Saskatchewan Liquor and Gaming Authority

Annual Report for 2019-20

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, 2020. 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, honouring its commitments and managing expenditures responsibly on behalf of Saskatchewan people. The annual report measures progress against the commitments outlined in SLGA's 2019-20 Plan.

The 2019-20 financial statements show a net income of $470.3M. 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 and 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, 2020.

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 2019-20 and reflects the positive contributions to government by the organization.

Clare Isman
President and CEO, Saskatchewan Liquor and Gaming Authority

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 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.

SLGA issues liquor permits for all commercial type facilities including restaurants, taverns and manufacturers (including craft manufacturers). As of March 31, 2020, there were 3,099 commercial liquor permittees operating in the province, including 624 retail store permittees (RSPs) that sell liquor for off-site consumption. During 2019-20, there were 12,058 special occasion permits 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, 2020, VLTs were located at 569 sites throughout the province. SLGA also plays an important role in regulating VLT sites, 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.

SLGA's operations includes the regulation of cannabis that is wholesaled and retailed by the private sector. As of March 31, 2020, there were 42 cannabis retail store permits issued in Saskatchewan along with six wholesale permits and 62 licensed producer registrations.

As of March 31, 2020, SLGA employed 682 staff throughout the province. The majority of staff work in SLGA's retail liquor stores.

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997*.

Progress in 2019-20

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

SLGA Goal 1 - 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

Modernize the liquor supply chain to meet customer needs and net income objectives.

- SLGA continued to implement operational and technological improvements to the liquor supply chain in order to better respond to retail market changes and to meet the demand for specialty and exclusive products and emerging consumer trends towards non-traditional products.

- The implementation of a new customer relationship management system and online order process automated much of the ordering process for specialty products resulting in 5,741 new products being made available to consumers. Increasing product availability has helped SLGA meet increasing customer demand for additional product selection.

Continue to implement, assess and amend strategies for SLGA Retail Inc.[1] as needed to become a retailer of choice.

- SLGA Retail Inc. continued to adjust its strategies to meet or exceed its budgeted financial goals and to be a retailer of choice for its customers. Some changes made to achieve this included:
    - Adjusted operating hours in key store locations to increase the shopping opportunities for customers.
    - Added additional coolers in select stores to enhance the selection of chilled products.
    - Worked extensively with local craft producers to provide quality products at competitive price points for customers.
    - Updated its retail store point of sale systems to provide increased ability to modernize its operations and adjust to the changing demands of its customers.

[1] SLGA Retail Inc. is a subsidiary of SLGA that manages and oversees SLGA's retail liquor stores in communities across the province as well as merchandising, marketing and property management.

Strategy
Improve gaming net income.

Key Actions
Monitor performance of strategies, such as progressive jackpots, and investigate and implement new strategies to ensure video lottery terminal (VLT) net income meets or exceeds budget.

- The COVID-19 pandemic led to VLTs being disabled as of March 20, 2020, resulting in VLT sales that were 3.3 per cent below prior year and 2 per cent below budget. Prior to this point, the VLT program was on track to have sales equivalent to the prior year. In 2019-20, work was conducted that will be used to develop a long-term marketing strategy for the VLT program.

Continue replacement of VLTs over a six year timeframe to ensure modernized gaming exists for players.

- Installation of VLTs from the third replacement phase began in January 2020 and is expected to be complete in 2020-21. Purchase agreement negotiations are underway for new machines to meet customer expectations with installations expected in April 2021.

Performance Measure Results

Net income (NI)[2]
SLGA's NI is generated from liquor wholesale sales, VLT activity, slot machines in SIGA casinos and SLGA Retail Inc. net income.

Fiscal Year	Budgeted NI	Actual NI
2019-20	$477.9M	$470.3M
2018-19	$481.4M	$485.1M
2017-18	$523.3M	$492.9M
2016-17	$511.0M	$477.3M
2015-16	$500.0M	$501.3M

Source: SLGA

SLGA's NI declined from the prior year and was below the budgeted amount. Factors contributing to this include:

- The COVID-19 pandemic resulted in the suspension of VLT and casino gaming in the province impacting revenues.
- Liquor wholesale revenue was less than anticipated.

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.

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

SLGA Goal 2 - Alcohol and gaming products are used responsibly

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

[2] SLGA reports on net income in this report as it provides the best comparison to budget.

Key Actions

Conduct a follow-up survey of citizens' awareness of standard drink size to determine the impact that the distributed educational information on standard drink size had on liquor consumers.

- A follow-up survey was conducted during a four-week period with a total of 186 respondents. The 12 question multiple choice survey included follow-up questions from the 2017 survey specific to standard drink sizes to measure changes in correct responses and new questions specific to daily/weekly consumption limits. There was an average increase of 11 per cent in correct responses to the standard drink size questions. The overall average score of correct responses on all questions was 71 per cent, which was an increase from 58 per cent from the first survey.

Provide updated online responsible gaming training content to VLT site operators.

- SLGA provides education to VLT operators as part of responsible gambling initiatives. SLGA made minor changes to its online VLT responsible gaming content to include information about the progressive jackpot games and Player Services Account.

Performance Measure Results

Awareness of standard drink size

In 2018-19, liquor retail stores were provided information about standard drink sizes to distribute to consumers to create awareness about liquor consumption. A follow-up survey was conducted in 2019-20 to determine if the distributed information increased the awareness of liquor consumers with a goal of improving the scores noted below. The survey results showed improvement in the responses on four of the five questions and one of the questions exceeded the target.

Question	2017-18 Percentage of Correct Responses	2019-20 Percentage of Correct Responses	2019-20 Target
What is a standard glass of beer with 5% alcohol equal to? Answer: 12 oz (341 ml)	65%	72%	80%
A standard glass of beer with 5% alcohol is ____? Answer: the same as a standard can or bottle of beer	56%	69%	71%
What is a standard glass of wine with 12% alcohol equal to? Answer: 5 oz (140 ml)	63%	72%	78%
What is a standard glass of spirits with 40% alcohol equal to? Answer: 1.5 oz (45 ml)	35%	56%	50%
Which one contains the most alcohol (12 oz (341 ml) beer, 5 oz (140 ml) wine, 1.5 oz (45 ml) spirits)? Answer: same level of alcohol/no difference	72%	76%	87%

Source: SLGA

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**

SLGA Goal 3 - 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
Review results of the Minors as Test Shopper program and implement improvements as needed, to ensure sales to minors are not occurring.

- SLGA employs minors to attempt to purchase liquor products from liquor retailers in the province. The first full year of the program reported a non-compliance rate of 38 per cent. For 2020-21, SLGA will explore options to reduce the percentage which may include a combined approach of education and enforcement.

Expand Minors as Test Shoppers program to ensure cannabis sales are conducted in accordance with regulations and sales to minors are not occurring.

- Development of this program to be used in the cannabis retailing market resumed in March 2020, with anticipated implementation later in 2020-21.

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

Key Actions
Expand eLearning corporate training to increase employee awareness and knowledge related to the sale and distribution of alcohol, gaming and cannabis products and services.

- In 2019-20, SLGA developed eLearning modules for the responsible use of beverage alcohol and video lottery terminals. As of March 31, 2020, the modules have been completed by 91 and 92 per cent of SLGA employees, respectively.

Develop and implement procedures and regulations for cannabis retail store permittees to ensure the safe and fair provision of edible cannabis products when legalized.

- Regulation amendments were approved and, along with related policies and procedures, became effective on December 17, 2019. Edible cannabis products became available on store shelves in Saskatchewan on December 18, 2019.

Performance Measure Results

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[3] 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 6.8 per cent of customers which resulted in 5.3 per cent of checked customers being refused service due to insufficient ID or appearing to be intoxicated.

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**

SLGA Goal 4 - To provide a great customer experience

Strategy

Exceed customer expectations.

Key Actions

Review and update customer service standards as needed, and continue to engage and measure customer satisfaction.

- SLGA has 15 external customer groups, all of which have customer service standards. New standards were developed this year for cannabis retail store permittees, cannabis wholesale permittees and cannabis licensed producers. The remaining 12 customer groups have had their existing standards reviewed and updated.

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

- SLGA conducts customer satisfaction surveys to determine how satisfied customers are with the services SLGA offers. Four customer groups have had satisfaction surveys conducted. Action plan results are being developed or have been implemented to improve future results.

Performance Measure Results

Customer satisfaction

In 2019-20, SLGA conducted four customer satisfaction surveys. The results and improvements in scores are noted below.

Survey Questions	Result[4]	Change
How satisfied are you as a wholesale customer[5] of SLGA?	87%	+3%
How satisfied are you with the level of customer service you receive from the special orders team?	77%	+4%
Overall, how satisfied were you with the special occasion permit process?	88%	NA
Overall, I am satisfied with how my business/charity/event is regulated by SLGA (charitable gaming licencees and commercial liquor permittees).	92%	NA

Source: SLGA

[3] This percentage is reflective of the population of Saskatchewan within the age of 20-24 (2016 Canada Census).
[4] Represents the percentage of respondents that answered satisfied or very satisfied to the question presented.
[5] Liquor retail store permittees, specifically identified in SLGA Plan 2019-20, are part of this group.

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**

SLGA Goal 5 - Efficient, effective programs and services

Strategy

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

Key Actions

Develop and implement a comprehensive provincial framework for the manufacturing of craft beverage alcohol products that balances regulatory requirements, product commercialization and customer satisfaction.

- In order to improve and provide additional guidance to the craft industry, SLGA:
    - Established a provincial craft liquor committee with representation from several provincial ministries and agencies.
    - Implemented a quality assurance policy and a new production reporting process for producers.
    - Continued to engage internal and external stakeholders on policy modernization and development.
    - Prioritized communication with craft producers, including the development of new forms of communication such as industry bulletins.

Monitor and assess the cannabis retail market and report to Government.

- During 2019-20, SLGA collaborated with Saskatchewan ministries to obtain cannabis industry information relevant to each ministry. The information will be summarized and delivered to Government in the first half of fiscal 2020-21.

Encourage and support initiatives across the organization that improve the efficiency of programs and processes and increase customer satisfaction levels.

- SLGA continues to focus on continuous improvement. A number of initiatives were underway in the last half of fiscal 2019-20. However, as a result of impacts related to the COVID-19 pandemic, progress towards completion of activities was temporarily stalled. Initiatives undertaken in 2019-20 are expected to be completed and benefits calculated in 2020-21.

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**

SLGA Goal 6 - Achieve a culture that consistently reflects SLGA's core values

Strategy

Increase attraction and retention with a focus on youth and diversity.

Key Actions

Implement SLGA's Inclusion Strategy with the goal of increasing representation of traditionally underrepresented groups including a focus on younger workers (age 19-30).

- SLGA continues to focus on recruiting qualified self-declared equity group members including younger workers for its summer peak season hires, reviewing and revising job posting language to emphasize the desire to attract diverse applicants and supporting co-op student and new grad opportunities at head office. As of March 31, 2020, SLGA was below its target for Aboriginal people and persons with disabilities and just slightly below target for its newest measure -- younger workers. SLGA continues to exceed its targets for visible minorities and women in all occupations. SLGA maintains its focus on attracting qualified diverse candidates for all job opportunities.

Strategy

Improve employee health, wellness and workplace safety.

Key Actions

Continue to promote a culture of health, safety and wellness by increasing awareness and providing education to employees with the goal of reducing time loss, promoting mental health awareness and preventing psychological harm in the workplace.

- To increase mental health awareness and prevent psychological harm, SLGA managers and supervisors completed the University of Fredericton's Psychologically Safe Workplaces training. Employees are currently completing the "Enhancing Workplace Resiliency" training.

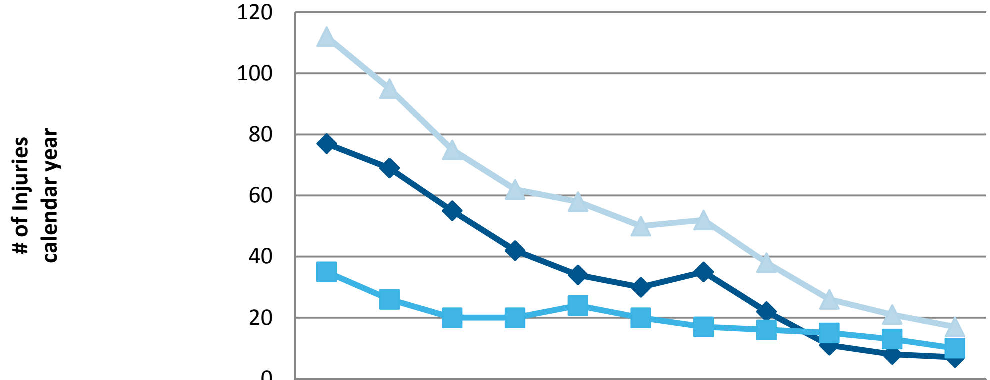
- To reduce the number of injuries in 2019-20, SLGA continued to focus on leading and lagging safety indicators and support managers to address hazards identified in the workplace. SLGA also continued to work closely with employees and managers to ensure employees return to work at the earliest and safest possible time to help reduce time loss and to keep employees engaged, motivated and valued.

Performance Measure Results

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 can continue to work. SLGA established a goal to see a 45 per cent reduction in injuries from 2015 to 2020. From 2015 to 2019, a reduction of 67 per cent had already occurred. The information that follows is compiled on a calendar year basis and shows that, from 2009 to 2019, SLGA total injuries decreased by 84.8 per cent. Sustained emphasis on safety over the last few years focused on reducing risks, changes in process and regular discussions on safety have resulted in an improved safety culture and a significant reduction in injuries.

SLGA Injuries Based on Workers Compensation Board Statistics



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Time Loss Injuries	77	69	55	42	34	30	35	22	11	8	7
No Time Loss Injuries	35	26	20	20	24	20	17	16	15	13	10
Total Injuries	112	95	75	62	58	50	52	38	26	21	17

Source: SLGA

Representative workforce

Fiscal Year	Aboriginal People	Women	Persons with Disabilities	Members of Visible Minorities	Younger Worker (19-30)
SHRC Target	14.0%	47.0%	22.2%	10.6%	10.5%*
2019-20	9.5%	56.3%	5.9%	8.8%	9.7%
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%	*

Source: SLGA

*Younger worker is not a category monitored by the Saskatchewan Human Rights Commission. The target noted is a SLGA target.

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 implementing its inclusion strategy to improve results in future years.

Financial Summary

SLGA Net Income (NI) to Budget

SLGA's NI reflects the accounts of SLGA and its wholly-owned subsidiaries, SLGA Retail Inc. and SLGA Holding Inc. As noted in the table below, NI for 2019-20 was $7.6 million below SLGA's budget projection of $477.9 million. A shortfall of $10.3 million in liquor operations and a $5.0 million decrease from SIGA operations was offset by a $4.9 million increase in VLT operations, an increase of $0.7 million in other gaming and an increase of $2.1 million cannabis NI.

	2018-19 Actual	2019-20 Budget	2019-20 Actual
Net Income	$485.1M	$477.9M	$470.3M
Liquor Operations	$257.0M	$266.6M	$256.3M
VLT	$158.9M	$150.4M	$155.3M
SIGA	$ 82.7M	$ 78.0M	$ 73.0M
Other Gaming	$(12.7)M	$(12.3)M	$(11.6)M
Cannabis	$(0.8)M	$(4.8)M	$ (2.7)M

Source: SLGA

SLGA Net Income (NI) to Prior Year

As noted in the table above, SLGA's NI for 2019-20 was $470.3 million, a decrease of $14.8 million relative to 2018-19. The net impact was driven by a $0.7 million decrease in NI from liquor operations, a $3.6 million decrease in VLT NI, a $9.7 million decrease in SIGA NI and a $0.8 million decrease in other gaming and cannabis NI.

SLGA Net Income (NI)

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

Additional financial information can be found in the Government of Saskatchewan Public Accounts located at: https://publications.saskatchewan.ca/#/categories/893

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, FCPA, FCMA
President & CEO

Charlene Callander, CPA, CA
Vice-President, Corporate Services and Gaming Operations

Val Banilevic, CPA, CMA
Director, Financial Services

Regina, Saskatchewan
June 1, 2020

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, 2020, 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 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, 2020, 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 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 for 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.

These 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 I believe that the audit evidence I have obtained 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 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.

Judy Ferguson

Regina, Saskatchewan
June 1, 2020

Judy Ferguson, FCPA, FCA
Provincial Auditor

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

	Notes	2020 (000's)	2019 (000's)
Current assets:			
Cash		$ 3,534	$ 1,774
Due from General Revenue Fund	**4**	40,655	31,273
Trade and other receivables	**10**	56,658	81,175
Prepaid expenses		1,667	1,274
Inventory	**6**	24,829	24,113
Held for sale	**7 & 27**	595	1,356
Total current assets		127,938	140,965
Non-current assets:			
Property, plant and equipment	**7 & 11**	141,517	100,765
Intangible assets	**8**	18,479	22,387
Total non-current assets		159,996	123,152
Total Assets		$ 287,934	$ 264,117
Current liabilities:			
Trade and other payables		$ 20,446	$ 26,248
Payable to the General Revenue Fund	**5**	105,140	92,831
Goods and Services Tax payable	**11**	1,274	1,905
Provisions	**21**	1,020	1,150
Lease liabilities	**9**	3,960	---
Total current liabilities		131,840	122,134
Non-current liabilities:			
Promissory note debt	**26**	99,752	99,680
Accrued pension liability	**12**	37,328	43,873
Lease liabilities	**9**	22,314	---
Total non-current liabilities		159,394	143,553
Total Liabilities		291,234	265,687
Equity			
Retained earnings (deficit) and unrealized losses (Statement 3)		(3,300)	(1,570)
Total Equity		(3,300)	(1,570)
Total Liabilities & Equity		$ 287,934	$ 264,117

Commitments (Note 14)
Contingencies (Note 20)

(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	2020 Budget (000's) (Note 17)	2020 Actual (000's)	2019 Actual (000's)
Operating				
Revenues:				
Liquor sales	**16**	$ 642,849	$ 625,127	$ 638,017
VLT		217,500	213,233	220,578
Slot machines	**13**	223,944	236,366	228,475
Licence, permit and other income		6,833	9,088	7,521
		1,091,126	1,083,814	1,094,591
Cost of sales:				
Cost of liquor	**6**	313,988	312,664	321,055
VLT site commissions		32,625	32,483	34,476
		346,613	345,147	355,531
Gross profit on sales		744,513	738,667	739,060
Expenses (Schedule 1 & 2):				
VLT, liquor and other gaming		120,648	104,049	108,612
Slot machines expense		127,571	143,237	127,510
Other	**13**	18,373	20,088	18,306
Total expenses		266,592	267,374	254,428
Operating Income		477,921	471,293	484,632
Finance Income and Expense				
Finance income		---	(376)	437
Finance expense		---	(658)	---
Net Finance Income (Loss)		---	(1,034)	437
Net Income		477,921	470,259	485,069
Other Comprehensive Income (OCI)				
Net gain (loss) on interest rate swaps	**13**	---	(1,730)	329
Remeasurement of defined benefit obligation	**12**	---	4,732	(1,718)
Total OCI		---	3,002	(1,389)
Total Comprehensive Income		$ 477,921	$ 473,261	$ 483,680

(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) (000's)	Net gain (loss) on interest rate swaps (000's)	Net actuarial gain (loss) on defined benefit pension plans (000's)	Total (000's)
Equity				
Balance April 1, 2018	$ (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)
Net income	470,259	---	---	470,259
Other comprehensive income (loss)	---	(1,730)	4,732	3,002
Dividends	(474,991)	---	---	(474,991)
Balance March 31, 2020 (to Statement 1)	$ (600)	$ (3,300)	$ 600	$ (3,300)

(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

	2020 (000's)	2019 (000's)
Operating		
Receipts from customers	$ 1,142,521	$ 1,128,592
Interest received	444	456
Interest paid	(1,797)	---
Payments to suppliers and other	(554,664)	(554,449)
Payments to employees	(43,580)	(44,120)
Payments to grant recipients	(8,982)	(8,928)
Payment of Goods and Services Tax	(22,610)	(17,444)
Net cash provided by operating activities	511,332	504,107
Investing		
Purchase of property, plant and equipment	(33,823)	(25,751)
Purchase of intangible assets	(2,101)	(1,631)
Proceeds from disposal of property, plant and equipment	564	---
Proceeds from sale of stores	---	2,437
Net cash (used in) investing activities	(35,360)	(24,945)
Financing		
Cash deposited in General Revenue Fund	(462,682)	(489,646)
Promissory note proceeds received	206,783	203,215
Promissory note repayments	(204,914)	(207,903)
Payment of lease liabilities	(4,017)	---
Net cash (used in) financing activities	(464,830)	(494,334)
Net (decrease) increase in cash position	11,142	(15,172)
Cash position, beginning of year	33,047	48,219
Cash position, end of year	$ 44,189	$ 33,047
Cash position consists of:		
Cash	$ 3,534	$ 1,774
Due from General Revenue Fund	40,655	31,273
	$ 44,189	$ 33,047

(See the accompanying notes to the consolidated financial statements)

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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 June 1, 2020.

(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); and right of use assets (note 3(h)(i) and note 7)
- Measurement of defined benefit obligations (note 12(b))
- Provisions (note 21)
- Measurement of lease liabilities (note 9)
- 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

Adoption of new accounting standard

SLGA adopted IFRS 16, Leases, effective April 1, 2019. In accordance with the transition provisions of IFRS 16, SLGA has applied IFRS 16 using the modified retrospective approach. In accordance with the method of adoption:

(i) SLGA has not restated comparative information. Comparative information continues to be reported under IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives*, and SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, the standards in effect at the time. The modified retrospective approach to adoption of IFRS 16 also requires that the cumulative effect of initially applying IFRS 16 be applied as an adjustment to the opening balance of retained earnings at the date of initial application, April 1, 2019, however, no adjustments to retained earnings were required;

(ii) SLGA has recognized lease liabilities for leases previously classified as operating leases applying IAS 17, measured at the present value of the remaining lease payments, discounted using SLGA's incremental borrowing rate at the date of initial application; and

(iii) SLGA has recognized right-of-use assets at the date of initial application for leases previously classified as operating leases applying IAS 17, measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The right-of-use assets have been included in property, plant and equipment.

In adopting IFRS 16, SLGA has elected to apply the following expedient:

(i) SLGA has elected to grandfather the assessment of which transactions are leases. SLGA has applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

The application of IFRS 16 has had significant impacts on the consolidated statement of financial position, the treatment of lease payments in the consolidated statement of comprehensive income and the impact of lease payments on the consolidated statement of cash flows. Upon adoption at April 1, 2019, right-of-use assets and corresponding lease liabilities of $29,478 thousand were recorded on the consolidated statement of financial position. The details of the significant changes and the quantitative impacts recorded throughout the year as a result of the adoption of IFRS 16 are set out in note 9.

Leases where SLGA is the lessee:

Lease payments for leases previously classified as operating leases were recognized as an expense as incurred. IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. Assets are recognized for the right of use received and liabilities are recognized for the payment obligations entered into for all leases. Leases that had been classified as operating in accordance with IAS 17 are now recorded as right-of-use assets (included in property, plant and equipment) and related lease liabilities. The lease liabilities, upon transition to IFRS 16, have been recognized as the present value of the remaining lease payments, discounted using SLGA's incremental borrowing rate at the time the standard is first applied. Future lease liabilities will be determined based on the present value of the future lease payments discounted at either the interest rate implicit in the lease or SLGA's incremental borrowing rate if the implicit lease rate is not determinable, adjusted, as appropriate, for residual guarantees, purchase options and termination penalties. The right-of-use assets upon transition have been measured at the amount of the lease liability plus any payments made or accrued at transition. Future right-of-use assets will be determined based on the amount of the lease liability adjusted, as appropriate, for prepaid or accrued lease payments, lease incentives, initial direct costs and asset retirement obligations.

The adoption of IFRS 16 has also resulted in: a decrease to other operating expenses for the removal of lease rent expense; an increase in other operating expenses related to depreciation of the right-of-use assets; and an increase to finance expense due to recognition of additional interest expense related to the lease liabilities. The change in presentation of operating lease expense to depreciation of right-of-use assets and interest expense on lease liabilities also resulted in an improvement in cash flows from operations and a corresponding decline in cash flows from financing activities.

SLGA adopted IAS 19, Employee Benefits, effective April 1, 2019. IAS 19 is an amendment to IAS 9, regarding Plan Amendment, Curtailment or Settlement. Application of this standard did not significantly impact SLGA's financial statements.

(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:

- Buildings 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

Policy applicable from April 1, 2019 – Under IFRS 16:

At inception of a contract, SLGA assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, SLGA assesses whether:

- The contract involves the use of an identified asset;
- SLGA has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- SLGA has the right to direct the use of the asset.

(i) As a lessee

SLGA recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are included in property, plant and equipment.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, SLGA's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability include the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After initial recognition, the lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in SLGA's estimate of the amount expected to be payable under a residual value guarantee, or if SLGA changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

SLGA has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. SLGA recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before April 1, 2019 - Under IAS 17:

Until March 31, 2019, Leases were classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to SLGA. All other leases were classified as operating leases.

Operating lease payments were 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 13), 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 23. 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 and Expense

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

Finance expense is comprised of interest expense on financial and lease liabilities, non-capitalized borrowing costs and impairment losses recognized on financial 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, 2020 or later periods. SLGA is assessing the impact of these pronouncements on its results and financial position. These include:

IAS 1 – Presentation of Financial Statements amended on October of 2018 and set out to replace disclosing significant accounting policies with the requirement to disclose material accounting policies. This standard is effective for annual periods beginning on or after January 1, 2020.

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 $474,571 thousand (2019 - $480,396 thousand) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2020 (000's)	2019 (000's)
Payable to GRF at beginning of year	$ 92,831	$ 102,081
Deposits during the year	(462,682)	(489,646)
Dividend to GRF	474,991	480,396
Payable to GRF at end of year	$ 105,140	$ 92,831

6. Inventories

	2020 (000's)	2019 (000's)
Wines, coolers and spirits in stores	$ 7,655	$ 7,625
Wines, coolers and spirits in warehouse	13,871	13,585
Beer in stores	2,544	2,057
Gaming machine parts	759	846
	$ 24,829	$ 24,113

The cost of liquor and gaming machine part inventories recognized as an expense during the year ended March 31, 2020 was $312,664 thousand and $537 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, 2020 there was no amount of inventory pledged as security.

7. Property, Plant and Equipment

(000's)	Land	Buildings	Slot Machines	VLT	Furniture and Equipment	Right of Use Assets	Leasehold Improvements	Held for Sale	Total
Cost									
Balance, April 1, 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
Impact of adoption of IFRS 16	---	---	---	---	---	30,291	---	---	30,291
Additions/adjustments	---	43	16,725	14,914	2,081	---	60	---	33,823
Disposals/ retirements	---	---	(9,520)	(9,826)	(233)	---	---	(1,069)	(20,648)
Balance, March 31, 2020	$ 3,802	$ 46,475	$ 89,840	$ 106,600	$ 24,267	$ 30,291	$ 8,012	$ 1,369	$ 310,656
Accumulated Depreciation									
Balance, April 1, 2018	$ ---	$ 20,257	$ 47,012	$ 71,509	$ 17,624	$ ---	$ 8,062	$ 3,745	$ 168,209
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)	---	(395)	(3,339)	(24,704)
Balance, March 31, 2019	$ ---	$ 16,376	$ 48,866	$ 71,479	$ 19,506	$ ---	$ 7,760	$ 1,082	$ 165,069
Depreciation expense	---	1,361	10,548	5,248	2,069	4,417	47	---	23,690
Adjustments	---	21	(99)	(318)	(30)	---	2	(2)	(426)
Disposals/ retirements	---	---	(9,465)	(9,786)	(232)	---	---	(306)	(19,789)
Balance, March 31, 2020	$ ---	$ 17,758	$ 49,850	$ 66,623	$ 21,313	$ 4,417	$ 7,809	$ 774	$ 168,544
Net Book Value									
Balance, March 31, 2019	$ 3,802	$ 30,056	$ 33,769	$ 30,033	$ 2,913	$ ---	$ 192	$ 1,356	$ 102,121
Balance, March 31, 2020	$ 3,802	$ 28,717	$ 39,990	$ 39,977	$ 2,954	$ 25,874	$ 203	$ 595	$ 142,112

8. Intangible Assets

(000's)		Software Total
Cost		
Balance, April 1, 2018	$	51,081
Additions/adjustments		1,631
Disposals/retirements		(3,417)
Balance, March 31, 2019	$	49,295
Additions/adjustments		2,101
Disposals/retirements		---
Balance, March 31, 2020	$	51,396

Accumulated depreciation		
Balance, April 1, 2018	$	23,643
Depreciation expense		6,682
Disposals/retirements		(3,417)
Balance, March 31, 2019	$	26,908
Depreciation expense		6,118
Disposals/retirements		(109)
Balance, March 31, 2020	$	32,917

Net Book Value		
Balance, March 31, 2019	$	22,387
Balance, March 31, 2020	$	18,479

9. Leases

SLGA leases buildings from third parties which comprise right-of-use assets (included in property, plant and equipment – see note 7) and have corresponding lease liabilities:

Leases liabilities

(000's) At March 31,		2020
Contractual undiscounted cash flows		
One year or less	$	4,583
Between one and five years		13,425
Greater than five years		825
Total undiscounted lease liabilities	$	18,833
Discounted lease liabilities included in the statement of financial position		
Current	$	3,960
Non-current	$	22,314

Amounts recognized in net income

(000's) For the year ended March 31,		2020
Interest on lease liabilities	$	658

Amounts recognized in the statement of cash flows

(000's) For the year ended March 31,		2020
Interest paid on lease liabilities	$	658
Lease liability principal payments		4,017
Total cash outflow for leases	$	4,675

10. Trade and Other Receivables

	2020 (000's)	2019 (000's)
Slot machines receivable – SIGA	$ 45,922	$ 64,808
VLT receivable	445	9,121
Other	10,291	7,246
	$ 56,658	$ 81,175

11. 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.

12. 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) <u>Defined Contribution Plan</u>

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 $2,806 thousand (2019 - $2,673 thousand).

(b) <u>Defined Benefit Plan</u>

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.

Morneau Shepell performed the valuation of the Plan as at Sept. 30, 2017 and extrapolated the valuation to March 31, 2020. 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:

	2020	2019
Expected long-term rate of return on plan assets	4.45%	4.80%
Inflation rate	2.00%	2.25%
Discount rate	3.70%	3.20%
Salary increases	---%	---%
Indexing increases to pensions as a percentage 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 2.00 per cent and discount rate 3.70 per cent.

	Long-Term Assumptions			
	Inflation*		Discount Rate	
	3.00%	1.00%	4.7%	2.7%
(Decrease) increase in liability	(3.0%)	3.2%	(9.0%)	10.6%

* A change in the inflation rate of 1per 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.

	2020 (000's)	2019 (000's)
Current service cost – defined contribution plan	$ 2,806	$ 2,673
Net interest expense	1,353	1,439
Components of pension costs recorded in profit or loss	4,159	4,112
Return on plan assets (excluding net interest expense)	1	(34)
Actuarial (gains) losses – assumption changes	(4,732)	1,752
Components of defined benefit costs recorded in OCI	(4,731)	1,718
Total of components of benefit cost	$ (8,890)	$ 2,394

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

	2020 (000's)		2019 (000's)	
Accrued benefit obligation				
Accrued benefit obligation, beginning of year	$	53,846	$	54,752
Interest cost		1,664		1,796
Benefits paid		(3,689)		(3,843)
Experience (gain) loss				
- Change in financial assumptions		(3,823)		1,141
- Change in mortality assumptions		---		---
	$	47,998	$	53,846
Plan Assets				
Fair value of plan assets, beginning of year	$	9,973	$	10,767
Actual return on plan assets		1,254		(177)
Employer contributions		3,166		3,303
Benefits paid		(3,723)		(3,920)
Fair value of plan assets, end of year	$	10,670	$	9,973
Accrued pension liability	$	37,328	$	43,873

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 22.6 per cent (2019 – 21.2 per cent) in a Canadian equity pooled fund, 29.6 per cent (2019 – 27.8 per cent) in foreign equity pooled funds, 43.4 per cent (2019 – 47.6 per cent) in a bond and debenture pooled fund and 4.4 per cent (2019 – 3.4 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:

	2020 (000's)		2019 (000's)	
Due from General Revenue Fund	$	22	$	55
TD Canadian Bond Index Fund		4,620		4,715
Equity Instruments				
- TD Canadian Equity Index Fund		2,413		2,101
- TD International Equity Index Fund		1,562		1,394
- TD Pooled US Fund		1,588		1,357
- TD Canadian Short Term Investment Fund		471		336
Total equity instruments		6,034		5,188
	$	10,676	$	9,958

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 4.45 per cent and employer contributions calculated as 77.5 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
2021	2,739	3,532	415	(378)
2022	2,638	3,402	399	(365)
2023	2,584	3,333	383	(366)
2024	2,531	3,264	367	(366)
2025	2,477	3,195	351	(367)
Total next 5 years	12,969	16,726	1,915	(1,842)
Total 5-10 years	11,573	14,926	1,515	(1,838)
Total 11-30 years	27,786	35,837	2,461	(5,590)
Total 31-50 years	1,815	2,338	65	(458)

13. 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 10.

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, 2020, SIGA owes $47,196 thousand under a $79,000 thousand long-term financing agreement with a financial institution (Bank) (Note 14). 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 2.05 per cent to 5.09 per cent for the duration of the long-term debt (April 2023 and September 2034).

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 10. As of March 31, 2020, the unrealized loss included in the slot machines receivable was $1,730 thousand (2019 – $329 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 14).

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:

	2020 (000's)		2019 (000's)	
Table games revenues	$	14,144	$	14,070
Table games expenses		17,414		15,849
Net losses from table games	$	3,270	$	1,779
Ancillary operations gross profit	$	16,089	$	15,706
Ancillary operations expenses		27,007		26,333
Net losses from ancillary operations	$	10,918	$	10,627
Total losses expensed		14,188		12,406
IGR payment		3,300		3,300
SPPC payment		2,600		2,600
	$	20,088	$	18,306

14. Commitments

(a) Operating Commitments 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 commitments: SIGA has obligations under operating commitments. The minimum lease payments over the next five years are as follows:

Year Ending March 31	(000's)	
Less than one year	$	807
Between one and five years		785
More than five years		---
	$	1,592

The above commitments include amounts committed to related parties of $76 thousand.

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, 2020, SIGA owes $47,196 thousand (2019 - $25,573 thousand) under this agreement at interest rates varying from 2.05 per cent to 5.09 per cent. SIGA's principal repayments are as follows:

Year Ending March 31		(000's)
2021	$	7,354
2022		7,352
2023		7,352
2024		4,673
2025		3,190
Thereafter		17,275

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2021, the budgeted transfers are $3,300 thousand (2020 - $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 2020, SIGA paid $2,600 thousand (2019 - $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.

15. SIGA Finance Lease Obligation

On November 1, 2004, SIGA entered into an agreement with White Bear Holdings Limited for lease of Bear Claw Casino. Beginning in April 2005, SIGA leased the property from the company for approximately 22 years at an annual cost of $480,000.

On December 23, 2004, SIGA entered into an agreement with STC Casino Holdings Limited Partnership for lease of Dakota Dunes Casino on Whitecap Dakota First Nation. Beginning in April 2007, SIGA leased the property from the Partnership for approximately 20 years at annual cost of $2,248,477. In 2011, there was an addition to this capital lease, for approximately 16 years, at an annual cost of $380,969. In 2012, there was a further addition to this lease for approximately 15 years, at an annual cost of $60,571.

On October 26, 2005, SIGA entered into an agreement with PHC Holdings Limited Partnership for lease of Painted Hand Casino in Yorkton. Beginning in February 2009, SIGA leased the property from that Partnership for approximately 19 years at an annual cost of $1,783,028.

On January 26, 2006, SIGA entered into an agreement with FHQ Casino Holdings Limited Partnership for lease of Living Sky Casino in Swift Current. Beginning in December 2008, SIGA leased the property from the Partnership for approximately 19 years at an annual cost of $2,364,409.

On April 1, 2014, SIGA entered into an agreement with FNH Development Limited Partnership for lease of Gold Eagle Casino in North Battleford. SIGA will lease the property from the Partnership for 13 years at an annual cost of $1,441,496.

On April 1, 2014, SIGA entered into an agreement with BATC Investments Limited Partnership for lease of an expansion at Gold Eagle Casino in North Battleford. Beginning September 1, 2015, SIGA leased the property from the Partnership for 13 years at an annual cost of $404,280.

On May 31, 2017 SIGA entered into an agreement with Board Tribal Council Limited Partnership for lease of Gold Horse Casino in Lloydminster. Beginning January 10, 2019, SIGA leased the property from the Partnership for 9 years at an annual cost of $2,383,000. The initial term will be automatically extended upon the renewal of the casino operating agreement for up to an additional 10 years. The annual lease payments may be adjusted dependent on whether the land has received reserve status at a future date.

On July 15, 2017, SIGA entered into an agreement with Prince Albert Casino Ventures Limited Partnership for lease of Northern Lights Casino. Beginning in July 2017, SIGA leased the property from the Partnership for approximately 5 years at an annual cost of $2,164,185.

On July 16, 2019 SIGA entered into an agreement with ICR Commercial Real Estate for lease of the Central Office building in Saskatoon. SIGA will lease the property from ICR for 15 years at an annual cost of $1,266,763.

White Bear Holdings Limited, STC Casino Holdings Limited Partnership, PHC Holdings Limited Partnership, FHQ Casino Holdings Limited Partnership, FHN Development Limited Partnership, BATC Investments Limited Partnership, Board Tribal Council Limited Partnership and Prince Albert Casino Ventures Limited Partnership are related to SIGA as they are owned by Class A membership holders of SIGA.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.0% to 12.5% (3.0% to 12.5% in 2019) per annum.

Right-of-use assets

		Casino development (000's)
Cost		
Balance at March 31, 2019	$	---
IFRS 16 transitional adjustment		16,438
Transfer from property and equipment		89,016
Balance at April 1, 2019	$	105,454
Additions		10,826
Balance at March 31, 2020	$	116,280
Accumulated amortization and impairment		
Balance at March 31, 2019	$	---
Transfer from property and equipment		33,845
Balance at April 1, 2019	$	33,845
Amortization expense		8,343
Balance at March 31, 2020	$	42,188
Net book value, March 31, 2019	$	---
Net book value, March 31, 2020	$	74,092

Net carrying amount of leased assets:

		2020 (000's)		2019 (000's)
Base Building Costs				
Gold Eagle Casino	$	11,499	$	13,357
Painted Hand Casino		5,656		5,425
Living Sky Casino		7,363		7,123
Dakota Dunes Casino		7,500		8,546
Gold Horse Casino		23,069		20,720
Northern Lights Casino		4,871		---
Bear Claw Casino		3,124		---
Central Office		11,010		---
	$	74,092	$	55,171

Lease liabilities

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

		2020 (000's)		2019 (000's)
Total future minimum lease payments	$	130,762	$	113,321
Less future finance charges on finance leases		(41,479)		(44,034)
Present value of finance lease obligation	$	89,283	$	69,287
Less current portion of finance lease obligation		(8,357)		(4,517)
Finance lease obligation	$	80,926	$	64,770

As at March 31, 2020, scheduled future minimum lease payments of the finance lease obligation are as follows:

		1 year (000's)		1-5 years (000's)		More than 5 years (000's)
Future minimum lease payments	$	14,900	$	54,557	$	61,306
Present value of finance lease obligation		8,357		34,565		46,362

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.

16. Liquor Sales

	2020	2019
	(000's)	(000's)
Wines, coolers and spirits		
-To the public via SLGA Retail stores	$ 134,506	$ 159,530
-To retail store permittees	220,115	192,841
	354,621	352,371
Beer		
-To the public via SLGA Retail stores	87,343	75,967
-To retail store permittees	183,163	209,679
	270,506	285,646
Total	$ 625,127	$ 638,017

17. 2020 Budget

These amounts represent the budget approved by Treasury Board.

18. 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 13).

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						
	2020 (000's)						2019 (000's)
	Liquor	VLT	Slots in SIGA Casinos	Other Gaming	Cannabis	Total	Total
Revenues	$ 625,127	$ 213,233	$ 236,366	$ ---	$ ---	$ 1,074,726	$ 1,087,070
Other income	6,520	713	---	1,253	226	8,712	7,958
Total revenues	631,647	213,946	236,366	1,253	226	1,083,438	1,095,028
Direct expenses	312,664	32,483	---	---	---	345,147	355,531
Operating expenses (Schedule 1 & 2)	62,661	26,151	163,325	12,870	3,025	268,032	254,428
Total expenses	375,325	58,634	163,325	12,870	3,025	613,179	609,959
Subtotal	256,322	155,312	73,041	(11,617)	(2,799)	470,259	485,069
Other comprehensive income	4,732	---	(1,730)	---	---	3,002	(1,389)
Total comprehensive income	$ 261,054	$ 155,312	$ 71,311	$ (11,617)	$ (2,799)	$ 473,261	$ 483,680
Retained earnings (deficit) beginning of year	---	---	(1,570)	---	---	(1,570)	(4,854)
Dividend to General Revenue Fund	261,054	155,312	73,041	(11,617)	(2,799)	474,991	480,396
Retained earnings (deficit) end of year	$ ---	$ ---	$ (3,300)	$ ---	$ ---	$ (3,300)	$ (1,570)
Property, plant and equipment	$ 69,716	$ 42,436	$ 40,127	$ 8,279	$ 33	$ 160,591	$ 124,508
Property, plant and equipment purchases	$ 32,800	$ 16,494	$ 16,615	$ 305	$ ---	$ 66,214	$ 27,382
Depreciation	$ 9,148	$ 6,382	$ 12,153	$ 2,118	$ 7	$ 29,808	$ 28,246

19. 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 2020 SLGA paid $5 thousand (2019 - $120 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 2020 SLGA paid $19,387 thousand (2019 - $23,476 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:

	2020 (000's)	2019 (000's)
Salaries and short-term employee benefits	$ 970	$ 945
Post-employment benefits	185	177
	$ 1,155	$ 1,122

20. Contingencies

	2020 (000's)	2019 (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.

21. Provisions

		Short-term Employee Benefits (000's)
Balance, April 1, 2018	$	1,075
Provisions made during the period		1,150
Provisions used during the period		(1,075)
Balance, March 31, 2019	$	1,150
Provisions made during the period		945
Provisions used during the period		(1,075)
Balance, March 31, 2020	$	1,020

Short-Term Employee Benefits

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

22. 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, 2020, WCLC charged SLGA $15,045 thousand (2019 - $18,085 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 $955 thousand (2019 - $928 thousand) which is included in professional and contractual services on Schedule 1.

As of March 31, 2020, the retirement plan is in a deficit status of $580 thousand (2019 - $3,189 thousand deficit status)

23. 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.

			2020 (000's)		2019 (000's)	
Financial Instruments	Classification[1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	$ 3,534	$ 3,534	$ 1,774	$ 1,774
Due from General Revenue Fund	FVTPL	Level One	40,655	40,655	31,273	31,273
Trade and other receivables	AC	N/A	56,658	56,658	81,175	81,175
Trade and other payables	OFL	N/A	20,446	20,446	26,248	26,248
Promissory Note debt	OFL	N/A	99,752	99,752	99,680	99,680
Payable to General Revenue Fund	OFL	N/A	105,140	105,140	92,831	92,831
GST Payable	OFL	N/A	1,274	1,274	1,905	1,905

[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 $99,752 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 13. The VLT receivable is collected shortly after March 31 in accordance with the agreement for services between SLGA and WCLC as described in Note 22.

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

	2020 (000's)	2019 (000's)
Cash	$ 3,534	$ 1,774
Due from General Revenue Fund	40,655	31,273
Trade and other receivables	56,658	81,175
	$ 100,847	$ 114,222

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 ($47,196 thousand – March 31, 2020; $25,573 thousand – March 31, 2019) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2020, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed $381 thousand.

As of March 31, 2020, 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, 2020, SLGA had $1,217 thousand (2019 - $446 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, 2020, SLGA has $142 thousand (2019 – $62 thousand) in this account.

In 2020, SLGA recorded a $156 thousand loss (2019 - $84 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 - 2020
(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	$ 20,446	$ 20,446	$ 20,446	$ ---	$ ---	$ ---	$ ---
Payable to the GRF	105,140	105,140	105,140	---	---	---	---
GST payable	1,274	1,274	1,274	---	---	---	---
Provisions	1,020	1,020	1,020	---	---	---	---
Promissory note debt	99,752	99,752	---	5,000	5,000	15,000	74,752
Accrued pension liability	37,328	37,328	1,766	1,766	3,402	9,792	20,602
	$ 264,960	$ 264,960	$ 129,646	$ 6,766	$ 8,402	$ 24,792	$ 95,354

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

24. 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 $99,752 thousand in promissory notes (Note 26).

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.

25. 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, 2020, SLGA held $563 thousand (2019 - $318 thousand) on behalf of in-scope employees.

26. Promissory Notes

SLGA holds $99,752 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, 2020, the promissory notes are as follows:

Date of issue	Date of maturity	Interest rate (%)	Currency		Outstanding amount (000's)
28-Oct-2019	28-Apr-2020	1.789	CAD	$	19,473
29-Oct-2019	29-Apr-2020	1.799	CAD		19,472
01-Nov-2019	05-May-2020	1.770	CAD		19,467
15-Jan-2020	15-Jul-2020	1.770	CAD		24,873
30-Mar-2020	30-Jun-2020	0.819	CAD		1,497
30-Mar-2020	30-Jun-2020	0.819	CAD		14,970
				$	99,752

Changes in promissory note debt during the year ended March 31, 2020 are as follows:

	2020 (000's)
Opening balance	$ 99,680
Changes from financing cash flows:	
Proceeds received	206,783
Repayments	(204,914)
Interest Expense	(1,797)
Ending balance	$ 99,752

27. 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.

28. COVID-19

The COVID-19 pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. SLGA continues to assess and monitor the impact of COVID-19 on its financial condition. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential impact on SLGA's financial position and operations.

On the advice of the Saskatchewan Health Authority and the Chief Medical Health Officer, VLT's were closed on March 20, 2020 and Slot machines were closed on March 17, 2020 until further notice. The decision to temporarily close operations is in line with other jurisdictions in Canada which have temporarily suspended casino and VLT operations. SLGA has assessed the impact of these assets and has determined that no additional impairment has occurred due to the closures. Slot machines and VLT's have an estimated restart date of late summer or early fall as they are included in Phase Four in Re-open Saskatchewan.

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	
	2020	2019	2020	2019	2020	2019
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Salaries, wages and benefits	$ 43,712	$ 44,190	$ 61,118	$ 54,856	$ 104,830	$ 99,046
Depreciation	17,656	17,697	12,153	10,549	29,809	28,246
Operations and maintenance	1,353	1,585	21,382	16,314	22,735	17,899
Professional and contractual services	15,080	14,966	4,739	4,855	19,819	19,821
Advertising, printing and promotion	74	8	14,362	13,578	14,436	13,586
Rent, utilities and insurance	3,325	8,571	10,867	10,218	14,192	18,789
Service charges and interest	2,606	2,342	7,970	6,841	10,576	9,183
Grants (Note 3 (l))	8,657	8,999	---	---	8,657	8,999
Goods and Services Tax	2,226	2,084	3,364	3,164	5,590	5,248
Information technology	2,105	1,864	2,303	1,466	4,408	3,330
Debit/Credit charges	3,274	3,385	---	---	3,274	3,385
Sundry	1,759	889	1,066	1,080	2,825	1,969
Stationery and supplies	755	731	1,512	1,973	2,267	2,704
Communications	383	388	1,483	1,654	1,866	2,042
Travel and business	744	623	918	962	1,662	1,585
Customer service programs	941	220	---	---	941	220
Honoraria and related expenses	57	70	---	---	57	70
Indigenous Gaming Regulators (Note 13)	---	---	3,300	3,300	3,300	3,300
Saskatoon Prairieland Park Corporation (Note 13)	---	---	2,600	2,600	2,600	2,600
SIGA table and ancillary operation losses (Note 13)	---	---	14,188	12,406	14,188	12,406
	$ 104,707	$ 108,612	$ 163,325	$ 145,816	$ 268,032	$ 254,428

*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	
	2020 (000's)	2019 (000's)	2020 (000's)	2019 (000's)	2020 (000's)	2019 (000's)	2020 (000's)	2019 (000's)	2020 (000's)	2019 (000's)
Salaries, wages and benefits	$ 37,051	$ 37,686	$ 3,383	$ 4,504	$ 1,445	$ ---	$ 1,833	$ 2,000	$ 43,712	$ 44,190
Depreciation	9,636	6,973	1,076	10	6,441	10,705	503	9	17,656	17,697
Professional and contractual services	1,901	2,114	247	461	12,744	12,026	188	365	15,080	14,966
Grants (Note 3(I))	1,089	1,113	7,306	7,823	198	---	64	63	8,657	8,999
Rent, utilities and insurance	2,068	7,799	319	8	777	760	161	4	3,325	8,571
Debit/credit charges	3,244	3,361	30	24	---	---	---	---	3,274	3,385
Service charges and interest	1,127	577	23	37	1,451	1,719	5	9	2,606	2,342
Goods and Services Tax	30	---	---	100	2,196	1,984	---	---	2,226	2,084
Information technology	1,738	1,612	190	129	45	---	132	123	2,105	1,864
Sundry	1,711	826	19	54	11	---	18	9	1,759	889
Operations and maintenance	1,263	1,500	81	80	5	---	4	5	1,353	1,585
Customer service programs	140	220	---	---	801	---	---	---	941	220
Stationary and supplies	717	697	26	22	5	---	7	12	755	731
Travel and business	552	458	103	121	16	---	73	44	744	623
Communications	302	291	49	73	15	---	17	24	383	388
Honoraria and related expenses	29	28	17	42	---	---	11	---	57	70
Advertising, printing and promotion	63	6	1	1	1	---	9	1	74	8
	$ 62,661	$ 65,261	$ 12,870	$ 13,489	$ 26,151	$ 27,194	$ 3,025	$ 2,668	$ 104,707	$ 108,612

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, 2020, 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, 2020, 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.

Judy Ferguson

Regina, Saskatchewan
May 28, 2020

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

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

	Notes	2020 (000's)	2019 (000's)
Current assets:			
Cash		$ 345	$ 369
Due from General Revenue Fund	**4**	220,824	256,117
Trade and other receivables		1,499	793
Prepaid expenses		15	29
Inventory	**6**	19,691	19,817
Held for sale	**7 & 16**	167	935
Total current assets		242,541	278,060
Non-current assets:			
Property, plant and equipment	**7**	23,613	4,825
Intangible assets	**8**	2,601	930
Total non-current assets		26,214	5,755
Total Assets		$ 268,755	$ 283,815
Current liabilities:			
Trade and other payables		$ 2,292	$ 1,934
Payable to SLGA	**10 & 17**	227,623	268,741
Goods and Services Tax (GST) payable		92	243
Liquor Consumption Tax (LCT) payable		1,498	1,605
Lease liabilities	**9**	3,168	450
Total current liabilities		234,673	272,973
Non-current liabilities:			
Lease liabilities	**9**	23,511	6,240
Total non-current liabilities		23,511	6,240
Total Liabilities		258,184	279,213
Equity			
Retained earnings (Statement 3)		10,571	4,602
Total Equity		10,571	4,602
Total Liabilities & Equity		$ 268,755	$ 283,815

(See the accompanying notes to the financial statements)

Statement 2

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

	Notes	2020 Budget (000's) (Note 12)	2020 Actual (000's)	2019 Actual (000's)
Continuing Operations				
Revenues:				
Liquor sales		$ 199,065	$ 190,888	$ 244,157
Other income		1,200	1,293	1,332
		200,265	192,181	245,489
Cost of sales:				
Cost of liquor	**6**	165,182	152,165	201,245
Gross profit on sales		35,083	40,016	44,244
Expenses (Schedule 1):				
Salary, wages and benefits		19,500	19,435	21,409
Other operating		13,670	14,605	13,350
Total expenses		33,170	34,040	34,759
Results from operating activities		1,913	5,976	9,485
Finance expense		---	481	---
Net income from continuing operations		1,913	5,495	9,485
Discontinued Operations				
Net gain (loss) from discontinued store operations	**16**	---	474	(84)
Total		---	474	(84)
Total Comprehensive Income		$ 1,913	$ 5,969	$ 9,401

(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) (000's)	Share capital (000's) **(Note 15)**	Total (000's)
Equity			
Balance April 1, 2018	$ (4,799)	$ ---	$ (4,799)
Comprehensive income	9,401	---	9,401
Balance March 31, 2019 (to Statement 1)	4,602	---	4,602
Net income	5,969	---	5,969
Balance March 31, 2020 (to Statement 1)	$ 10,571	$ ---	$ 10,571

(See the accompanying notes to the financial statements)

Statement 4

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

		2020 (000's)		2019 (000's)
Cash flows from operating activities:				
Total Comprehensive Income	$	5,969	$	9,401
Adjustments to reconcile comprehensive income to cash provided by operating activities:				
Depreciation		2,752		---
Finance expense		481		---
Changes in non-cash working capital:				
(Decrease) in payable to SLGA		(41,118)		(86,426)
Increase in trade and other payables		358		249
(Decrease) in LCT payable		(107)		(423)
(Increase) in trade and other receivables		(706)		(554)
(Decrease) in GST payable		(151)		(32)
Decrease (Increase) in prepaid expenses		14		(29)
Decrease (Increase) in inventory		126		(1,315)
Net cash from operating activities		(32,382)		(79,129)
Cash flows from financing activities:				
Payment of lease liabilities		(2,935)		---
Net (decrease) in cash position		(35,317)		(79,129)
Cash position, beginning of period		256,486		335,615
Cash position, end of period	$	221,169	$	256,486
Cash position consists of:				
Cash	$	345	$	369
Due from General Revenue Fund		220,824		256,117
	$	221,169	$	256,486

(See the accompanying notes to the financial statements)

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 28, 2020.

(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 (note 3(d) and note 7), intangible assets (note 3(e) and note 8) and right-of-use assets (note 3(g)(i) and note 7).
- Measurement of lease liabilities (note 9).
- Cash generating units (CGUs) for SLGA Retail Inc. are individual retail liquor stores (note 3(f)(ii)).

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, with the exception of the accounting policy noted in 3(a) below.

(a) Adoption of new accounting standard

SLGA Retail Inc. adopted IFRS 16, Leases, effective April 1, 2019. In accordance with the transition provisions of IFRS 16, SLGA Retail Inc. has applied IFRS 16 using the modified retrospective approach. In accordance with the method of adoption:

(i) SLGA Retail Inc. has not restated comparative information. Comparative information continues to be reported under IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives*, and SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, the standards in effect at the time. The modified retrospective approach to adoption of IFRS 16 also requires that the cumulative effect of initially applying IFRS 16 be applied as an adjustment to the opening balance of retained earnings at the date of initial application, April 1, 2019, however, no adjustments to retained earnings were required;

(ii) SLGA Retail Inc. has recognized lease liabilities for leases previously classified as operating leases applying IAS 17, measured at the present value of the remaining lease payments, discounted using SLGA Retail Inc.'s incremental borrowing rate at the date of initial application; and

(iii) SLGA Retail Inc. has recognized right-of-use assets at the date of initial application for leases previously classified as operating leases applying IAS 17, measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The right-of-use assets have been included in property, plant and equipment.

In adopting IFRS 16, SLGA Retail Inc. has elected to apply the following expedient:

(i) SLGA Retail Inc. has elected to grandfather the assessment of which transactions are leases. SLGA Retail Inc. has applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

The application of IFRS 16 has had significant impacts on the statement of financial position, the treatment of lease payments in the statement of comprehensive income and the impact of lease payments on the statement of cash flows. Upon adoption at April 1, 2019, right-of-use assets and corresponding lease liabilities of $20,419 were recorded on the statement of financial position. The details of the significant changes and the quantitative impacts recorded throughout the year as a result of the adoption of IFRS 16 are set out in notes 7 and 9.

Leases where SLGA Retail Inc. is the lessee:

Lease payments for leases previously classified as operating leases were recognized as an expense as incurred. IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. Assets are recognized for the right of use received and liabilities are recognized for the payment obligations entered into for all leases. Leases that had been classified as operating in accordance with IAS 17 are now recorded as right-of-use assets (included in property, plant and equipment) and related lease liabilities. The lease liabilities, upon transition to IFRS 16, have been recognized as the present value of the remaining lease payments, discounted using SLGA Retail Inc.'s incremental borrowing rate at the time the standard is first applied. Future lease liabilities will be determined based on the present value of the future lease payments discounted at either the interest rate implicit in the lease or SLGA Retail Inc.'s incremental borrowing rate if the implicit lease rate is not determinable, adjusted, as appropriate, for residual guarantees, purchase options and termination penalties. The right-of-use assets upon transition have been measured at the amount of the lease liability plus any payments made or accrued at transition. Future right-of-use assets will be determined based on the amount of the lease liability adjusted, as appropriate, for prepaid or accrued lease payments, lease incentives, initial direct costs and asset retirement obligations.

The adoption of IFRS 16 has also resulted in: a decrease to other operating expenses for the removal of lease rent expense; an increase in other operating expenses related to depreciation of the right-of-use assets; and an increase to finance expense due to recognition of additional interest expense related to the lease liabilities. The change in presentation of operating lease expense to depreciation of right-of-use assets and interest expense on lease liabilities also resulted in an improvement in cash flows from operations and a corresponding decline in cash flows from financing activities.

SLGA Retail Inc.'s financial statements adopted IAS 19, Employee Benefits, effective April 1, 2019. IAS 19 is an amendment to IAS 9, regarding Plan Amendment, Curtailment or Settlement. Application of this standard did not significantly impact SLGA Retail Inc.'s financial statements.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) Leases

Policy applicable from April 1, 2019 – Under IFRS 16:

At inception of a contract, SLGA Retail Inc. assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, SLGA Retail Inc. assesses whether:

- The contract involves the use of an identified asset;
- SLGA Retail Inc. has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- SLGA Retail Inc. has the right to direct the use of the asset.

(i) As a lessee

SLGA Retail Inc. recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are included in property, plant and equipment.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, SLGA Retail Inc.'s incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability include the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After initial recognition, the lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in SLGA Retail Inc.'s estimate of the amount expected to be payable under a residual value guarantee, or if SLGA Retail Inc. changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

SLGA Retail Inc. has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. SLGA Retail Inc. recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before April 1, 2019 - Under IAS 17:

Until March 31, 2019, leases were 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 were classified as operating leases.

Assets held under a finance lease were initially recognized as assets of SLGA Retail Inc. and were 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 was included in the statement of financial position as a finance lease obligation.

Lease payments were 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 was recognized in finance costs in the statement of comprehensive income.

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

(h) 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.

(i) 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.

(j) Finance Expense

Finance expense is comprised of interest expense on financial and lease liabilities and impairment losses recognized on financial assets.

(k)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 January 1, 2020 or later periods. SLGA Retail Inc. is assessing the impact of these pronouncements on its results and financial position. These include:

IAS 1 – Presentation of Financial Statements amended on October of 2018 and set out to replace disclosing significant accounting policies with the requirement to disclose material accounting policies. This standard is effective for annual periods beginning on or after January 1, 2020.

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

	2020 (000's)	2019 (000's)
Wines, coolers and spirits in stores	$ 15,652	$ 16,130
Beer in stores	4,039	3,687
	$ 19,691	$ 19,817

The cost of liquor inventories recognized as an expense during the year ended March 31, 2020 was $161,122 thousand (2019- $201,320 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, 2020 there was no amount of inventory pledged as security.

7. Property, Plant and Equipment

(000's)	Buildings	Right-of-Use Assets (Buildings)	Furniture and Equipment	Leasehold Improvements	Held For Sale	Total
Cost						
Balance, April 1, 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
Impact of adoption of IFRS 16	---	21,231	---	---	---	21,231
Additions/adjustments	22	---	671	---	---	693
Disposals/ Retirements	---	---	---	---	(813)	(813)
Balance, March 31, 2020	$ 5,524	$ 21,231	$ 1,380	$ 123	$ 217	$ 28,475

Accumulated Depreciation						
Balance, April 1, 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
Depreciation expense	295	2,752	82	12	---	3,141
Adjustments	(5)	---	---	---	5	---
Disposals/ Retirements	---	---	---	---	(50)	(50)
Balance, March 31, 2020	$ 1,132	$ 2,752	$ 679	$ 82	$ 50	$ 4,695

Net Book Value						
Balance, March 31, 2019	$ 4,660	$ ---	$ 112	$ 53	$ 935	$ 5,760
Balance, March 31, 2020	$ 4,392	$ 18,479	$ 701	$ 41	$ 167	$ 23,780

8. Intangible Assets

(000's)		Software Total
Cost		
Balance, April 1, 2018	$	345
Additions/adjustments		585
Disposals/retirements		---
Balance, March 31, 2019	$	930
Additions/adjustments		1,671
Disposals/retirements		---
Balance, March 31, 2020	$	2,601

Accumulated depreciation		
Balance, April 1, 2018	$	---
Depreciation expense		---
Disposals/retirements		---
Balance, March 31, 2019	$	---
Depreciation expense		---
Disposals/retirements		---
Balance, March 31, 2020	$	---

Net Book Value		
Balance, March 31, 2019	$	930
Balance, March 31, 2020	$	2,601

9. Leases

SLGA Retail Inc. leases buildings from SLGA and thirds parties which comprise right-of-use assets (included in property, plant and equipment – see note 7) and have corresponding lease liabilities.

(000's) At March 31,		2020
Contractual undiscounted cash flows		
One year or less	$	2,821
Between one and five years		6,637
Greater than five years		825
Total undiscounted lease liabilities	$	10,283
Discounted lease liabilities included in the statement of financial position	$	---
Current		3,168
Non-current	$	23,511

Amounts recognized in net income

(000's) For the year ended March 31,		2020
Interest on lease liabilities	$	481

Amounts recognized in the statement of cash flows

(000's) For the year ended March 31,		2020
Interest paid on lease liabilities	$	481
Lease liability principal payments		2,454
Total cash outflow for leases	$	2,935

10. 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.

11. 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.

12. 2020 Budget

These amounts represent the budget approved by SLGA Retail Inc. Board of Directors. Discontinued operations are included in SLGA Retail Inc.'s 2019-20 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 $5 thousand (2019- $174 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 $19,387 thousand (2019- $23,476 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.

			2020 (000's)		2019 (000's)	
Financial Instruments	Classification[1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	$ 345	$ 345	$ 369	$ 369
Due from General Revenue Fund	FVTPL	Level One	220,824	220,824	256,117	256,117
Trade and other receivables	AC	N/A	1,499	1,499	793	793
Trade and other payables	OFL	N/A	2,292	2,292	1,934	1,934
Payable to SLGA	OFL	N/A	227,623	227,623	268,741	268,741
GST payable	OFL	N/A	92	92	243	243
LCT payable	OFL	N/A	1,498	1,498	1,605	1,605

[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:

	2020 (000's)	2019 (000's)
Cash	$ 345	$ 369
Due from General Revenue Fund	220,824	256,117
Trade and other receivables	1,499	793
	$ 222,668	$ 257,279

As of March 31, 2020, 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, 2020, SLGA Retail Inc. has $208 thousand (2019- $168 thousand) in this account.

During the year, SLGA Retail Inc. recorded a $1 thousand (2019- $1 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 - 2020
(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	$ 2,292	$ 2,292	$ 2,292	$ ---	$ ---	$ ---	$ ---
Payable to SLGA	227,623	227,623	227,623	---	---	---	---
GST payable	92	92	92	---	---	---	---
LCT payable	1,498	1,498	1,498	---	---	---	---
Lease Liabilities obligation	26,679	26,679	1,587	1,581	3,136	6,959	13,416
	$ 258,184	$ 258,184	$ 233,092	$ 1,581	$ 3,136	$ 6,959	$ 13,416

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

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.

(a) Share Capital

		2020		2019
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 2019-20 totaled $10,821 thousand (2018-19 - $86 thousand).

During 2019-20 the following liquor store operations were discontinued:

	2020 (000's)					
		Revenue		Expense		Net Income
Saskatoon – Lawson Heights	$	10,821	$	10,347	$	474
Total	$	10,821	$	10,347	$	474

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

Discontinued operations expenses are detailed as follows:

	2020 (000's)		2019 (000's)	
Cost of sales	$	8,956	$	75
Salaries, wages and benefits		902		44
Other expenses		489		51
Total	$	10,347	$	170

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, 2020, SLGA Retail Inc. has $227,623 thousand (2019- $268,741 thousand) in this account.

18. Covid-19

The COVID-19 pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. SLGA Retail Inc. continues to assess and monitor the impact of COVID-19 on its financial condition. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential impact on SLGA Retail Inc.'s financial position and operations.

Schedule 1

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

	Total	
	2020	2019
	(000's)	(000's)
Salaries, wages and benefits	$ 19,435	$ 21,409
Professional and contractual services	4,946	3,329
Depreciation expense (Note 7 & 8)	2,981	538
Rent, utilities and insurance	1,901	5,009
Debit/credit charges	1,232	1,614
Sundry	966	411
Operations and maintenance	853	985
Stationary & supplies	495	487
Service charges	482	5
Grants	392	359
Travel and business	352	262
Information technology	151	79
Customer service	139	138
Communications	136	132
Advertising	37	2
Goods and services tax	22	---
Commission	1	---
	$ 34,521	$ 34,759

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 Holding Inc., which comprise the statement of financial position as at March 31, 2020, and the statements of comprehensive income, changes in equity, cash flows 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 Holding Inc. as at March 31, 2020, and the results of its financial performance and its cash flows 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 Holding 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 Holding 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 Holding Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SLGA Holding 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 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 SLGA Holding Inc.'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 SLGA Holding 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 Holding 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.

Judy Ferguson

Judy Ferguson, FCPA, FCA
Provincial Auditor

Regina, Saskatchewan
May 28, 2020

Statement 1

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

	Notes	2020 (000's)	2019 (000's)
Current assets:			
Cash		$ ---	$ ---
Trade and other receivables		786	630
Due from General Revenue Fund	**4**	3,579	2,736
Goods and Services Tax (GST) receivable		218	116
Current portion of lease receivable	**6**	18,860	17,260
Total current assets		23,443	20,742
Non-current assets:			
Long-term lease receivable	**6**	63,212	50,123
Total non-current assets		63,212	50,123
Total Assets		$ 86,655	$ 70,865
Liabilities:			
Trade and other payables		$ 1,096	$ 1,508
Due to SLGA	**8 &10**	85,281	69,899
Total Liabilities		86,377	71,407
Equity			
Retained earnings (deficit) (Statement 3)		278	(542)
Total Equity		278	(542)
Total Liabilities & Equity		$ 86,655	$ 70,865

(See the accompanying notes to the financial statements)

Statement 2

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

	2020		2019
	Budget (Note 9)	Actual	Actual June 26/18 – Mar 31/19
	(000's)	(000's)	(000's)
Continuing Operations			
Revenues:			
Other income	$ 24,816	$ 18,977	$ 13,250
	24,816	18,977	13,250
Expenses:			
Other operating	24,816	18,535	13,781
Total expenses	24,816	18,535	13,781
Operating Income	---	442	(531)
Gain (loss) on disposal of non-current assets	---	378	(11)
Net income (loss)	---	820	(542)
Other comprehensive income	---	---	---
Total Comprehensive Income (Loss)	$ ---	$ 820	$ (542)

(See the accompanying notes to the financial statements)

Statement 3

SLGA HOLDING INC.
STATEMENT OF CHANGES IN EQUITY
For the Year & Period Ended March 31

	Retained earnings (deficit) (000's)	Share capital (Note 12) (000's)	Total (000's)
Equity			
Balance June 26, 2018	$ ---	$ ---	$ ---
Comprehensive Loss	(542)	---	(542)
Transfer to SLGA (Note 5)	---	---	---
Balance March 31, 2019 (to Statement 1)	$ (542)	$ ---	$ (542)
Net income	820	---	820
Balance March 31, 2020 (to Statement 1)	$ 278	$ ---	$ 278

(See the accompanying notes to the financial statements)

Statement 4

SLGA HOLDING INC.
STATEMENT OF CASH FLOWS
For the Year & Period Ended March 31

	2020	2019
	(000's)	(000's)
Cash flows from operating activities:		
Total comprehensive Income (Loss)	$ 820	$ (542)
Adjustments for:		
Increase in due to SLGA	15,382	69,899
(Decrease) Increase in trade and other payables	(412)	1,508
(Increase) in long term lease receivable	(13,089)	(50,123)
(Increase) in current portion of lease receivable	(1,600)	(17,260)
(Increase) in trade and other receivables	(156)	(630)
(Increase) in GST receivable	(102)	(116)
Net cash from operating activities	843	2,736
Net increase in cash position	843	2,736
Cash position, beginning of period	2,736	---
Cash position, end of period	$ 3,579	$ 2,736
Cash position consists of:		
Cash	$ ---	$ ---
Due from General Revenue Fund	3,579	2,736
	$ 3,579	$ 2,736

(See the accompanying notes to the financial statements)

SLGA HOLDING INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

1. Description of Business

SLGA Holding Inc. is a corporation located in Canada. The address of SLGA Holding's registered office is 2500 Victoria Avenue, Regina, SK, S4P 3M3.

SLGA Holding Inc. was incorporated on June 26, 2018 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 Sept. 30, 2018. As a wholly-owned subsidiary of SLGA, SLGA Holding Inc. is not subject to federal or provincial income or capital taxes. Since its inception, SLGA Holding Inc. is responsible for the purchase of property, plant and equipment for leases to SLGA for the VLT and slot programs. The financial results of SLGA Holding 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 Holding Inc.'s Board of Directors approved these statements on May 28, 2020.

(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 Holding 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.

Significant items subject to estimates include the carrying amounts of long-term lease receivables (Note 6).

The preparation of financial statements in conformity with IFRS requires management to make judgements that effect the application of accounting policies listed in Note 3.

3. Significant Accounting Policies

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

Adoption of new accounting standard

SLGA Holding Inc. adopted IFRS 16, Leases, effective April 1, 2019, which supersedes the previous IAS 17, Leases standard and the related interpretations.

IFRS 16 eliminates the operating and finance lease classifications for lessees with a single, on-balance sheet lease accounting model. As a result of this change, SLGA Holding Inc. now recognizes all leases to which it is a lessee in the statement of financial position as a lease liability with a corresponding right-of-use asset, subject to recognition exemptions for certain short-term and low-value leases.

The accounting requirements for SLGA Holding Inc. as a lessor remain largely unchanged.

The adoption of the standard did not have an impact on these financial statements.

SLGA Holding Inc.'s financial statements adopted IAS 19, Employee Benefits, effective April 1, 2019. IAS 19 is an amendment to IAS 9, regarding Plan Amendment, Curtailment or Settlement. Application of this standard did not significantly impact SLGA Holding Inc.'s financial statements.

(a) Financing Leases Receivable

SLGA Holding Inc. purchases property, plant and equipment for the purpose of entering into a direct financing lease agreement with SLGA. SLGA Holding Inc. records the cost of the leased assets as lease receivable from SLGA and SLGA records the equivalent amount as property, plant and equipment. SLGA Holding Inc. initially recognizes financing leases receivable at fair value on the date that they originate. Subsequent to initial recognition, financing leases receivable are measured at amortized cost using the effective interest model, less any provision for impairment losses. SLGA Holding Inc. derecognizes the lease receivables 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 lease receivables in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by SLGA Holding Inc. is recognized as a separate asset or liability.

(b) Revenue Recognition

SLGA Holding Inc. 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 Holding Inc. expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices.

The income for SLGA Holding Inc. is lease revenue related to gaming assets.

(c) 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.

(d) Financial Instruments

(i) Non-derivative financial assets and liabilities

SLGA Holding Inc. 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 and GST receivable 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 Holding Inc. has the following non-derivative financial liabilities which are classified as other liabilities: trade and other payables, due to SLGA. 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 Holding 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 Holding Inc. is recognized as a separate asset or liability. SLGA Holding 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 Holding 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 Holding Inc. has not identified any material derivatives or embedded derivatives in any of its financial instruments that are required to be separately valued.

(e) 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, 2020 or later periods. SLGA Holding Inc. is assessing the impact of these pronouncements on its results and financial position. These include:

IAS 1 – Presentation of Financial Statements amended on October of 2018 and set out to replace disclosing significant accounting policies with the requirement to disclose material accounting policies. This standard is effective for annual periods beginning on or after January 1, 2020.

4. Due from General Revenue Fund

SLGA Holding Inc.'s bank account is 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 Holding Inc.'s bank account.

5. Disposition of Retained Earnings

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

6. Long-term Lease Receivable

SLGA Holding Inc. entered into a direct financing lease agreement with SLGA for equipment. SLGA Holding Inc. records the cost of the leased assets as lease receivable from SLGA and SLGA records the equivalent amount as property, plant & equipment.

The lease receivable is non-interest bearing and has minimum repayments as follows:

		(000's)
2021-22	$	17,543
2022-23		15,715
2023-24		14,178
2024-25		11,047
2025-26 and subsequent		4,729
Total minimum payments receivable	$	63,212
Current portion		18,860
Total	$	82,072

7. Agreement with SLGA

On Sept. 30, 2018, SLGA Holding Inc. entered into an agreement with SLGA which is ongoing until given sixty (60) days notice in writing given by one party to another, for the provision of services by SLGA to SLGA Holding Inc. on a cost recovery basis. The services include employees, the use of SLGA assets and reimbursement of costs incurred by SLGA on behalf of SLGA Holding Inc.

8. Due to SLGA

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

		(000's)
Balance, Sept 30, 2018	$	---
Additions		69,899
Repayments		---
Balance, March 31, 2019	$	69,899
Additions		15,382
Repayments		---
Balance, March 31, 2020		85,281

9. 2020 Budget

These amounts represent the budget approved by SLGA Holding Inc. Board of Directors on May 28, 2020.

10. Related Parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to SLGA Holding 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 Holding Inc. considers the size, type and terms of the transaction.

SLGA Holding Inc. pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. During the period SLGA Holding Inc. paid $NIL thousand (2019- $41 thousand). Other amounts and transactions with related parties are described separately in these financial statements and the notes thereto.

11. 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 Holding Inc.'s financial instruments. The table also identifies the financial instrument category and fair value hierarchy.

			2020 (000's)		2019 (000's)	
Financial Instruments	Classification[1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Due from General Revenue Fund	FVTPL	Level One	$ 3,579	$ 3,579	$ 2,736	$ 2,736
Trade and other receivables	AC	N/A	786	786	630	630
GST receivables	AC	N/A	218	218	116	116
Trade and other payables	OFL	N/A	1,096	1,096	1,508	1,508
Due to SLGA	OFL	N/A	85,281	85,281	69,899	69,899

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

SLGA Holding Inc. is exposed to a low number of financial risks in the normal course of operations.

(b) Credit and Interest Rate Risk

SLGA Holding Inc. is exposed to minimal credit risk from the potential non-payment of accounts receivable as the majority of receivables are due from related parties.

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

	2020 (000's)	2019 (000's)
Due from General Revenue Fund	$ 3,579	$ 2,736
Trade and other receivables	786	630
Lease receivable	82,072	67,383
	$ 86,437	$ 70,749

As of March 31, 2020, there was no impairment required on any of the financial assets of SLGA Holding Inc.

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

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

(c) Foreign Currency Exchange Risk

SLGA Holding Inc. is exposed to foreign exchange risks resulting from the timing between recording payable and the payment.

During the year, SLGA Holding Inc. recorded a $116 thousand (2019-$NIL) gain due to the variation in the foreign exchange rates.

To date, SLGA Holding 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 Holding Inc. will not be able to meet its financial obligations as they fall due. The majority of SLGA Holding Inc. operational activity involves accounts receivable from its parent company. SLGA Holding Inc. relies on funds generated from its operations to meet operating requirements and to finance capital investment.

Contractual cash flows - 2020
(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	$ 1,096	$ 1,096	$ 1,096	$ ---	$ ---	$ ---	$ ---
Due to SLGA	85,281	85,281	85,281	---	---	---	---
	$ 86,377	$ 86,377	$ 86,377	$ ---	$ ---	$ ---	$ ---

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	$ 1,508	$ 1,508	$ 1,508	$ ---	$ ---	$ ---	$ ---
Due to SLGA	69,899	69,899	69,899	---	---	---	---
	$ 71,407	$ 71,407	$ 71,407	$ ---	$ ---	$ ---	$ ---

12. Capital

SLGA Holding Inc.'s capital structure consists of current payables, cash and cash equivalents, and retained earnings. SLGA Holding Inc.'s Board determines the disposition of SLGA Holding Inc.'s retained earnings (Note 5). SLGA Holding 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 Holding Inc.'s ability to meet financial obligations.

(a) Share Capital

	2020	2019
Authorized		
Unlimited voting common shares with no par value		
Issued and outstanding		
1 common share	$ ---	$ ---

13. COVID-19

The COVID-19 pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. SLGA Holding Inc. continues to assess and monitor the impact of COVID-19 on its financial condition. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential impact on SLGA Holding Inc.'s financial position and operations.

On the advice of the Saskatchewan Health Authority and the Chief Medical Health Officer, VLT's were closed on March 20, 2020 and Slot machines were closed on March 17, 2020 until further notice. The decision to temporarily close operations is in line with other jurisdictions in Canada which have temporarily suspended casino and VLT operations. SLGA Holding Inc. has assessed the impact of these assets and has determined that no additional impairment has occurred due to the closures. Slot machines and VLT's have an estimated restart date of late summer or early fall as they are included in Phase Four in Re-open Saskatchewan.

Appendix A

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, horse racing and cannabis licensing, registration, and cancellation/suspension matters;
b) decisions of SIGA casino operators and SaskGaming respecting involuntary casino bans of patrons from their respective casinos;
c) decisions of the Indigenous Gaming Regulator (IGR) with respect to licensing, registration, and cancellation/suspension matters for on-reserve charitable gaming and charitable gaming employees on reserve.

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 activities over which it has jurisdiction to ensure fairness and integrity. Any licensed party who disagrees with a decision of SLGA or IGR that is within the Commission's jurisdiction has the right to apply to the Commission for a review. Similarly, any individual (such as a casino patron) who has been involuntarily banned from a casino by SIGA or SaskGaming may request a review before the Commission. Except in unusual circumstances, the Commission stays the decision at issue pending the outcome of the Commission's review.

In 2019-20, the Commission scheduled and heard 17 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 11 hearings were held in Saskatoon.

The applications have 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.

Of the 17 hearings held during the past fiscal year, ten were liquor related objections, denial of licence, suspensions or sanctions. Four hearing reviews were in regard to casino admission bans, three of those sanctions being enforced by SIGA and one by SaskGaming. There were three hearings held with respect to horse racing, involving violation of the horse racing rules.

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, 2020:
- 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 B

2019-20 Results at a glance

SLGA net income	$470.3M
SIGA net income	$73.0M
Total liquor sales	$625.1M
Liquor net income	$256.3M
VLT net income	$155.3M
VLT site commission	$32.5M
Number of SLGA employees	682
Number of retail liquor stores	36
Number of communities with SLGA stores	24
Total number of active Retail Store Permittees (RSPs)	624
Regular listed product available to RSPs	2,532
Special order listings	5,741
Total retail products available	8,273
Number of casinos	9
Number of slot machines in SIGA casinos	2,370
Number of slot machines in SaskGaming casinos	1,002
Number of VLTs	4,200
Number of communities with VLTs	270
Number of VLT sites	569
Number of active commercial liquor permittees	3,099
Number of special occasion permits issued	12,058
Number of cannabis retail store permits issued	42
Number of cannabis wholesale permits issued	6
Number of cannabis licensed producer registrations	62
Number of sanctions (liquor, gaming, cannabis and horse racing)	288
Number of registered gaming employees	3,076
Number of registered gaming suppliers	108
Total number of bingo, raffle, breakopen, charitable gaming event, Texas Hold'em, and Monte Carlo licences	6,236
Number of bingo halls	9
Total gross bingo sales	$9.7M
Total gross raffle sales	$55.8M
Total gross breakopen sales	$2.0M
Total gross charitable gaming event sales	$44.1M
Total gross Texas Hold'em and Monte Carlo event sales	$0.2M
Total net proceeds to charity (bingo, raffle, Texas Hold'em and Monte Carlo)	$28.3M
Total grants paid to charitable gaming licensees	$7.6M
Total provincial handle (all horse racing wagers)	$4.6M

All data as of March 31, 2020