Saskatchewan Liquor and Gaming Authority

Annual Report for 2020-21

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Letters of Transmittal

The Honourable Jim Reiter
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

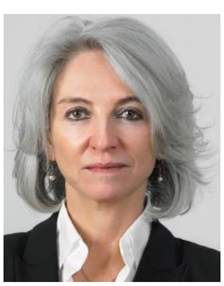
Office of the Lieutenant Governor of Saskatchewan

I respectfully submit the Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2021. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997.*

COVID-19 affected SLGA operations in 2020-21. SLGA's liquor operations continued to operate throughout the pandemic and experienced an increase in revenues. However, disruptions to gaming operations in the province during the pandemic negatively impacted SLGA revenues. Despite these challenges, SLGA employees throughout the province worked hard to provide excellent customer service and manage expenditures responsibly on behalf of Saskatchewan people. The Annual Report measures progress against the commitments outlined in SLGA's 2020-21 Plan.

The 2020-21 financial statements show a net income of $360.6M. 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.

Jim Reiter
Minister Responsible for the Saskatchewan Liquor and Gaming Authority



Susan E. Ross
President and CEO
Saskatchewan Liquor and Gaming Authority

The Honourable Jim Reiter
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, 2021.

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

This Annual Report highlights the unique year that was 2020-21 and how SLGA employees managed the impacts of the pandemic to ensure the positive contributions to government by the organization.

Susan E. Ross
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 operating under *The Alcohol and Gaming Regulation Act, 1997*. 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's subsidiary, SLGA Retail Inc., oversees the operation of 35 SLGA retail liquor stores in Saskatchewan.

SLGA issues liquor permits for all commercial facilities including restaurants, taverns and manufacturers (including craft manufacturers). As of March 31, 2021, there were 2,980 commercial liquor permittees operating in the province, including 625 retail store permittees that sell liquor for off-site consumption. During 2020-21, public health measures required social distancing and limitations on the size of gatherings. This resulted in only 529 special occasion permits being issued to individuals or organizations to sell liquor products at special events, a significant reduction from prior years.

SLGA owns and 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 Saskatchewan Indian and Gaming Authority (SIGA) casinos. As of March 31, 2021, VLTs were located at 571 sites throughout the province. SLGA also plays an important role in regulating VLT sites and the province's nine casinos including seven SIGA casinos 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 and Monte Carlo events. SLGA also regulates the provincial horse racing industry.

The pandemic had a significant impact on many gaming operations in 2020-21. There were no horse racing events. SIGA casinos were required to cease operations on two different occasions. VLTs experienced a province wide closure in the spring of 2020 and another localized closure on March 28, 2021. Charitable gaming was also impacted by the pandemic as bingo halls were required to close for a large portion of 2020-21.

SLGA's operations include the regulation of cannabis which is wholesaled and retailed by the private sector. As of March 31, 2021, there were 72 cannabis retail store permits issued in Saskatchewan along with four wholesale permits and 113 licensed producer registrations.

As of March 31, 2021, SLGA employed 633 staff throughout the province. The majority of staff work in SLGA's Retail Inc. liquor stores.

The Annual Report provides an update on SLGA's progress toward its 2020-21 Plan.

COVID-19 Response Highlights

Overview

The COVID-19 pandemic has challenged government operations during the 2020-21 fiscal year. The expected operations of programs and services may have significantly changed as the Government of Saskatchewan worked quickly to support citizens and businesses. Annual Reports for the 2020-21 fiscal year provide information on the impacts of COVID-19 and recognize the work of the Government of Saskatchewan in responding to the pandemic.

SLGA COVID-19 Response Highlights

- SLGA's Distribution Centre and SLGA Retail Inc. liquor stores continued to operate throughout the pandemic, implementing increased safety protocols to keep employees and customers safe.
- An increased demand for liquor products in the province resulted in a 17 per cent increase in wholesale liquor revenues and a record number of cases shipped. The Distribution Centre shipped more than 3.3 million cases, an increase of 680,000 compared to 2019-20. The Distribution Centre also maintained its customer service standards during the pandemic as no orders were delayed.
- SLGA's wholesale area enhanced its online services, including hosting a virtual liquor trade show to help keep liquor retailers abreast of the latest beverage alcohol trends. Sales of ready-to-drink beverages experienced large sales increases as consumer interest in these products grows.
- Gaming operations were impacted significantly by COVID-19 and SIGA casinos were required to suspend operations for the majority of 2020-21. This led to SIGA recording a net loss of $18.6 million compared to 2019-20, when a net income of $73.0 million was realized.
- VLTs are located across the province in businesses such as taverns and restaurant lounges. As a result of COVID-19, VLT operations were suspended across the province for a three month period. Regina and area also experienced a second suspension. While operations were suspended for approximately three months, sales were only down 18.3 per cent from the prior year.
- Businesses with VLTs are provided a commission as part of their operating agreement. The commission rate for VLT operators was temporarily increased to 25 per cent from 15 per cent during the year to provide operators with additional revenues to help hotel bars and restaurant lounges maintain their operations.
- Licensing and inspections/investigations of liquor, gaming and cannabis activities continued as needed to ensure businesses operated under the public health measures in place.
- Limitations on public gatherings resulted in a significant reduction of special occasion permits being issued in 2020-21. There were 529 special occasion permits issued in 2020-21 compared to 12,058 in 2019-20.
- Public health measures led to restaurants and bars, among other establishments, having capacity restrictions. SLGA developed temporary changes to outdoor service areas, curbside pick-up and liquor delivery to allow these establishments to maintain some level of operations.
- SLGA's Information Technology team responded quickly and effectively to ensure a large number of head office employees were able to work from home.
- COVID-19 created constantly changing work environments. In response to this, employee committees were established to develop plans and provide support to employees.

- Additional safety measures were put in place in all SLGA locations to ensure working space aligned with public health measures and provided a safe environment for employees and customers.
- Innovation was key to combating COVID-19 as SLGA was required to adapt to new ways of performing its operations. Virtual meetings, electronic receipt of payments, increased automation and increased communications to help maintain engagement were among the changes employees adopted to maintain service for their customers.

Progress in 2020-21

Government Goals

A Strong Economy | Strong Communities | Strong Families

SLGA Goal 1 - Maximize SLGA's net income

Strategy

Improve liquor net income.

Key Actions

Continue to implement, assess and amend strategies for SLGA Retail Inc.[1]

- SLGA liquor stores continued to operate throughout the pandemic, implementing additional safety protocols and amending hours of operation to increase safety for employees and customers. SLGA Retail exceeded its budgeted revenue objective and maintained quality service for customers throughout the year in unique circumstances.

Review liquor supply chain strategies to continue to meet customer needs and maximize net income objectives.

- SLGA's supply chain was required to maintain operations to ensure liquor products were provided to liquor retailers in the province. The pandemic resulted in travel restrictions leading to more money being spent locally. Coupled with bulk purchasing to limit interactions, SLGA experienced a 17 per cent increase in wholesale liquor revenues. The innovative refreshment beverage market saw the largest increase with a 57 per cent rise in litres distributed. SLGA worked with its suppliers to bring innovative and popular beverages into the Saskatchewan market to meet the needs of liquor suppliers and their customers. The increased revenues will provide ongoing support to public programs.

Strategy

Improve gaming net income.

Key Actions

Monitor performance of current strategies and investigate and implement new strategies improving VLT net income to meet or exceed budget.

- Public Health measures put in place due to the pandemic had a significant impact on the gaming sector and SLGA gaming net income. VLT operations were suspended at the beginning of the fiscal year but were able to resume service in early July 2020. A second wave of COVID-19 led to a

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[1] SLGA Retail Inc. is a subsidiary of SLGA that manages and oversees SLGA's 35 retail liquor stores in communities across the province as well as merchandising, marketing and property management.

localized suspension of VLT operations but the majority of the province was able to maintain their VLT services.

- A temporary increase was made to VLT operator commission rates in the province to provide operators with additional revenues to help hotel bars and restaurant lounges maintain their operations.
- VLT net income of $104.5 million, in 2020-21, was lower than the prior year ($155.3 million, in 2019-20). Even though VLTs were not operational for approximately three months of 2020-21, total sales were only 18.3 per cent below prior year.
- SLGA is working with a gaming supplier to trial new games on its VLT network in an effort to respond to customer desires for new game offerings.

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

- All VLTs in the province are replaced over a six year cycle. The third stage of replacements was completed and the fourth stage began in 2020-21. The replacement of these machines on a regular cycle helps to meet customer expectations for a new and innovative product.

Performance Measure Results

Net Income (NI)[2]

SLGA's NI is primarily generated from liquor wholesale sales, VLT activity, slot machines in SIGA casinos and SLGA Retail Inc. net income.

Fiscal Year	Budgeted NI	Actual NI
2020-21	$263.6M	$360.6M
2019-20	$477.9M	$470.3M
2018-19	$481.4M	$485.1M
2017-18	$523.3M	$492.9M
2016-17	$511.0M	$477.3M

Source: SLGA

SLGA's NI declined significantly from the prior year due to the pandemic. SIGA's net income was the most impacted due to casino operations being suspended to comply with public health measures.

Increased revenue for wholesale and retail liquor accompanied with expense savings throughout SLGA helped to lessen the decline in SLGA net income for 2020-21.

In the last five years, SLGA has provided more than $2.2 billion to the General Revenue Fund in the form of a dividend in support of government programs and services.

Government Goals

A Strong Economy

Strong Communities

Strong Families

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

Continue to partner with new and existing stakeholders to implement awareness initiatives that promote the socially responsible sale and use of liquor, gaming and cannabis products.

- SLGA provided ongoing funding to various organizations to support responsible use efforts including:
  - The Saskatchewan Prevention Institute to support the Youth Action Program in northern Saskatchewan. This program aims to better engage people in northern areas of the province about the harms of alcohol;
  - The Saskatchewan Prevention Institute and Support Network to support prevention and awareness of Fetal Alcohol Spectrum Disorder; and
  - Mobile Crisis Regina to support the Saskatchewan Problem Gambling Helpline.
- The Canadian Centre on Substance Use and Addictions (CCSA) has announced that it is reviewing its low risk drinking guidelines and SLGA will promote these upon their completion. SLGA will also consider promotion of the lower risk gambling guidelines in the province once they are released by the CCSA.
- Social responsibility messaging related to cannabis is led by the Ministry of Health. SLGA stays informed of social responsibility initiatives and their potential impact on SLGA related regulations as a member of an interjurisdictional cannabis social responsibility subcommittee.
- All of the actions noted above are designed to promote responsible use of liquor, gaming and cannabis products.

Performance Measure Results

Awareness of Standard Drink Size

In 2020-21, SLGA intended to provide additional information to liquor retailers related to standard drink sizes. Due to COVID-19, this additional information on standard drink sizes was not provided so retailers could focus on customer safety and other impacts of the pandemic. SLGA plans to conduct actions to increase awareness of standard drink size in 2021-22.

Government Goals

A Strong Economy	**Strong Communities**	**Strong Families**

SLGA Goal 3 - Alcohol, gaming and cannabis products are provided safely and fairly

Strategy

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

Key Actions

Develop strategies for partnering with new and existing stakeholders to increase awareness of the importance of ensuring liquor sales to minors are not occurring.

- SLGA partners with the Saskatchewan Tourism Education Council to require the completion of the *Serve it Right* Saskatchewan training before retail liquor permits are issued. As well, SLGA's Minors as Test Shoppers (MATS) program ensures liquor sales to minors are not occurring. Though the MATS program was temporarily deferred due to the pandemic, there are plans for it to resume as public health restrictions are amended.
- SLGA Retail Inc. updated its Check 25 program delivery to include an eLearning format. The updated program will be provided to employees that need to recertify their training in 2021-22.

Expand the MATS compliance program, which targets potential sales to minors, to include cannabis sales while also continuing with liquor sales.

- The pandemic led to the temporary suspension of the SLGA liquor MATS program and a delay of implementation for the cannabis MATS program. Public health measures and safety directives are being monitored to determine the appropriate time to resume the liquor MATS program and work toward implementation of the cannabis MATS program.

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 cannabis products and services.

- SLGA conducted cannabis responsible use awareness research in 2020-21 working towards the creation and implementation of cannabis awareness training information for all SLGA employees. This training will be provided to SLGA employees in 2021-22. Educated employees can pass along their knowledge to customers and stakeholders to help increase awareness.

Evaluate SLGA's regulatory, inspection and licensing capacity to ensure effective delivery of services and the ability to monitor permittees' compliance with regulatory standards.

- Due in part to COVID-19 restrictions, the impact of the open retail cannabis market system on permit numbers was slower to materialize than expected. As of March 31, 2021, permitted retail store numbers had increased by 71 per cent and licensed producer registrations had increased by 82 per cent. SLGA will assess the impact of the increased numbers on service levels for permitting, inventory tracking and reporting, inspections and sanctions in 2021-22.

Performance Measure Results

Minors as Test Shoppers

SLGA employs individuals under the age of 19 to evaluate compliance with the law prohibiting alcohol sales to minors. These individuals attempt to purchase product at a retail liquor store. The program is designed to ensure minors cannot purchase alcohol from retailers which helps to manage the risks of underage consumption of alcohol. In 2020-21, the program was suspended due to the pandemic. The most recent results of the program are as of March 31, 2020 and found 62 per cent of retailers were in compliance and did not serve the underage individual. SLGA has a goal to increase the compliance percentage by five per cent a year.

Government Goals

A Strong Economy	Strong Communities	Strong Families

SLGA Goal 4 - To provide a great customer experience

Strategy

Meet or exceed customer expectations.

Key Actions

Review and implement improvements to corporate customer engagement processes to ensure customer feedback is assessed, actions are implemented and results are monitored.

- SLGA has begun implementation of a three year action plan to engage customers, measure customer satisfaction, analyze results and implement improvements to increase satisfaction. Achievement of service standards among SLGA divisions and branches will be monitored in an effort to facilitate improvement discussions and increase communication of customer service improvements across SLGA. Customer satisfaction surveys used in the past are being refreshed and will begin to be provided to customers in 2021-22.

Continue to establish baseline measures for all identified customer groups and report on customer satisfaction levels.

- As part of its three year action plan, SLGA implemented a phased-in approach that will establish baseline customer satisfaction measures for all customer groups by 2023-24. The measures will be monitored and assessed on an annual basis. Surveys will be conducted in 2021-22 and compared to existing baseline scores to determine where improvement to satisfaction scores can be made.

Conduct stakeholder consultations with respect to the regulation of charitable gaming to ensure that charities are not encountering unnecessary red tape and that regulation is keeping up with the evolving gaming market.

- In September 2019, SLGA's charitable gaming policy and procedure manual and application processes were reviewed to identify issues and improve efficiencies and customer service delivery. Several internal efficiencies, identified through an internal survey, have since been implemented. A survey was also sent to 1,219 charitable organizations and 10 charitable gaming suppliers for feedback in the fall of 2020. Improvements made based on the survey results are expected to produce an updated manual that is reflective of contemporary trends and addresses issues raised by charitable organizations, introduce efficiencies in processing applications and improve information dissemination.

Performance Measure Results

Customer Satisfaction

Serving citizens is one of government's values and customer service excellence is a strategic priority for SLGA. In 2020-21, SLGA continued to survey its customers and develop actions to address identified issues and improve satisfaction. The pandemic resulted in changes in operations to maintain employee and customer safety. Due to the uniqueness of 2020-21, and a plan for SLGA to amend its process for customer satisfaction surveys, previous satisfaction results may not be comparable. As a result, past survey results are not noted in this document as was done in previous years.

Government Goals

A Strong Economy	Strong Communities	Strong Families

SLGA Goal 5 - Efficient, effective programs and services

Strategy

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

Key Actions

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

- Government has communicated its support for the growth of the local craft alcohol industry as part of Saskatchewan's Growth Plan. Effective December 1, 2020, SLGA implemented changes to craft manufacturer permits and the production levy structure to align the financial benefits with the amount of value-added manufacturing which craft producers undertake at their manufacturing facilities. Key changes included:
  - Separating the craft manufacturer permit into Type 1 and Type 2. Type 1 producers do more processing of raw inputs relative to Type 2.
  - Increasing the number of production levy tiers to ease the transition for producers who pay higher levies as they grow.
  - Increasing the maximum annual production limits. Beer increased from 20,000 hectolitres (HL) to 30,000HL; spirits, wine, cider and refreshments from 200,000 litres (L) to 350,000L.
  - Establishing a separate product category for cider producers to acknowledge the unique aspects of cider manufacturing compared to other categories.
  - Allowing the use of bulk juice as a primary input for Type 2 wine and cider producers.
  - Reducing the minimum annual production limits; beer decreased from 100HL to 50HL; wine, cider and refreshments decreased from 5,000L to 2,000L; spirits remained unchanged at 250L.

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

- As of March 31, 2021, 20 continuous improvement projects were undertaken. Of these, 13 have been completed. Additional work was completed to ensure that projects were able to capture all improvement benefits.

Government Goals

A Strong Economy | Strong Communities | Strong Families

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

Strategy

Increase attraction and retention with a focus on youth[3] and diversity.

Key Actions

Continue to implement SLGA's Inclusion Strategy with the goal of increasing representation of traditionally underrepresented groups including a focus on younger workers (age 19-29).

- SLGA continues to focus on recruiting qualified, self-declared equity group members in all positions. In comparing SLGA information to the values published by the Saskatchewan Human Rights Commission, SLGA is furthest from its target with the Indigenous and persons with disabilities groups. SLGA continues to focus on developing partnerships in the community to attract qualified applicants to increase Indigenous representation and persons with disabilities. This year SLGA engaged with Cosmo Learning Centre and SaskAbilities towards this end. SLGA continues to include younger workers for peak season hires and to provide opportunities via co-op and new graduate programs. Due to the pandemic, SLGA was unable to participate in career fairs and networking events but plans to resume participation when public health measures allow.

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 mental health awareness and preventing psychological harm in the workplace.

- SLGA employs a process of training and monitoring of appropriate measures to improve the culture of health and safety. SLGA experienced an increase in injuries in 2020-21, compared to the prior year. The implications of the pandemic resulted in increased product demand, changes to processes to minimize risk of contracting the virus and increased anxiety levels. All of these factors may have contributed to the increase in injuries.
- SLGA has formed a Psychologically Healthy Workplace Committee to help promote mental health awareness and prevent psychological harm in the workplace. Actions developed by this committee are intended to complement the other programs already in place such as the Employee Family Assistance Program and employee psychological training provided to all employees.
- The promotion of health, safety and wellness was a key focus throughout the pandemic. The safety of front-line retail liquor store workers was a priority, including enhancing communications efforts related to available mental health supports. To that end, SLGA saw a 248 per cent increase in the use of its digital health and wellness resource (LifeSpeak). Employees were provided timely information relating to pandemic situations in the workplace and SLGA Retail Inc. purchased two disinfecting fog machines to help maintain a safe environment. Pandemic policy and exposure control plans established procedures to minimize transmission risk in all retail stores, office locations and the Distribution Centre.

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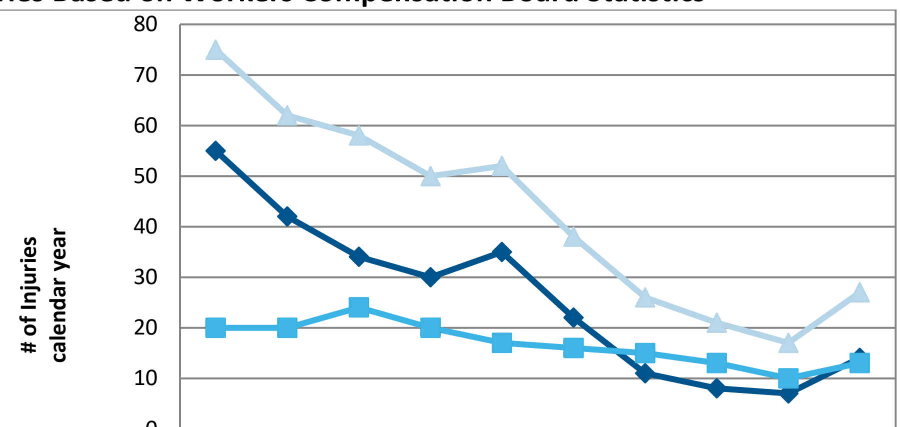
[3] SLGA classifies youth and younger workers as those aged 19-29.

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. The information that follows is compiled on a calendar year basis and shows that, from 2015 to 2020, total injuries decreased by 48 per cent. SLGA experienced an increase in injuries in 2020 which can be partially attributed to the pandemic. 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 the significant reduction in injuries up until 2020 which was a unique year.

SLGA Injuries Based on Workers Compensation Board Statistics



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Time Loss Injuries	55	42	34	30	35	22	11	8	7	14
No Time Loss Injuries	20	20	24	20	17	16	15	13	10	13
Total Injuries	75	62	58	50	52	38	26	21	17	27

Source: SLGA

Representative Workforce

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

Fiscal Year	Indigenous People	Women	Persons with Disabilities	Members of Visible Minorities	Younger Worker (19-29)
SHRC Target	14.0%	47.0%	22.2%	10.6%	10.5%*
2020-21	9.6%	56.1%	6.3%	9.6%	9.2%
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%	N/A
2016-17	10.9%	61.4%	7.3%	5.9%	N/A

Source: SLGA

*Younger worker is not a category monitored by the Saskatchewan Human Rights Commission. The target noted is a SLGA target. SLGA first tracked the younger worker category in 2018-19.

Financial Summary

SLGA Net Income (NI) to Budget and Prior Year

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 2020-21 was $97 million above SLGA's original budget and $109.7 million below the prior year. In relation to budget, SLGA did not anticipate the significant increase in liquor revenues that resulted from the pandemic. As well, VLT sales were higher than originally budgeted during the pandemic.

	2019-20 Actual	2020-21 Budget	2020-21 Actual
SLGA Net Income	$470.3M	$263.6M	$360.6M
Revenues			
Liquor Sales	$625.1M	$590.5M	$691.0M
VLT Revenue	$213.2M	$ 83.2M	$174.1M
Slot Machine Revenue	$236.4M	$111.5M	$ 79.1M
Licence, Permit and Other Income	$ 9.1M	$ 6.8M	$ 10.8M
Total Revenue	$1,083.8M	$792.0M	$955.0M

Source: SLGA Financial Statements, Statement 2

SLGA Revenue to Budget and Prior Year

As noted in the table above, SLGA's total revenue for 2020-21 was $955.0 million, an increase of $163.0 million over budget but a decrease of $128.8 million from the prior year. A closer look at the revenues of SLGA notes the following:

- Wholesale and retail liquor sales were $100.5 million above budget and $65.9 million above the prior year.
- Licence, permit and other income was $4.0 million above budget and $1.7 million above the prior year.
- VLT revenues were $90.9 million higher than budgeted but down $39.1 million from the prior year.
- Slot machine revenue at SIGA casinos was hardest hit by the pandemic with revenues $32.4 million below budget and down $157.3 million from the prior year.

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 during the last five years, SLGA continues to be the largest contributor to the General Revenue Fund.

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.

Susan E. Ross
President & CEO

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

Val Banilevic, CPA, CMA
Director, Financial Services

Regina, Saskatchewan
June 1, 2021

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the consolidated financial statements of the Saskatchewan Liquor and Gaming Authority, which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year ended, and notes to the consolidated 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, 2021, 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 Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 the Saskatchewan Liquor and Gaming Authority'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 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities in the group audit to express an opinion on the Saskatchewan Liquor and Gaming Authority's consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for the auditor's opinion.

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

Judy Ferguson

Regina, Saskatchewan
May 31, 2021

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Provincial Auditor
Office of the Provincial Auditor

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

	Notes	2021 (000's)	2020 (000's)
Current assets:			
Cash		$ 2,017	$ 3,534
Due from General Revenue Fund	**4**	24,465	40,655
Trade and other receivables	**10**	3,133	56,658
Prepaid expenses		1,729	1,667
Inventory	**6**	29,206	24,829
Held for sale	**7 & 27**	525	595
Total current assets		61,075	127,938
Non-current assets:			
Long term receivable	**10**	37,826	---
Property, plant and equipment	**7 & 11**	135,394	141,517
Intangible assets	**8**	17,182	18,479
Total non-current assets		190,402	159,996
Total Assets		$ 251,477	$ 287,934
Current liabilities:			
Trade and other payables		$ 21,705	$ 20,446
Payable to the General Revenue Fund	**5**	71,135	105,140
Goods and Services Tax payable	**11**	1,548	1,274
Provisions	**21**	1,163	1,020
Lease liabilities	**9**	4,128	3,960
Total current liabilities		99,679	131,840
Non-current liabilities:			
Promissory note debt	**26**	94,980	99,752
Accrued pension liability	**12**	35,690	37,328
Lease liabilities	**9**	21,609	22,314
Total non-current liabilities		152,279	159,394
Total Liabilities		$ 251,958	$ 291,234
Equity			
Retained earnings (deficit) and unrealized losses (Statement 3)		(481)	(3,300)
Total Equity		$ (481)	$ (3,300)
Total Liabilities & Equity		$ 251,477	$ 287,934

Commitments (Note 14)
Contingencies (Note 20)

(See the accompanying notes to the consolidated financial statements)

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

	Notes	2021 Budget (000's) **(Note 17)**	2021 Actual (000's)	2020 Actual (000's)
Operating				
Revenues:				
Liquor sales	**16**	$ 590,470	$ 691,027	$ 625,127
VLT		83,162	174,113	213,233
Slot machines	**13**	111,458	79,134	236,366
Licence, permit and other income		6,833	10,758	9,088
		791,923	955,032	1,083,814
Cost of sales:				
Cost of liquor	**6**	298,044	349,991	312,664
VLT site commissions		12,474	44,076	32,483
		310,518	394,067	345,147
Gross profit on sales		481,405	560,965	738,667
Expenses (Schedule 1 & 2):				
VLT, liquor and other gaming		108,577	102,986	104,049
Slot machines expense		97,549	85,750	143,237
Other	**13**	11,714	11,958	20,088
Total expenses		217,840	200,694	267,374
Operating Income		263,565	360,271	471,293
Finance Income and Expense				
Finance income		---	823	(376)
Finance expense		---	(527)	(658)
Net Finance Income (Loss)		---	296	(1,034)
Net Income		263,565	360,567	470,259
Other Comprehensive Income (OCI)				
Net gain (loss) on interest rate swaps	**13**	---	1,978	(1,730)
Remeasurement of defined benefit obligation	**12**	---	(770)	4,732
Total OCI		---	1,208	3,002
Total Comprehensive Income		$ 263,565	$ 361,775	$ 473,261

(See the accompanying notes to the consolidated financial statements)

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, 2019	$ 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)
Net income	360,567	---	---	360,567
Other comprehensive income (loss)	---	1,978	(770)	1,208
Dividends	(358,956)	---	---	(358,956)
Balance March 31, 2021 (to Statement 1)	$ 1,011	$ (1,322)	$ (170)	$ (481)

(See the accompanying notes to the consolidated financial statements)

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

	2021 (000's)	2020 (000's)
Operating		
Receipts from customers	$ 1,007,453	$ 1,142,521
Interest received	334	444
Interest paid	(435)	(1,797)
Payments to suppliers and other	(533,737)	(554,664)
Payments to employees	(44,538)	(43,580)
Payments to grant recipients	(6,714)	(8,982)
Payment of Goods and Services Tax	(20,363)	(22,610)
Net cash provided by operating activities	402,000	511,332
Investing		
Purchase of property, plant and equipment	(15,173)	(33,823)
Purchase of intangible assets	(4,153)	(2,101)
Proceeds from disposal of property, plant and equipment	932	564
Proceeds from sale of stores	71	---
Net cash (used in) investing activities	(18,323)	(35,360)
Financing		
Cash deposited in General Revenue Fund	(392,961)	(462,682)
Promissory note proceeds received	211,293	206,783
Promissory note repayments	(215,630)	(204,914)
Payment of lease liabilities	(4,086)	(4,017)
Net cash (used in) financing activities	(401,384)	(464,830)
Net (decrease) increase in cash position	(17,707)	11,142
Cash position, beginning of year	44,189	33,047
Cash position, end of year	$ 26,482	$ 44,189
Cash position consists of:		
Cash	$ 2,017	$ 3,534
Due from General Revenue Fund	24,465	40,655
	$ 26,482	$ 44,189

(See the accompanying notes to the consolidated financial statements)

SASKATCHEWAN LIQUOR AND GAMING AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

1. Description of Business

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

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

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

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

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

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

2. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). SLGA's board of directors approved these consolidated statements on May 31, 2021.

(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. These estimates and assumptions are based on several factors, including historical experience, current events including, but not limited to, the COVID-19 pandemic, and actions that SLGA may undertake in the future, along with other assumptions that SLGA believes are reasonable under the circumstances. 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(f), note 7); intangible assets (note 3(g), note 8); and right of use assets (note 3(i)(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(h)(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.

(f) COVID-19 Impact

The COVID-19 pandemic continues to evolve and the economic environment in which SLGA operates could be subject to sustained volatility, which could continue to negatively impact SLGA's financial results, as the duration of the pandemic, including the possibility of subsequent waves, and the effectiveness of steps undertaken by governments and central banks in response to the pandemic remains uncertain. SLGA is closely monitoring the effects of the pandemic on its business.

On the advice of the Saskatchewan Health Authority and the Chief Medical Health Officer, VLT's were closed on March 20, 2020 but reopened on July 6th, 2020. Casino operations including slot machines were closed on March 17, 2020 and reopened on July 9th, 2020. A decision was made again to temporarily close casinos including slot machines on December 19, 2020 until further notice which is in line with other jurisdictions in Canada which have temporarily suspended casino operations. SLGA has assessed the impact of these assets and has determined that no additional impairment has occurred due to the closures.

3. Significant Accounting Policies

(a) Adoption of amendments to accounting standards

(i) Adoption of amendments to the Conceptual Framework for Financial Reporting

SLGA adopted the amendments to the Conceptual Framework for Financial Reporting (The Conceptual Framework) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of The Conceptual Framework, SLGA has applied The Conceptual Framework prospectively. The amendments provide revisions to the Conceptual Framework, a comprehensive set of concepts for financial reporting. There was no impact to the financial statements upon adoption of the amendments to the framework.

(ii) Adoption of amendments to IAS 1, *Presentation of Financial Statements* and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

SLGA adopted the amendments to IAS 1, *Presentation of Financial Statements* (IAS 1) and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of IAS 1 and IAS 8, SLGA has applied the amendments to IAS 1 and IAS 8 prospectively. The amendments refine the definition of material in IAS 1 and align the definitions used across IFRS Standards and other publications. There was no impact to the financial statements upon adoption of the amendments to the standards.

(iii) Adoption of amendments to IFRS 3 *Business combinations*

SLGA adopted the amendments to *IFRS 3 Business combinations* (IFRS 3) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of IFRS 3, SLGA has applied IFRS 3 prospectively. The amendments to IFRS 3 may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill. The adoption of the amendments to IFRS 3 has not had a significant impact on the financial statements.

(b) 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.

(c) 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.

(d) 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 rate was temporarily increased to 25 per cent on July 6, 2020 when the VLT network resumed operations after being temporarily closed. The increase in commission was provided to help site operators maintain their operations. The commission is recorded as the VLT revenue is earned.

(e) 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.

(f) 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, including right of use assets, 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. The estimated useful lives of right-of-use assets are determined on the same basis as those 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. Rates are as follows:

- Buildings 5 – 40 years
- Furniture & equipment 3 – 10 years
- VLT and slot machines 5 – 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.

(g) 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.

(h) 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.

(i) Leases

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.

(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. 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.

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.

(ii) 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.

(j) <u>Provisions</u>

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.

(k) <u>Foreign Currency</u>

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.

(l) 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.

(m) Grants

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

(n) 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 are 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.

(o) 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.

(p) 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.

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 $359.0 million (2020 - $475.0 million) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2021 (000's)		2020 (000's)	
Payable to GRF at beginning of year	$	105,140	$	92,831
Deposits during the year		(392,961)		(462,682)
Dividend to GRF		358,956		474,991
Payable to GRF at end of year	$	71,135	$	105,140

6. Inventories

	2021 (000's)		2020 (000's)	
Wines, coolers and spirits in stores	$	7,822	$	7,655
Wines, coolers and spirits in warehouse		18,008		13,871
Beer in stores		2,834		2,544
Gaming machine parts		541		759
	$	29,205	$	24,829

The cost of liquor and gaming machine part inventories recognized as an expense during the year ended March 31, 2021 was $350.0 million and $458 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, 2021 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, 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
Additions/adjustments	---	33	146	14,086	871	3,550	10	---	18,696
Disposals/ retirements	---	(16)	(34)	(17,973)	(1,427)	(159)	(158)	(168)	(19,935)
Balance, March 31, 2021	$ 3,802	$ 46,492	$ 89,952	$ 102,713	$ 23,711	$ 33,682	$ 7,864	$ 1,201	$ 309,417
Accumulated Depreciation									
Balance, April 1, 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
Depreciation expense	---	1,344	10,916	7,284	709	4,411	40	---	24,704
Adjustments	---	---	4	---	---	---	---	---	4
Disposals/ retirements	---	---	15	(17,927)	(1,427)	(159)	(158)	(98)	(19,754)
Balance, March 31, 2021	$ ---	$ 19,102	$ 60,785	$ 55,980	$ 20,595	$ 8,669	$ 7,691	$ 676	$ 173,498
Net Book Value									
Balance, March 31, 2020	$ 3,802	$ 28,717	$ 39,990	$ 39,977	$ 2,954	$ 25,874	$ 203	$ 595	$ 142,112
Balance, March 31, 2021	$ 3,802	$ 27,390	$ 29,167	$ 46,733	$ 3,116	$ 25,013	$ 173	$ 525	$ 135,919

8. Intangible Assets

(000's)		Software Total
Cost		
Balance, April 1, 2019	$	49,295
Additions/adjustments		2,101
Disposals/retirements		---
Balance, March 31, 2020	$	51,396
Additions/adjustments		4,153
Disposals/retirements		---
Balance, March 31, 2021	$	55,549
Accumulated depreciation		
Balance, April 1, 2019	$	26,908
Depreciation expense		6,118
Disposals/retirements		(109)
Balance, March 31, 2020	$	32,917
Depreciation expense		5,450
Disposals/retirements		---
Balance, March 31, 2021	$	38,367
Net Book Value		
Balance, March 31, 2020	$	18,479
Balance, March 31, 2021	$	17,182

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,		2021		2020
Contractual undiscounted cash flows				
One year or less	$	4,688	$	4,583
Between one and five years		10,027		13,425
Greater than five years		182		825
Total undiscounted lease liabilities	$	14,897	$	18,833
Discounted lease liabilities included in the statement of financial position				
Current	$	4,128	$	3,960
Non-current	$	21,609	$	22,314

Amounts recognized in net income
(000's)

For the year ended March 31,		2021		2020
Interest on lease liabilities	$	527	$	658

Amounts recognized in the statement of cash flows
(000's)

For the year ended March 31,		2021		2020
Interest paid on lease liabilities	$	527	$	658
Lease liability principal payments		4,086		4,017
Total cash outflow for leases	$	4,613	$	4,675

10. Trade and Other Receivables and Long Term Receivables

		2021 (000's)		2020 (000's)
Trade and Other Receivables				
Slot machines receivable – SIGA	$	(13,116)	$	45,922
VLT receivable		2,379		445
Other		13,870		10,291
Total Trade and Other Receivables		3,133		56,658
Long term receivable – SIGA (See Note 13)		37,826		---
Total Trade and Other Receivables and Long Term Receivables	$	40,959	$	56,658

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) Defined Contribution Plan

The defined contribution plan is called the Public Employees Pension Plan (PEPP). SLGA is required to contribute a specified percentage of payroll costs to PEPP to fund the benefits. The only obligation of SLGA with respect to PEPP is to make the specified contributions. During the year, SLGA paid PEPP and expensed its required contributions of $2.8 million (2020 - $2.8 million).

(b) Defined Benefit Plan

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

Morneau Shepell performed the valuation of the Plan as at Sept. 30, 2020 and extrapolated the valuation to March 31, 2021. 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:

	2021	2020
Expected long-term rate of return on plan assets	3.70%	4.45%
Inflation rate	2.00%	2.00%
Discount rate	3.10%	3.70%
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 3.10 per cent.

	Long-Term Assumptions			
	Inflation*		Discount Rate	
	3.00%	1.00%	4.1%	2.1%
(Decrease) increase in liability	(3.2%)	3.5%	(9.3%)	11.0%

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

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

	2021 (000's)	2020 (000's)
Current service cost – defined contribution plan	$ 2,802	$ 2,806
Net interest expense	1,315	1,353
Components of pension costs recorded in profit or loss	4,117	4,159
Return on plan assets (excluding net interest expense)	126	1
Actuarial (gains) losses – assumption changes	770	(4,732)
Components of defined benefit costs recorded in OCI	896	(4,731)

	2021	2020
Total of components of benefit cost	$ 5,013	$ (572)

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

	2021 (000's)	2020 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 47,998	$ 53,846
Interest cost	1,712	1,664
Benefits paid	(3,475)	(3,689)
Experience (gain) loss		
- Change in financial assumptions	1,027	(3,823)
- Change in mortality assumptions	---	---
	$ 47,262	$ 47,998
Plan Assets		
Fair value of plan assets, beginning of year	$ 10,670	$ 9,973
Actual return on plan assets	780	1,254
Employer contributions	3,597	3,166
Benefits paid	(3,475)	(3,723)
Fair value of plan assets, end of year	$ 11,572	$ 10,670
Accrued pension liability	$ 35,690	$ 37,328

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 22.7 per cent (2020 – 22.6 per cent) in a Canadian equity pooled fund, 29.1 per cent (2020 – 29.6 per cent) in foreign equity pooled funds, 43.4 per cent (2020 – 43.4 per cent) in a bond and debenture pooled fund and 4.8 per cent (2020 – 4.4 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:

	2021 (000's)	2020 (000's)
Due from General Revenue Fund	$ 283	$ 22
TD Canadian Bond Index Fund	4,920	4,620
Equity Instruments		
- TD Canadian Equity Index Fund	2,575	2,413
- TD International Equity Index Fund	1,683	1,562
- TD Pooled US Fund	1,616	1,588
- TD Canadian Short Term Investment Fund	540	471
Total equity instruments	6,414	6,034
	$ 11,617	$ 10,676

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 3.70 per cent and employer contributions calculated as 73.7 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
2022	2,457	3,333	418	(458)
2023	2,387	3,238	401	(450)
2024	2,336	3,169	385	(448)
2025	2,292	3,109	368	(449)
2026	2,247	3,049	352	(450)
Total next 5 years	11,719	15,898	1,924	(2,255)
Total 5-10 years	10,556	14,322	1,515	(2,251)
Total 11-30 years	25,594	34,723	2,407	(6,722)
Total 31-50 years	1,548	2,099	56	(495)

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 Indigenous 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, 2021, SIGA owes $42.1 million under a $79.0 million 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, 2021, the unrealized gain included in the slot machines receivable was $2.0 million (2020 – $1.7 million loss).

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, the COVID-19 outbreak resulted in various emergency measures being put in place to combat the spread of the virus, including the closure of casinos for a significant period throughout the year. As a result, SIGA incurred net losses (shortfall) (refer to Note 18 – segmented information). In accordance with the Casino Operating Agreement (COA), and as long as the COA has not been terminated, SIGA is entitled to recover any shortfall from future revenues until an amount equal to the shortfall has been retained. In the current year, the shortfall of $18.6 million is recorded net of the receivable from SIGA (refer to Note 10 – trade and other receivables). Due to the shortfall in the current year, there will be no distribution of SIGA's net profits to the GRF.

As a result of the continued closure of casinos, SIGA's ability to continue making all required Amended and Restated COA Revenue and Amortization Payments to SLGA has been reduced and therefore both parties have agreed to a Forebearance and Debt Repayment Agreement to provide SIGA with additional time to repay their indebtedness (Included in trade and other receivables and Long term receivables). As of March 31, 2021, the agreement is worth $43.3 million, and a portion of the agreement includes a non-interest bearing loan in the amount of $33.7 million. The debt repayment start date will occur when a minimum average of 40% of the Slot Machines in the Casinos are permitted to be operational for a consecutive three (3) month period following the existing public health orders being modified or rescinded such that SIGA is able to open the Casinos to the public.

The continued closures of casinos has impacted SIGA as a result, for the year ended March 31, 2021, SIGA was not in compliance with their long term financing covenants. SIGA is working with their lending institution to revise the covenant terms for 2021-22 to reflect external factors outside of SIGA's control.

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:

	2021 (000's)		2020 (000's)	
Table games revenues	$	2,448	$	14,144
Table games expenses		5,301		17,414
Net losses from table games	$	2,853	$	3,270
Ancillary operations gross profit	$	3,107	$	16,089
Ancillary operations expenses		6,612		27,007
Net losses from ancillary operations	$	3,505	$	10,918
Total losses expensed	$	6,358	$	14,188
IGR payment		3,000		3,300
SPPC payment		2,600		2,600
	$	11,958	$	20,088

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	$	596
Between one and five years		615
More than five years		---
	$	1,211

The above commitments include amounts committed to related parties of $55 thousand.

Long-term debt: In 2007, SIGA made a long-term financing agreement with a Bank for $79.0 million to finance new casino projects. As of March 31, 2021, SIGA owes $42.1 million (2020 - $47.2 million) under this agreement at interest rates varying from 2.05 per cent to 5.09 per cent.

On March 29, 2021, SIGA entered into a Forbearance and Debt Repayment Agreement with SLGA whereby SLGA has provided an unsecured loan to a maximum of $46.1 million. Of which $43.3 million is outstanding at March 31, 2021.

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2022, the budgeted transfers are $3.3 million (2021 - $3.3 million).

As well, under an agreement with SPPC effective August 10, 2007, SIGA began paying SPPC $2.6 million annually, subject to certain conditions, for 30 years payable in monthly installments of $217 thousand. In 2021, SIGA paid $2.6 million (2020 - $2.6 million) 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 that 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 2020) per annum.

Right-of-use assets

Net carrying amount of right-of-use assets:

	2021 (000's)	2020 (000's)
Base Building Costs		
Gold Horse Casino	$ 21,841	$ 23,147
Gold Eagle Casino	10,020	11,576
Central Office	9,707	10,284
Dakota Dunes Casino	7,421	7,759
Living Sky Casino	6,473	7,441
Painted Hand Casino	4,991	5,734
Northern Lights Casino	3,269	4,949
Bear Claw Casino	2,822	3,202
	$ 66,544	$ 74,092

Lease liabilities

The minimum lease payments under the lease liabilities are as follows:

	2021 (000's)	2020 (000's)
Total future minimum lease payments	$ 117,098	$ 130,762
Less future finance charges on lease liabilities	(34,795)	(41,479)
Present value of lease liabilities	$ 82,303	$ 89,283
Less current portion of lease liabilities	(9,506)	(8,357)
Lease liabilities	$ 72,797	$ 80,926

As at March 31, 2021, scheduled future minimum lease payments of the lease liabilities are as follows:

	1 year	1-5 years	More than 5 years
	(000's)	(000's)	(000's)
Future minimum lease payments	$ 15,522	$ 53,027	$ 48,549
Present value of lease liabilities	9,506	35,850	36,946

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

16. Liquor Sales

	2021	2020
	(000's)	(000's)
Wines, coolers and spirits		
-To the public via SLGA Retail stores	$ 120,889	$ 134,506
-To retail store permittees	288,802	220,115
	409,691	354,621
Beer		
-To the public via SLGA Retail stores	75,291	87,343
-To retail store permittees	206,045	183,163
	281,336	270,506
Total	$ 691,027	$ 625,127

17. 2021 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

	2021 (000'S)						2020 (000'S)
	Liquor	VLT	Slots in SIGA Casinos	Other Gaming	Cannabis	Total	Total
Revenues	$ 691,027	$ 174,113	$ 79,134	$ ---	$ ---	$ 944,274	$ 1,074,726
Other income	9,349	1,123	---	502	607	11,581	8,712
Total revenues	700,376	175,236	79,134	502	607	955,855	1,083,438
Direct expenses	349,991	44,076	---	---	---	394,067	345,147
Operating expenses (Schedule 1 & 2)	62,412	26,692	97,708	11,082	3,327	201,221	268,032
Total expenses	412,403	70,768	97,708	11,082	3,327	595,288	613,179
Subtotal	287,973	104,468	(18,574)	(10,580)	(2,720)	360,567	470,259
Other comprehensive income	(770)	---	1,978	---	---	1,208	3,002
Total comprehensive income	$ 287,203	$ 104,468	$ (16,596)	$ (10,580)	$ (2,720)	$ 361,775	$ 473,261
Retained earnings (deficit) beginning of year	---	---	(3,300)	---	---	(3,300)	(1,570)
Dividend to General Revenue Fund	287,203	104,468	(19,415)	(10,580)	(2,720)	358,956	474,991
Retained earnings (deficit) end of year	$ ---	$ ---	$ (481)	$ ---	$ ---	$ (481)	$ (3,300)
Property, plant and equipment and intangible assets	$ 66,211	$ 51,319	$ 29,166	$ 6,217	$ 188	$ 153,101	$ 160,591
Property, plant and equipment purchases	$ 6,008	$ 15,857	$ 821	$ ---	$ 163	$ 22,849	$ 66,214
Depreciation	$ 9,366	$ 7,800	$ 10,920	$ 2,062	$ 6	$ 30,154	$ 29,808

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 2021 SLGA paid $138 thousand (2020 - $5 thousand). Taxes paid are recorded as part of the cost of those purchases. SLGA also collects liquor consumption tax from customers and remits to the Saskatchewan Ministry of Finance. In 2021 SLGA paid $18.0 million (2020 - $19.4 million). 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:

	2021 (000's)	2020 (000's)
Salaries and short-term employee benefits	$ 986	$ 970
Post-employment benefits	183	185
	$ 1,169	$ 1,155

20. Contingencies

	2021 (000's)	2020 (000's)
Court proceedings (i)	$ ---	$ 5,000

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

At March 31, 2020 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, 2019	$	1,150
Provisions made during the period		1,020
Provisions used during the period		(1,150)
Balance, March 31, 2020	$	1,020
Provisions made during the period		1,163
Provisions used during the period		(1,020)
Balance, March 31, 2021	$	1,163

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. For the year ended March 31, 2021, WCLC charged SLGA $14.0 million (2020 - $15.0 million) to operate the VLT 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 $732 thousand (2020 - $955 thousand) which is included in professional and contractual services on Schedule 1.

As of March 31, 2021, the retirement plan is in a surplus status of $617 thousand (2020 - $580 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.

			2021 (000's)		2020 (000's)	
Financial Instruments	Classification[1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	$ 2,017	$ 2,017	$ 3,534	$ 3,534
Due from General Revenue Fund	FVTPL	Level One	24,465	24,465	40,655	40,655
Trade and other receivables	AC	N/A	3,133	3,133	56,658	56,658
Long term receivable	AC	N/A	37,826	37,826	---	---
Trade and other payables	OFL	N/A	21,705	21,705	20,446	20,446
Promissory Note debt	OFL	N/A	94,980	94,980	99,752	99,752
Payable to General Revenue Fund	OFL	N/A	71,135	71,135	105,140	105,140
GST Payable	OFL	N/A	1,548	1,548	1,274	1,274

[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 $95.0 million 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:

	2021 (000's)		2020 (000's)	
Cash	$	2,017	$	3,534
Due from General Revenue Fund		24,465		40,655
Trade and other receivables		3,133		56,658
Long term receivable		37,826		---
	$	67,441	$	100,847

As described in Note 3(n), SLGA is exposed to SIGA's credit and interest rate risks. SIGA's financial risks arise mainly from its bank financing ($42.1 million – March 31, 2021; $47.2 million – March 31, 2020) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2021, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed $1.9 million.

As of March 31, 2021, 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, 2021, SLGA had $54 thousand (2020 - $1.2 million) 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, 2021, SLGA has $602 thousand (2020 – $142 thousand) in this account.

In 2021, SLGA recorded a $30 thousand gain (2020 - $156 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 - 2021
(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	$ 21,705	$ 21,705	$ 21,705	$ ---	$ ---	$ ---	$ ---
Payable to the GRF	71,135	71,135	71,135	---	---	---	---
GST payable	1,548	1,548	1,548	---	---	---	---
Provisions	1,163	1,163	1,163	---	---	---	---
Promissory note debt	94,980	94,980	---	5,000	5,000	15,000	69,980
Accrued pension liability	35,690	35,690	1,667	1,666	3,238	9,327	19,792
	$ 226,221	$ 226,221	$ 97,218	$ 6,666	$ 8,238	$ 24,327	$ 89,772

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

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 $95.0 million 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, 2021, SLGA held $500 thousand (2020 - $563 thousand) on behalf of in-scope employees.

26. Promissory Notes

SLGA holds $95.0 million 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, 2021, the promissory notes are as follows:

Date of issue	Date of maturity	Interest rate (%)	Currency		Outstanding amount (000's)
28-Oct-2020	29-Apr-2021	0.070	CAD	$	19,499
30-Oct-2020	06-May-2021	0.050	CAD		19,499
04-Nov-2020	13-May-2021	0.110	CAD		19,497
13-Jan-2021	12-Jul-2021	0.089	CAD		24,994
25-Mar-2021	21-Sep-2021	0.016	CAD		11,491
				$	94,980

Changes in promissory note debt during the year ended March 31, 2021 are as follows:

		2021 (000's)
Opening balance	$	99,752
Changes from financing cash flows:		
Proceeds received		211,293
Repayments		(215,630)
Interest Expense		(435)
Ending balance	$	94,980

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. Comparative Figures

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

29. Subsequent Events

On June 7, 2021 SLGA and SIGA entered into a loan agreement to allow SLGA to provide financial assistance to SIGA by way of an interest bearing loan, to maintain its operations and to continue making all its required payments. SLGA will advance SIGA $5.7 million per month for up to four (4) months and includes interest of up to $252 thousand. SLGA and SIGA has also revised the Forbearance and Debt Repayment Agreement to add the deferral of amortization payments for an additional three (3) months for approximately $3 million, combined the new agreement and revision to the Forbearance and Debt Repayment Agreement is worth up to $26.1 million.

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	
	2021	2020	2021	2020	2021	2020
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Salaries, wages and benefits	$ 44,766	$ 43,712	$ 21,971	$ 61,118	$ 66,737	$ 104,830
Depreciation	19,234	17,656	10,920	12,153	30,154	29,809
Operations and maintenance	1,408	1,353	20,534	21,382	21,942	22,735
Professional and contractual services	12,357	15,080	1,775	4,739	14,132	19,819
Service charges and interest	4,231	2,606	7,916	7,970	12,147	10,576
Rent, utilities and insurance	3,789	3,325	7,194	10,867	10,983	14,192
Advertising, printing and promotion	44	74	9,547	14,362	9,591	14,436
Grants (Note 3 (m))	6,645	8,657	---	---	6,645	8,657
Goods and Services Tax	2,787	2,226	2,691	3,364	5,478	5,590
Information technology	2,377	2,105	1,868	2,303	4,245	4,408
Debit/Credit charges	3,646	3,274	---	---	3,646	3,274
Sundry	983	1,759	299	1,066	1,282	2,825
Stationery and supplies	873	755	332	1,512	1,205	2,267
Communications	383	383	562	1,483	945	1,866
Travel and business	427	744	141	918	568	1,662
Honoraria and related expenses	16	57	---	---	16	57
Customer service programs	(453)	941	---	---	(453)	941
Indigenous Gaming Regulators (Note 13)	---	---	3,000	3,300	3,000	3,300
Saskatoon Prairieland Park Corporation (Note 13)	---	---	2,600	2,600	2,600	2,600
SIGA table and ancillary operation losses (Note 13)	---	---	6,358	14,188	6,358	14,188
	$ 103,513	$ 104,707	$ 97,708	$ 163,325	$ 201,221	$ 268,032

*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	
	2021 (000's)	2020 (000's)	2021 (000's)	2020 (000's)	2021 (000's)	2020 (000's)	2021 (000's)	2020 (000's)	2021 (000's)	2020 (000's)
Salaries, wages and benefits	$ 37,670	$ 37,051	$ 3,509	$ 3,383	$ 1,554	$ 1,445	$ 2,033	$ 1,833	$ 44,766	$ 43,712
Depreciation	9,097	9,636	1,302	1,076	8,083	6,441	752	503	19,234	17,656
Professional and contractual services	1,695	1,901	234	247	10,248	12,744	180	188	12,357	15,080
Grants (Note 3(m))	1,003	1,089	5,427	7,306	156	198	59	64	6,645	8,657
Service charges and interest	668	1,127	34	23	3,513	1,451	16	5	4,231	2,606
Rent, utilities and insurance	2,868	2,068	80	319	803	777	38	161	3,789	3,325
Debit/credit charges	3,615	3,244	28	30	2	---	1	---	3,646	3,274
Goods and Services Tax	83	30	---	---	2,704	2,196	---	---	2,787	2,226
Information technology	1,876	1,738	244	190	99	45	158	132	2,377	2,105
Operations and maintenance	1,359	1,263	38	81	3	5	8	4	1,408	1,353
Sundry	958	1,711	12	19	10	11	3	18	983	1,759
Stationary and supplies	840	717	22	26	4	5	7	7	873	755
Travel and business	272	552	100	103	3	16	52	73	427	744
Communications	304	302	47	49	15	15	17	17	383	383
Advertising, printing, and promotion	43	63	---	1	1	1	---	9	44	74
Honoraria and related expenses	8	29	5	17	---	---	3	11	16	57
Customer service programs	53	140	---	---	(506)	801	---	---	(453)	941
	$ 62,412	$ 62,661	$ 11,082	$ 12,870	$ 26,692	$ 26,151	$ 3,327	$ 3,025	$ 103,513	$ 104,707

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, 2021, 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, 2021, 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, 2021

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

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

	Notes	2021 (000's)	2020 (000's)
Current assets:			
Cash		$ 354	$ 345
Due from General Revenue Fund	**4**	210,582	220,824
Trade and other receivables		1,829	1,499
Prepaid expenses		331	15
Inventory	**6**	20,044	19,691
Held for sale	**7 & 16**	98	167
Total current assets		233,238	242,541
Non-current assets:			
Property, plant and equipment	**7**	23,923	23,613
Intangible assets	**8**	2,615	2,601
Total non-current assets		26,538	26,214
Total Assets		$ 259,776	$ 268,755
Current liabilities:			
Trade and other payables		$ 2,192	$ 2,292
Payable to SLGA	**10 & 17**	214,063	227,623
Goods and Services Tax (GST) payable		62	92
Liquor Consumption Tax (LCT) payable		1,320	1,498
Lease liabilities	**9**	3,269	3,168
Total current liabilities		220,906	234,673
Non-current liabilities:			
Lease liabilities	**9**	23,971	23,511
Total non-current liabilities		23,971	23,511
Total Liabilities		$ 244,877	$ 258,184
Equity			
Retained earnings (Statement 3)		14,899	10,571
Total Equity		$ 14,899	$ 10,571
Total Liabilities & Equity		$ 259,776	$ 268,755

(See the accompanying notes to the financial statements)

Statement 2

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

	Notes	2021 Budget (000's) (Note 12)	2021 Actual (000's)	2020 Actual (000's)
Continuing Operations				
Revenues:				
Liquor sales		$ 169,539	$ 189,327	$ 190,888
Other income		1,100	1,207	1,293
		170,639	190,534	192,181
Cost of sales:				
Cost of liquor	**6**	133,468	151,170	152,165
Gross profit on sales		37,171	39,364	40,016
Expenses (Schedule 1):				
Salary, wages and benefits		18,998	20,002	19,435
Other operating		13,402	14,595	14,605
Total expenses		32,400	34,597	34,040
Results from operating activities		4,771	4,767	5,976
Finance expense		---	439	481
Net income from Continuing Operations		$ 4,771	$ 4,328	$ 5,495
Discontinued Operations				
Net gain from discontinued store operations	**16**	---	---	474
Total		---	---	474
Total Comprehensive Income		$ 4,771	$ 4,328	$ 5,969

(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, 2019	$ 4,602	$ ---	$ 4,602
Comprehensive income	5,969	---	5,969
Balance March 31, 2020 (to Statement 1)	$ 10,571	$ ---	$ 10,571
Net income	4,328	---	4,328
Balance March 31, 2021 (to Statement 1)	$ 14,899	$ ---	$ 14,899

(See the accompanying notes to the financial statements)

Statement 4

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

		2021 (000's)		2020 (000's)
Cash Flows from Operating Activities:				
Total Comprehensive Income	$	4,328	$	5,969
Adjustments to reconcile comprehensive income to cash provided by operating activities:				
Depreciation		2,695		2,752
Finance expense		439		481
Changes in non-cash working capital:				
(Decrease) in payable to SLGA		(13,560)		(41,118)
(Decrease) Increase in trade and other payables		(100)		358
(Decrease) in LCT payable		(178)		(107)
(Increase) in trade and other receivables		(330)		(706)
(Decrease) in GST payable		(30)		(151)
(Increase) Decrease in prepaid expenses		(316)		14
(Increase) Decrease in inventory		(353)		126
Net cash from operating activities	$	(7,405)	$	(32,382)
Cash Flows from Financing Activities:				
Payment of lease liabilities		(2,828)		(2,935)
Net (decrease) in cash position		(10,233)		(35,317)
Cash position, beginning of period		221,169		256,486
Cash position, end of period	$	210,936	$	221,169
Cash Position Consists of:				
Cash	$	354	$	345
Due from General Revenue Fund		210,582		220,824
	$	210,936	$	221,169

(See the accompanying notes to the financial statements)

SLGA RETAIL INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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, 2021.

(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. These estimates and assumptions are based on several factors, including historical experience, current events including, but not limited to, the COVID-19 pandemic, and actions that SLGA Retail Inc. may undertake in the future, along with other assumptions that SLGA Retail Inc. believes are reasonable under the circumstances. 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)).

(e) COVID-19 Impact

The COVID-19 pandemic continues to evolve and the economic environment in which SLGA Retail Inc. operates could be subject to sustained volatility, which could negatively impact SLGA Retail Inc.'s financial results, as the duration of the pandemic, including the possibility of subsequent waves, and the effectiveness of steps undertaken by governments and central banks in response to the pandemic remains uncertain. SLGA Retail Inc. is closely monitoring the effects of the pandemic on its business.

3. Significant Accounting Policies

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

(a) Adoption of amendments to accounting standards

(j) Adoption of amendments to the Conceptual Framework for Financial Reporting

SLGA Retail Inc. adopted the amendments to the Conceptual Framework for Financial Reporting (The Conceptual Framework) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of The Conceptual Framework, SLGA Retail Inc. has applied The Conceptual Framework prospectively. The amendments provide revisions to the Conceptual Framework, a comprehensive set of concepts for financial reporting. There was no impact to the financial statements upon adoption of the amendments to the framework.

(ii) Adoption of amendments to IAS 1, *Presentation of Financial Statements* and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

SLGA Retail Inc. adopted the amendments to IAS 1, *Presentation of Financial Statements* (IAS 1) and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of IAS 1 and IAS 8, SLGA Retail Inc. has applied the amendments to IAS 1 and IAS 8 prospectively. The amendments refine the definition of material in IAS 1 and align the definitions used across IFRS Standards and other publications. There was no impact to the financial statements upon adoption of the amendments to the standards.

(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, including right of use assets, 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

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.

(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. 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.

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.

(ii) 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.

(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.

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

	2021 (000's)	2020 (000's)
Wines, coolers and spirits in stores	$ 15,691	$ 15,652
Beer in stores	4,353	4,039
	$ 20,044	$ 19,691

The cost of liquor inventories recognized as an expense during the year ended March 31, 2021 was $151.2 million (2020- $161.1 million). 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, 2021 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, 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
Additions/adjustments		33		3,332		86		---		---		3,451
Disposals/ Retirements		(21)		(159)		(28)		(42)		(77)		(327)
Balance, March 31, 2021	$	5,536	$	24,404	$	1,438	$	81	$	140	$	31,599
Accumulated Depreciation												
Balance, April 1, 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
Depreciation expense		282		2,695		137		11		---		3,125
Adjustments		---		---		---		---		---		---
Disposals/ Retirements		(4)		(159)		(29)		(42)		(8)		(242)
Balance, March 31, 2021	$	1,410	$	5,288	$	787	$	51	$	42	$	7,578
Net Book Value												
Balance, March 31, 2020	$	4,392	$	18,479	$	701	$	41	$	167	$	23,780
Balance, March 31, 2021	$	4,126	$	19,116	$	651	$	30	$	98	$	24,021

8. Intangible Assets

(000's)		Software Total
Cost		
Balance, April 1, 2019	$	930
Additions/adjustments		1,671
Disposals/retirements		---
Balance, March 31, 2020	$	2,601
Additions/adjustments		366
Disposals/retirements		---
Balance, March 31, 2021	$	2,967

Accumulated depreciation		
Balance, April 1, 2019	$	---
Depreciation expense		---
Disposals/retirements		---
Balance, March 31, 2020	$	---
Depreciation expense		352
Disposals/retirements		---
Balance, March 31, 2021	$	352

Net Book Value		
Balance, March 31, 2020	$	2,601
Balance, March 31, 2021	$	2,615

9. Leases

SLGA Retail Inc. leases buildings from SLGA and third 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,		2021		2020
Contractual undiscounted cash flows				
One year or less	$	2,897	$	2,821
Between one and five years		6,193		6,637
Greater than five years		182		825
Total undiscounted lease liabilities	$	9,272	$	10,283
Discounted lease liabilities included in the statement of financial position	$	---	$	---
Current		3,269		3,168
Non-current	$	23,971	$	23,511

Amounts recognized in net income

(000's) For the year ended March 31,		2021		2020
Interest on lease liabilities	$	439	$	481

Amounts recognized in the statement of cash flows

(000's) For the year ended March 31,		2021		2020
Interest paid on lease liabilities	$	439	$	481
Lease liability principal payments		2,389		2,454
Total cash outflow for leases	$	2,828	$	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. 2021 Budget

These amounts represent the budget approved by SLGA Retail Inc. Board of Directors. Discontinued operations are included in SLGA Retail Inc.'s 2020-21 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 $12 thousand (2020- $5 thousand). Taxes paid are recorded as part of the cost of those purchases. SLGA Retail Inc. also collects liquor consumption tax from customers and remits to the Saskatchewan Ministry of Finance. During the period SLGA Retail Inc. paid $18.0 million (2020- $19.4 million). 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.

			2021 (000's)		2020 (000's)	
Financial Instruments	Classification [1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	FVTPL	Level One	$ 354	$ 354	$ 345	$ 345
Due from General Revenue Fund	FVTPL	Level One	210,582	210,582	220,824	220,824
Trade and other receivables	AC	N/A	1,829	1,829	1,499	1,499
Trade and other payables	OFL	N/A	2,192	2,192	2,292	2,292
Payable to SLGA	OFL	N/A	214,063	214,063	227,623	227,623
GST payable	OFL	N/A	62	62	92	92
LCT payable	OFL	N/A	1,320	1,320	1,498	1,498

[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:

	2021 (000's)	2020 (000's)
Cash	$ 354	$ 345
Due from General Revenue Fund	210,582	220,824
Trade and other receivables	1,829	1,499
	$ 212,765	$ 222,668

As of March 31, 2021, 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, 2021, SLGA Retail Inc. has $209 thousand (2020- $208 thousand) in this account.

During the year, SLGA Retail Inc. recorded a $NIL (2020- $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 - 2021
(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	$ 2,192	$ 2,192	$ 2,192	$ ---	$ ---	$ ---	$ ---
Payable to SLGA	214,063	214,063	214,063	---	---	---	---
GST payable	62	62	62	---	---	---	---
LCT payable	1,320	1,320	1,320	---	---	---	---
Lease Liabilities obligation	27,240	27,240	1,639	1,630	3,253	7,138	13,580
	$ 244,877	$ 244,877	$ 219,276	$ 1,630	$ 3,253	$ 7,138	$ 13,580

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

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

	2021	2020
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 but is no longer listed to close. 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.

During 2020-21 there were no liquor store operations discontinued.

Cash from operating discontinued stores in 2020-21 totaled $Nil thousand (2019-20 - $10.8 million).

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

Discontinued operations expenses are detailed as follows:

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

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, 2021, SLGA Retail Inc. has $214.1 million (2020- $227.6 million) in this account.

Schedule 1

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

	Total	
	2021	2020
	(000's)	(000's)
Salaries, wages and benefits	$ 20,002	$ 19,435
Professional and contractual services	4,779	4,946
Depreciation expense (Note 7 & 8)	3,477	2,981
Rent, utilities and insurance	2,178	1,901
Debit/credit charges	1,175	1,232
Operations and maintenance	968	853
Stationary & supplies	640	495
Service charges	443	482
Sundry	426	966
Grants	395	392
Travel and business	154	352
Communications	139	136
Information Technology	108	151
Goods and services tax	64	22
Customer Service	50	139
Advertising	38	37
Commission	---	1
	$ 35,036	$ 34,521

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, 2021, and the statements of comprehensive income, changes in equity and cash flows for the then year 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 Holding Inc. as at March 31, 2021, 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 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 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 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

Regina, Saskatchewan
May 27, 2021

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

Statement 1

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

	Notes	2021 (000's)	2020 (000's)
Current assets:			
Cash		$ ---	$ ---
Trade and other receivables		2	786
Due from General Revenue Fund	**4**	5,420	3,579
Goods and Services Tax (GST) receivable		31	218
Current portion of lease receivable	**6**	18,993	18,860
Total current assets		24,446	23,443
Non-current assets:			
Long-term lease receivable	**6**	61,138	63,212
Total non-current assets		61,138	63,212
Total Assets		$ 85,584	$ 86,655
Liabilities:			
Trade and other payables		$ 130	$ 1,096
Due to SLGA	**8 &10**	84,211	85,281
Total Liabilities		$ 84,341	$ 86,377
Equity			
Retained earnings (Statement 3)		1,243	278
Total Equity		$ 1,243	$ 278
Total Liabilities & Equity		$ 85,584	$ 86,655

(See the accompanying notes to the financial statements)

Statement 2

SLGA HOLDING INC.
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended March 31

	2021		2020
	Budget (Note 9)	Actual	Actual
	(000's)	(000's)	(000's)
Continuing Operations			
Revenues:			
Other income	$ 21,086	$ 18,851	$ 18,977
	21,086	18,851	18,977
Expenses:			
Other operating	21,086	18,722	18,535
Total expenses	21,086	18,722	18,535
Operating Income	$ ---	$ 129	$ 442
Gain on disposal of non-current assets	---	836	378
Net income	---	965	820
Other comprehensive income	---	---	---
Total Comprehensive Income	$ ---	$ 965	$ 820

(See the accompanying notes to the financial statements)

Statement 3

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

		Retained earnings (deficit)		Share capital (Note 12)		Total
		(000's)		(000's)		(000's)
Equity						
Balance April 1, 2019	$	(542)	$	---	$	(542)
Comprehensive Gain		820		---		820
Transfer to SLGA (Note 5)		---		---		---
Balance March 31, 2020 (to Statement 1)	$	278	$	---	$	278
Net income		965		---		965
Balance March 31, 2021 (to Statement 1)	$	1,243	$	---	$	1,243

(See the accompanying notes to the financial statements)

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

	2021 (000's)	2020 (000's)
Cash flows from operating activities:		
Total comprehensive Income (Loss)	$ 965	$ 820
Adjustments for:		
(Decrease) Increase in due to SLGA	(1,070)	15,382
(Decrease) in trade and other payables	(966)	(412)
Decrease (Increase) in long term lease receivables	2,074	(13,089)
(Increase) in current portion of lease receivable	(133)	(1,600)
Decrease (Increase) in trade and other receivables	784	(156)
Decrease (Increase) in GST receivable	187	(102)
Net cash from operating activities	$ 1,841	$ 843
Net increase in cash position	1,841	843
Cash position, beginning of period	3,579	2,736
Cash position, end of period	$ 5,420	$ 3,579
Cash position consists of:		
Cash	$ ---	$ ---
Due from General Revenue Fund	5,420	3,579
	$ 5,420	$ 3,579

(See the accompanying notes to the financial statements)

SLGA HOLDING INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

1. Description of Business

SLGA Holding Inc. is a corporation located in Canada. The address of SLGA Holding Inc.'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 27, 2021.

(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. These estimates and assumptions are based on several factors, including historical experience, current events including, but not limited to, the COVID-19 pandemic, and actions that SLGA Holding Inc. may undertake in the future, along with other assumptions that SLGA Holding Inc. believes are reasonable under the circumstances. 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.

(e) COVID-19 Impact

The COVID-19 pandemic continues to evolve and the economic environment in which SLGA Holding Inc. operates could be subject to sustained volatility, which could impact SLGA Holding Inc.'s financial results, as the duration of the pandemic, including the possibility of subsequent waves, and the effectiveness of steps undertaken by governments and central banks in response to the pandemic remains uncertain. SLGA Holding Inc. is closely monitoring the effects of the pandemic on its business.

On the advice of the Saskatchewan Health Authority and the Chief Medical Health Officer, VLT's were closed on March 20, 2020 but reopened on July 6th, 2020. Casino operations including slot machines were closed on March 17, 2020 and reopened on July 9th, 2020. A decision was made again to temporarily close casinos including slot machines on December 19, 2020 until further notice which is in line with other jurisdictions in Canada which have temporarily suspended casino operations. SLGA Holding Inc. has assessed the impact of these assets and has determined that no additional impairment has occurred due to the closures.

3. Significant Accounting Policies

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

(a) Adoption of amendments to accounting standards

(i) Adoption of amendments to the Conceptual Framework for Financial Reporting

SLGA Holding Inc. adopted the amendments to the Conceptual Framework for Financial Reporting (The Conceptual Framework) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of The Conceptual Framework, SLGA Holding Inc. has applied The Conceptual Framework prospectively. The amendments provide revisions to the Conceptual Framework, a comprehensive set of concepts for financial reporting. There was no impact to the financial statements upon adoption of the amendments to the framework.

(ii) Adoption of amendments to IAS 1, *Presentation of Financial Statements* and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

SLGA Holding Inc. adopted the amendments to IAS 1, *Presentation of Financial Statements* (IAS 1) and amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) with a date of initial application of April 1, 2020. In accordance with the transitional provisions of IAS 1 and IAS 8, SLGA Holding Inc. has applied the amendments to IAS 1 and IAS 8 prospectively. The amendments refine the definition of material in IAS 1 and align the definitions used across IFRS Standards and other publications. There was no impact to the financial statements upon adoption of the amendments to the standards.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

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)
2022-23	$	17,811
2023-24		16,272
2024-25		13,143
2025-26		6,711
2026-27 and subsequent		7,201
Total minimum payments receivable	$	61,138
Current portion	$	18,993
Total	$	80,131

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, April 1, 2019	$	69,899
Additions		15,382
Repayments		---
Balance, March 31, 2020	$	85,281
Additions		(1,070)
Repayments		---
Balance, March 31, 2021	$	84,211

9. 2021 Budget

These amounts represent the budget approved by SLGA Holding Inc. Board of Directors on Sept. 1, 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 $126 thousand (2020- $NIL 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.

Financial Instruments	Classification[1]	Fair Value Hierarchy	2021 (000's) Carrying Amount	2021 (000's) Fair Value	2020 (000's) Carrying Amount	2020 (000's) Fair Value
Due from General Revenue Fund	FVTPL	Level One	$ 5,420	$ 5,420	$ 3,579	$ 3,579
Trade and other receivables	AC	N/A	2	2	786	786
GST receivables	AC	N/A	31	31	218	218
Trade and other payables	OFL	N/A	130	130	1,096	1,096
Due to SLGA	OFL	N/A	84,211	84,211	85,281	85,281

[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:

	2021 (000's)	2020 (000's)
Due from General Revenue Fund	$ 5,420	$ 3,579
Trade and other receivables	2	786
Lease receivable	80,131	82,072
	$ 85,553	$ 86,437

As of March 31, 2021, 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 $24 thousand (2020-$116 thousand gain) 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 - 2021
(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	$ 130	$ 130	$ 130	$ ---	$ ---	$ ---	$ ---
Due to SLGA	84,211	84,211	84,211	---	---	---	---
	$ 84,341	$ 84,341	$ 84,341	$ ---	$ ---	$ ---	$ ---

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	$ ---	$ ---	$ ---	$ ---

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

	2021	2020
Authorized		
Unlimited voting common shares with no par value		
Issued and outstanding		
1 common share	$ ---	$ ---
	$ ---	$ ---

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, and cannabis licensing, registration, and cancellation/suspension matters within SLGA's jurisdiction, including its jurisdiction over SaskGaming and SIGA casinos, horse racing, off reserve charitable gaming, liquor permittees and cannabis permittees;
b) decisions of SIGA casino operators and SaskGaming respecting involuntary casino bans of patrons from their casinos;
c) decisions of the Indigenous Gaming Regulator (IGR) respecting registration and cancellation of on-reserve charitable gaming such as bingo.

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

As well, the Commission reviews objections by the public to the granting of liquor permits. The Commission may decline to hear objections to liquor applications which are competition based, frivolous or vexatious.

The Commission provides written decisions on the merits of all hearings. Decisions are a matter of public record and are maintained in the office of the Commission Registrar.

In order to accommodate the public, hearings are held each month, alternating between Saskatoon and Regina. As a result of COVID-19 concerns and restrictions, in 2020-21 only one (1) hearing was held. That was in Regina, November, 2020 to review sanctions assessed by SLGA for liquor permit violations.

The Commission members as of March 31, 2021:

- 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

2020-21 Results at a glance

SLGA net income	$360.6M
SIGA net income	($18.6)M
Total liquor sales	$691.0M
Liquor net income	$288.0M
VLT net income	$104.5M
VLT site commission	$44.1M
Number of SLGA employees	633
Number of SLGA Retail Inc. liquor stores	35
Number of communities with SLGA Retail Inc. stores	24
Number of active liquor Retail Store Permittees	625
Special order listings	6,377
Total SLGA distributed products	9,066[4]
Privately distributed products	762
Total retail products available	9,816
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	4,193
Number of communities with VLTs	274
Number of businesses with VLTs	571
Number of active commercial liquor permittees	2,980
Number of special occasion permits issued	529
Number of cannabis retail store permits issued	72
Number of cannabis wholesale permits issued	4
Number of cannabis licensed producer registrations	113
Number of sanctions (liquor, gaming, cannabis and horse racing)	133
Number of registered gaming employees	2,116
Number of registered gaming suppliers	114
Total number of bingo, raffle, breakopen, charitable gaming event, Texas Hold'em, and Monte Carlo licences	2,336
Number of bingo halls	9
Total gross bingo sales	$5.4M
Total gross raffle sales	$56.0M
Total gross breakopen sales	$0.9M
Total gross charitable gaming event sales	$19.7M
Total net proceeds to charity (bingo, raffle, Texas Hold'em and Monte Carlo)	$25.6M
Total grants paid to charitable gaming licensees	$5.4M

All data as of March 31, 2021

[4] This total includes the number of special order products noted in the line above.