes to the financial statements)

Statement 2

SLGA RETAIL INC.
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the Year Ended March 31

		2019		2018
		Budget	Actual	Actual
	Notes	(000's)	(000's)	(000's)
		(Note 12)		
CONTINUING OPERATIONS				
Revenues:				
Liquor sales		$ 257,431	$ 244,157	$ 280,011
Other income		403	1,332	1,264
		257,834	245,489	281,275
Cost of sales:				
Cost of liquor	**6**	221,391	201,245	239,956
Gross profit on sales		36,443	44,244	41,319
Expenses (Schedule 1):				
Salary, wages and benefits		21,299	21,409	23,314
Other operating		14,760	13,350	14,793
Total expenses		36,059	34,759	38,107
Net income (loss) from continuing operations		384	9,485	3,212
Discontinued Operations				
Net loss from discontinued store operations	**16**	---	(84)	(2,540)
Total		---	(84)	(2,540)
Total Comprehensive Income (Loss)		$ 384	$ 9,401	$ 672

(See the accompanying notes to the financial statements)

Statement 3

SLGA RETAIL INC.
STATEMENT OF CHANGES IN EQUITY
For the Year Ended March 31

	Retained earnings (deficit)	Share capital	Total
	(000's)	(000's)	(000's)
		(Note 15)	
Equity			
Balance April 1, 2017	$ (5,471)	$ ---	$ (5,471)
Comprehensive income	672	---	672
Balance March 31, 2018 (to Statement 1)	(4,799)	---	(4,799)
Net income	9,401	---	9,401
Balance March 31, 2019 (to Statement 1)	$ 4,602	$ ---	$ 4,602

(See the accompanying notes to the financial statements)

Statement 4

SLGA RETAIL INC.
STATEMENT OF CASH FLOWS
For the Year Ended March 31

		2019		2018
		(000's)		(000's)
				(Note 18)
Cash flows from operating activities:				
Total Comprehensive Income (Loss)	$	9,401	$	672
Adjustments for:				
(Decrease) Increase in payable to SLGA		(86,426)		167,086
Increase (Decrease) in trade and other payables		249		(2,605)
(Decrease) in LCT payable		(423)		(9,389)
(Increase) in trade and other receivables		(554)		(220)
(Decrease) Increase in GST payable		(32)		1,459
(Increase) Decrease in prepaid expenses		(29)		385
(Increase) Decrease in inventory		(1,315)		3,392
Net cash from operating activities		(79,129)		160,780
Net (decrease) increase in cash position		(79,129)		160,780
Cash position, beginning of period		335,615		174,835
Cash position, end of period	$	256,486	$	335,615
Cash position consists of:				
Cash	$	369	$	380
Due from General Revenue Fund		256,117		335,235
	$	256,486	$	335,615

(See the accompanying notes to the financial statements)

SLGA RETAIL INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

1. Description of Business

SLGA Retail Inc. is a corporation located in Canada. The address of SLGA Retail Inc.'s registered office is 2500 Victoria Avenue, Regina, SK, S4P 3M3. SLGA Retail Inc. operates retail liquor stores under *The Alcohol and Gaming Regulation Act, 1997.*

SLGA Retail Inc. was incorporated on Sept. 28, 2016 under *The Business Corporations Act (Saskatchewan)* and began operating as a wholly owned subsidiary under the direction of the Saskatchewan Liquor and Gaming Authority (SLGA) on Oct. 9, 2016. As a wholly-owned subsidiary of SLGA, SLGA Retail Inc. is not subject to federal or provincial income or capital taxes. The financial results of SLGA Retail Inc. are included in the consolidated financial statements of SLGA.

2. Basis of Preparation

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). SLGA Retail Inc.'s Board of Directors approved these statements on May 31, 2019.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through profit and loss which are measured at fair value. Historical cost is generally based on fair value of the consideration given in exchange for assets or liabilities.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is SLGA Retail Inc.'s functional currency.

d) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Useful lives of property, plant and equipment and intangible assets (note 3(c)(d), note 7 and note 8).
- Cash generating units (CGUs) for SLGA Retail Inc. are individual retail liquor stores (note 3(e)(ii)).

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

SLGA Retail Inc. adopted IFRS 9, Financial Instruments effective April 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities as well as introduces a new impairment model for financial assets. IFRS 9 replaces the 'incurred loss' model in IAS 39. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant impact on SLGA Retail Inc.'s accounting policies related to financial assets or financial liabilities. Accounts receivable that were classified as loans and receivables under IAS 39 are now classified as amortized cost as they are being held to collect contractual cash flows and the payments are solely principal and interest.

IFRS 9 has been applied retrospectively, and had no impact on retained earnings at April 1, 2018.

As a result of the adoption of IFRS 9, SLGA Retail Inc. adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019 but generally have not been applied to comparative information.

SLGA Retail Inc. adopted IFRS 15, Revenue from Contracts with Customers (IFRS 15) effective April 1, 2018. The standard replaces IAS 11 – Construction Contracts, IAS 18 – Revenue and IFRIC 13 – Customer Loyalty Programmes.

In accordance with the transitional provisions of IFRS 15, SLGA Retail Inc. has applied IFRS 15 using the cumulative effect method by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at April 1, 2018. Upon application of the new revenue standard, there was no cumulative effect adjustment required to be recognized at April 1, 2018. The comparative information has not been adjusted and continues to be reported under the accounting standards in effect for those periods.

Revenue is measured based on the consideration specified in a contract with a customer. SLGA Retail Inc. recognizes revenue when control over a product or service has been transferred to a customer.

SLGA Retail Inc. has determined that there has been no material impact on recognized revenue in the year ended March 31, 2019 from the adoption of the new revenue standard. SLGA Retail Inc.'s revenue recognition accounting policy in accordance with IFRS 15 is provided in Note 3(a).

(a) Revenue Recognition

SLGA Retail Inc. recognizes revenue when control over a product or service has been transferred to a customer.

(i) Liquor Sales

Sales are recorded net of returns, container deposits, Goods and Services Tax, Liquor Consumption Tax and discounts.

(b) Inventories

Inventories of wines, coolers, spirits and beer are valued at the lower of average cost and net realizable value.

Cost for liquor inventories is determined using the weighted average cost method. Inventory cost includes the costs of purchase plus other costs, such as excise duties and taxes and transportation that are directly incurred to bring inventories to their present location. Previous write-downs of inventories to net realizable values are reversed when inventory values increase.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item, that are significant in comparison to the whole, of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are depreciated commencing in the year in which these assets are available for use on a straight-line basis at rates designed to allocate the cost of these assets over the lessor of their estimated useful lives or the term of the lease with SLGA. Rates are as follows:

Buildings	5 – 40 years
Furniture & equipment	3 – 10 years

Buildings, furniture and equipment, and leasehold improvements are depreciated over the lesser of the life of the asset or the term of the lease with SLGA.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted as necessary.

Property, plant and equipment is derecognized on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in comprehensive income when the asset is derecognized.

Assets held for sale are valued at the lower of net book value and fair market value less selling costs.

(d) Intangible Assets

Intangible assets consist of software and are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful lives of three to seven years. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in comprehensive income when the asset is derecognized.

(e) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in comprehensive income and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through comprehensive income.

SLGA Retail Inc. recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. SLGA Retail Inc. measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased, SLGA Retail Inc. performs a quantitative and qualitative analysis based on SLGA Retail Inc.'s historical experience and forward-looking information. SLGA Retail Inc. assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. SLGA Retail Inc. considers a financial asset to be in default when it is more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

(ii) Non-financial assets

The carrying amounts of SLGA Retail Inc.'s non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to SLGA Retail Inc. All other leases are classified as operating leases.

Assets held under a finance lease are initially recognized as assets of SLGA Retail Inc. and are recorded at their fair value at the inception of the lease, or if lower, at the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expense and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liabilities. The interest component is recognized in finance costs in the statement of comprehensive income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(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) Financial Instruments

(i) Non-derivative financial assets and liabilities

SLGA Retail Inc. classifies its financial instruments into one of the following categories: fair value through profit or loss; amortized cost; and other financial liabilities. All financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Cash and Due from General Revenue Fund are classified as fair value through profit or loss and are recorded at fair value. Cash denominated in foreign currency is translated at the foreign exchange rate in effect at year end.

Trade and other receivables and GST payable are classified as amortized cost. Financial assets classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

SLGA Retail Inc. has the following non-derivative financial liabilities which are classified as other liabilities: trade and other payables, payable to SLGA, and LCT payable. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

SLGA Retail Inc. derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by SLGA Retail Inc. is recognized as a separate asset or liability. SLGA Retail Inc. derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, SLGA Retail Inc. has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Derivatives and Embedded derivatives

SLGA Retail Inc. has not identified any material derivatives or embedded derivatives in any of its financial instruments that are required to be separately valued.

(i) New Standards and Interpretations Not Yet Adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after Jan.1, 2019 or later periods. SLGA Retail Inc. is assessing the impact of these pronouncements on its results and financial position. These include:

IFRS 16 – On Jan. 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after Jan. 1, 2019. IFRS 16 will replace IAS 17 Leases and the related interpretations.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have also been impacted, including the definition of a lease. Transitional provisions have been provided. SLGA intends to adopt IFRS 16 in its financial statements for the annual period beginning on April 1, 2019. It is expected that IFRS 16 will have a significant impact on the financial statements.

4. Due from General Revenue Fund

Most of SLGA Retail Inc.'s bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the

Government of Saskatchewan. During the period, the General Revenue Fund did not pay interest on SLGA Retail Inc.'s bank accounts.

5. Disposition of Retained Earnings

The Board of SLGA Retail Inc. may, at any time, direct that all or any portion of SLGA Retail Inc.'s retained earnings be transferred to SLGA. The Board has not directed SLGA Retail Inc. to transfer any amount to SLGA.

6. Inventories

	2019 (000's)	2018 (000's)
Wines, coolers and spirits in stores	$ 16,130	$ 13,925
Beer in stores	3,687	4,577
	$ 19,817	$ 18,502

The cost of liquor inventories recognized as an expense during the year ended March 31, 2019 was $201,320 thousand (2018- $258,599 thousand). SLGA Retail Inc. purchases its wines, coolers, and spirits inventory from SLGA. During the period, SLGA Retail Inc. had no write-downs of inventory below cost and no reversals of inventories previously written down. As of March 31, 2019 there was no amount of inventory pledged as security.

7. Property, Plant and Equipment under Finance Lease

(000's)	Buildings	Furniture and Equipment	Leasehold Improvements	Held For Sale	Total
Cost					
Balance, April 1, 2017	$ 7,904	$ 897	$ 91	$ ---	$ 8,892
Additions/adjustments	(1,815)	---	---	1,827	12
Disposals/retirements	(36)	(22)	---	---	(58)
Balance, March 31, 2018	$ 6,053	$ 875	$ 91	$ 1,827	$ 8,846
Additions/adjustments	(45)	(7)	44	150	142
Disposals/retirements	(506)	(159)	(12)	(947)	(1,624)
Balance, March 31, 2019	$ 5,502	$ 709	$ 123	$ 1,030	$ 7,364
Accumulated Depreciation					
Balance, April 1, 2017	$ 305	$ 210	$ 24	$ ---	$ 539
Depreciation expense	571	336	34	---	941
Adjustments	(68)	---	---	68	---
Disposals/retirements	(36)	(22)	---	---	(58)
Balance, March 31, 2018	$ 772	$ 524	$ 58	$ 68	$ 1,422
Depreciation expense	319	199	22	---	540
Adjustments	(25)	(22)	---	47	---
Disposals/retirements	(224)	(104)	(10)	(20)	(358)
Balance, March 31, 2019	$ 842	$ 597	$ 70	$ 95	$ 1,604
Net Book Value					
Balance, March 31, 2018	$ 5,281	$ 351	$ 33	$ 1,759	$ 7,424
Balance, March 31, 2019	$ 4,660	$ 112	$ 53	$ 935	$ 5,760

8. Intangible Assets

(000's)		Software Total
Cost		
Balance, April 1, 2017	$	---
Additions/adjustments		345
Disposals/retirements		---
Balance, March 31, 2018	$	345
Additions/adjustments		585
Disposals/retirements		---
Balance, March 31, 2019	$	930

Accumulated depreciation		
Balance, April 1, 2017	$	---
Depreciation expense		---
Disposals/retirements		---
Balance, March 31, 2018	$	---
Depreciation expense		---
Disposals/retirements		---
Balance, March 31, 2019	$	---

Net Book Value		
Balance, March 31, 2018	$	345
Balance, March 31, 2019	$	930

None of SLGA Retail Inc.'s intangible assets are included under finance lease with SLGA.

9. Agreement with SLGA

On Oct. 9, 2016, SLGA Retail Inc. entered into an agreement with SLGA until March 31, 2027 for the provision of services by SLGA to SLGA Retail Inc. on a cost recovery basis. The services include employees, the use of certain SLGA assets, and reimbursement of costs incurred by SLGA on behalf of SLGA Retail Inc. Costs applicable to SLGA Retail Inc. were assigned based on an allocation method approved by both parties. The allocation of cost for services will be adjusted on an annual basis.

10. Goods and Services Tax (GST)

SLGA Retail Inc. pays GST to the Canada Revenue Agency and claims input tax credits on all its liquor and other taxable purchases.

11. Commitments

(a) Operating Leases: Via its agreement with SLGA (Note 9), SLGA Retail Inc. is committed to pay under operating leases on leased premises the following minimum amounts in future years:

	March 31, 2019		March 31, 2018	
	(000's)		(000's)	
Less than one year	$	2,910	$	2,916
Between one and five years		8,192		8,377
More than five years		2,825		4,025
Lease obligation	$	13,927	$	15,318

(b) Finance Leases: On Oct. 9, 2016 SLGA Retail Inc. entered into a finance lease arrangement with SLGA for the assets of SLGA used in the operation of retail liquor stores. The agreement with SLGA is for cost recovery, therefore, the interest rates underlying all obligations under finance leases are fixed at 0 per cent per annum. The term of the leases range from 2018-2027. Lease payments are due to SLGA on demand.

The minimum lease payments under these finance lease obligations are as follows:

	March 31, 2019 (000's)	March 31, 2018 (000's)
Total future minimum lease payments	$ 6,690	$ 7,769
Less future finance charges on finance leases	---	---
Present value of finance lease obligation	6,690	7,769
Less current portion of finance lease obligation	450	722
Finance lease obligation	$ 6,240	$ 7,047

As at March 31, 2019, scheduled future minimum lease payments of the finance lease obligation are as follows:

	March 31, 2019 (000's)	March 31, 2018 (000's)
Less than one year	$ 450	$ 722
Between one and five years	1,609	1,722
More than five years	4,631	5,325
Finance lease obligation	$ 6,690	$ 7,769

Due to the related party nature of the finance lease obligation, fair value information has not been disclosed as fair value cannot be reliably measured.

12. 2019 Budget

These amounts represent the budget approved by SLGA Retail Inc. Board of Directors. Discontinued operations are included in SLGA Retail Inc.'s 2018-19 budgeted revenue and expenses.

13. Related Parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to SLGA Retail Inc. by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Government-related entities are exempt from providing disclosure about individual related party transactions, other than transactions with key management personnel. Instead, government-related entities are required to disclose the types and extent of individually or collectively significant transactions with related parties. In determining individually significant transactions, SLGA Retail Inc. considers the size, type and terms of the transaction.

SLGA Retail Inc. pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. During the period SLGA Retail Inc. paid $174 thousand (2018- $5 thousand). Taxes paid are recorded as part of the cost of those purchases. SLGA Retail Inc. also collects liquor consumption tax from customers and remits to the Saskatchewan Ministry of Finance. During the period SLGA Retail Inc. paid $23,476 thousand (2018- $28,786 thousand). Other amounts and transactions with related parties are described separately in these financial statements and the notes thereto.

14. Financial Risks

(a) Fair Value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk and remaining maturities. Fair value measurements are subjective in nature, and represent point-in-time estimates which may not reflect fair value in the future.

The methods and assumptions used to develop fair value measurements have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in Level one that are observable for the asset or liability. Level three includes inputs that are not based on observable market data.

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

			2019 (000's)		2018 (000's)	
Financial Instruments	Classification[1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	$ 369	$ 369	$ 380	$ 380
Due from General Revenue Fund	FVTPL	Level One	256,117	256,117	335,235	335,235
Trade and other receivables	AC	N/A	793	793	239	239
Trade and other payables	OFL	N/A	1,934	1,934	1,685	1,685
Payable to SLGA	OFL	N/A	268,741	268,741	355,167	355,167
GST Payable	OFL	N/A	243	243	275	275
LCT Payable	OFL	N/A	1,605	1,605	2,028	2,028

[1] *Classification:*
FVTPL – Fair value through profit and loss, AC – Amortized Cost, OFL - Other financial liabilities

SLGA Retail Inc. is exposed to a number of financial risks in the normal course of operations. SLGA Retail Inc.'s risks have not changed during the year.

(b) Credit and Interest Rate Risk

SLGA Retail Inc. is exposed to minimal credit risk from the potential non-payment of accounts receivable as the majority of receivables are short-term and are collected shortly after year end.

The maximum credit risk from these financial instruments is limited to the carrying value of the financial assets summarized below:

	2019 (000's)	2018 (000's)
Cash	$ 369	$ 380
Due from General Revenue Fund	256,117	335,235
Trade and other receivables	793	239
	$ 257,279	$ 335,854

As of March 31, 2019, there was no impairment required on any of the financial assets of SLGA Retail Inc.

Interest rate risk is the risk of financial loss resulting from changes in market interest rates.

SLGA Retail Inc. has evaluated the interest rate risk as low and has done nothing to mitigate the risk.

(c) Foreign Currency Exchange Risk

SLGA Retail Inc. is exposed to foreign exchange risks resulting from a U.S. dollar denominated cash deposit account. This U.S. dollar denominated cash deposit account is included in SLGA Retail Inc.'s Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. As of March 31, 2019, SLGA Retail Inc. has $168 thousand (2018- $110 thousand) in this account.

During the year, SLGA Retail Inc. recorded a $1 thousand (2018- $3 thousand) gain due to the variation in the foreign exchange rates.

To date, SLGA Retail Inc. has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

(d) Liquidity Risk

Liquidity risk is the risk that SLGA Retail Inc. will not be able to meet its financial obligations as they fall due. The majority of SLGA Retail Inc. operational activity involves cash sales and accounts receivable from its parent company. SLGA Retail Inc. relies on funds generated from its operations to meet operating requirements and to finance capital investment.

Contractual cash flows - 2019
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 1,934	$ 1,934	$ 1,934	$ ---	$ ---	$ ---	$ ---
Payable to SLGA	268,741	268,741	268,741	---	---	---	---
GST Payable	243	243	243	---	---	---	---
LCT Payable	1,605	1,605	1,605	---	---	---	---
Finance lease obligation	6,690	6,690	191	259	437	1,173	4,630
	$ 279,213	$ 279,213	$ 272,714	$ 259	$ 437	$ 1,173	$ 4,630

Contractual cash flows – 2018
(In 000's)

FINANCIAL LIABILITIES	Carrying amount	Total	0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	Greater than 5 years
Trade and other payables	$ 1,685	$ 1,685	$ 1,685	$ ---	$ ---	$ ---	$ ---
Payable to SLGA	355,167	355,167	355,167	---	---	---	---
GST Payable	275	275	275	---	---	---	---
LCT Payable	2,028	2,028	2,028	---	---	---	---
Finance lease obligation	7,769	7,769	361	361	542	1,180	5,325
	$ 366,924	$ 366,924	$ 359,516	$ 361	$ 542	$ 1,180	$ 5,325

15. Capital

SLGA Retail Inc.'s capital structure consists of current payables, cash and cash equivalents, and retained earnings. SLGA Retail Inc.'s Board determines the disposition of SLGA Retail Inc.'s retained earnings (Note 5). SLGA Retail Inc.'s objectives to manage its capital are to use capital to provide an appropriate return on investment to the Government of Saskatchewan and to preserve financial flexibility in order to maintain SLGA Retail Inc.'s ability to meet financial obligations.

Share Capital

	2019	2018
Authorized		
Unlimited voting common shares with no par value		
Issued and outstanding		
1 common share	$ ---	$ ---

16. Discontinued Operations

On Nov. 18, 2015, the Government of Saskatchewan announced its intent to make changes to liquor retailing in the province.

The plan included the conversion of existing government liquor stores to private opportunities.

In 2016-17 SLGA released RFPs for 50 retail store permittees. These opportunities were for communities with an existing SLGA store that would be closed as the new private stores open. Melfort was originally within the list of the stores to close. At the request of the union, SLGA committed to keep the Melfort store open until March 2020. Buildings under finance lease related to closed stores have been reclassified in the current year to held for sale (Note 7). Held for sale assets are expected to be sold within one year.

Cash from operating discontinued stores in 2018-19 totaled $86 thousand (2017-18 - $21,194 thousand).

During 2018-19 the following liquor store operations were discontinued:

	2019 (in 000's)		
	Revenue	**Expense**	**Net Income**
Regina - Broad Street	$ 86	$ 170	$ (84)
Total	$ 86	$ 170	$ (84)

	2018 (000's)		
	Revenue	**Expense**	**Net Income**
Battleford	$ 1,255	$ 1,390	$ (135)
Broadview	468	533	(65)
Canora	527	553	(26)
Carrot River	79	142	(63)
Davidson	245	287	(42)
Gravelbourg	55	179	(124)
Gull Lake	567	631	(64)
Hudson Bay	106	157	(51)
Indian Head	867	970	(103)
Kamsack	955	1,023	(68)
Kelvington	529	608	(79)
Kindersley	2,763	2,945	(182)
Kipling	242	268	(26)
Leader	10	54	(44)
Lloydminster	17	87	(70)
Maple Creek	1,227	1,291	(64)
Melville	1,853	1,976	(123)
Outlook	101	266	(165)
Preeceville	837	965	(128)
Raymore	577	649	(72)
Rosetown	579	634	(55)
Saskatoon – 20th Street	945	1,148	(203)
Saskatoon – Market Mall	1,588	1,810	(222)
Shaunavon	971	1,034	(63)
Shellbrook	126	138	(12)
Tisdale	2,076	2,149	(73)
Unity	896	924	(28)
Wadena	232	293	(61)
Waskesiu	0	0	0
Wilkie	178	233	(55)
Wynyard	323	397	(74)
Total	$ 21,194	$ 23,734	$ (2,540)

Discontinued operations expenses are detailed as follows:

	2019		2018	
	(000's)		(000's)	
Cost of sales	$	75	$	18,643
Salaries, wages and benefits		44		3,576
Other expenses		51		1,515
Total	$	170	$	23,734

17. Payable to SLGA

Payable to SLGA is comprised of payables related to contracted services from SLGA to SLGA Retail Inc. and direct purchases from SLGA. As of March 31, 2019, SLGA Retail Inc. has $268,741 thousand (2018- $355,167 thousand) in this account.

18. Comparative Figures

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

Schedule 1

SLGA RETAIL INC.
SCHEDULE OF OPERATING EXPENSES
For the Year & Period Ended March 31

	Total	
	2019	2018
	(000's)	(000's)
Salaries, wages and benefits	$ 21,409	$ 23,314
Rent, utilities and insurance	5,009	4,883
Professional and contractual services	3,329	3,964
Debit/credit charges	1,614	1,927
Operations and maintenance	985	1,140
Depreciation expense (Note 7 & 8)	538	687
Stationary & supplies	487	417
Sundry	411	787
Grants	359	383
Travel and business	262	210
Customer service	138	113
Communications	132	143
Information technology	79	125
Service charges	5	9
Advertising	2	4
Commission	-	1
	$ 34,759	$ 38,107

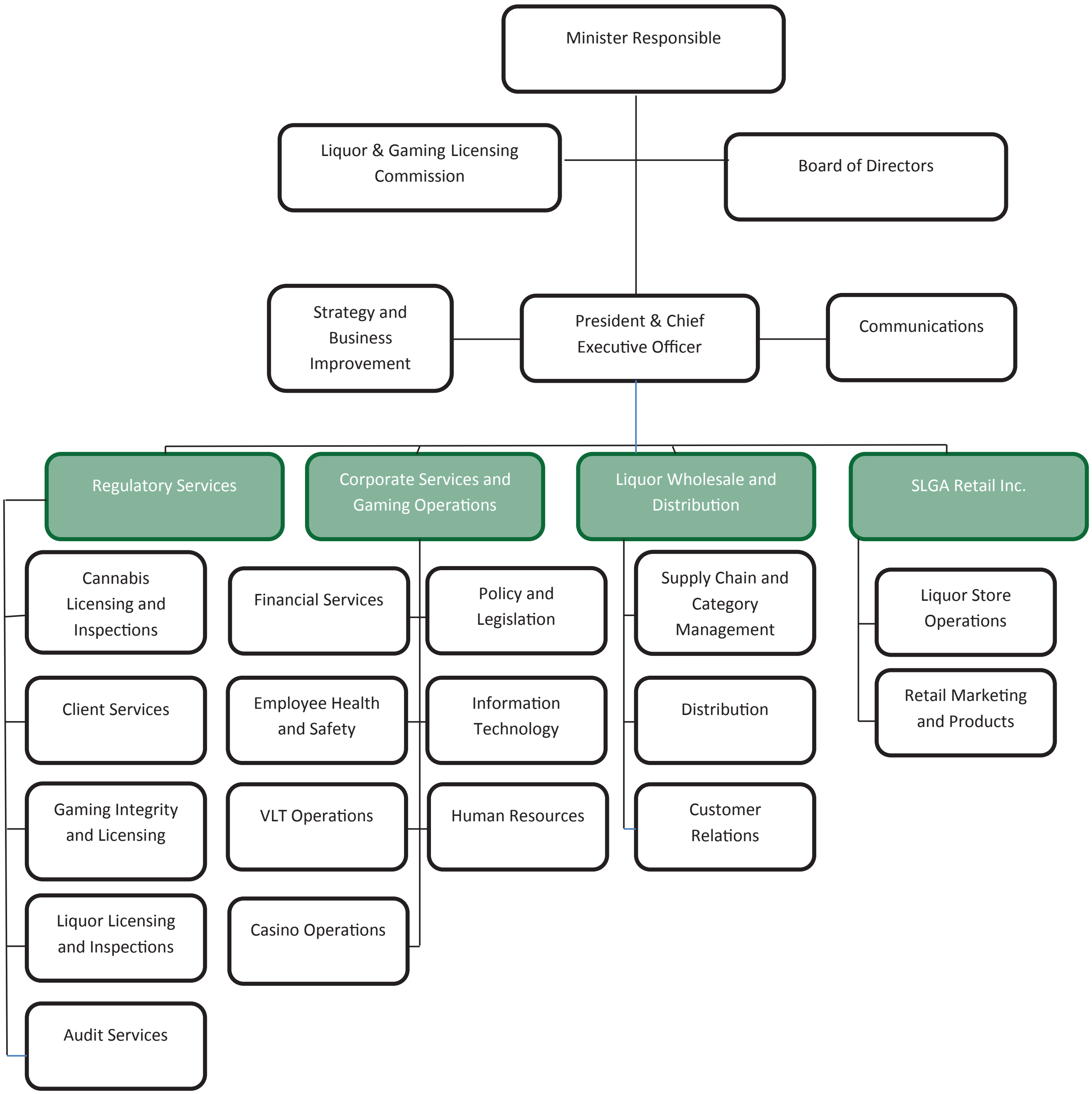
For More Information

If you have any questions or comments about SLGA's annual report, or if you have specific questions about the programs and services provided by SLGA, please contact:

Saskatchewan Liquor and Gaming Authority
P.O. Box 5054
2500 Victoria Avenue
Regina, SK, S4P 3M3
Toll free 1-800-667-7565 or (306) 787-5563
www.slga.com

Appendix A

SLGA Organizational Chart



Appendix B

Summary of SLGA's Partners and Stakeholders

Beer Canada. Represents the multi-national brewers as well as several regional breweries. www.beercanada.com

Bingo Charity Associations. A Bingo Charity Association is a Class A licensee that coordinates bingo and charitable gaming events on behalf of all licensed charities conducting charitable gaming in its licensed facility.

Canadian Centre on Substance Use and Addiction (CCSA). The CCSA has a mission to address instances of substance use in Canada by providing national leadership and harnessing the power of evidence to generate coordinated action. www.ccsa.ca

Canadian Partnership for Responsible Gambling (CPRG). The CPRG is a collaboration of non-profit organizations, gaming providers, research centres and regulators working to find and promote effective ways to reduce the risk of problem gambling. www.cprg.ca

Canadian Vintners Association. This is a national association with a mission to provide focused national leadership and strategic coherence to enable domestic and international success for the Canadian wine industry. www.canadianvintners.com

Charities. Charities are eligible for licensing to raise funds to support their charitable gaming activities through bingo, raffle, breakopen, Texas Hold'em poker and Monte Carlo events. Non-profit groups are also eligible for licensing for raffles with prizes of less than $500.

Federation of Sovereign Indigenous Nations (FSIN). The FSIN represents 74 Saskatchewan First Nations. SLGA works with the FSIN in implementing the terms of the Gaming Framework Agreement. www.fsin.com

Health Canada. Health Canada is responsible for administering the federal cannabis regulatory framework, including regulation of supply, promotions, advertising, as well as tracking inventory movement through the supply chain. SLGA and other provincial jurisdictions work with Health Canada to ensure that the provincial retail distribution systems operate in compliance with both federal and provincial requirements. www.canada.ca/en/health-canada.html

Indigenous Gaming Regulators (IGR). IGR licenses and regulates table games at SIGA casinos and on-reserve charitable gaming activities on those First Nations that have designated IGR as their regulator. www.igr.ca

Mothers Against Drunk Driving (MADD) Canada. MADD Canada is a charitable organization that is committed to stopping impaired driving through the promotion of public policy and legislative measures and through public awareness campaigns and educational programs. In addition, MADD provides support and resources to the victims of impaired driving. www.madd.ca

Prairie Craft Spirits Association (PCSA). The PCSA is an association of craft alcohol manufacturers created to help celebrate and advance the craft industry in western Canada.

Responsible Gambling Council (RGC). The RGC is an independent non-profit organization dedicated to problem gambling prevention. RGC works to reduce gambling risks by creating and delivering innovative awareness and information programs. It also promotes the adoption of improved play safeguards through best practices, research standards development and the RG Check accreditation program. www.responsiblegambling.org.

Restaurants Canada. (Saskatchewan Division). Restaurants Canada is a not-for-profit association representing Canada's diverse and dynamic restaurant and foodservice industry. The Saskatchewan division includes both liquor permitted and non-liquor permitted establishments. www.restaurantscanada.org

Saskatchewan Artisan Wine and Spirits Association (SAWSA). SAWSA is a provincial association dedicated to the promotion of wine and spirits within the provincial liquor industry. www.sawsa.ca

Saskatchewan Craft Brewers Association (SCBA). The SCBA is an association of several small craft breweries located across Saskatchewan with a vision of fostering a vibrant Saskatchewan craft brewing industry. www.skcraftbrewers.ca

Saskatchewan Government and General Employees' Union (SGEU). Approximately 84 per cent of SLGA employees are unionized and represented by SGEU. www.sgeu.org

Saskatchewan Hotel and Hospitality Association (SHHA). SHHA represents the hospitality industry to government, suppliers and the public. www.skhha.com

Saskatchewan Indian Gaming Authority (SIGA). SIGA operates the province's seven First Nations casinos on behalf of the FSIN. www.siga.sk.ca

Saskatchewan Liquor Vendors Association (SLVA). SLVA represents a collection of former rural liquor franchises. They determine areas of focus to provide value to their members.

Saskatchewan Tourism and Education Council (STEC). STEC delivers the Serve it Right Saskatchewan (SIRS) program and CannaSell SK. SIRS helps operators and servers of liquor permitted establishments understand their duty of care and promotes responsible use, while maintaining or enhancing profits. Cannasell provides consistent training for owners and employees of private businesses that distribute and sell non-medical cannabis in Saskatchewan.
https://industry.tourismsaskatchewan.com/education-and-training

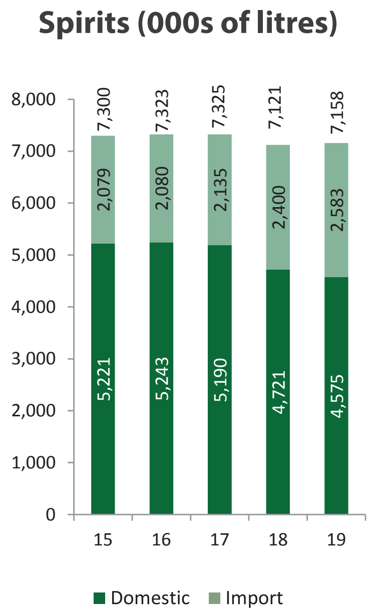
Spirits Canada. Spirits Canada is the national trade association of Canadian manufacturers and marketers of distilled spirit products including Canadian whisky, rum, vodka, gin, liqueurs and coolers. www.spiritscanada.ca

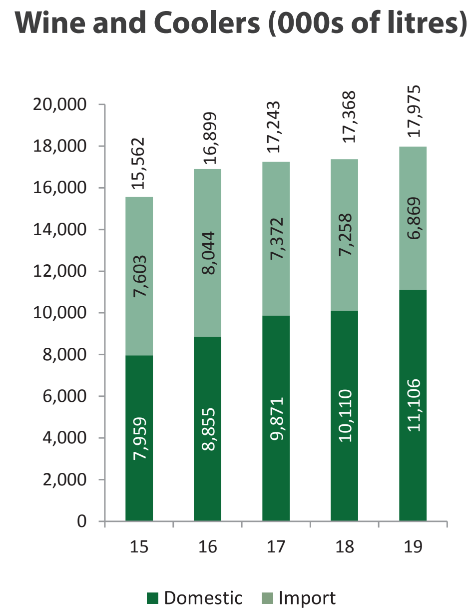
Students Against Drinking and Driving (SADD) Saskatchewan. SADD is a charitable organization of student leaders dedicated to stopping impaired driving. SADD works to achieve this goal through education and public awareness and by influencing legislation and public policy in areas related to drinking and driving. www.saddsask.ca

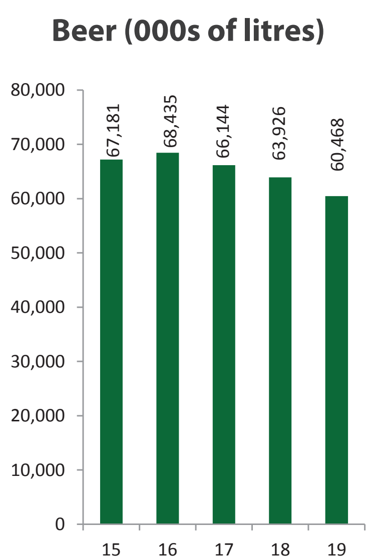
Western Canada Lottery Corporation (WCLC). WCLC is a non-profit organization authorized to operate lottery and gaming-related activities as an agent for SLGA. www.wclc.com

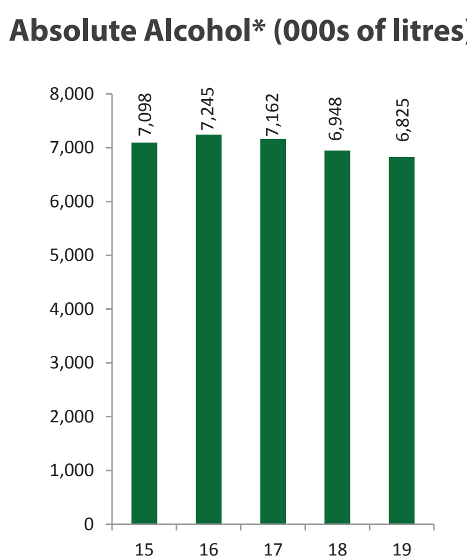
Appendix C

Volume of Sales - Five Year History
Financial Years Ending March 31









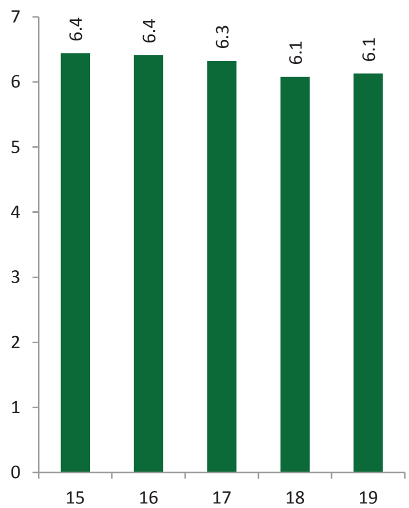
Craft product sales by Saskatchewan producers are not reflected in the volume statistics.

**As most alcoholic beverages have different alcohol percentages they are often converted to absolute alcohol to allow for comparison. Absolute alcohol refers to the total amount of pure alcohol after converting the different product types to a pure alcohol equivalent.*

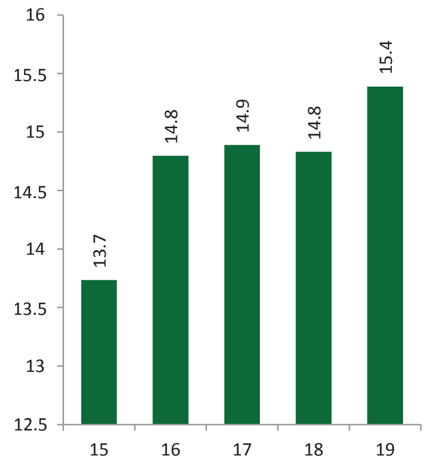
Appendix D

Per Capita Sales - Five Year History
Financial Years Ending March 31

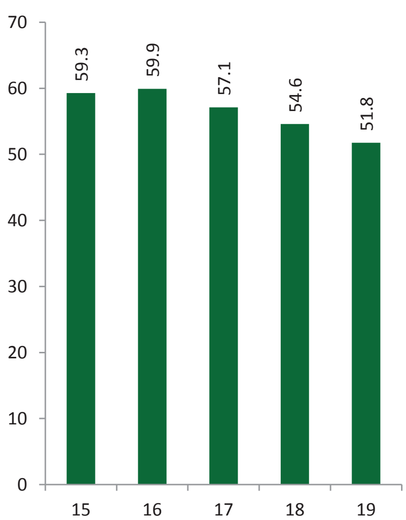
Spirits (litres)



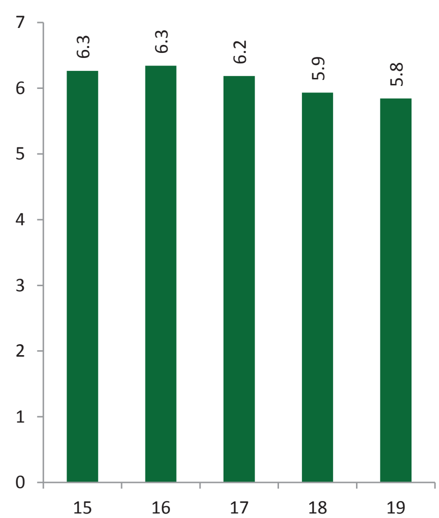
Wine and Coolers (litres)



Beer (litres)



Absolute Alcohol* (litres)



Craft product sales by Saskatchewan producers are not reflected in the volume statistics.

**As most alcoholic beverages have different alcohol percentages they are often converted to absolute alcohol to allow for comparison. Absolute alcohol refers to the total amount of pure alcohol after converting the different product types to a pure alcohol equivalent.*

Population Source: Saskatchewan Bureau of Statistics – Saskatchewan Quarterly Population as of January 1, 2019

Appendix E

Saskatchewan Liquor and Gaming Licensing Commission

The Saskatchewan Liquor and Gaming Licensing Commission (Commission) is an independent body which reviews:

(a) decisions of SLGA with respect to liquor, gaming, and cannabis licensing, registration and cancellation/suspension matters within SLGA's jurisdiction, including its jurisdiction over SaskGaming and SIGA casinos, horse racing, off reserve bingo and all provincial liquor permittees;

(b) decisions of SIGA casino operators and SaskGaming respecting involuntary casino bans of patrons from casinos operated under their respective jurisdictions;

(c) decisions of IGR respecting registration and cancellation of on-reserve charitable gaming such as bingo.

The Commission's primary role is serving as an independent and fair quasi-judicial appellate body mandated to ensure proper application of the legislation and regulations governing, liquor, gaming, horse racing and cannabis, over which it has jurisdiction, while ensuring the fairness and integrity of those industries. Any licensed party who disagrees with a decision of SLGA, SIGA, SaskGaming or IGR that is within the Commission's jurisdiction has the right to apply to the Commission for a review. Except in unusual circumstances, the Commission stays the decision at issue pending the outcome of the Commission's review. Similarly, any individual (such as a casino patron) who has been involuntarily banned from a casino may request a review before the Commission.

The applications included reviews of SLGA's decisions to suspend or assess a penalty for liquor permits of various establishments, to review involuntary casino bans handed down by SaskGaming and SIGA and to review fines and suspensions of licences relating to issues in contravention of the Rules of Racing in the horse racing industry. As well, the Commission reviews objections by the public to the granting of permits. The Commission may decline to hear objections to liquor applications that are competition based, frivolous or vexatious.

In 2018-19, the Commission scheduled 25 hearings to address the same number of requests for review of various decisions made by SLGA, SaskGaming and SIGA. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action. Six hearings were held in Regina and 19 hearings were held in Saskatoon.

Of the 25 hearings held during the past fiscal year, 10 were liquor related objections, denial of licence, suspensions or sanctions. Eight hearing reviews were in regard to casino admission bans, six of those sanctions being enforced by SIGA and two by SaskGaming. There were six hearings held with respect to horse racing, involving violation of the horse racing rules, and one hearing was held related to a cannabis permit denial.

The Commission provides written reasons for its review on the merits of all matters it hears. These written decisions are a matter of public record and are maintained in the office of the Commission Registrar.

The Commission members as of March 31, 2019:

- Elaine R. Morgan, Chair, Gainsborough, SK
- Ray Sadler, Vice Chair, Biggar, SK
- Cindy Gross, Secretary, Swift Current, SK
- Neil Wylie, Saskatoon, SK
- Bryan Rindal, Prince Albert, SK
- John Klebuc, Regina, SK
- Riel Bellegarde, Regina, SK

The Commission also has a part-time Registrar.

Since 1997, the Commission has initiated procedural changes and is constantly developing its own policies to continue to ensure equitable treatment of all parties appearing before it. The Commission also makes written recommendations to SLGA regarding any significant regulatory issues that come to its attention through contact with the industries within its jurisdiction. It also continues to stay up to date in the changing environment of administrative law and the industries it regulates through its own research.

Appendix F

2018-19 Results at a glance

Financial	
SLGA comprehensive income	$483.7M
SIGA comprehensive income	$83.0M
Total liquor sales	$638.0M
Liquor comprehensive income	$255.3M
VLT comprehensive income	$158.9M
VLT site commission	$33.6M
Structure and Organization	
Number of SLGA employees	673
Number of SLGA retail liquor stores	36
Number of communities with SLGA stores	24
Regular listed product available to RSPs	3,245
Special order listings	5,655
Total retail products available	8,900
Number of casinos	9
Number of slot machines in SIGA casinos	2,370
Number of slot machines in SaskGaming casinos	1,010
Number of VLTs	4,156
Number of communities with VLTs	277
Number of VLT sites	575
Compliance and Licensing	
Total number of liquor Retail Store Permittees (RSPs)	640
Number of commercial liquor permittees	3,050
Number of special occasion permits issued	13,821
Number of cannabis retail store permits issued	21
Number of sanctions (liquor, gaming, cannabis and horse racing)	323
Number of registered gaming employees	3,074
Number of registered gaming suppliers	100
Charitable Gaming and Horse Racing	
Total number of bingo, raffle, breakopen, charitable gaming event, Texas Hold'em, and Monte Carlo licences	6,409
Number of bingo halls	10
Total gross bingo sales	$10.7M
Total gross raffle sales	$61.5M
Total gross breakopen sales	$2.2M
Total gross charitable gaming event sales	$49.1M
Total gross Texas Hold'em and Monte Carlo event sales	$0.3M
Total net proceeds to charity (bingo, raffle, breakopen, Texas Hold'em and Monte Carlo)	$32.7M
Total grants paid to charitable gaming licensees	$8.2M
Total provincial handle (all horse racing wagers)	$4.8M

All data as of March 31, 2019